

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:

PETITION OF ATMOS ENERGY
CORPORATION FOR APPROVAL OF
ITS 2017 ANNUAL RATE REVIEW FILING
PURSUANT TO TENN. CODE ANN.
§ 65-5-103(d)(6)

DOCKET No. 17-00012

AFFIDAVIT

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 25 day of April, 2017.


NOTARY PUBLIC

My commission expires: 12-23-2017



ATTACHMENTS

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.¹

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 Public Utility Commission (the Commission) where I had either
19 presented testimony or advised the Commission on a host of regulatory issues for
20 over 19 years. In addition, I was previously the Director of Rates & Regulatory
21 Analysis for two years with Atlanta Gas Light Company, a natural gas
22 distribution utility with operations in Georgia and Tennessee. I also served for

¹ State of Tennessee, Registered Accounting Firm ID 3682.

1 two years as the Vice President of Regulatory Compliance for Sequent Energy
2 Management, a natural gas trading and optimization entity in Texas, where I was
3 responsible for ensuring the firm's compliance with state and federal regulatory
4 requirements.

5
6 In 2004, I established WHN Consulting as a utility consulting and expert witness
7 services company. Since 2004 WHN Consulting has provided testimony or
8 consulting services to state public utility commissions and state consumer
9 advocates in at least ten state jurisdictions as shown in Attachment WHN-1.

10
11 ***Q3. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?***

12 A3. I am testifying on behalf of the Consumer Protection and Advocate Division (the
13 Consumer Advocate) of the Tennessee Attorney General's Office.

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

17 A4. Yes. I've presented testimony in Commission Dockets U-82-7211, U-83-7277,
18 U-84-7333, U-86-7442, 89-10017, 92-02987, 05-00258, 07-00105, 12-00064 and
19 14-00146 concerning rate cases involving either Atmos Energy Corporation
20 (Atmos) or its predecessor companies as well as dockets for other generic tariff
21 and rulemaking matters. More recently, I presented testimony in Dockets 16-
22 00013 and 16-00105 related to Atmos' Annual Review Mechanism (ARM) that is
23 the subject of this docket.

1

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

4 A5. My testimony will address the calculations supporting Atmos' proposed changes
5 to its monthly base rates resulting from the adoption of its capital and operating
6 expense budget within the ARM Tariff. The current and proposed base rates
7 resulting from the ARM are included in Attachment WHN-2 to my testimony. I
8 also raise a few concerns with respect to Atmos' proposed changes to the ARM
9 calculation.

10

11 **Q6. PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCERNS**
12 **IN THIS DOCKET.**

13 A6. My recommendations and concerns are as follows:

- 14 • Atmos' basis for their ARM budget for fiscal year 2017 appears to be
15 reasonable and logical. I would therefore recommend that the rates proposed
16 by Atmos in its revised filing that are based on this ARM budget filing be
17 approved.
- 18 • I agree with the additional adjustments included in Atmos' revised filing in
19 response to CPAD data request 2-1 that fully offsets the impact of capitalized
20 incentive compensation.
- 21 • I have concerns with Atmos' proposal to implement two new allocation
22 factors for General Office costs because there is not enough evidence to
23 determine how their introduction will fully impact rates.² However, to
24 expedite this filing, I recommend that the Commission allow Atmos to
25 implement these new allocation factors subject to further review in the
26 relevant ARM reconciliation filing. More specifically, I would recommend
27 that the Commission fully consider the allocation calculations for these two
28 factors in that ARM reconciliation filing.
- 29
- 30

² Specifically, Atmos has proposed to implement one allocation factor for Atmos Energy Atmos Marketing (AEAM) costs and another for its Align (ALGN) costs.

1

2 **Q7. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF**
3 **YOUR TESTIMONY?**

4 A7. I have reviewed Atmos' Petition filed on January 31, 2017, along with the
5 accompanying schedules. I have also reviewed Atmos' responses to the data
6 requests submitted by the Consumer Advocate in this Docket. In addition, I
7 reviewed the Settlement Agreement between Atmos and the Consumer Advocate
8 in Docket 16-00105 that was incorporated into the Commission's Order in that
9 Docket regarding the reconciliation of budget to actual costs for the preceding
10 year. Finally, I reviewed the Settlement Agreement between Atmos and the
11 Consumer Advocate in Docket 14-00146 that was incorporated into the
12 Commission's Order in that Docket, as well as Atmos' Petition and the
13 Commission's Order in Docket 15-00089 regarding Atmos' rate case and the
14 establishment of the ARM.

15

16 **Q8. PLEASE EXPLAIN THE RELIEF THAT ATMOS IS ASKING FROM**
17 **THE COMMISSION THROUGH ITS PETITION.**

18 A8. Atmos is asking the Commission to implement the new base rates shown in
19 Attachment WHN-2, that are established from their budget for the twelve months
20 ending May 31, 2018, through the ARM tariff. The overall structure for the ARM
21 was agreed to by Atmos and the Consumer Advocate in Docket 14-00146 and
22 incorporated into the Commission's order in that Docket. The ARM structure
23 generally provides for an adjustment to rates by incorporating Atmos' capital and

1 operating budgets within the methodologies reflected in the Settlement
2 Agreement in Docket 14-00146. The revenue that Atmos receives from the ARM
3 will then be trued-up to actual costs in a subsequent reconciliation filing.
4 However, even though the budget numbers supporting the proposed base rates
5 will eventually be trued-up to actual costs, the current filing is very important
6 since it establishes the current rates charged to customers.
7

8 ***Q9. HOW MUCH OF A RATE INCREASE IS ATMOS REQUESTING***
9 ***THROUGH ITS ARM TARIFF?***

10 A9. Atmos is proposing to increase base revenues by approximately \$6.740 million
11 (9.72%) as shown below in Table 1 which provides a comparison of the current
12 ARM proposal along with the revenue deficiency settlements approved by the
13 Commission in Docket 14-00146 and the ARM filing in Docket 16-00013.³ The
14 \$6.740 million increase proposed by Atmos is composed of the current budget
15 revenue deficiency of \$2.128 million along with the \$4.612 million reconciliation
16 deficiency approved by the Commission in Docket 16-00105. It is also important
17 to note that the \$6.740 million requested increase is on top of the previous
18 increases of \$0.7 million and \$4.9 million approved by the Commission in
19 Dockets 14-00146 and 16-00012. Therefore, the cumulative requested increase
20 from all three dockets would be approximately \$12.3 million.
21

³ Atmos originally proposed a base rate increase of \$6,812,179 which was later amended to \$6,740,135 in response to CPAD data request 2-1.

1

Table 1 – Revenue Deficiency Comparison⁴			
	14-00146 Settlement	2016 ARM Filing	2017 ARM Filing⁵
Rate Base	\$247,958,276	\$274,594,688	\$302,952,541
Operating Income at Present Rates	18,731,838	18,203,328	21,390,905
Earned Rate of Return	7.55%	6.63%	7.06%
Fair Rate of Return	7.73%	7.72%	7.49%
Required Operating Income	18,167,175	21,198,710	22,691,145
Operating Income Deficiency	435,337	2,995,382	1,300,241
Gross Revenue Conversion Factor	1.634300	1.631800	1.636500
Current Revenue Deficiency	711,471	4,887,864	2,127,842
Prior Period Reconciliation	0	0	4,612,293
Total Revenue Deficiency	711,471	4,887,864	6,740,135

2

3 ***Q10. CAN THE CURRENT REVENUE DEFICIENCY OF \$2.128 MILLION BE***
4 ***ATTRIBUTED TO ANY SPECIAL CAUSE?***

5 A10. Yes. As shown in Table 1 above, the largest reason for the current revenue
6 deficiency of \$2.2 million is due to the projected increase in rate base of
7 approximately \$55 million since the last rate case. The detailed components of
8 rate base are shown below in Table 2 which provides a comparison of the rate
9 base settlement approved by the Commission in Docket 14-00146 along with
10 Atmos' proposed ARM filings in Dockets 16-00013 and 17-00012.

11

⁴ Atmos response to the Consumer Advocate Data Request 1-1, Schedule 1 in Docket 16-00013 and Schedule 1 of Atmos' 2017 Revenue Requirement Schedules in Docket 17-00012.

⁵ Per Atmos response to CPAD2-1 and affirmed in response to CPAD3-2.

1

Table 2 – Rate Base Comparison⁶			
	14-00146 Settlement	2016 ARM Filing	2017 ARM Filing
Utility Plant in Service	\$478,668,068	\$511,833,913	\$553,915,203
Construction Work in Progress	8,602,955	4,749,638	6,897,700
Materials & Supplies/Storage Gas	6,390,378	4,568,910	5,975,586
Working Capital/Deferred Rate Case	777,582	1,062,393	1,545,831
Intercompany Leased Property	5,322,811	5,480,845	5,313,186
Deferred Pension Expense	973,868	324,623	0
Total Additions	\$500,735,661	\$528,020,322	\$573,647,506
Accumulated Depreciation	\$194,176,859	\$193,126,102	\$202,597,056
Customer Deposits	3,632,272	4,667,865	4,720,013
Contributions & Advances	75,078	76,428	76,428
Accumulated Deferred Taxes	54,842,598	55,469,331	60,285,092
Accrued Interest on Deposits	50,578	85,907	89,264
Capitalized Incentive Compensation	0	0	2,927,113
Total Deductions	\$252,777,385	\$253,425,634	\$270,694,965
Rate Base	\$247,958,276	\$274,594,688	\$302,952,541

2

3 ***Q11. WHAT IS THE BASIS OF ATMOS' PROJECTED INCREASE TO***
4 ***UTILITY PLANT IN SERVICE?***

5 A11. As shown in Table 2 above, Atmos' budgeted increase to Utility Plant in Service
6 of approximately \$75 million since the last rate case accounts for nearly all of the
7 increase in rate base. Specifically, Atmos forecasts that its full Tennessee capital
8 expenditure budget will be approximately \$44.5 million for the 12 months ending
9 September 30, 2018 (\$79 million combined for both 2017 and 2018) for as shown
10 below on Table 3.

11

⁶ Atmos response to the Consumer Advocate's Data Request 1-1, Schedule 2 in Docket 16-00013 and Schedule 2RB of Atmos' response to CPAD2-1 in Docket 17-00012.

1

Table 3 – Tennessee Division Capital Expenditure Budget⁷ For the 12 Months Ending September 30, 2017 and 2018		
Item	2016 ARM Budget	2017 ARM Budget
Equipment	\$499,106	\$518,019
Growth	9,293,702	8,690,031
Information Technology	189,057	216,578
Public Improvements	2,517,657	5,805,938
Structure	218,815	359,057
System Improvement	12,900,934	18,830,898
System Integrity	9,628,764	10,045,254
Total	\$35,248,035	\$44,465,775

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Of particular note in Atmos' capital expenditure budget, are the costs for system improvement and system integrity which together total approximately \$28.9 million or about 65% 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.

Q12. IS ATMOS' BUDGETED INCREASE OF \$75 MILLION TO PLANT IN SERVICE SINCE THE LAST RATE CASE REPRESENTATIVE OF THE LEVEL OF PLANT ADDITIONS ADOPTED BY THE COMMISSION IN THE ATMOS' LAST RATE CASE IN DOCKET 14-00146?

A12. No. In the last rate case, Atmos' budgeted additions to plant in service were only \$24.1 million and \$22.0 million for 2015 and 2016 respectively.⁸ Therefore, the

⁷ Atmos filing, Schedule 3o (KMD FY17 CapEx Projected Budget Final).

⁸ See Atmos responses to the Commission MFR #52 and the Consumer Advocate Data Request 1-58 in Docket 14-00146. See also the Consumer Advocate Rate Base Workpaper RB-11-1.04 in Docket 14-00146.

1 2017 and 2018 Tennessee budgets of \$35.2 million and \$44.4 million reflect a
2 substantial ongoing increase from prior budget levels.
3

4 ***Q13. DID YOU REVIEW THE CALCULATIONS SUPPORTING THE***
5 ***PROPOSED BASE RATES IN ATMOS' ARM FILING?***

6 A13. Yes, I reviewed Atmos' filing. I also prepared data requests for supplemental
7 supporting information that was not contained in the filing. In addition, I have
8 had continuing discussions with Atmos regarding the filing. The purpose of my
9 review was to determine whether or not Atmos had a reasonable and logical basis
10 to support its proposed rates. My review did not include more extensive
11 procedures that would typically be included in an audit of Atmos's books and
12 records since, as I mentioned above, these tariffs will be eventually trued-up to
13 the actual costs incurred in a subsequent filing.
14

15 ***Q14. WHAT WERE THE RESULTS OF YOUR REVIEW?***

16 A14. Overall, I found that the calculations supporting Atmos' filing appeared to be
17 reasonable, logical and reflected the methodologies established in Docket 14-
18 00146, with the exceptions noted below. In addition, Atmos' calculations are tied
19 to their capital and operating expense budgets with reasonable assumptions and
20 estimates for capital deployment and depreciation.
21

22 ***Q15. DID YOUR REVIEW FIND ANY AREAS OF CONCERN WITH THE***
23 ***ATMOS' PROPOSED TARIFF FILING?***

1 A15. Yes. I did have concerns regarding the methodology proposed by Atmos to offset
2 the impact of capitalized incentive compensation in its original filing, but those
3 concerns have been addressed by Atmos. I also have concerns regarding Atmos'
4 proposed introduction of two new allocation methodologies for General Office
5 costs.

6

7 ***Q16. PLEASE DESCRIBE YOUR CONCERNS RELATED TO ATMOS'***
8 ***PROPOSAL TO OFFSET THE IMPACT OF CAPITALIZED INCENTIVE***
9 ***COMPENSATION***

10 A16. The Commission has traditionally disallowed the recovery of incentive
11 compensation on the basis that it would be inappropriate to provide prefunding for
12 incentives through increased rates rather than from incrementally efficient
13 operations. In fact, Atmos' recovery of incentive compensation was specifically
14 disallowed within the Settlement Agreement of Docket 14-00146 which reads as
15 follows:

16 "Disallowances – The Company shall remove from O&M amounts
17 related to incentive compensation, spousal and dependent travel, and
18 non-deductible dues. Specifically, the Company shall remove
19 allocated net expense amounts for incentive compensation, spousal
20 and dependent travel, and non-deductible dues budgeted in the
21 following sub accounts: 07452, 07458, 07460, 07463, 07454,
22 07450, 05416, and 05412, as well as any subaccounts that in form
23 or substance could constitute a successor or replacement for such
24 subaccount."⁹

25 In the ARM Reconciliation for Docket 16-00105, the Consumer Advocate first
26 brought to the Commission's attention that while Atmos has appropriately

⁹ Settlement Agreement in 14-00146, Paragraph 13(h)(v), filed April 29, 2015, Pages 14-15.

1 removed the incentive compensation in the ARM that was charged to O&M
2 expense, another significant portion of incentive compensation was first being
3 capitalized and then ultimately charged to customers through depreciation
4 expense.

5 After much discussion, Atmos and the Consumer Advocate filed a Settlement
6 Agreement with the Commission in Docket 16-00105 to resolve the capitalized
7 incentive compensation issue. The specific terms of this Settlement Agreement
8 related to capitalized incentive compensation are as follows:

9 11. In compromise and settlement of this matter, however, the Company has made an
10 adjustment to remove capitalized incentive compensation from rate base in this Docket for
11 the test year ending May 31, 2016, by removing the appropriate amount of allocable cost
12 from plant in service (and therefore rate base). This adjustment is reflected in the revised
13 Revenue Requirement Model attached hereto as Exhibit A and in the Annual
14 Reconciliation Revenue Requirement of \$4,612,293. Going forward, the Company will
15 propose a change in methodology to remove capitalized incentive compensation from rate
16 base on a prospective basis, accounting for the cumulative impact and changes in balance
17 to reflect amortization of prior year's removals, with the goal that this would be included
18 in the Company's February 1, 2017 ARM filing. The Company agrees to preview a
19 proposed change in methodology with CPAD no later than January 15, 2017.¹⁰
20

21 ***Q17. DID ATMOS INCLUDE AN ADJUSTMENT FOR CAPITALIZED***
22 ***INCENTIVE COMPENSATION IN THE CURRENT FILING AS***
23 ***REQUIRED BY THE SETTLEMENT AGREEMENT?***

24 A17. Yes. As shown in Table 2 above, Atmos has included a \$2.9 million reduction in
25 rate base to offset the impact of capitalized incentive compensation. However, in
26 their original filing in this Docket, Atmos excluded the amortization of this offset
27 to capitalized incentive compensation from the income statement. After
28 additional discussion between Atmos and the Consumer Advocate, Atmos revised

¹⁰ Settlement Agreement in 16-00105, Paragraph 11, filed December 16, 2016.

1 its original filing in response to CPAD data request 2-1 to now include this
2 amortization. I have reviewed this calculation, and generally agree with its
3 methodology. I therefore recommend that the Commission approve Atmos'
4 revised revenue deficiency calculation.

5
6 ***Q18. PLEASE DESCRIBE YOUR CONCERNS RELATED TO THE ATMOS'***
7 ***PROPOSED INTRODUCTION OF NEW ALLOCATION***
8 ***METHODOLOGIES FOR GENERAL OFFICE COSTS.***

9 A18. At the time of Atmos' last rate case in Docket 14-00146, the Commission
10 approved the allocation of a portion of certain general office costs in Dallas to
11 Tennessee operations. Specifically, in the current ARM filing Atmos allocates
12 4.33% of its general office costs (Division 02) to Tennessee in accordance with
13 the agreed-upon procedures adopted by the Commission in Atmos' last rate
14 case.¹¹

15 In the current filing, Atmos has proposed to further segregate Division 02 assets
16 and apply new allocation factors to their costs. Specifically, Atmos has requested
17 to recognize Atmos Energy/Atmos Marketing (AEAM) assets and Align System
18 (ALGN) assets separately from other Division 02 assets for ratemaking purposes.
19 The AEAM costs represent shared assets that specifically support Atmos' gas

¹¹ Atmos also allocates a portion of shared service and data center costs to Tennessee. In addition, Atmos allocates a portion of its division office costs to Tennessee.

supply and gas control functions.¹² The ALGN costs represent shared assets related to Atmos' large commercial and industrial customer billing system.¹³ Until now, the costs for AEAM and ALGN would have been allocated to Tennessee using the allocation factor rate for Division 02. In the current filing, Atmos' proposal to adopt new separate allocation factors for AEAM and ALGN assets would change the previous allocation methodology as shown below in Table 4.

Table 4 – Atmos General Office Allocation Factors¹⁴		
Division 02		
Asset Group	Current	Proposed
Division 02	4.33%	4.33%
Atmos Energy/Atmos Marketing (AEAM)	4.33%	5.36%
Align (ALGN)	4.33%	0.00%

Q19. WHAT IS THE IMPACT OF THE CHANGE IN ALLOCATION FACTORS ON THE REVENUE DEFICIENCY IN THE ARM CALCULATION?

A19. It is not completely clear at this time what the final impact from the adoption of the AEAM and ALGN allocation factors might be. According to Atmos, the adoption of the AEAM and ALGN factors would decrease the revenue requirement in the current ARM filing by approximately \$109,000.¹⁵ However, this analysis appears to be flawed because it assumes that the AGLN costs that are

¹² Atmos response to CPAD3-1.

¹³ Direct testimony of Atmos witness Waller, Page 13-14. At this time, Atmos does not propose an allocation of ALGN costs to Tennessee.

¹⁴ Atmos filing, Revenue Requirement Schedules, Workpaper 7-1.

¹⁵ See Atmos response to the Consumer Advocate's data request 1-2. Specifically, the total revenue deficiency as originally filed by Atmos in this ARM filing is \$6,812,179. With the AEAM and ALGN allocations removed, this revenue deficiency would be \$6,921,245 for a difference of \$109,066.

1 not applicable to Tennessee would be allocated at 4.33% without the adoption of
2 the ALGN allocation factor. In addition, I have not been able to review the
3 AEAM and ALGN costs to determine if they are appropriate to allocate to
4 Tennessee. At this time, I do not believe that there is enough evidence in the
5 record to determine how the introduction of the AEAM and ALGN allocation
6 factors will fully impact rates.

7
8 ***Q20. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION ON***
9 ***THE PROPOSED CHANGE IN GENERAL OFFICE ALLOCATION***
10 ***FACTORS?***

11 **A20.** At this time, I am recommending that the Commission allow Atmos to implement
12 these new allocation factors in order to expedite this ARM budget filing. I would
13 then recommend that the Commission fully consider the allocation calculations
14 for these two factors in the relevant ARM reconciliation filing.

15
16 ***Q21. DOES THIS COMPLETE YOUR TESTIMONY?***

17 **A21.** Yes, it does. However, I reserve the right to incorporate any new data that may
18 subsequently become available.

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 thirty-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. WHN Consulting is a “complete needs” utility regulation firm able to provide clients with assistance in all areas of utility rate analysis. Since 2004, WHN Consulting has provided assistance to public utility commissions and state consumer advocates in over ten state jurisdictions. Some of the topics and issues that WHN Consulting has presented testimony for include net metering, alternative rate regulation, revenue requirement calculations in rate cases, class cost of service studies, rate design, deferred income tax calculations, purchased gas costs, purchased power costs, and weather normalization studies.

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

Witness 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>
	Aqua Utilities/Aqua Utilities	2006	Presentation of Rate Case on behalf of Aqua Utilities	<u>06-00187</u>
	Atmos Energy Corporation/Atmos Intervention Group	2007	Rate design for Industrial Intervenor Group	<u>07-00105</u>
	Bristol TN Essential Services/BTES	2009	Audit of Cost Allocation Manual	<u>05-00251</u>
	Chattanooga Manufacturers Association/CMA	2009	Spokesperson for Industrial Natural Gas Users before the Tennessee State Legislature	<u>HB-1349</u>
	Piedmont Natural Gas Company/Tennessee AG	2011	Rate Case Audit - Revenue, Class Cost of Service Study & Rate Design	<u>11-00144</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>
	Tennessee-American Water Company/Tennessee AG	2013-2017	Alternative Regulation - Audit of Budget & True-up Filings, Rate Design	<u>16-00126</u>
Tennessee	Piedmont Natural Gas Company/Tennessee AG	2013-2017	Alternative Regulation - Audit of Budget & True-up Filings, Rate Design	<u>16-00140</u>
	Piedmont Natural Gas Company/Tennessee AG	2014	Audit of Recovery of Compressed Natural Gas Infrastructure Costs	<u>14-00086</u>
	Piedmont Natural Gas Company/Tennessee AG	2014	Audit of Accumulated Deferred Federal Income Tax	<u>14-00017</u>
	Atmos Energy Corporation/Tennessee AG	2014	Rate Case Audit - Revenues, O&M Expenses, Rate Base and Rate Design	<u>14-00146</u>
	Atmos Energy Corporation/Tennessee AG	2015-2017	Alternative Regulation - Audit of Budget & True-up Filings, Rate Design	<u>16-00105</u>
	B&W Gas Company/B&W	2015	Presentation of Rate Case on behalf of B&W Gas Company	<u>15-00042</u>
	AEP & Kingsport Power/Tennessee AG	2015	Audit of Storm Costs and Rate Recovery	<u>15-00024</u>
	AEP & Kingsport Power/Tennessee AG	2016	Rate Case Audit - Revenue, Rate Base, Class Cost of Service Study & Rate Design	<u>16-00001</u>
	Jefferson County (Birmingham) Wastewater/Alabama AG	2013	Bankruptcy Filing - Allowable Costs and Rate Design	<u>2009-2318</u>
	Peoples & North Shore Gas Cos./Illinois Commerce Comm.	2007	Management Audit of Gas Purchasing Practices	<u>06-0556</u>
New Mexico	Southwestern Public Service Co./New Mexico PRC	2010	Financial Audit of Fuel Costs for 2009 and 2010	<u>09-00351-UT</u>
New York	National Grid/New York PSC	2011	Audit of Affiliate Relationships and Transactions	<u>10-M-0451</u>
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>
Texas	Duke Energy-Ohio/Public Utilities Commission of Ohio	2009	Focused Management Audit of Fuel & Purchased Power (FPP Riders)	<u>07-0723-EL-UNC</u>
	Center Point Energy/Texas AG	2009	Rate Case Audit - Class Cost of Service and Rate Design	<u>GUD 9902</u>
	Sharyland Utilities/St. Lawrence Cotton Growers Assn.	2017	Rate Case Audit - Class Cost of Service and Rate Design	<u>PUC 45414</u>
	Aqua Utilities/PSS Legal Fund	2011	Rate Case Audit - Class Cost of Service and Rate Design	<u>W-218, Sub-319</u>
Washington DC	Washington Gas Light Co./Public Service Comm of DC	2011	Audit of Tariff Rider for Infrastructure Replacement Costs	<u>1027</u>
NARUC	National Association of Regulatory Utility Commissioners	2015	Presentation of Regulatory Issues with Net Metering Customers on Rates of Electric Utilities	

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	14-00146 Settlement	16-00013 ARM Filing	17-00012 ARM Filing	Percent Increase
Residential:				
Regular Winter Customer Charge	\$17,150	\$18,300	\$19,750	15.16%
Regular Summer Customer Charge	14,150	15,300	17,750	25.44%
Regular Commodity Charge per Mcf	1.218	1.322	1.409	15.68%
Heating & Cooling Customer Charge	14,150	15,300	16,750	18.37%
Heating & Cooling Commodity Charge per Mcf	0.719	0.769	0.848	17.94%
Public Housing Winter Customer Charge	17,150	18,300	19,750	15.16%
Public Housing Summer Customer Charge	14,150	15,300	17,750	25.44%
Public Housing Commodity Charge per Mcf	1.218	1.322	1.409	15.68%
Commercial & Industrial Sales Service:				
Small Commercial Customer Charge	36,150	37,800	42,000	16.18%
Small Commercial Commodity Charge per Mcf	2.333	2.548	2.779	19.12%
Large Commercial Customer Charge	385,000	405,000	445,000	15.58%
Large Commercial Commodity Charge	2,057	2,224	2,450	19.11%
School Customer Charge	36,150	37,800	42,000	16.18%
School Commodity Charge	1,146	1,234	1,354	18.15%
Commercial & Industrial Transportation Service:				
Customer Charge	435,000	440,000	455,000	4.60%
Demand Charge per Mcf	16,283	16,283	16,283	0.00%
Commodity Charge 1 - 2,000 Mcf	1,153	1,246	1,373	19.08%
Commodity Charge 1 - 2,000 Mcf ED Discount	0.865	0.935	1,030	19.08%
Commodity Charge 2,000 - 50,000 Mcf	0.763	0.825	0.909	19.13%
Commodity Charge 2,000 - 50,000 Mcf ED Discount	0.572	0.619	0.682	19.23%
Commodity Charge Over 50,000 Mcf	0.353	0.382	0.421	19.26%
Commodity Charge Over 50,000 Mcf ED Discount	0.265	0.286	0.316	19.25%
Small Commercial Firm Commodity Charge	2,333	2,548	2,779	19.12%
Large Commercial Firm Commodity Charge	2,057	2,224	2,450	19.11%
Cogeneration & Large A/C Customer Charge	36,150	37,800	42,000	16.18%
Special Contract Customers	Various	Various	Various	0.00%
Total	\$64,178,516	\$69,066,354	\$76,056,777	18.51%

SOURCE: Company Revised Filing in response to CPAD2-1, Schedules 11-3 and 11-4.