

***Henderson Ridge Consulting, Inc.***

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March 3, 2023

Louisiana Public Service Commission  
Kimberly N. O'Brian  
Kathryn H. Bowman  
Office of the General Counsel  
602 North Fifth Street (Galvez Building) (70802)  
P.O. Box 91154  
Baton Rouge, Louisiana 70821-9154

**Re: RFP No. 23-07 – Docket No. U-36658  
*Atmos Energy Corporation, ex parte.*  
*Application for renewal of Rate Stabilization Clause Rider.***

Dear Kim and Kathryn,

Henderson Ridge Consulting, Inc. (“HRC”) and United Professionals Company (“UPC”) are pleased to respond to Request For Proposals 23-07 (“the RFP”). The RFP has been issued to retain an independent consultant to assist the Staff of the Louisiana Public Service Commission (“LPSC” or “the Commission”) in conducting the evaluation of the Application filed by Atmos Energy Corporation (“Atmos” or “the Company”) that has been assigned Docket No. U-36658. The Company’s Application seeks to renew the Rate Stabilization Clause (“RSC”) under which the Louisiana Division of Atmos is regulated by the Commission. The Application filed by Atmos stems from the requirements of Commission Order No. U-35535 – the most recent proceeding in which the terms and conditions of the RSC were examined.

HRC and UPC offers the Commission a team of well-qualified professionals to assist the Commission Staff in the evaluation of Atmos’ Application. Both firms have individuals with long-standing and extensive experience working on behalf of the Commission. Our firms have conducted all types of engagements on behalf of the Commission, including Formula Rate Plan and Rate Stabilization Clause reviews, cost allocation methodologies, the determination of the fair and reasonable cost of capital,

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appropriate ratemaking adjustments, and rate design. Our team is fully prepared to assist Staff in the review of the Company’s Application in Docket No. U-36658.

Based upon our experience with these types of utility filings, we anticipate a complex, contested proceeding and propose the following budget that reflects the appropriate level of commitment to the project:

<b><u>Description</u></b>	<b><u>HRC</u></b>	<b><u>UPC</u></b>	<b><u>Total</u></b>
<u>Review request to renew RSC term</u>			
Professional Fees	\$104,550.00	\$75,000.00	\$179,550.00
Travel and other expenses	<u>3,600.00</u>	<u>1,000.00</u>	<u>4,600.00</u>
Total	\$108,150.00	\$76,000.00	\$184,150.00
<u>Evaluation of each RSC test year filing</u>	(3 test years)		(3 test years)
Professional Fees (\$52,500.00)	\$157,500.00		\$157,500.00
Travel and other expenses (\$1,800.00)	<u>5,400.00</u>		<u>5,400.00</u>
Total (\$54,300.00)	\$162,900.00		\$162,900.00
<u>Total Engagement</u>			
Professional Fees	\$262,050.00	\$75,000.00	\$337,050.00
Travel	<u>9,000.00</u>	<u>1,000.00</u>	<u>10,000.00</u>
Total	\$271,050.00	\$76,000.00	\$347,050.00

**Scope of Representation**

As defined in the RFP, the consultant retained by the Commission will undertake an examination of the Application filed by Atmos. The scope of the examination, at a minimum, will include:

- A review of the Company’s Application, including the prefiled testimony of three witnesses and accompanying exhibits.

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- A review of the modifications proposed by Atmos to the terms and conditions of the current RSC approved by the Commission in Docket No. U-35535;
- A determination of whether other potential modifications to the terms and conditions of the current RSC should be recommended by Staff;
- A reconsideration of the appropriate return on equity that should be authorized for the Company in lieu of an overall rate of return benchmark that was approved by the Commission in Docket No. U-35535;
- The setting of the appropriate earnings bandwidth and sharing mechanism (if any);
- The determination of the appropriate capital structure for setting rates under the RSC;
- An evaluation of how the not-to-exceed operation and maintenance benchmark provision established in Docket No. U-35122 has benefitted ratepayers and whether the adjustment should remain in effect;
- A restructuring of the Extraordinary Cost Provision clause as defined in the current RSC in order to provide more certainty and transparency regarding when that provision may be invoked;
- The incorporation of the requirements of a (future) Commission Order in the ongoing Docket No. X-35937 into the terms and conditions of the upcoming RSC term (test years 2023 – 2025);
- The consultant will support the evaluation of the above (and additional) issues with discovery, analyses, and meetings among the parties as necessary;
- The Commission’s consultant will develop prefiled testimony in support of the Staff recommendations and findings;
- If the Commission approves the renewal of the RSC for a consecutive three-year term, the consultant will conduct the evaluation of each annual RSC test year filing and is expected to undertake all the analyses and satisfy all the commitments for that portion of the engagement as discussed in Section II of the RFP.

**Period of Representation**

The RFP provides guidelines for the time period in which to conduct the review of the Company’s Application to renew the RSC (i.e., 12 months) and the evaluation of each annual RSC test year filing (i.e., 5 months). In recognition that the Company must submit the RSC test year filing on or before March 31<sup>st</sup> for the prior test year ending on December 31<sup>st</sup>, HRC and UPC will strive to complete the initial part of the engagement in sufficient time to allow Atmos to prepare its RSC filing with all Commission authorized modifications by the March 31, 2024 filing deadline.

**Minimum Requirements**

HRC and UPC are experienced in analyzing the operations and the books and records of gas local distribution companies, electric utilities, telecommunications service providers, 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. To that end, our firms have 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, HRC is very familiar with the ratemaking treatment and principles specific to gas local distribution companies and, in particular, the Louisiana Rate Division of Atmos Energy Corporation. HRC and UPC have reviewed the list of minimum requirements identified in Section III (A) through (I) of the Commission’s RFP. Our firms are experienced with each of the minimum requirements and can readily satisfy this group of standards that the Commission expects of its consultants.

**Summary of Work Plan**

HRC and UPC will perform a comprehensive examination of the Company’s Application and determine whether additional modifications to the current terms and conditions of the RSC are appropriate. UPC will focus its efforts on the determination of the fair and reasonable cost of capital, including the capital structure. UPC will also address those issues from Docket No. X-35937 that may affect the fair and reasonable cost of capital to be used for ratemaking purposes in the upcoming RSC.

HRC will concentrate its efforts on the balance of the terms and conditions of the RSC including the merits of implementing an earnings deadband, revisions to prescribed adjustments (including the Not to Exceed O&M Benchmark Adjustment), clarification of the Extraordinary Cost Provision, and other matters related to the terms and conditions of

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the RSC. In addition, HRC will be solely responsible for the evaluation of each RSC test year filing for RSC test years 2023 – 2025.

The major services and analyses that will be performed in the review of the request to renew the RSC for a consecutive three-year term include but are not limited to:

- Review of Company’s Application to renew the RSC for a consecutive three-year term along with the prefiled testimony and accompanying exhibits;
- Prepare formal discovery to gather additional data and evidence and review the Company’s responses to Staff (and intervenor) discovery;
- Meet and hold conference calls with Staff and Atmos representatives, as necessary;
- Draft and prepare prefiled testimony and exhibits in support of Staff’s recommendations;
- Review intervenor prefiled testimony;
- Review and respond to Atmos rebuttal testimony;
- Stand cross examination at Commission hearings;
- Attend Business and Executive Session;
- Assist Staff counsel in the drafting of motions, briefs, orders, and other filings; and
- Provide general support to Staff throughout the engagement.

The major services that will be performed in the evaluation of each RSC test year filing for test years 2023 – 2025 include but are not limited to:

- Review the RSC test year filing of Atmos, including the detailed spreadsheets and other documentation provided by the Company in support of the filing;
- Conduct an in-depth examination of the Company’s cost of service study;
- Prepare formal discovery to gather additional data on the test year activity;
- Perform a detailed review of the most recent year’s general ledger activity for TLA and LGS;
- 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 for TLA and LGS;
- Conduct analyses of cost allocations from other Atmos divisions to the Louisiana Division;
- Prepare final Staff report with recommendations to the Commission;
- Prepare prefiled testimony in support of recommendations in the event that Atmos contests the recommendations found in the Staff report;
- Stand cross examination at Commission hearings, if necessary; and
- Meet and hold conference calls with the Staff and Atmos Energy Corporation representatives;

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- Attend Business and Executive Session;
- Assist Staff counsel in the drafting of motions, briefs, and orders; and
- Provide general support services throughout the engagement.

**Experience of Henderson Ridge Consulting and United Professionals Company**

Henderson Ridge Consulting, Inc. and United Professionals Company are well-qualified to evaluate Atmos’ Application in Docket No. U-36658. Both firms are very familiar with the Louisiana Division of Atmos. As can be seen in the table below, HRC has served as the Commission’s consultant in the most recent proceedings related to Atmos.

<b><u>LPSC Docket No.</u></b>	<b><u>Scope of Engagement</u></b>
S-34879	Renewal of Asset Management Plan
U-34714	TLA RSC 2017 test year filing
U-34803	LGS RSC 2017 test year filing
U-34851	Purchased Gas Adjustment Audit
U-35122	2019 Consolidation of TLA and LGS Application
U-35525	Consolidated Division RSC 2019 test year filing
U-35535	RSC terms and conditions
U-35708	Purchased Gas Adjustment Audit
U-35951	Consolidated Division RSC 2020 test year filing
U-36331	Consolidated Division RSC 2021 test year filing
X-35937	System Integrity Improvement Program prudence review
X-35986	Winter Storm Uri effect on purchased gas costs

United Professionals Company is a New Orleans-based firm that has conducted numerous engagements on behalf of the Commission over the years, including serving as the Commission’s lead consultant before the Federal Energy Regulatory Commission. UPC has a team of professionals and consultants with vast experience assisting Staff in dockets involving electric utility accounting standards, ratemaking, cost-of-service, and

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cost allocation methodologies, determination of riders, Formula Rate Plan reviews, and resource planning. Perhaps most germane to the firm's role in this proceeding, is its lead consultant's experience in developing a fair and reasonable cost of capital for regulated utilities. The knowledge gained by UPC over the years in these engagements allows the firm to work closely with the Commission Staff in the evaluation of Atmos' Application in Docket No. U-36658. UPC's team of professionals and consultants is fully prepared to support HRC and Staff throughout the engagement in the review of the Company's Application.

Both firms have been retained by the Louisiana Public Service Commission over the last several 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.

**Estimate of Cost**

HRC and UPC anticipate that the review of the Company's Application to renew the RSC for a consecutive three-year term will total \$104,550.00 in professional fees and \$3,600.00 in travel and other expenses for HRC for a total of \$108,150.00. UPC proposes a budget of \$75,000.00 in professional fees and \$1,000.00 in travel and other expenses for a total of \$76,000.00 to conduct the analysis in support of the fair and reasonable cost of capital. The proposed budget for both firms to review the Company's Application to renew the RSC includes \$179,550.00 in professional fees and \$4,600.00 in travel and other expenses for a total budget of \$184,150.00.

The proposed budget for the evaluation of each RSC test year filing submitted by Atmos for test years 2023 – 2025 is \$52,500.00 in professional fees and \$1,800.00 in travel and other expenses. The overall budget to conduct the evaluation of the three RSC test year filings totals \$157,500.00 in professional fees and \$5,400.00 in travel and other expenses for a total budget of \$162,900.00.

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Mr. William Barta and Mrs. Debbie Barta will serve as the consultants for HRC on the engagement. The hourly rate is \$150 for each consultant. HRC will focus its efforts on all issues that are outside of the determination of the fair and reasonable cost of capital in the review of the Company’s Application to renew the RSC for a consecutive three-year term. In addition, HRC will be solely responsible for the evaluation of each RSC annual test year filing for the test years 2023 – 2025.

UPC will assign Mr. R. Lane Sisung and Mr. Paul Thomas Chastant, III to the project. The hourly rate of Mr. Sisung is \$295 and the hourly rate for Mr. Chastant, III is \$255. UPC will concentrate its efforts on determining the fair and reasonable cost of capital to be used for ratemaking purposes in the subsequent RSC annual test year filings.

HRC and UPC will submit separate invoices for their work throughout the engagement.

**Conflict of Interest**

Henderson Ridge Consulting, Inc. and United Professionals Company have 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.

HRC and UPC appreciate the opportunity to respond to the RFP and to continue our relationships with the Commission and its Staff.

Sincerely,

William Barta  
Principal

*R. Lane Sisung*

R. Lane Sisung  
Managing Director