

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

**PROPOSAL TO THE
LOUISIANA PUBLIC SERVICE COMMISSION**

IN RESPONSE TO RFP 19-02

DOCKET NO. U-35122

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

**IN RE: APPLICATION REQUESTING CONSOLIDATION OF ATMOS
ENERGY COPORATION'S LOUISIANA RATE DIVISIONS, TRANS
LOUISIANA GAS AND LOUISIANA GAS SERVICE AND RELATED
AMENDMENTS TO RATE SCHEDULES AND TARIFFS**

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MARCH 7, 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”) application requesting consolidation of Atmos’ Louisiana Rate Divisions, Trans Louisiana Gas (“TransLa”) and Louisiana Gas Service (“LGS”) and related amendments to rate schedules and tariffs, in Docket U-35122.

The LGS and TransLa rate divisions are not separate legal entities, although they have separate costs identified with each division. In turn, these separate costs, along with other factors, have resulted in base rate differentials between the two divisions for each of their respective tariffs. The primary focus of this proceeding will be to determine a single combined rate for all tariffs applicable to all customers of the two former rate divisions as well as the consolidation of the Rate Stabilization Clause (“RSC”) filings, including addressing the present timing differences in the RSC filings by the two divisions. Atmos also seeks to consolidate its tariffs into two classes: residential and commercial, introduce a rate reduction for the residential class and a rate increase for the commercial class.

The transition to a single set of combined rate tariffs will affect the customers of each rate division, with certain classes and tariffs benefitting through lower rates and others harmed through increases in rates. The transition to a single set of combined rate tariffs, the consolidation of customer classes, including the elimination of the industrial class, and the related rate impacts on Atmos customers will require experienced professional judgment with input from intervening parties who will be affected. The transition will require much more analysis and judgment than a mathematical exercise in consolidation.

Kennedy and Associates has the professional experience and judgment to assist the Staff in this process and in litigating and/or negotiating settlements of disparate customer interests. 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, external reporting, and annual regulatory reporting and rate change filings.

Once we are engaged by the Commission, we will thoroughly assist Staff in reviewing the filing and the Atmos proposals for consolidation of the two rate divisions, including the consolidation of their two separate sets of tariffs into a single set of combined tariffs. 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 \$49,300 consisting of \$48,000 for consulting services and \$1,300 for expenses. Our services will be billed based on our standard billing rates, which are attached to this proposal. Kennedy and Associates will ensure that only charges for actual hours worked and actual expenses incurred will be billed, and that our bills will not

exceed the total services and expense budgets based on the scope of work outlined. 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 RSCs. 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 more than 200 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 revenue requirements, cost allocation and rate design, and 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 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 Atmos filings and resolve all outstanding issues through settlement or litigation in a six-month to nine-month period.

Kennedy and Associates 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



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



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



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.

**2019 Hourly Fee Schedule
Louisiana Public Service Commission**

<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
