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March 9, 2016

Hand Delivery

Chairman Herb Hillard
c/o Sharla Dillon, Dockets & Records Manager
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, Tennessee 37243

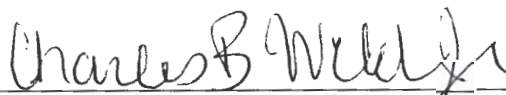
Re: Docket No. 15-00127- Direct Testimony of William H. Novak

Dear Chairman Hillard:

Enclosed for filing are the original and four copies of the Direct Testimony of William H. Novak on behalf of King's Chapel Capacity, LLC.

Thank you for your assistance regarding this matter. If you have any questions, or if I may be of further assistance, please do not hesitate to contact me.

Respectfully submitted,


Charles B. Welch, Jr. (TN 0055934)
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Nashville, TN 37219
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**BEFORE
THE TENNESSEE REGULATORY AUTHORITY**

PETITION OF KING'S CHAPEL
CAPACITY, LLC TO POST
ALTERNATIVE FINANCIAL
SECURITY

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Docket No. 15-00127

**DIRECT TESTIMONY
of
WILLIAM H. NOVAK**

**ON BEHALF OF
KING'S CHAPEL CAPACITY, LLC**

March 9, 2016

1 ***Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND***
2 ***OCCUPATION FOR THE RECORD.***

3 ***A1.*** My name is William H. Novak. My business address is 19 Morning Arbor Place,
4 The Woodlands, TX, 77381. I am the President of WHN Consulting, a utility
5 consulting and expert witness services company.¹
6

7 ***Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND***
8 ***PROFESSIONAL EXPERIENCE.***

9 ***A2.*** I have both a Bachelor's degree in Business Administration with a major in
10 Accounting, and a Master's degree in Business Administration from Middle
11 Tennessee State University. I am a Certified Management Accountant, and am
12 also licensed to practice as a Certified Public Accountant.
13

14 My work experience has centered on regulated utilities for over 30 years. Before
15 establishing WHN Consulting, I was Chief of the Energy & Water Division of the
16 Tennessee Regulatory Authority where I had either presented testimony or
17 advised the Authority on a host of regulatory issues for over 19 years. In
18 addition, I was previously the Director of Rates & Regulatory Analysis for two
19 years with Atlanta Gas Light Company, a natural gas distribution utility with
20 operations in Georgia and Tennessee. I also served for two years as the Vice
21 President of Regulatory Compliance for Sequent Energy Management, a natural

¹ State of Tennessee, Registered Accounting Firm ID 3682.

1 gas trading and optimization entity in Texas, where I was responsible for ensuring
2 the firm's compliance with state and federal regulatory requirements.

3
4 In 2004, I established WHN Consulting as a utility consulting and expert witness
5 services company. Since 2004 WHN Consulting has provided testimony or
6 consulting services to state public utility commissions and state consumer
7 advocates in at least ten state jurisdictions.

8
9 **Q3. ON WHOSE BEHALF ARE YOU TESTIFYING?**

10 **A3.** I am testifying on behalf of King's Chapel Capacity, LLC ("KCC" or "the
11 Company").

12
13 **Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
14 **PROCEEDING?**

15 **A4.** The purpose of my testimony is to present to the TRA the underlying
16 methodology used by KCC to support its Petition to post alternative financial
17 security.

18
19 **Q5. WHY IS KCC ASKING THE TRA TO APPROVE AN ALTERNATIVE TO**
20 **ITS EXISTING RULES FOR FINANCIAL SECURITY AT THIS TIME?**

21 **A5.** TRA Rule 1220-4-13-.07(2)(a) requires all wastewater utilities to post as financial
22 security one hundred percent (100%) of their gross annual revenue in the most recent
23 Authority Form UD20 or \$20,000, whichever is greater. As shown in the Table below,
24 KCC's total receipts for calendar year 2014 were approximately \$109,000 of which

1 approximately \$23,000 were related to TRA approved bond surcharges leaving net utility
2 receipts of approximately \$86,000.²

	Total Receipts	Bond Surcharges	Net Receipts
January, 2014	\$18,167.86	1,655.40	\$16,512.46
February	11,472.49	1,674.00	9,798.49
March	9,777.18	1,674.00	8,103.18
April	7,728.80	1,711.20	6,017.60
May	4,934.99	1,841.40	3,093.59
June	14,443.96	1,841.40	12,602.56
July	11,387.29	1,897.20	9,490.09
August	6,473.24	1,915.80	4,557.44
September	8,983.92	1,915.80	7,068.12
October	6,447.37	2,139.00	4,308.37
November	5,895.65	2,139.00	3,756.65
December	2,798.90	2,250.60	548.30
Total	\$108,511.65	\$22,654.80	\$85,856.85

3
4 KCC maintains that it is not reasonable, nor was it ever the Authority's intent, to require
5 wastewater utilities to post financial security on top of existing bond surcharges.
6 Therefore, KCC asks that this petition be granted and that the Authority approve an
7 alternative form of financial security of approximately \$86,000 in accordance with TRA
8 Rule 1220-4-13-.07(5).
9

10 ***Q6. DOES THIS COMPLETE YOUR TESTIMONY?***

11 ***A6.*** Yes it does.

² These receipts and surcharges have been audited by the TRA Staff as part of their investigation in Docket 14-00158.