

Henderson Ridge Consulting, Inc.

***2088 Sylvania Drive
Decatur, Georgia 30033
678.478.0295
E-mail: wbarta@comcast.net***

July 23, 2018

Louisiana Public Service Commission
Kim Trosclair
Melissa Watson – Deputy General Counsel
602 North Fifth Street (Galvez Building)
P.O. Box 91154
Baton Rouge, Louisiana 70821-9154

Re: RFP 18-13

In re: Docket No. S-34879
Atmos Energy Corporation, ex parte
Petition Requesting Renewal of the Asset Management Plan for the Period of April 1, 2019 through March 31, 2024.

Dear Kim and Melissa:

Henderson Ridge Consulting is pleased to respond to the Louisiana Public Service Commission’s (“LPSC” or “the Commission”) June 29, 2018 Request For Proposals (“RFP”) for independent technical consultants to assist the Commission in reviewing the request of Atmos Energy Corporation (“Atmos” or “the Company”) to renew the Asset Management Agreement (“AMA”) for the period of April 1, 2019 through March 31, 2024.

Henderson Ridge Consulting is experienced with the filings and applications of the Atmos Energy Corporation’s gas local distribution companies.¹ We have conducted Purchased Gas Adjustment audits of TransLa and LGS as well the evaluation of the two companies’ Rate Stabilization Clause filings. Particularly germane to the scope of the engagement for this RFP, we have worked with Staff in the renewal and modifications of CenterPoint Energy’s AMA.²

¹ The Louisiana regulatory divisions of Atmos Energy Corporation include Trans Louisiana Gas (“TransLa”) and Louisiana Gas Service (“LGS”).

² See the report prepared by Henderson Ridge Consulting, Inc. in LPSC Docket No. S-33828.

Scope of Representation

Henderson Ridge Consulting has developed a cost-effective work plan that builds upon our experience of examining the request of CenterPoint Energy to renew its AMA. We will undertake a comprehensive review of all of the transactions made under the AMA for each month of the review period and our work plan will ensure that the scope of services identified in the Commission's Request For Proposal (see Section I, Scope of Representation) is fulfilled. The emphasis of the review is to ensure that the utilities' customers continue to be protected from potential risks of the Asset Management Agreement and equitably share in any benefits that may be realized.

The review will result in a report that presents the findings, conclusions, and recommendations of the investigation, including modifications to the AMA that can offer the customers of AMA greater protection and more stability under the AMA.

Period of Representation

We estimate that the time period necessary to complete the audit is six to twelve months.

Proposed Work Plan of Henderson Ridge Consulting

Henderson Ridge Consulting will review the Asset Management Agreement that Atmos proposes to be in effect for the next five year period. We will contrast and compare the terms and conditions of the proposed Asset Management Agreement with the existing Asset Management Agreement that the Commission approved in Docket No. S-32919. We will evaluate the reasonableness of the changes to the Asset Management Agreement and conduct extensive analyses of the guaranteed payments, the payments under any bonus sharing provisions, the Gas Inventory Charges that are assessed, and the calculation of the return reduction due to a reduced rate base. Our objective is to ensure that the terms and conditions of the proposed Asset Management Agreement remain

equitable to the customers of Atmos' Louisiana regulatory divisions as the Commission determined to be the case when it issued its approval of the existing Asset Management Agreement in Docket No. S-32919

The major services, procedures, and tests that will be performed include:

- Examine the changes to the existing Asset Management Agreement approved by the Commission in Docket No. S-32919;
- Prepare formal discovery and review responses;
- Perform a review of the guaranteed payments that the Louisiana regulatory divisions of Atmos have received under the existing Asset Management Agreement;
- Perform a review of the payments that the Louisiana regulatory divisions of Atmos have received under the any bonus sharing provisions that are included in the existing Asset Management Agreement;
- Conduct an analysis of the calculated RSC return reduction due to a reduced rate base that has been realized since the existing Asset Management Agreement has been in effect;
- Perform a review of the Gas Inventory Charges that the Louisiana regulatory divisions of Atmos have been assessed under the terms of the existing Asset Management Agreement;
- Conduct an analysis of how the costs and benefits would have been determined in prior years if the proposed Asset Management Agreement had been in effect;
- Meet and hold conference calls with Staff and Atmos representatives;
- Prepare final report and/or prefiled testimony;
- Stand cross examination at Commission hearings;
- Attend Business and Executive Session;
- Assist Staff counsel in the drafting of motions, briefs, and orders; and

Experience of Henderson Ridge Consulting

The extensive utility experience of Henderson Ridge Consulting and our familiarity with Atmos Energy Corporation's gas local distribution companies makes the firm particularly well-suited to conduct the evaluation of the proposed AMA. As mentioned, Henderson Ridge Consulting completed audits of TransLa's and LGS' PGA filings for the period as well as the evaluation of the companies' most recent Rate Stabilization Clause annual filings. Importantly, we are also experienced with the structure and terms of Asset Management Agreements.

Mr. Barta is a Certified Public Accountant and is experienced in analyzing the operations and books and records of utility companies. This experience covers (1) appropriate accounting standards and practices for utilities, (2) appropriate ratemaking adjustments to the utility's accounting records, (3) appropriate allocations of costs to base rates and fuel charges, (4) recoverable expenses for ratemaking purposes, and (5) utility taxation issues.

A firm resume has been attached to our response to the proposal which provides further background on our firm's experience and qualifications.

Minimum Requirements

Henderson Ridge Consulting is experienced in analyzing the operations and the books and records of electric utilities, local gas distribution companies, telecommunications carriers, and water and wastewater companies under the jurisdiction of the Louisiana Public Service Commission. This experience has been applied for the purpose of setting just and reasonable rates in the recovery of costs from ratepayers.

As discussed in the Experience section of our proposal, Henderson Ridge Consulting is very familiar with the ratemaking treatment and principles specific to TransLa and LGS, including charges assigned from and allocated by affiliates. We are also experienced in conducting evaluations of AMAs.

*Louisiana Public Service Commission
Request for Proposal 18-13
July 23, 2018*

Henderson Ridge Consulting has reviewed the list of Minimum Requirements identified in Section III of the Commission's RFP. Our firm is experienced with each of the Minimum Requirements and can readily satisfy this group of professional standards that the Commission expects of its expert consultants.

Estimate of Cost

Henderson Ridge Consulting anticipates that the review of the AMA proposed by Atmos for the period of April 2019 through March 2024 will require a total of \$27,150.00 in professional fees for the project based upon an hourly rate of \$150 for William Barta. Travel-related expenses are anticipated to be \$800.00 for a total budget of \$27,950.00.

Conflict of Interest

Henderson Ridge Consulting has no current assignments, or any prior assignments, that could pose any conflicts of interest, or the appearance of such conflicts, including, but not limited to, any work performed on behalf of the Louisiana Public Service Commission.

I appreciate the opportunity to respond to the RFP and to continue our relationship with the Commission and its Staff.

Sincerely,

William Barta
Principal