



**IN THE TENNESSEE REGULATORY AUTHORITY  
AT NASHVILLE, TENNESSEE**


<b>IN RE:</b>	)	
	)	
<b>ATMOS ENERGY CORPORATION</b>	)	
<b>GENERAL RATE CASE AND PETITION</b>	)	<b>DOCKET NO. 16-00013</b>
<b>TO ADOPT ANNUAL REVIEW</b>	)	
<b>MECHANISM AND ARM TARIFF</b>	)	


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**AFFIDAVIT**

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I, William H. Novak, CPA, on behalf of the Consumer Advocate Division of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.

  
\_\_\_\_\_  
**WILLIAM H. NOVAK**



Sworn to and subscribed before me  
this 1<sup>st</sup> day of April, 2016.

  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires: May 6, 2019

## ATTACHMENTS

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Attachment WHN-1  
Attachment WHN-2

William H. Novak Vitae  
Comparison of Current and Proposed Base Rates

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.<sup>1</sup>

6

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

9   A2.   A detailed description of my educational and professional background is provided  
10          in Attachment WHN-1 to my testimony. Briefly, I have both a Bachelor's degree  
11          in Business Administration with a major in Accounting, and a Master's degree in  
12          Business Administration from Middle Tennessee State University. I am a  
13          Certified Management Accountant, and am also licensed to practice as a Certified  
14          Public Accountant.

15

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

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<sup>1</sup> 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 as shown in Attachment WHN-1.

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

10 A3. I am testifying on behalf of the Consumer Protection & Advocate Division  
11 ("CPAD" or "the Consumer Advocate") of the Tennessee Attorney General's  
12 Office.

13  
14 ***Q4. HAVE YOU PRESENTED TESTIMONY IN ANY PREVIOUS CASES***  
15 ***CONCERNING ATMOS ENERGY CORPORATION?***

16 A4. Yes. I've presented testimony in TRA Dockets U-82-7211, U-83-7277, U-84-  
17 7333, U-86-7442, 89-10017, 92-02987, 05-00258, 07-00105, 12-00064 and 14-  
18 00146 concerning rate cases involving either Atmos Energy Corporation  
19 ("Atmos" or "the Company") or its predecessor companies as well as dockets for  
20 other generic tariff and rulemaking matters. In addition, I previously advised the  
21 TRA on issues in other Atmos dockets in cases where I did not present testimony.

1 ***Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***  
2 ***PROCEEDING?***

3 A5. My testimony will address the calculations supporting the Company's proposed  
4 changes to its monthly base rates resulting from the adoption of its capital and  
5 operating expense budget within the Annual Review Mechanism (ARM) Tariff.  
6 The existing rates and proposed base rates resulting from the ARM are included  
7 in Attachment WHN-2 to my testimony. I also raise a number of concerns with  
8 respect to the ARM process and the Company's filing in this Docket.

9  
10 ***Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF***  
11 ***YOUR TESTIMONY?***

12 A6. I have reviewed the Company's Petition filed on February 1, 2016, along with the  
13 accompanying schedules. I have also reviewed the Company's responses to the  
14 informal data requests submitted by the Consumer Advocate in Docket 16-00013.  
15 In addition, I reviewed the Settlement Agreement between the Company and the  
16 Consumer Advocate in Docket 14-00146 that was incorporated into the TRA's  
17 Order in that Docket, as well as the Company's Petition and the TRA's Order in  
18 Docket 15-00089. Finally, I reviewed the letter sent by the Consumer Advocate  
19 to the TRA on November 30, 2015 in Dockets 14-00146 and 15-00089 regarding  
20 the CPAD's concerns over methodologies not being applicable to or useable by  
21 the ARM, as well as the Company's response of December 2, 2015 to this letter in  
22 these same dockets.

1   ***Q7.   PLEASE EXPLAIN THE RELIEF THAT ATMOS IS ASKING FROM***  
2       ***THE TRA THROUGH ITS PETITION.***

3   A7.   The Company is asking the TRA to implement the new base rates shown in  
4       Attachment WHN-2, that are established from the Company's budget for the  
5       twelve months ending May 31, 2017, through the ARM tariff. The overall  
6       structure for the ARM was agreed to by the Company and the Consumer  
7       Advocate in Docket 14-00146 and incorporated into the TRA's order in that  
8       Docket. The ARM structure generally provides for an adjustment to rates by  
9       incorporating the Company's capital and operating budgets within the  
10      methodologies reflected in the Settlement Agreement in Docket 14-00146. The  
11      revenue that the Company receives from the ARM will then be trued-up to actual  
12      costs in a subsequent filing. However, even though the budget numbers  
13      supporting the proposed base rates will eventually be trued-up to actual costs, the  
14      current filing is very important since it establishes the current rates charged to  
15      customers.

16  
17   ***Q8.   ARE THERE ANY THRESHOLD ISSUES FOR THE TRA TO CONSIDER***  
18       ***REGARDING THE IMPLEMENTATION OF THE ARM IN THIS***  
19       ***DOCKET 16-00013?***

20   A8.   Yes. There appears to be an issue regarding the precise mechanism for assuring  
21       that the methodologies that are reflected in the Settlement Agreement from  
22       Docket 14-00146 are not used in a separate docket that could bind the Consumer

Advocate in another proceeding.<sup>2</sup> Specifically, the Settlement Agreement that allows the ARM mechanism appears to say that the calculation methodologies adopted in Docket 14-00146 can only be used in that specific docket, and that those methodologies would not establish a precedent or bind the Consumer Advocate in other dockets. As a result, the calculation methodologies reflecting in the Settlement Agreement from Docket 14-00146 would appear to be unusable in this Docket 16-00013.<sup>3</sup> Because of the magnitude of the rate increase requested by the Company and the potential implications if the calculation methodologies reflected in the Settlement Agreement are not determined to be useable in this docket 16-00013, I would recommend that this Docket be held in abeyance until these concerns and issues are resolved.

***Q9. ARE THERE ANY ASSUMPTIONS THAT YOU WOULD BE WILLING TO MAKE THAT WOULD ENABLE YOU TO CONTINUE WITH YOUR ANALYSES AND EXPRESS AN OPINION ON OTHER COMPONENTS OF THIS DOCKET 16-00013?***

A9. Yes. In view of the tight procedural schedule established in this Docket 16-00013, I would be willing to assume, for the purpose of continuing my analyses and providing appropriate recommendations to the TRA, that this threshold issue

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<sup>2</sup> I do not express an opinion as to how this issue regarding calculation methodologies adopted in Docket 14-00146 should be resolved in this Docket 16-00013. I am not a lawyer, and the concerns that I have expressed here are based on my own reading of the background materials in the preparation of this testimony. I will add that my own personal recollection of the Consumer Advocate's concerns about specific calculation methodologies reflected in the Settlement Agreement from Docket 14-00146 being used to bind the Consumer Advocate in other dockets with other utilities was specifically resolved by the parties within the language of the Settlement Agreement.

<sup>3</sup> It would seem to follow that the methodologies regarding the new depreciation rates in Docket 15-00089 would also not be usable in this Docket 16-00013. However, I am not expressing an explicit opinion on that issue.



is resolved in a manner that enables the use of the calculation methodologies reflected in the Settlement Agreement in Docket 14-00146. With that assumption emphasized, I would be willing to continue with my analyses. However, this assumption should not be construed as a recommendation about how the calculation methodology issues should be resolved in this Docket or future docket(s).

***Q10. HOW MUCH OF A RATE INCREASE IS THE COMPANY REQUESTING THROUGH ITS ARM TARIFF?***

A10. The Company is proposing to increase base revenues by approximately \$4.2 million (7.62%) as shown below in Table 1 which provides a comparison of the revenue deficiency settlement approved by the TRA in Docket 14-00146 along with the Company's proposed ARM filing in this Docket 16-00013.

<b>Table 1 – Revenue Deficiency Comparison<sup>4</sup></b>			
	<b>2016 ARM Filing</b>	<b>14-00146 Settlement</b>	<b>Difference</b>
Rate Base	\$274,594,688	\$247,958,276	\$26,636,412
Operating Income at Present Rates	18,203,328	18,731,838	-528,510
Earned Rate of Return	6.63%	7.55%	-0.93%
Fair Rate of Return	7.72%	7.73%	-0.01%
Required Operating Income	21,198,710	18,167,175	2,031,535
Operating Income Deficiency	2,995,382	435,337	2,560,045
Gross Revenue Conversion Factor	1.631800	1.634300	-0.002500
<b>Revenue Deficiency</b>	<b>4,887,864</b>	<b>711,471</b>	<b>4,176,393</b>

***Q11. CAN THE REVENUE INCREASE RELATED TO THE ARM OF \$4.2 MILLION BE ATTRIBUTED TO ANY SPECIAL CAUSE?***

<sup>4</sup> Company response to CPAD Data Request 1-1, Schedule 1.

1 A11. Yes. As shown in Table 1 above, the largest reason for the increase in revenue  
2 deficiency of \$4.2 million related to the ARM is due to the projected increase in  
3 rate base of approximately \$27 million since the last rate case. The detailed  
4 components of rate base are shown below in Table 2 which provides a  
5 comparison of the rate base settlement approved by the TRA in Docket 14-00146  
6 along with the Company's proposed ARM filing in this Docket 16-00013.

<b>Table 2 – Rate Base Comparison<sup>5</sup></b>			
	<b>2016 ARM Filing</b>	<b>14-00146 Settlement</b>	<b>Difference</b>
Utility Plant in Service	\$511,833,913	\$478,668,068	\$33,165,845
Construction Work in Progress	4,749,638	8,602,955	-3,853,317
Materials & Supplies/Storage Gas	4,568,910	6,390,378	-1,821,468
Working Capital/Deferred Rate Case	1,062,393	777,582	284,811
Intercompany Leased Property	5,480,845	5,322,811	158,034
Deferred Pension Expense	324,623	973,868	-649,245
<b>Total Additions</b>	<b>\$528,020,322</b>	<b>\$500,735,661</b>	<b>\$27,284,660</b>
Accumulated Depreciation	\$193,126,102	\$194,176,859	\$-1,050,756
Customer Deposits	4,667,865	3,632,272	1,035,593
Contributions & Advances	76,428	75,078	1,350
Accumulated Deferred Taxes	55,469,331	54,842,598	626,733
Accrued Interest on Deposits	85,907	50,578	35,329
<b>Total Deductions</b>	<b>\$253,425,634</b>	<b>\$252,777,385</b>	<b>\$648,249</b>
<b>Rate Base</b>	<b>\$274,594,688</b>	<b>\$247,958,276</b>	<b>\$26,636,411</b>

7  
8 ***Q12. WHAT IS THE BASIS OF THE COMPANY'S PROJECTED INCREASE***  
9 ***TO UTILITY PLANT IN SERVICE?***

10 A12. As shown in Table 2 above, the Company's budgeted increase to Utility Plant in  
11 Service of approximately \$33.2 million since the last rate case accounts for nearly  
12 all of the increase in rate base. Specifically, the Company forecasts that its full

<sup>5</sup> Company response to CPAD Data Request 1-1, Schedule 2.

Tennessee capital expenditure budget will be approximately \$35.2 million for the 12 months ending September 30, 2017 as shown below on Table 3.

<b>Table 3 – Tennessee Division Capital Expenditure Budget<sup>6</sup> For the 12 Months Ending September 30, 2017</b>	
<b>Item</b>	<b>Amount</b>
Equipment	\$499,106
Growth	9,293,702
Information Technology	189,057
Public Improvements	2,517,657
Structure	218,815
System Improvement	12,900,934
System Integrity	9,628,764
<b>Total</b>	<b>\$35,248,035</b>

Of particular note in the Company's capital expenditure budget, are the costs for system improvement and system integrity which together total approximately \$22.5 million or about 64% of the total. These are substantial capital expenditures that are not directly associated with any new customers. As a result, these expenditures are the biggest driver for the need to increase rates through the ARM tariff.

***Q13. IS THE COMPANY'S BUDGETED INCREASE OF \$33.2 MILLION TO PLANT IN SERVICE REPRESENTATIVE OF THE LEVEL OF PLANT ADDITIONS ADOPTED BY THE TRA IN THE COMPANY'S LAST RATE CASE IN DOCKET 14-00146?***

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<sup>6</sup> Company filing, Schedule 3o.

1 A13. No. In the last rate case, the Company's budgeted additions to plant in service  
2 were only \$24.1 million and \$22.0 million for 2015 and 2016 respectively.<sup>7</sup>  
3 Therefore, the 2017 budget of \$33.2 million reflects a substantial increase from  
4 prior budget levels.

5  
6 ***Q14. DID YOU REVIEW THE CALCULATIONS SUPPORTING THE***  
7 ***PROPOSED BASE RATES IN THE COMPANY'S ARM FILING?***

8 A14. Yes. I reviewed the Company's filing. I also prepared data requests for  
9 supplemental supporting information that was not contained in the filing. In  
10 addition, I have had continuing discussions with the Company regarding the  
11 filing. The purpose of my review was to determine whether or not the Company  
12 had a reasonable and logical basis to support its proposed rates. My review **did**  
13 **not** include more extensive procedures that would typically be included in an  
14 audit of Atmos's books and records since, as I mentioned above, these tariffs will  
15 be eventually trued-up to the actual costs incurred in a subsequent filing.

16  
17 ***Q15. WHAT WERE THE RESULTS OF YOUR REVIEW?***

18 A15. Overall, I found that the calculations supporting the Company's filing appeared to  
19 be reasonable, logical and reflected the methodologies established in Docket 14-  
20 00146, with the exceptions noted below. The Company's calculations are tied to  
21 their capital and operating expense budgets with reasonable assumptions and  
22 estimates for capital deployment and depreciation. I would emphasize again the

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<sup>7</sup> See Company responses to TRA MFR #52 and CPAD Data Request 1-58 in Docket 14-00146. See also CPAD Rate Base Workpaper RB-11-1.04 in Docket 14-00146.

1 assumption made earlier regarding the application of calculation methodologies  
2 used in the Settlement Agreement from Docket 14-00146 to this Docket 16-  
3 00013.

4  
5 ***Q16. DID YOUR REVIEW FIND ANY AREAS OF CONCERN WITH THE***  
6 ***COMPANY'S PROPOSED TARIFF FILING?***

7 A16. Yes. I was particularly concerned about the absence of Company testimony, the  
8 proposal to completely change base rates instead of developing a specific ARM  
9 surcharge, and the changes in calculation methodologies for the ARM filing from  
10 what was considered in the last rate case.

11  
12 ***Q17. PLEASE DESCRIBE YOUR CONCERNS RELATED TO THE ABSENCE***  
13 ***OF COMPANY TESTIMONY.***

14 A17. In this filing, the Company is proposing to annually increase rates by  
15 approximately \$4.2 million. However, there is no testimony from any Company  
16 official attesting to the need for this change in rates. In other words, there is no  
17 Company official who even asserts that the revenue increase proposed by the  
18 Company is prudent – or any Company official who asserts that the base rates  
19 proposed by the Company are just and reasonable.<sup>8</sup> On its face, this would appear  
20 to be a problem, especially when considering whether the Company has met its  
21 burden of proof. According to the Company, the “approved [ARM] tariff does

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<sup>8</sup> Of course, if a Company official were to assert prudence in rebuttal testimony in this Docket, it would only seem fair that the Consumer Advocate be given additional time to analyze that testimony, to request additional discovery about it, and to supplement my testimony concerning it.

1 not state that testimony is to be filed.”<sup>9</sup> However, the TRA has required other  
2 utilities operating under an alternative rate mechanism to include testimony along  
3 with their filings.<sup>10</sup> Furthermore, including written testimony along with the  
4 workpaper calculations provides notice to the utility customers of the need for a  
5 change in rates. I believe that the testimony to the proposed change in rates  
6 resulting from the ARM tariff is a crucial component of a complete filing. I  
7 would therefore recommend that the TRA hold this Docket 16-00013 in abeyance  
8 until such time that testimony supporting it has been provided.<sup>11</sup>

9  
10 ***Q18. PLEASE DESCRIBE YOUR CONCERNS RELATED TO THE***  
11 ***COMPANY’S PROPOSAL TO ONLY CHANGE BASE RATES INSTEAD***  
12 ***OF DEVELOPING A PARTICULAR SURCHARGE FOR THE ARM***  
13 ***FILING.***

14 A18. As shown on Attachment WHN-2, the Company is proposing to permanently  
15 change the existing base tariff rates for its ARM filing. According to the  
16 Company, the “proposed base rates...included in the filing, will replace the  
17 current base rates.”<sup>12</sup> This proposed approach to setting rates has not been  
18 adopted by any other Tennessee utility using an alternative regulation mechanism  
19 and appears to run contrary to providing transparency for customers about  
20 increases (and potentially decreases) in rates, especially over time. It also raises

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<sup>9</sup> Company response to CPAD Data Request 1-34.

<sup>10</sup> See specifically testimony of Piedmont Natural Gas and Tennessee-American Water Company included with their alternative rate mechanism filings.

<sup>11</sup> I would also recommend that the Consumer Advocate be given additional time to analyze that testimony, to request additional discover about it, and to supplement my testimony concerning it.

<sup>12</sup> Company response to CPAD data request 1-14.

1 logistic concerns over how any adjustments to rates related to a true-up  
2 reconciliation filing will be dealt with, as well as how subsequent budget filings  
3 will be considered.<sup>13</sup>

4 In addition, while the ARM filing increases base revenues by \$4,887,864 or  
5 7.62% as shown on Attachment WHN-2, the Company's proposed rate design to  
6 recovery this incremental revenue ranges from 0.00% for some customers to as  
7 high as 9.22% for others. As a result, it appears that the Company has arbitrarily  
8 picked winners and losers as to exactly how this revenue increase will be  
9 apportioned to its different customer classes.<sup>14</sup>

10 My recommendation would be for the TRA to require the Company to develop a  
11 single surcharge rate specifically for the ARM filing that applies to all customers.

12 In addition, the Company should be required to disclose to the TRA which  
13 specific accounts will be utilized on the Company's ledger for ARM surcharges  
14 and reconciliations. The Company should also be required to show to the TRA  
15 how the ARM surcharge will be presented on the customer's bill. I believe that  
16 the development of an ARM surcharge is essential for properly isolating and  
17 accounting for the TRA approved costs and reconciliation of the ARM tariff. I  
18 would therefore recommend that the TRA hold this docket in abeyance until such  
19 time that a proper ARM surcharge has been developed and presented to the TRA.

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<sup>13</sup> Testimony by the Company could have provided an explanation of their rationale for this approach and the mechanics for how it would be logistically implemented.

<sup>14</sup> Again, testimony by the Company could have provided an explanation of the Company's rationale for its proposed rate design.

1 ***Q19. PLEASE DESCRIBE YOUR CONCERNS RELATED TO THE***  
2 ***COMPANY'S PROPOSED CHANGES IN THE RATE CALCULATION***  
3 ***METHODOLOGIES.***

4 A19. There appear to be areas where the Company has changed the calculation  
5 methodologies in its ARM filing from what was previously agreed to between the  
6 parties in the prior rate case settlement that was adopted by the TRA.<sup>15</sup> For  
7 example, the Company has changed the methodology by which it calculates its  
8 Net Operating Loss Carryforward ("NOLC") for purposes of offsetting that  
9 NOLC against Accumulated Deferred Income Tax ("ADIT"). Specifically, the  
10 Company has determined that it must project its fixed asset related NOLC balance  
11 in jurisdictions that employ forward looking test periods (including Tennessee).  
12 The projection is then included in rate base. The underlying rationale and  
13 implementation mechanics of this, especially in the context of the offset of  
14 NOLCs against ADIT, is far from clear and appears to be contrary to the  
15 Settlement Agreement in Docket 14-00146.<sup>16</sup>  
16 I believe that the changes requested by the Company for these calculation  
17 methodologies have not been adequately addressed in the Company's filings and  
18 the Company's responses to the CPAD's discovery requests, especially since no  
19 testimony has been provided in this filing on this issue and the Company's  
20 discovery responses do not adequately explain this. Further, in my view, each

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<sup>15</sup> One area concerns the change in methodology for calculating NOLCs (defined below). Another change deals with O&M calculations which I am still evaluating. With those particular items identified, I must add that I have only been able to do a fairly cursory review of this aspect of the Company's budget filing, in comparison with other rate cases and alternative regulation filings, and so must state that these examples should not be considered to be an exhaustive list.

<sup>16</sup> See, for example, Company responses to CPAD data requests 1-5 and 1-6.



1       these specific change to the calculation methodologies reflected in Docket 14-  
2       00146 should have been treated as a “New Matter” under the Settlement  
3       Agreement in Docket 14-00146 – and I should add that the Company’s  
4       explanation for why the NOLC change was not treated as a New Matter can be  
5       described as convoluted.<sup>17</sup>  
6       In view of these changes and the Company’s approach to them, I recommend that  
7       this Docket be held in abeyance until such time as related testimony is filed and  
8       the Consumer Advocate has had ample opportunity to analyze these issues,  
9       conduct follow-up discovery and analyze the Company’s response to that  
10      discovery.

11

12   ***Q20. DOES THIS COMPLETE YOUR TESTIMONY?***

13   ***A20.*** Yes it does. However, I reserve the right to incorporate any new data that may  
14      subsequently become available.

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<sup>17</sup> See, for example, Company response to CPAD data request 1-7.

ATTACHMENT WHN-1

William H. Novak Vitae

**William H. Novak**

19 Morning Arbor Place  
The Woodlands, TX 77381

Phone: 713-298-1760

Email: halnovak@whnconsulting.com

**Areas of Specialization**

Over twenty-five years of experience in regulatory affairs and forecasting of financial information in the rate setting process for electric, gas, water and wastewater utilities. Presented testimony and analysis for state commissions on regulatory issues in four states and has presented testimony before the FERC on electric issues.

**Relevant Experience****WHN Consulting – September 2004 to Present**

In 2004, established WHN Consulting to provide utility consulting and expert testimony for energy and water utilities. Complete needs consultant to provide the regulatory and financial expertise that enabled a number of small gas and water utilities to obtain their Certificate of Public Convenience and Necessity (CCN) that included forecasting the utility investment and income. Also provided the complete analysis and testimony for utility rate cases including revenues, operating expenses, taxes, rate base, rate of return and rate design for utilities in Tennessee. Assisted American Water Works Company in preparing rate cases in Ohio and Iowa. Provided commercial and industrial tariff analysis and testimony for an industrial intervenor group in a large gas utility rate case. Industry spokesman for water utilities dealing with utility commission rulemaking. Consultant for the North Carolina and Illinois Public Utility Commissions in carrying out their oversight functions of Duke Energy and Peoples Gas Light and Coke Company through focused management audits. Also provide continual utility accounting services and preparation of utility commission annual reports for water and gas utilities.

**Sequent Energy Management – February 2001 to July 2003**

Vice-President of Regulatory Compliance for approximately two years with Sequent Energy Management, a gas trading and optimization affiliate of AGL Resources. In that capacity, directed the duties of the regulatory compliance department, and reviewed and analyzed all regulatory filings and controls to ensure compliance with federal and state regulatory guidelines. Engaged and oversaw the work of a number of regulatory consultants and attorneys in various states where Sequent has operations. Identified asset management opportunities and regulatory issues for Sequent in various states. Presented regulatory proposals and testimony to eliminate wholesale gas rate fluctuations through hedging of all wholesale gas purchases for utilities. Also prepared testimony to allow gas marketers to compete with utilities for the transportation of wholesale gas to industrial users.

**Atlanta Gas Light Company – April 1999 to February 2001**

Director of Rates and Regulatory Analysis for approximately two years with AGL Resources, a public utility holding company serving approximately 1.9 million customers in Georgia, Tennessee, and Virginia. In that capacity, was instrumental in leading Atlanta Gas Light Company through the most complete and comprehensive gas deregulation process in the country that involved terminating the utility's traditional gas recovery mechanism and instead allowing all 1.5 million AGL Resources customers in Georgia to choose their own gas marketer. Also responsible for all gas deregulation filings, as well as preparing and defending gas cost recovery and rate filings. Initiated a weather normalization adjustment in Virginia to track adjustments to company's revenues based on departures from normal weather. Analyzed the regulatory impacts of potential acquisition targets.

**Tennessee Regulatory Authority – Aug. 1982 to Apr 1999; Jul 2003 to Sep 2004**

Employed by the Tennessee Regulatory Authority (formerly the Tennessee Public Service Commission) for approximately 19 years, culminating as Chief of the Energy and Water Division. Responsible for directing the division's compliance and rate setting process for all gas, electric, and water utilities. Either presented analysis and testimony or advised the Commissioners/Directors on policy setting issues, including utility rate cases, electric and gas deregulation, gas cost recovery, weather normalization recovery, and various accounting related issues. Responsible for leading and supervising the purchased gas adjustment (PGA) and gas cost recovery calculation for all gas utilities. Responsible for overseeing the work of all energy and water consultants hired by the TRA for management audits of gas, electric and water utilities. Implemented a weather normalization process for water utilities that was adopted by the Commission and adopted by American Water Works Company in regulatory proceedings outside of Tennessee.

**Education**

B.A, Accounting, Middle Tennessee State University, 1981

MBA, Middle Tennessee State University, 1997

**Professional**

Certified Public Accountant (CPA), Tennessee Certificate # 7388

Certified Management Accountant (CMA), Certificate # 7880

Former Vice-Chairman of National Association of Regulatory Utility Commission's Subcommittee on Natural Gas

**WHN CONSULTING**

**Witness & Advisory History for William H. Novak, CPA  
Selected Cases**

State	Company/Sponsor	Year	Assignment	Docket
Louisiana	CenterPoint Energy/Louisiana PSC	2011	Audit of PGA Filings from 2002 - 2008 of CenterPoint Arkla	<u>S-32534</u>
	CenterPoint Energy/Louisiana PSC	2011	Audit of PGA Filings from 2002 - 2008 of CenterPoint Entex	<u>S-32537</u>
	Louisiana Electric Utilities/Louisiana PSC	2012	Technical Consultant for Impact of Net Meter Subsidy on other Electric Customers	<u>R-31417</u>
Tennessee	Aqua Utilities	2006	Rate Case Audit - Revenue, Expenses, Rate Base and Rate Design	<u>06-00187</u>
	Atmos Energy Corporation/Atmos Intervention Group	2006	Rate design for Industrial Intervenor Group	<u>05-00258</u>
	Atmos Energy Corporation/Atmos Intervention Group	2007	Rate design for Industrial Intervenor Group	<u>07-00105</u>
	Bristol TN Essential Services	2009	Audit of Cost Allocation Manual	<u>05-00251</u>
	Chattanooga Manufacturers Association	2009	Spokesperson for Industrial Natural Gas Users before the Tennessee State Legislature	<u>HB-1349</u>
	Tennessee-American Water Company/Tennessee AG	2011	Rate Case Audit - Weather Normalization Adjustments	<u>10-00189</u>
	Piedmont Natural Gas Company/Tennessee AG	2011	Rate Case Audit - Revenue, Class Cost of Service Study & Rate Design	<u>11-00144</u>
	Lynwood Wastewater Utility/Tennessee AG	2012	Rate Case Audit - Revenue, Class Cost of Service Study & Rate Design	<u>11-00198</u>
	Tennessee-American Water Company/Tennessee AG	2012	Rate Case Audit - Revenues, Rate Base, Class Cost of Service Study and Rate Design	<u>12-00049</u>
	Atmos Energy Corporation/Tennessee AG	2012	Rate Case Audit - Revenues, Rate Base and Rate Design	<u>12-00064</u>
Alabama	Jefferson County (Birmingham) Wastewater/Alabama AG	In Process	Bankruptcy Filing - Allowable Costs and Rate Design	2009-2318
Illinois	Peoples & North Shore Gas Cos./Illinois Commerce Comm.	2007	Management Audit of Gas Purchasing Practices	06-0556
New Mexico	Southwestern Public Service Co./New Mexico PRC	2010	Financial Audit of Fuel Costs for 2009 and 2010	09-00351-UT
New York	National Grid/New York PSC	2011	Audit of Affiliate Relationships and Transactions	10-M-0451
Ohio	Ohio-American Water Company/Ohio Consumers' Counsel	2010	Rate Case Audit - Class Cost of Service and Rate Design	<u>09-0391-WS-AIR</u>
	Vectren Energy Delivery of Ohio/Ohio Consumers' Counsel	2008	Rate Case Audit - Class Cost of Service and Rate Design	<u>07-1080-GA-AIR</u>
	Duke Energy-Ohio/Public Utilities Commission of Ohio	2009	Focused Management Audit of Fuel & Purchased Power (FPP Riders)	<u>07-0723-EL-UNC</u>
Texas	Center Point Energy/Texas AG	2009	Rate Case Audit - Class Cost of Service and Rate Design	GUD 9902
Virginia	Aqua Utilities/PSS Legal Fund	2011	Rate Case Audit - Class Cost of Service and Rate Design	W-218, Sub-319
Washington DC	Washington Gas Light Co./Public Service Comm of DC	2011	Audit of Tariff Rider for Infrastructure Replacement Costs	<u>1027</u>

NOTE: Click on Docket Number to view testimony/report for each case where available.

# ATTACHMENT WHN-2

Comparison of Current and Proposed Base Rates

Atmos Energy Corporation  
Comparison of Existing and Proposed Rates

Attachment WHN-2

Rate Schedule	Current Rates	Proposed Rates	Increase	Percent Increase
<b>Residential:</b>				
Regular Winter Customer Charge	\$17.150	\$18.300	\$1.150	6.71%
Regular Summer Customer Charge	14.150	15.300	1.150	8.13%
Regular Commodity Charge	1.218	1.322	0.104	8.54%
Heating & Cooling Customer Charge	14.150	15.300	1.150	8.13%
Heating & Cooling Commodity Charge	0.719	0.769	0.050	6.95%
Public Housing Winter Customer Charge	17.150	18.300	1.150	6.71%
Public Housing Summer Customer Charge	14.150	15.300	1.150	8.13%
Public Housing Commodity Charge	1.218	1.322	0.104	8.54%
<b>Commercial &amp; Industrial Sales Service:</b>				
Small Commercial Customer Charge	36.150	37.800	1.650	4.56%
Small Commercial Commodity Charge	2.333	2.548	0.215	9.22%
Large Commercial Customer Charge	385.000	405.000	20.000	5.19%
Large Commercial Commodity Charge	2.057	2.224	0.167	8.12%
School Customer Charge	36.150	37.800	1.650	4.56%
School Commodity Charge	1.146	1.234	0.088	7.68%
<b>Commercial &amp; Industrial Transportation Service:</b>				
Customer Charge	435.000	440.000	5.000	1.15%
Demand Charge	16.283	16.283	0.000	0.00%
Commodity Charge 1 - 2,000 Mcf	1.153	1.246	0.093	8.07%
Commodity Charge 1 - 2,000 Mcf ED Discount	0.865	0.935	0.070	8.09%
Commodity Charge 2,000 - 50,000 Mcf	0.763	0.825	0.062	8.13%
Commodity Charge 2,000 - 50,000 Mcf ED Discount	0.572	0.619	0.047	8.22%
Commodity Charge Over 50,000 Mcf	0.353	0.382	0.029	8.22%
Commodity Charge Over 50,000 Mcf ED Discount	0.265	0.286	0.021	7.92%
Small Commercial Firm Commodity Charge	2.333	2.548	0.215	9.22%
Large Commercial Firm Commodity Charge	2.057	2.224	0.167	8.12%
Cogeneration & Large A/C Customer Charge	36.150	37.800	1.650	4.56%
Special Contract Customers	Various	Various	0.000	0.00%
<b>Total</b>	<b>\$64,178,516</b>	<b>\$69,066,354</b>	<b>\$4,887,838</b>	<b>7.62%</b>

SOURCE: Company Filing, Schedules 2m and 2n.