

Henderson Ridge Consulting, Inc.

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December 7, 2017

Louisiana Public Service Commission
Kim Trosclair
Office of the General Counsel
602 North Fifth Street (Galvez Building) (70802)
P.O. Box 91154
Baton Rouge, Louisiana 70821-9154

Re: RFP No. 17-19 – Docket Nos. TBD

Atmos Energy Corporation, ex parte.

Rate Stabilization Clause filings for its regulatory divisions Trans La and LGS, inclusive of depreciation study.

Dear Kim,

Henderson Ridge Consulting is pleased to respond to the November 17, 2017 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: Louisiana Gas Company (“LGS”) and Trans Louisiana Gas Company (“Trans La”). As noted in the RFP, Trans La is required to make its annual RSC filing by December 31st of each year for the year ending on the preceding September 30th and LGS must submit its annual filing by March 31st of each year for the year ending on the preceding December 31st. In addition to the review of the LGS RSC filing, the consultant will also evaluate the depreciation study that will accompany the filing.

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 Trans La and LGS for each utility’s test year. Furthermore, the consultant must also review the depreciation study that will be included with the LGS annual RSC filing.

Summary of Work Plan

In the matter of the two utilities' annual RSC filings, we will conduct a comprehensive review of reported test year earnings and determine whether or not the revenue requirement, cost allocation, and adjusted rate of return are consistent with the terms of the RSC as approved by the Commission. In addition to our evaluation of whether the utilities' reported earnings fall within the Neutral Return Range, 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. As specified in the RFP, we will also evaluate the depreciation study that will be included with the LGS annual RSC filing.

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 Trans La and LGS to the test year results;
- Confirm the accuracy of each adjustment made by Trans La and LGS;
- Prepare formal discovery and review responses;
- Perform a detailed review of the test year 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;
- Perform common size analyses of certain balance sheet and income statement accounts with other LDCs;

With respect to the depreciation study that is included with the LGS annual RSC filing, we will perform the following activities:

- Review the balance of each functional property group for the last five years;
- Examine the activity recorded as plant additions and retirements during the last five years;
- Evaluate the net salvage estimates and characteristics for each functional property group;
- Evaluate the proposed remaining economic lives and depreciation curves for each functional property group;
- Confirm the accuracy of the effect of the change in lives and curves on depreciation expense by account;
- Review the actuarial analyses used with each account; and

- Evaluate the proposed depreciation rates relative to industry norms.

Additional services to be provided that are common to both the annual RSC filing reviews and the analysis of the LGS depreciation study include:

- Meet and hold conference calls with the Staff and Atmos Energy Corporation representatives;
- Prepare final report and/or testimony in support of recommendations;
- Stand cross examination at Commission hearings;
- 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

Henderson Ridge Consulting is very familiar with the Louisiana regulatory divisions of Atmos Energy Corporation as our firm has performed audits of the monthly Purchase Gas Adjustment filings of LGS and Trans La. We have also worked with the two Atmos Energy Corporation regulatory divisions on hedging practices and programs.

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 Purchased Gas Adjustment audits of 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 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 (H) 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 LGS and Trans La can be conducted in a cost-effective manner. The professional fees for the project are estimated at \$13,650.00 for the review of each annual RSC filing for LGS and Trans La. In addition, we estimate the professional fees to evaluate the depreciation study submitted by LGS to be \$4,650.00. The total professional fees of \$31,950.00 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 \$34,350.00.

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