

REBUTTAL TESTIMONY
OF
RICHARD W. BRIDAL II
ACCOUNTING DEPARTMENT
FINANCIAL ANALYSIS DIVISION
ILLINOIS COMMERCE COMMISSION

APPLICATION FOR APPROVAL OF A REORGANIZATION
PURSUANT TO SECTION 7-204 OF THE PUBLIC UTILITIES ACT

ATMOS ENERGY CORPORATION
LIBERTY ENERGY (MIDSTATES)

DOCKET NO. 11-0559

JANUARY 12, 2012

TABLE OF CONTENTS

Witness and Schedule Identification 1
Requirements Under Section 7-204(b)(7) of the Public Utilities Act 1
Requirements Under Section 7-204(c) of the Public Utilities Act..... 4
Summary 5
Conclusion..... 7

ATTACHMENTS

**Attachment A Joint Applicants’ Responses to Staff Data Requests ENG 1.01
and ENG 1.02 (Regarding Capital Expenditure Budgets)**

1 **Witness and Schedule Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Richard W Bridal II. My business address is 527 East Capitol
4 Avenue, Springfield, Illinois 62701.

5 **Q. Have you previously testified in this proceeding?**

6 A. Yes. My direct testimony is ICC Staff Exhibit 3.0.

7 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

8 A. The purpose of my testimony is to (1) reassert my position on the finding required
9 by Section 7-204(c)(i) and (ii) of the Public Utilities Act (“Act”) regarding the
10 recoverability of costs and allocation of savings resulting from the proposed
11 reorganization, (2) respond to the rebuttal testimony of Atmos Energy
12 Corporation and Liberty Energy Midstates Corporation’s (“Joint Applicants” or
13 “JA”) witness Mr. Pasieka regarding my recommendations on the finding required
14 by Section 7-204(c)(i) and (ii) of the Act, (3) respond to the rebuttal testimony of
15 Joint Applicants’ witness Mr. Pasieka regarding my recommendations on the
16 finding required by Section 7-204(b)(7) of the Act, and set forth certain conditions
17 under which the Commission could make the required Section 7-204(b)(7)
18 findings.

19 **Requirements Under Section 7-204(b)(7) of the Public Utilities Act**

20 **Q. What were your recommendations to the Commission in direct testimony**
21 **regarding the finding required by Section 7-204(b)(7) of the Act?**

22 A. In my direct testimony, I stated that I was unable to determine if the proposed

23 reorganization will result in any adverse rate impacts. Accordingly, I was unable
24 to recommend the Commission make the required finding under Section 7-
25 204(b)(7). Given the absence of a basis upon which to make this required
26 finding, I recommended that the Commission not approve the proposed
27 reorganization.

28 **Q. Have the Joint Applicants provided additional information which provides a**
29 **basis upon which to make the required Section 7-204(b)(7) finding?**

30 A. Yes. As stated in the rebuttal testimony of Mr. Pasioka, JA Exhibit 5.0, the Joint
31 Applicants have since provided draft service schedules (JA Exhibit 5.3) which
32 detail the services and cost of the services that Atmos will continue to provide to
33 Liberty Energy Midstates following the proposed reorganization for a transition
34 period. A projected Illinois operation and maintenance budget was provided (JA
35 Exhibit 5.4), and Mr. Pasioka stated “Liberty Energy Midstates has examined in
36 detail Atmos’ existing capital expenditure budget and plans to adopt that budget
37 as of the reorganization. It has not identified any changes that it wishes to make
38 at this time to this budget. Of course, if it does identify changes prior to closing it
39 would certainly be willing to notify Staff of those changes” (JA Exhibit 5.0, I. 308-
40 312) Finally, the Joint Applicants provided additional, supplemental responses to
41 Staff data requests to address the deficiencies identified in my direct testimony.

42 **Q. What is your response to the additional information provided in testimony**
43 **and responses to Staff data requests?**

44 A. The projected information supports the conclusion that there will not be adverse
45 rate impact associated with the projected operations and maintenance costs of

46 the Illinois utility. However, as this conclusion is wholly dependent upon
47 projections, which may be flawed, I continue to have concerns regarding the
48 potential for future adverse rate impact in these areas resulting from the
49 proposed reorganization.

50 **Q. What are your concerns regarding the operation and maintenance budget?**

51 A. Due to Liberty Energy Midstates' inexperience in operating a gas distribution
52 utility, there is potential for the Company projections to vary significantly from
53 actual results. If costs increase significantly from those projected in JA Exhibit
54 5.4, rates could be adversely impacted.

55 **Q. Do you have any recommendations which would help alleviate this**
56 **concern?**

57 A. Yes. I recommend that Liberty Energy Midstates submit a report to the
58 Commission on e-Docket with a copy to the Manager of the Commission's
59 Accounting Department by March 31, 2013 that provides the following:

- 60 1. The actual 2012 costs compared to the 2012 projected budget (JA Exhibit
61 5.4 and ICC Staff Ex. 9.0 Attachment A) with an explanation for each cost
62 variation +/-15% from the budget as compared to actual results;
- 63 2. The 2013 budget compared to the actual 2012 costs with an explanation
64 for each cost variation +/-15%; and
- 65 3. A conclusion as to whether the acquisition of the utility operation of Atmos
66 Illinois by Liberty Energy Midstates resulted in an adverse rate impact.

67 I also recommend that each year subsequent to 2012, the Commission require

68 Energy Midstates to provide the same information at its annual appearance
69 before the Commission, which is recommended by Staff witness Mr. Seagle (See
70 ICC Staff Ex. 7.0, p. 22)

71 **Q. Do any other Staff witnesses provide testimony on the Section 7-204(b)(7)**
72 **requirement?**

73 A. Yes. In ICC Staff Exhibit 8.0, Staff witness Ms. Freetly also provides testimony
74 and recommendations on the requirements of Section 7-204(b)(7) of the Act. My
75 recommendations are separate from and in addition to recommendations set
76 forth by Ms. Freetly in her testimony.

77 **Requirements Under Section 7-204(c) of the Public Utilities Act**

78 **Q. What were your recommendations to the Commission in direct testimony**
79 **regarding the finding required by Section 7-204(c)(i) and (ii) of the Act?**

80 A. In my direct testimony, I recommended the Commission make the following
81 rulings:

- 82 1. All savings resulting from the proposed reorganization shall be flowed
83 through to the costs associated with the regulated intrastate operations for
84 consideration in setting rates by the Commission (Section 7-204(c)(i) of
85 the Act); and
- 86 2. Any costs incurred in accomplishing the proposed reorganization in this or
87 any future proceeding shall not be recoverable through Illinois
88 jurisdictional regulated rates (Section 7-204(c)(ii) of the Act).

89 **Q. Do the Joint Applicants agree with your recommendations regarding**
90 **Section 7-204(c)?**

91 A. Yes. In JA Exhibit 5.0, Mr. Pasioka states, “Liberty Energy Midstates does not
92 object to the Commission’s entry of an order approving the transaction with those
93 two conditions included.” (JA Ex. 5.0, In 50-51)

94 **Q. Do you have any further response regarding Section 7-204(c)(i) and (ii)?**

95 A. Yes. I think it is important to clarify two points regarding my Section 7-204(c)
96 recommendation.

97 **Q. What is the first point of clarification regarding your Section 7-204(c)**
98 **recommendation?**

99 A. As stated in my direct testimony, my definition of “costs incurred in accomplishing
100 the proposed reorganization” includes severance costs for any employees
101 removed as part of the reorganization. (Staff Ex. 3.0, In. 246-253)

102 **Q. What is the second point of clarification regarding your Section 7-204(c)**
103 **recommendation?**

104 A. My recommendation carries no presumption of recoverability of costs attributed
105 or related to the reorganization. The recoverability of any such costs, which may
106 include costs of obtaining continuing services or investments to replace Atmos
107 infrastructure, should be determined by the Commission in a future rate case.
108 (Staff Ex. 3.0, In. 276-282)

109 **Summary**

110 **Q. Please summarize the recommendations contained in your rebuttal**
111 **testimony.**

112 A. I recommend that the Commission find that that the reorganization will not result
113 in any adverse rate impacts on retail customers, as required by Section 7-
114 204(b)(7) of the Act, with the following conditions:

115 1. Liberty Energy Midstates shall submit a report to the Commission on e-
116 Docket with a copy to the Manager of the Commission's Accounting
117 Department by March 31, 2013 that provides the following:

118 a. The actual 2012 costs compared to the 2012 projected budget (JA
119 Exhibit 5.4 and Staff Ex. 9.0 Attachment A) with an explanation for
120 each cost variation +/-15% from the budget as compared to actual
121 results;

122 b. The 2013 budget compared to the actual 2012 costs with an
123 explanation for each cost variation +/-15%; and

124 c. A conclusion as to whether the acquisition of the utility operation of
125 Atmos Illinois by Liberty Energy Midstates resulted in an adverse
126 rate impact.

127 2. In years subsequent to 2013, Liberty Energy Midstates shall provide the
128 same information in its annual appearance before the Commission.

129 Further, I recommend that the Commission make the following rulings regarding
130 Section 7-204(c) of the Act:

- 131 1. All savings resulting from the proposed reorganization shall be flowed
132 through to the costs associated with the regulated intrastate operations for
133 consideration in setting rates by the Commission (Section 7-204(c)(i) of
134 the Act); and
- 135 2. Any costs incurred in accomplishing the proposed reorganization in this or
136 any future proceeding shall not be recoverable through Illinois
137 jurisdictional regulated rates (Section 7-204(c)(ii) of the Act).

138 **Conclusion**

139 **Q. Does this question end your prepared rebuttal testimony?**

140 A. Yes.

ATMOS ENERGY CORPORATION

**ILLINOIS COMMERCE COMMISSION
DOCKET NO. 11-0559
DATA REQUEST NO. ENG 1.01**

ENG 1.01 Provide Atmos' projected 2012, 2013, and 2014 capital expenditure budgets for its Illinois natural gas operations broken down by transmission, distribution, storage, general, and any other general categories assuming the proposed reorganization does not take place.

Response: Please see attachment, IL ENG 1.01 and 1.03 ATT.xls. Atmos Energy budgets by category one year ahead of the current fiscal year (as shown on the attachment) rather than by FERC account. For this reason the FERC categorization is unavailable for 2012, 2013 and 2014.

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ATMOS ENERGY CORPORATION
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Budget Category	2008	2009	2010	2012	2013	2014
Growth	508,290	414,613	670,286	418,850		
Equipment	93,931	89,404	191,227	60,285		
Information Technology	26,066	27,655	--	--		
Misc	13,546	1,697	(8,935)	--		
Public Improvements	90,090	274,692	192,309	160,086		
Structures	(131,305)	384	35,160	75,047		
System Improvements	1,618	69,358	66,907	71,960		
System Integrity	1,231,009	1,322,331	1,355,812	1,836,690		
Vehicles	1,780	--	--	--		
Total Capital	1,835,024	2,200,133	2,502,765	2,622,917	2,988,514	3,137,940

FERC Grouping	2008	2009	2010	2012	2013	2014
Distribution Plant	1,716,568	1,886,969	2,108,911			
General Plant	(13,951)	147,456	226,387			
CWIP	132,407	165,708	167,467			
Total Capital	1,835,024	2,200,133	2,502,765	2,622,917	2,988,514	3,137,940

LIBERTY ENERGY (MIDSTATES) CORP.

**ILLINOIS COMMERCE COMMISSION
DOCKET NO. 11-0559
DATA REQUEST NO. ENG 1.02**

ENG 1.02 Provide Liberty's projected 2012, 2013, and 2014 capital expenditure budgets for its Illinois natural gas operations broken down by transmission, distribution, storage, general, and any other general categories assuming the proposed reorganization does take place. Also, explain how these values were determined versus the values provided in the Applicants' response to ENG 1.01.

Response: Initially, Liberty Energy (Midstates) is adopting Atmos' 2012, 2013, and 2014 capital expenditure budget for its Illinois natural gas operations. Accordingly, there are no changes from the information provided by Atmos in response to ENG-1.01. Liberty Energy (Midstates) intends to do a detailed review of the capital expenditure budgets prior to close and will provide any updates or changes that may result from the review at that time.

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