

Henderson Ridge Consulting, Inc.

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December 3, 2019

Louisiana Public Service Commission
Kathryn Bowman
Executive Counsel
602 North Fifth Street (Galvez Building) (70802)
P.O. Box 91154
Baton Rouge, Louisiana 70821-9154

Re: RFP No. 19-20 – Docket Nos. TBD
Atmos Energy Corporation, ex parte.
In re: 2019 Rate Stabilization Clause filing for Trans Louisiana Gas rate division.
In re: 2019 Rate Stabilization Clause filing for LGS Gas rate division.

Dear Kathryn,

Henderson Ridge Consulting is pleased to respond to the November 1, 2019 Request For Proposal to assist the Staff of the Louisiana Public Service Commission (“LPSC” or “the Commission”) in the review of the annual Rate Stabilization Clause (“RSC”) filings submitted by the two Louisiana regulatory divisions of Atmos Energy Corporation (“Atmos” or “AEC”): Louisiana Gas Company (“LGS”) and Trans Louisiana Gas Company (“TLA”). As noted in the RFP, TLA is required to make its annual RSC filing by December 31st of each year for the test year ending on the preceding September 30th and LGS must submit its annual filing by March 31st of each year for the test year ending on the preceding December 31st.

Scope of Representation

As defined in the RFP, the consultant retained by the Commission will undertake an examination of the annual RSC filings submitted by TLA and LGS for each utility’s test year. Due to the pending nature of Atmos’ request to consolidate the two Louisiana rate divisions that is currently being addressed in LPSC Docket No. U-35122, the scope of representation may be modified. In the event that the matters being deliberated in Docket

No. U-35122 are concluded in a timely fashion that allows Atmos to submit a consolidated RSC filing of the two rate divisions, then the consultant will be required to examine only the consolidated 2019 test year filing.

Summary of Work Plan

In the matter of the two utilities' annual RSC filings, Henderson Ridge Consulting will conduct a comprehensive review of reported test year earnings and determine whether or not the determination of the revenue requirement, the allocation of costs and investment from other divisions and headquarters, and the proposed revenue adjustment are consistent with the terms of the RSC as approved by the Commission. In addition to our evaluation of the utilities' Per Books and RSC-adjusted earnings, we will determine whether additional adjustments should be made to the test year results for extraordinary and/or unusual items and expenses that are not appropriate for recovery from ratepayers.

The major services, procedures, and tests that will be performed include but are not limited to:

- Examine the documentation in support of each adjustment made by TLA and LGS to the test year results;
- Confirm the accuracy of each adjustment made by TLA and LGS;
- Prepare formal discovery and review responses;
- Perform a detailed review of the test year trial balance and general ledger activity for each utility;
- Conduct tests of accounts and examine documentation in support of specific transactions;
- Perform trend analyses of major expense categories in order to identify year-to-year swings in reported activity; and
- Perform common size analyses of certain balance sheet and income statement accounts.

Additional services to be provided that are common to both annual RSC filing reviews and include:

- Meet and hold conference calls with the Staff and Atmos representatives;
- Prepare final report and/or testimony in support of recommendations;
- Attend Business and Executive Session; and
- Provide general support services throughout the engagement.

Experience of Henderson Ridge Consulting

Henderson Ridge Consulting is very familiar with the filings of the Louisiana regulatory divisions of AEC. Most importantly, our firm is currently serving as the Commission’s consultant in Docket No. U-35122 – the pending proceeding that is evaluating the Application of Atmos to consolidate the two Louisiana rate divisions. The determinations reached by the Commission in Docket No. U-35122 will decide whether the consultant will review the separate RSC filings submitted by TLA and LGS or one RSC filing of a consolidated Louisiana regulatory division.

Our firm is experienced with the annual RSC filings submitted by Atmos: we conducted the evaluation of the TLA and LGS RSC filings for the 2017 test year. In addition, we have performed audits of the monthly Purchase Gas Adjustment (“PGA”) filings of TLA and LGS, including the most recent consolidated PGA filing covering the audit period of April 2016 – March 2018. Our firm has also worked with the two Atmos regulatory divisions on hedging practices and programs, including the renewal of the most recent Asset Management Agreement.

Henderson Ridge Consulting has assisted Staff in the Rate Stabilization Plan filings of the two CenterPoint Louisiana regulatory divisions. We have also worked with Staff in the evaluation of CenterPoint Entex’s request to amend an existing Asset Management Agreement. In addition, we have conducted PGA audits of the CenterPoint utilities as well as Entergy Gulf States Louisiana, L.L.C.’s monthly PGA filings.

A firm resume has been attached to the proposal and provides further background on our experience and prior engagements. Our firm has been retained by the Louisiana Public Service Commission over the last twenty five years to assist Staff in numerous dockets covering the myriad requests, issues, and audits of utilities under the Commission’s jurisdiction. These engagements have involved gas local distribution companies, electric utilities, telecommunications service providers, and water and wastewater utilities.

Minimum Requirements

Henderson Ridge Consulting is experienced in analyzing the operations and the books and records of gas local distribution companies, electric utilities, telecommunications service providers, and water and sewer companies under the jurisdiction of the Louisiana Public Service Commission. This experience has been applied for the purpose of setting just and reasonable rates. To that end, the firm has experience with several approaches to determine the utility's revenue requirement and under different forms of regulatory oversight.

As discussed in the Experience section of our proposal, Henderson Ridge Consulting is very familiar with the ratemaking treatment and principles specific to gas local distribution companies. We have reviewed the list of minimum requirements identified in Section IV (A) through (J) of the Commission's RFP. Our firm is experienced with each of the minimum requirements and can readily satisfy this group of standards that the Commission expects of its consultants.

Estimate of Cost

Henderson Ridge Consulting anticipates that the review of the annual RSC filings submitted by TLA and LGS can be conducted in a cost-effective manner. The professional fees for the project are estimated at \$23,250.00 for the review of each annual RSC filing for TLA and LGS. The total professional fees of \$46,500.00 for the two separate reviews are based upon an hourly rate of \$150 for William Barta. Travel-related expenses are anticipated to be \$1,200.00 for each utility's RSC filing, or \$2,400.00 in total, for a total project budget of \$48,900.00.

In the event that the Commission approves the request of Atmos to consolidate the two rate divisions in Docket No. U-35122 and only the consolidated RSC filing for the 2019 test year is to be evaluated, the proposed budget is \$28,650.00 in professional services and \$1,200.00 in travel-related and other expenses for a total budget of \$29,850.00.

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.

Henderson Ridge Consulting appreciates the opportunity to respond to the RFP and to continue its relationship with the Commission and its Staff.

Sincerely,

William Barta
Principal

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SERVICES PROVIDED:

Henderson Ridge Consulting, Inc. is a regulatory consulting firm founded in 1996. The firm's practice addresses the traditional regulatory matters (e.g. earnings investigations, affiliate transaction reviews, fuel adjustment clause audits, etc.) that routinely confront regulators in the electric, gas, telecommunications, and water and wastewater utility industries. In addition, the firm has increasingly focused its work on the technical and policy issues challenging the regulatory authorities overseeing the competitive developments occurring within the telecommunications, gas, and electric utility industries.

EXPERIENCE:

Electric Utility Industry:

- Monitoring of competitive solicitation process of electric utility's Request For Proposals for long-term, supply-side resources
- Reviewing and developing pole attachment rates that may be applied for the purpose of charging third party attachers. Extensive experience with the Federal Communications Commission Pole Attachment rate formula. Served as mediator for pole attachment disputes
- Certification of electric utility's self-build generating facilities as serving the public interest
- Prudence audits of generating plant environmental retrofits
- Evaluation of proposed long-term Purchased Power Agreements to meet capacity deficits
- Earnings investigations of major investor-owned utilities, generation and transmission cooperative, and distribution cooperatives
- Earnings investigations conducted under various approaches including traditional rate base/rate-of-return, TIER, cash flow requirements studies, and Formula Rate Plans
- Financial and public interest assessment of Waste Heat Recovery generation facility
- Cost-Benefit Analyses of integration into Regional Transmission Organizations
- Public interest determination of transfer of control of transmission facilities
- Evaluation of Integrated Resource Plans
- Financial and regulatory policy assessment of proposed renewable generation projects
- Evaluation of investor-owned utilities transmission expansion plans and upgrades

Louisiana Public Service Commission

RFP No. 19-20

Atmos Energy Corporation RSC Filings of TLA and LGS (2019 Test Year)

December 3, 2019

- Evaluation of electric service provider Smart Grid network infrastructure investments, customer service enhancements, and retail program initiatives
- Development of nuclear decommissioning revenue requirement
- Evaluation of long term Power Supply and Services Agreements for certification
- Storm restoration cost audits
- Rulemaking to develop “best practices” for storms and other disasters
- Fuel Adjustment Clause audits of investor-owned utilities
- Nuclear generating facility siting and licensing evaluation
- Management audits of Gulf States Utilities, Inc., generation and transmission cooperative and distribution cooperatives
- Merger analyses of Entergy-Gulf States Utilities, Inc.
- Affiliate transaction audits
- Demand Side Management program analyses

Natural Gas Industry

- Purchased Gas Adjustment audits of local distribution companies
- Evaluation of fuel procurement and hedging practices
- Fair and reasonable cost of capital
- Evaluation of Asset Management Agreements
- Review of Rate Stabilization Plan Annual Filings
- Evaluation of proposed consolidation of regulatory divisions
- Design of terms and conditions of Rate Stabilization Clause plans

Telecommunications Industry

- Earnings investigations of major investor-owned utilities, independent local exchange carriers, and telephone cooperatives conducted under various approaches
- Price cap regulation reviews and alternative regulation assessments
- Biennial compliance audits of local exchange carriers
- Reactive audits of rural incumbent local exchange carriers
- Affiliate transaction audits
- Addressed policy and technical issues in regulatory proceedings initiated in response to the pro-competitive mandates of the 1996 Act. Subject areas include universal service and access charge reform, interim and permanent pricing for local interconnection and unbundled network elements, avoided retail cost studies for resale purposes, evaluation of local number portability cost studies, assessment of Contract Service Arrangements, and mediation of joint use pole disputes
- Financial review of special State regulatory funds (e.g. access funds, Telecommunications Relay Service fund) including implementation of accounting system to track contributions and disbursements from the funds
- Structuring of Louisiana State Universal Service Fund
- Retail Service Quality Measurements rulemaking

Louisiana Public Service Commission

RFP No. 19-20

Atmos Energy Corporation RSC Filings of TLA and LGS (2019 Test Year)

December 3, 2019

Water and Wastewater Utility Industry:

- Earnings investigations
- Affiliate transaction reviews
- Prospective financial statement studies
- Rate design support to ensure compliance with bond covenants
- Formula Rate Plan design
- Project administration and oversight of expenditures
- Public interest determination for transfer of control and ownership requests
- Valuation of assets in a business combination (under GAAP) and determination of rate base (for ratemaking purposes)
- Phased rate increases for recovery of planned capital improvements

AUDITING EXPERIENCE:

- Fuel Adjustment Clause audits
- Purchased Gas Adjustment audits
- Prudence audits
- Compliance audits
- Reactive audits
- Affiliate transaction audits
- Storm restoration cost audits
- Management audits
- Attestation of accuracy of semi-annual bond securitization true-ups
- Avoided cost audits in support of payments to Qualifying Facilities
- Federal Environmental Adjustment Clause audits

REGULATORY CLIENTS SERVED:

Henderson Ridge Consulting, Inc. has served a diverse range of clients including the State regulatory authorities of:

- Louisiana Public Service Commission
- Georgia Public Service Commission
- Nevada Public Utilities Commission

References are available upon request.

EXPERT TESTIMONY PROVIDED IN THE FOLLOWING JURISDICTIONS:

California	Florida	Georgia
Louisiana	Mississippi	Nevada
Ohio	North Carolina	Tennessee
	South Carolina	Texas