

**J. KENNEDY  
AND  
ASSOCIATES, INC.**

**PROPOSAL TO THE  
LOUISIANA PUBLIC SERVICE COMMISSION**

**IN RESPONSE TO RFP 19-20**

**DOCKET NOS. TBD**

**ATMOS ENERGY CORPORATION  
TRANS LOUISIANA GAS RATE DIVISION  
AND LGS GAS RATE DIVISION**

**IN RE: 2019 RATE STABILIZATION CLAUSE FILING FOR TRANS  
LOUISIANA GAS RATE DIVISION AND LGS GAS RATE DIVISION**

**570 Colonial Park Drive  
Suite 305  
Roswell, Georgia 30075  
770-992-2027**

**DECEMBER 3, 2019**

## **Executive Summary**

J. Kennedy and Associates, Inc. (“Kennedy and Associates”) is pleased to submit this proposal to assist the Louisiana Public Service Commission Staff (“LPSC” or “Commission” and “Staff”) in its review of Atmos Energy Corporation’s (“Atmos”) 2019 Rate Stabilization Clause (“RSC”) filings for the Trans Louisiana Gas rate division (“TransLa”) in Docket No. TBD and the LGS Gas rate division (“LGS”) in Docket No. TBD for the test years ending September 30, 2019 and December 31, 2019, respectively. Atmos is expected to make the TransLa filing on or before December 31, 2019 in accordance with Order No. U-28814 Consolidated (Corrected) dated July 19, 2006 and the LGS filing on or before March 31, 2020 in accordance with Order No. U-32987 dated June 30, 2014.

Kennedy and Associates is well qualified to assist the Commission in the reviews of these filings in a knowledgeable and efficient manner. We already are familiar with Atmos and the TransLa and LGS rate divisions, including their RSC filings and Purchased Gas Adjustment (“PGA”) filings; their accounting and allocation practices, including their shared services divisions that allocate costs to the TransLa and LGS rate divisions; and their external reporting, and annual rate reporting and rate change filings.

Our firm has developed RSCs and formula rate plans (“FRP”) for several of the utilities subject to the Commission’s jurisdiction, and we have assisted the Commission Staff in the annual reviews of the filings pursuant to those formula rate plans. For example, we assisted Staff in the development of an FRP for Southwestern Electric Power Company (“SWEPCO”) and the review of several annual FRP rate filings. We also assisted the Staff in the development of FRPs for several cooperatives (Dixie Electric Membership Cooperative, Inc. (“DEMCO”), South Louisiana Electric

Cooperative Association (“SLECA”), and Claiborne Electric Cooperative Inc. (“Claiborne”), and in the reviews of the annual FRP filings by these and other cooperatives.

In addition, we have assisted the Staff in setting base rates for Entergy Gulf States, Inc., Cleco Power, LLC, and Cajun Electric Power Cooperative, Inc. We have assisted Staff with its review of the PGA filings for TransLa and LGS, CenterPoint Energy Arkla, CenterPoint Energy Entex, and Entergy Louisiana LLC.

Once we are engaged by the Commission, we will thoroughly assist Staff in reviewing the two RSC filings to determine if the Company has complied with the requirements set forth in the Commission’s RSC Orders and whether the rate changes, if any, are correct, just and reasonable.

In this proceeding, we will review all filings and workpapers, conduct discovery, participate in meetings with the Commissioners, Staff and other parties as requested, perform analyses, and if we identify any issues, we will endeavor to work closely with Atmos to reach mutually acceptable resolutions to the issues. However, in the event that it becomes necessary to litigate any matter, we will develop expert testimony, testify at hearing, and provide any other requested regulatory support services, such as assisting in the preparation of cross examination, and helping to draft motions, exceptions, briefing materials, and Commission orders.

### **Budget to Perform These Services**

Kennedy and Associates proposes a budget of \$33,900 consisting of \$33,100 for consulting services and \$800 for expenses for both dockets, or \$16,950 in each docket, consisting of \$16,550 for consulting services and \$400 for expenses. Our services will be billed based on the hourly billing rates attached to this letter. We will not increase these hourly billing rates without authorization from the Commission. We will invoice monthly for our services based on actual hours worked and actual expenses incurred. We will not exceed the total services and expense

budgets based on the scope of work outlined without authorization from the Commission. Furthermore, we acknowledge that any expenses charged will be within the Commission's standard expense allowances.

### **Kennedy and Associates Qualifications**

Kennedy and Associates is well qualified to assist the Staff in this docket due to our familiarity with Atmos and all Louisiana ratemaking mechanisms, including the RSC. In addition, our firm has provided extensive consulting assistance to the Staff in dozens of other proceedings involving nearly all of the electric and natural gas utilities in the state. These proceedings have involved rulemakings, acquisitions, rate cases, fuel clause audits, purchased gas adjustment clause audits, and affiliate transactions. Our experience and the expert appearances of our consultants are detailed in our Qualifications package, a copy of which is enclosed with our proposal.

Kennedy and Associates meets all professional qualification requirements specified in the Commission's RFP for technical consultants. Second, our firm has been involved in hundreds of regulatory proceedings since its formation, with our principals having provided expert testimony on several hundreds of occasions. These proceedings have included analyzing the operations, books, and records of utility companies for the purpose of setting just and reasonable rates, addressing affiliate transactions and cost-sharing among utility affiliates (regulated and non-regulated), fuel recovery through fuel adjustment clause and purchased gas adjustment clause filings, the base ratemaking process, and addressing various intercompany system agreements. Our principals and consultants are experienced and have filed testimony on the following subjects, among others:

1. Appropriate accounting standards and practices for natural gas utilities, public utility accounting, and generally accepted auditing standards;
2. The appropriate ratemaking adjustments to be made to the utility's accounting records;

3. The determination and calculation of the appropriate rate base of utility plant investment dedicated to providing service;
4. Traditional cost-of-service and cost allocation methodologies supporting the revenue requirements among classes of customers;
5. The cost allocation methodologies for the allocation of investment and expenses between affiliates, including the relationship of the holding company to its subsidiary operating companies, the transfer of investment and costs between operating companies, and the provision of services between affiliates;
6. Cost of capital, including capital structure, cost of debt, cost of equity and rates of return;
7. Just and reasonable costs and prudent investments associates with providing reliable and quality service as recommended by NARUC; and
8. Depreciation and taxation

### **Kennedy and Associates Project Team**

Mr. Lane Kollen, Vice President, CPA, CMA, CGMA will manage this project. He will be assisted by other Kennedy and Associates personnel as appropriate, including Mr. Randy Futral and Mr. Richard Baudino. Mr. Kollen, Mr. Futral and Mr. Baudino, as well as the other Kennedy and Associates consultants, are experienced regulatory consultants and have performed numerous audits and reviews in conjunction with the Staff. Mr. Kollen, Mr. Futral, and Mr. Baudino have all testified on regulatory matters on numerous occasions in multiple jurisdictions, including the Commission.

Mr. Kollen, Vice President, has several decades of experience in nearly all facets of utility operations, including the design and review of ratemaking mechanisms such as the RSC. In addition, he is an expert in the financial, rate, tax, and planning areas. He specializes in revenue requirements analyses, taxes, evaluation of rate and financial impacts of traditional and nontraditional ratemaking, utility mergers/acquisitions and diversification. Mr. Kollen has expertise in various software systems used by utilities for budgeting, rate case support and strategic and financial planning. Mr. Kollen has testified on hundreds of occasions before state and federal

regulatory commissions and courts on utility matters. Mr. Kollen's regulatory experience is described further in his biography attached to this proposal, and his extensive expert testimony and appearances are detailed in the enclosed Qualifications package.

Mr. Randy Futral, Manager, Consulting, is an expert on utility ratemaking and analyses, including electric and gas utilities and cooperative electric utilities. He has performed numerous audits in conjunction with the Staff, including several annual FRP filings made by SWEPCO and by Louisiana cooperative electric utilities such as DEMCO, SLECA, Claiborne, and Beauregard, fuel adjustment clause filings for ELL and SWEPCO and Cleco Power, LLC., PGA filings made by ELL and by divisions of Atmos Energy Corporation and CenterPoint Energy Resources Corp. He has also participated and filed testimony in numerous proceedings before the Federal Energy Regulatory Commission in regards to Entergy's wholesale tariffs and its accounting. Mr. Futral's regulatory experience is described further in his biography attached to this proposal and his expert testimony and appearances are detailed in the enclosed Qualifications package.

Mr. Richard Baudino, Consultant to Kennedy and Associates, also has expertise in cooperative electric utility ratemaking, regulatory finance and accounting, and formula rate plans. More specifically in Louisiana, Mr. Baudino assisted the Staff in numerous management audits of distribution utilities and in FAC audits involving SWEPCO and ELL. In addition, Mr. Baudino assisted the Commission in the development of the service quality improvement program for SWEPCO in Louisiana. Mr. Baudino's regulatory experience is described further in his biography attached to this proposal and his extensive expert testimony and appearances are detailed in the enclosed Qualifications package.

### **Action Plans and Timelines**

Kennedy and Associates is prepared to begin work on this project immediately upon being retained by the Commission. We have developed the following Action Plan and Timeline for the major activities in this proceeding. We will assist the Staff in the following actions:

1. Review the Company's filing and workpapers.
2. Prepare discovery and review responses.
4. Determine the reasonableness of the RSC filings and proposed rate changes, if any. This includes reviewing the filings, conducting discovery, performing analyses, and identifying issues.
5. Develop recommendations and quantify the effects of proposed adjustments, if any.
6. Negotiate with Atmos to address recommendations and resolve proposed adjustments, if any, and to develop a Settlement Agreement, if possible.
7. Develop testimony, either to support a Settlement Agreement with Atmos, if there is a settlement, or to litigate unresolved issues.
8. Assist Staff counsel in preparation for hearing, testify at hearing, and provide all other requested regulatory support services.
10. Assist Staff at the Commission's B&E, if requested.

We anticipate that we can complete the evaluation of the TransLa and LGS RSC filings over a three to six-month period.

### **No Conflicts of Interest**

Kennedy and Associates has no known conflicts of interest in representing the Louisiana Public Service Commission in this proceeding and none of the Project Team members presently represent other clients before the Commission. Kennedy and Associates does not represent investor-owned gas or electric utilities.

## **RESUME OF LANE KOLLEN, VICE PRESIDENT**

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### **EDUCATION**

**University of Toledo, BBA (Accounting)**  
**University of Toledo, MBA**  
**Luther Rice University, MA**

### **PROFESSIONAL CERTIFICATIONS**

**Certified Public Accountant (CPA)**  
**Certified Management Accountant (CMA)**  
**Chartered Global Management Accountant (CGMA)**

### **PROFESSIONAL AFFILIATIONS**

**American Institute of Certified Public Accountants**  
**Georgia Society of Certified Public Accountants**  
**Institute of Management Accountants**  
**Society of Depreciation Professionals**

### **EXPERIENCE**

Mr. Kollen has nearly forty years of utility industry experience in nearly every facet of utility planning, performance, and operations, including the financial, accounting, rate, tax, and financing areas. He has conducted prudence and operational audits on behalf of utilities and regulatory commissions; participated in and reviewed mergers and acquisitions on behalf of utilities and regulatory commissions; conducted performance and financial analyses on behalf of utilities and regulatory commissions; developed and reviewed alternative and performance based ratemaking plans; performed traditional ratemaking evaluations and filed reports and/or provided expert testimony before state and federal courts and regulatory commissions on hundreds of occasions addressing prudence and restructuring, including staffing levels and organizational structure; mergers, acquisitions, and divestitures; contract performance; revenue requirements; taxes; depreciation; financing; operation and maintenance expense; reliability; cost of service; and other issues. Mr. Kollen also is experienced in various proprietary and nonproprietary software systems used by utilities for budgeting, rate case support and strategic and financial planning.

**J. Kennedy and Associates, Inc. (1986 to Present):** Vice President and Principal. Mr. Kollen provides consulting services that address planning, performance, operational, financial, accounting, and tax issues. Clients include state regulatory commissions and other government agencies, large users of electricity, natural gas, water, and steam.

**Energy Management Associates (1983 to 1986):** Lead Consultant, Product Manager. Mr. Kollen provided consulting services to electric and natural gas utility clients throughout the country in numerous planning, financial, accounting, and budgeting areas. In addition, he used and developed proprietary software tools widely used throughout the regulated utility industry.

**The Toledo Edison Company (1976-1983):** Planning Supervisor, Auditor, Accountant. Mr. Kollen was engaged in financial planning activities, including generation expansion planning; construction monitoring; capital and expense budgeting; evaluation of tax law changes; rate case strategy and support; production cost and financial modeling; and operational and financial audits.

## RESUME OF RANDY A. FUTRAL, MANAGER OF CONSULTING

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### EDUCATION

**Mississippi State University, BBS in Business Administration  
Accounting**

### EXPERIENCE

Mr. Futral has nearly thirty years of utility and related industry experience in the areas of management, accounting, budgeting, forecasting, financial reporting, ratemaking, tax, banking, and both as a management employee and as a consultant. He has conducted utility revenue requirements analyses, affiliate transaction auditing and analysis, fuel adjustment clause auditing, purchase gas adjustment auditing, environmental adjustment clause auditing, and research involving tax and public reporting matters. He has filed reports and/or testimony before state and federal courts and regulatory commissions on numerous occasions addressing revenue requirements, tariff development and compliance, operation and maintenance expenses, and other issues.

**J. Kennedy and Associates, Inc. (2003 to Present):** Manager of Consulting. Mr. Futral provides consulting services that address compliance, performance, and operational issues. Clients include state and regulatory commissions and other government agencies as well as large users of electricity and natural gas.

**Telscape International, Inc. (1997 – 2003):** Corporate Assistant Controller and Corporate Controller. Mr. Futral had complete responsibility and accountability for the accounting and financial functions of a \$160 million newly public company providing telecommunication and high-end internet access services. Telscape served as a telephony carrier of services domestically and to Latin and Central America targeting other service carriers as well as individuals. Mr. Futral reported directly to the CFO and managed a staff of eleven.

**Comcast Communications, Inc. (1988 - 1997):** Regional Senior Financial Analyst, Regional Assistant Controller and Regional Controller. Mr. Futral had complete responsibility and accountability for the accounting functions of a \$2.1 billion regional division of then the world's third largest cable television provider serving approximately 490,000 subscribers. Mr. Futral reported to the Regional VP of Finance and managed a staff of twelve.

**Storer Cable Communications, Inc. (1987 – 1988):** Senior Accountant for Operations. Mr. Futral had responsibility for the accounting, budgeting, and forecasting activities of this 82,000 subscriber area for this cable television concern that was acquired by Comcast listed above.

**Tracey-Luckey Pecan & Storage, Inc. (1986 – 1987):** Senior Accountant

**Tarpley & Underwood, CPA's ( 1984 – 1986):** Staff Accountant

## **RESUME OF RICHARD A. BAUDINO, CONSULTANT**

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### **EDUCATION**

**New Mexico State University, M.A.**  
Economics

**New Mexico State University, B.A.**  
Economics, English

### **EXPERIENCE**

Mr. Baudino has more than thirty years of broad-based experience in utility ratemaking, including revenue requirement analysis, cost of capital, utility financing, electric and natural gas utility restructuring and competition; phase-ins, auditing, cost allocation, and rate design. Mr. Baudino has provided expert testimony in one hundred eighty utility rate proceedings. He has significant experience in the development and use of revenue requirement, cost of service, and rate design modeling.

**Baudino Regulatory Consulting, Inc. (2007 to Present).** President. Mr. Baudino has continued his association with J. Kennedy and Associates, Inc. as a Consultant. Mr. Baudino provides consulting services to clients that encompass the following: estimation of the investor required return on equity, capital structure, cost of service analysis for electric, gas, and water utility operations, rate design, and various issues of regulatory policy.

**J. Kennedy and Associates, Inc. (1989 to 2007).** Director of Consulting. Responsible for consulting projects and expert testimony in the areas of revenue requirements, rate design, cost of capital, economic analysis of generation alternatives, fuel cost auditing, gas industry restructuring and competition.

**New Mexico Public Service Commission Staff (1982 to 1989).** **Utility Economist.** Responsible for preparation of analysis and expert testimony in the areas of rate of return, cost allocation, rate design, finance, phase-in of electric generating plants, and sale/leaseback transactions.

**J. Kennedy and Associates, Inc.**  
**Hourly Fee Schedule**  
**For 2019 Atmos Energy Corporation**  
**Rate Stabilization Clause Filings for TransLa and LGS Rate Divisions**

<u>Title</u>	<u>Name</u>	<u>Hourly Rate</u>
President	Stephen J. Baron	\$266
Vice President	Lane Kollen	\$266
Vice President	Philip Hayet	\$266
Director	Richard A. Baudino	\$254
Director	Brian R. Barber	\$254
Manager	Randy Futral	\$254
Senior Consultant	Ann Bruccoliere	\$195
Consultant	Sam Wyrobeck	\$175
Consultant	Brian Kollen	\$160
Analyst	Jessica Inman	\$120

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