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ILITY COMMISSION 16
I.N.C. B. STREET ROOM

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Docket No. 17-00033

IES
of

ON BEHALF OF

June 30, 2017

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 35 years. Before
15 establishing WHN Consulting, I was Chief of the Energy & Water Division of the
16 Tennessee Public Utility Commission 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 Commission 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 COMMISSION TO APPROVE AN***
20 ***ALTERNATIVE TO ITS EXISTING RULES FOR FINANCIAL***
21 ***SECURITY AT THIS TIME?***

22 ***A5.*** Commission Rule 1220-4-13-.07(2)(a) requires all wastewater utilities to post as
23 financial security one hundred percent (100%) of their gross annual revenue in the most
24 recent Authority Form UD20 or \$20,000, whichever is greater. As shown in the Table

below, KCC's total net revenues for calendar year 2016 were approximately \$91,000 of which approximately \$20,000 were related to Commission approved bond surcharges leaving net utility receipts of approximately \$71,000.²

	Net Revenue	Bond Surcharges	Net Receipts
January, 2016	\$6,738.05	1,489.80	\$5,248.25
February	9,982.04	1,508.90	8,473.14
March	7,482.64	1,508.90	5,973.74
April	6,042.90	1,575.75	4,467.15
May	7,276.15	1,594.85	5,681.30
June	8,929.77	1,671.25	7,258.52
July	5,626.61	1,747.65	3,878.96
August	7,126.09	1,766.75	5,359.34
September	9,709.91	1,785.85	7,924.06
October	6,673.49	1,852.70	4,820.79
November	6,896.49	1,862.25	5,034.24
December	8,193.44	1,871.80	6,321.64
Total	\$90,677.58	\$20,236.45	\$70,441.13

KCC maintains that it is not reasonable, nor was it ever the Commission's intent, to require wastewater utilities to post financial security on top of existing bond surcharges. Therefore, KCC asks that this petition be granted and that the Commission approve \$71,000 as the appropriate revenue level for determining financial security in accordance with Commission Rule 1220-4-13-.07(5).

***Q6. HAS THE COMMISSION RECENTLY ACTED TO AMEND ITS
CURRENT RULES FOR FINANCIAL SECURITY FROM
WASTEWATER UTILITIES?***

² Net revenues exclude the recovery of \$21,077.65 in escrow charges which are treated as a liability instead of revenue for ratemaking purposes. These escrow charges were erroneously included as revenue in KCC's last alternative financial security request in Docket 14-00158 to KCC's detriment. The exclusion of escrow surcharges in this filing results in a lower overall financial security requirement from the level previously approved.

1 A6. Yes. In Docket 16-00112, the Commission approved new rules for wastewater
2 utilities that adopt a financial security target of 50% of net revenues. Although
3 the new rules are not yet official, they do reflect the intent of the Commission. In
4 addition, the Commission's existing rules allow it to determine financial security
5 on a case-by-case basis.³ KCC therefore requests that the Commission recognize
6 and approve 50% of KCC's net receipts or \$36,000 (\$71,000 * 50%) as the
7 appropriate amount for its financial security.

8
9 ***Q7. DOES THIS COMPLETE YOUR TESTIMONY?***

10 A7. Yes it does.

³ See current TPUC Rule 1220-4-13-.07(8).