

**BEFORE  
THE TENNESSEE PUBLIC UTILITY COMMISSION**

PETITION OF TENNESSEE- )  
AMERICAN WATER COMPANY )  
REGARDING THE 2018 INVESTMENT )  
AND RELATED EXPENSES UNDER )  
THE QUALIFIED INFRASTRUCTURE )  
INVESTMENT PROGRAM RIDER, )  
THE ECONOMIC DEVELOPMENT )  
INVESTMENT RIDER, AND THE )  
SAFETY AND ENVIRONMENTAL )  
COMPLIANCE RIDER )

Docket No. 17-00124

**DIRECT TESTIMONY  
of  
WILLIAM H. NOVAK**

**ON BEHALF OF  
  
THE CONSUMER PROTECTION AND ADVOCATE DIVISION  
OF THE  
OFFICE OF THE TENNESSEE ATTORNEY GENERAL**

**February 21, 2018**

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE**

IN RE: )  
)  
PETITION OF TENNESSEE AMERICAN )  
WATER COMPANY REGARDING THE )  
2016 INVESTMENT AND RELATED )  
EXPENSES UNDER THE QUALIFIED )  
INFRASTRUCTURE INVESTMENT )  
PROGRAM RIDER, THE ECONOMIC )  
DEVELOPMENT INVESTMENT RIDER, )  
AND THE SAFETY AND ENVIRONMENTAL )  
COMPLIANCE RIDER )

**Docket No. 17-00124**

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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 Protection and Advocate Division.

  
WILLIAM H. NOVAK

Sworn to and subscribed before me this 21<sup>st</sup> day of Feb., 2017.

  
NOTARY PUBLIC

My commission expires: May 6, 2019



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## ATTACHMENTS

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Attachment WHN-1

William H. Novak Vitae

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 35 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 and Advocate Division  
11 (Consumer Advocate) of the Office of the Tennessee Attorney General.

12  
13 **Q4. HAVE YOU PRESENTED TESTIMONY IN ANY PREVIOUS CASES**  
14 **CONCERNING TENNESSEE-AMERICAN WATER COMPANY?**

15 **A4.** Yes. I presented rate case testimony in Docket Nos. U-86-7402, U-87-7534, 89-  
16 15388, 91-05224, 93-06946, 10-00189, 12-00049, and 12-00157 concerning  
17 Tennessee-American Water Company (Tennessee-American or Company) as well  
18 as testimony concerning Tennessee-American in other generic tariff and  
19 rulemaking matters. I have also previously presented testimony concerning the  
20 Company's alternative regulatory mechanism that is the focus of this proceeding  
21 in Docket Nos. 13-00130, 14-00121, 15-00001, 15-00029, 15-00111, 16-00022,  
22 16-00126, 16-00148 and 17-00020.

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

**A5.** My testimony will address the calculations supporting the Company's tariff filing that requests authority to implement the new surcharges in its capital recovery tariff rider shown below in Table 1.

<b>TABLE 1 – TENNESSEE-AMERICAN WATER COMPANY CURRENT &amp; PROPOSED CAPITAL RIDER SURCHARGE</b>		
<b>Rider</b>	<b>Current Surcharge<sup>2</sup></b>	<b>Revised Surcharge<sup>3</sup></b>
Qualified Infrastructure Investment Program (QIIP) Rider	9.283%	9.940%
Economic Development Investment (EDI) Rider	0.309%	0.410%
Safety & Environmental Compliance (SEC) Rider	5.264%	6.030%
<b>Total Surcharge</b>	<b>14.856%</b>	<b>16.380%</b>

These Capital Rider surcharges first began in 2014, and the cumulative changes to the Capital Rider surcharges since their inception are shown below in Table 2.

<b>TABLE 2 – TENNESSEE-AMERICAN WATER COMPANY CUMULATIVE IMPACT FROM CAPITAL RIDER FILINGS</b>								
<b>Effective Date</b>	<b>Docket No.</b>	<b>QIIP Rider</b>	<b>QIIP Reconcile</b>	<b>EDI Rider</b>	<b>EDI Reconcile</b>	<b>SEC Rider</b>	<b>SEC Reconcile</b>	<b>Total</b>
04/15/14	13-00130	0.790%	0.000%	0.180%	0.000%	0.110%	0.000%	1.080%
06/30/15	14-00121	2.130%	0.000%	0.050%	0.000%	3.540%	0.000%	5.720%
11/01/15	15-00029	2.130%	0.254%	0.050%	-0.150%	3.540%	0.064%	5.888%
03/15/16	15-00111	4.560%	0.000%	0.100%	0.000%	5.720%	0.000%	10.380%
10/11/16	16-00022	4.560%	1.166%	0.100%	-0.178%	5.720%	-0.118%	11.250%
03/14/17	16-00126	7.520%	0.000%	0.340%	0.000%	6.090%	0.000%	13.950%
8/16/17	17-00020	7.520%	1.763%	0.340%	-0.031%	6.090%	-0.826%	14.856%
Original	17-00124	10.770%	0.000%	0.450%	0.000%	6.560%	0.000%	17.780%
Revised	17-00124	9.940%	0.000%	0.410%	0.000%	6.030%	0.000%	16.380%

<sup>2</sup> Petitioner's Exhibit – Current Tariff Sheet No. 12 – Riders, Includes both Budget & Reconciliation Riders.

<sup>3</sup> Petitioner's Exhibit Summary – LCB, submitted in response to Consumer Advocate Data Request #2-13.

1 **Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF**  
2 **YOUR TESTIMONY?**

3 **A6.** I have reviewed the Company's Petition filed on November 7, 2017, along with  
4 the accompanying tariff schedules. I have also reviewed the Company's  
5 testimony and exhibits supporting its filing. In addition, I have reviewed the  
6 Company's supplemental testimony and supporting workpapers that were filed on  
7 February 7, 2018, in order to address the impact of the Tax Cuts and Jobs Act on  
8 the Capital Riders. Finally, I have reviewed the Company's responses to the data  
9 requests submitted by the Consumer Advocate in this Docket.

10  
11 **Q7. PLEASE EXPLAIN THE RELIEF THAT TAWC IS ASKING FROM THE**  
12 **COMMISSION THROUGH ITS PETITION.**

13 **A7.** The Company is asking the Commission to implement the revised capital  
14 recovery rider surcharges for 2018 (shown above in Table 1) that are based on its  
15 2018 capital budget. The overall structure for these capital tariff riders was  
16 approved by TPUC Docket No. 13-00130. The revenue received from the capital  
17 recovery rider surcharges are trued-up to actual costs in a subsequent filing.  
18 However, even though the budget numbers supporting the current tariff filing are  
19 eventually trued-up to actual costs, the current budget filing is very important  
20 since it establishes the current monthly surcharge to customers.

21  
22 **Q8. DID YOU REVIEW THE CALCULATIONS SUPPORTING THE**  
23 **PROPOSED SURCHARGES IN THE COMPANY'S TARIFF FILING?**

1 **A8.** Yes. I reviewed the Company's filing. I also drafted and assisted in drafting data  
2 requests for supplemental supporting information that was not contained in the  
3 filing. The purpose of my review was to determine whether the Company  
4 appeared to have a basis to support its proposed tariff surcharges that are based on  
5 the 2018 budget. My review **did not** include more extensive procedures that  
6 would typically be included in an audit of TAWC's books and records since, as I  
7 mentioned above, these tariffs will be eventually trued-up to the actual costs  
8 incurred in a subsequent filing.

9  
10 ***Q9. WHAT WERE THE RESULTS OF YOUR REVIEW?***

11 **A9.** Except as otherwise noted, for the purposes of this Docket, I found that the  
12 structure of the calculations supporting the Company's tariff filing appeared to be  
13 reasonable and logical.

14  
15 ***Q10. DID YOUR REVIEW FIND ANY AREAS OF CONCERN WITH THE***  
16 ***COMPANY'S PROPOSED TARIFF FILING?***

17 **A10.** Yes. I believe that the criteria for my review of the Company's filing can best be  
18 summarized into the following three categories:

- 19 1. Supporting data for the Capital Rider calculation should be readily available  
20 and traced back to authoritative documents;
- 21 2. The Capital Rider calculations should be carried out on a consistent basis with  
22 previous filings, and when a change is proposed to the calculation



1 methodology, it should clearly lay out the impact for the Commission and be  
2 considered only on a going-forward basis; and

3 3. The Capital Rider calculations should be carried out accurately.  
4

5 I believe that certain aspects of the Company's filing fall short in each of these  
6 categories, and it is in the public interest for the Commission to remedy these  
7 shortcomings.  
8

9 **I – LACK OF SUPPORTING DATA**  
10

11 ***Q11. MR. NOVAK, WAS THERE A LACK OF SUPPORTING DATA IN THE***  
12 ***COMPANY'S FILING?***

13 ***A11.*** Yes. In a number of instances, the Company has included hard-coded amounts  
14 within the Capital Rider calculation without any support. This unsupported data  
15 includes over \$520,000 in forecasted plant additions and \$3,000,000 in forecasted  
16 removal costs.<sup>4</sup> In my opinion, it is improper to include these costs in the Capital  
17 Rider without adequate, verifiable support.  
18

19 ***Q12. DID YOU REQUEST THAT THE COMPANY SUBSTANTIATE THIS***  
20 ***UNSUPPORTED DATA?***

21 ***A12.*** Yes. In the Consumer Advocate's first data request, the Company responded that  
22 the source and support of this data "...are the financial and accounting records of

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<sup>4</sup> Specifically, the Company's responses to CPAD Requests #2-4 and #2-5 related to unsupported forecasted plant additions of \$271,495 and \$251,103. In addition, the Company's Response to CPAD Request #1-13 illustrates unsupported removal costs on seven different projects.

1 Tennessee American.”<sup>5</sup> While this statement may be accurate, it does not provide  
2 verifiable evidence to confirm the data.

3 The Consumer Advocate then followed-up with a second data request for this  
4 same information.<sup>6</sup> In this response, the Company provided supporting data, but  
5 for amounts that are different than what had Tennessee-American had included in  
6 the filing. As a result, there is no documentation supporting the hard-coded data  
7 identified above.

8

9 ***Q13. WHAT ACTION DO YOU RECOMMEND THAT THE COMMISSION***  
10 ***TAKE TO ADDRESS THIS UNSUBSTANTIATED DATA?***

11 ***A13.*** As it stands right now, there is no underlying documentation supporting the hard-  
12 coded data identified above. Certainly, consumers have a right to expect that the  
13 charges for the water they consume are based on substantiated and verifiable data  
14 and information. As a result, I would recommend that the Commission either  
15 direct the Company to remove these unsubstantiated amounts or provide  
16 verifiable data than can be supported in the Capital Rider calculation.

17

18 **II – LACK OF CONSISTENT CALCULATIONS**

19

20 ***Q14. WERE THE CAPITAL RIDERS CALCULATED ON A CONSISTENT***  
21 ***BASIS WITH PRIOR COMMISSION DECISIONS?***

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<sup>5</sup> See Response to CPAD Request #1-13.

<sup>6</sup> See Response to CPAD Requests #2-4, #2-5 and #2-10.

1 **A14.** No. The Company has proposed certain changes to the calculation methodology  
2 beginning in 2018 but has also retroactively applied these methodology changes  
3 to the 2017 budget filing calculation that the Commission previously approved.  
4 In my opinion, it is improper to make these retroactive changes to the Capital  
5 Riders. Tennessee American's customers deserve to rely on the Capital Rider  
6 being calculated in a consistent and predictable manner.

7  
8 ***Q15. PLEASE EXPLAIN THE RETROACTIVE CHANGES FOR 2017 THAT***  
9 ***THE COMPANY HAS MADE TO THE CAPITAL RIDER***  
10 ***CALCULATION.***

11 **A15.** For Business Units A, B, C, and D, the Company has historically calculated  
12 forecasted monthly plant additions by taking a three-month average of  
13 construction expenditures.<sup>7</sup> In the current filing, the Company has eliminated this  
14 three-month average and instead substituted the projected monthly construction  
15 expenditure for each particular month.<sup>8</sup> I am not opposed to this change on a  
16 going-forward basis and I initially proposed it in TPUC Docket No. 16-00126.<sup>9</sup>  
17 However, the Company has retroactively applied this new methodology to the  
18 2017 budgeted plant additions that were previously recognized and adopted by in

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<sup>7</sup> Business Units A, B, C, and D refer respectively to Mains-New, Mains-Replaced/Restored, Mains-Unscheduled, and Mains-Relocated.

<sup>8</sup> Direct Testimony of Linda C. Bridwell, Page 9 line 12 through Page 10, line 2.

<sup>9</sup> TPUC Docket No. 16-00126, Direct Testimony of William H. Novak, Pages 5-9.

1 TPUC Docket No. 16-00126.<sup>10</sup> In my opinion, it is improper to make this new  
2 change to the Capital Rider calculation methodology on a retroactive basis.

3  
4 Also, for each Business Unit, the Company first forecasts its total monthly  
5 construction expenditures and then allocates these expenditures to the appropriate  
6 plant accounts by using an allocation factor that was based on actual expenditures  
7 from 2012. In the current filing, the Company has updated these allocation  
8 factors based on a three-year average from 2014 – 2016.<sup>11</sup> I have no opposition to  
9 updating these allocation factors if they are applied on a going-forward basis for  
10 2018. However, the Company has retroactively applied these allocation factors to  
11 the 2017 plant additions that were previously recognized and adopted in TPUC  
12 Docket No. 16-00126. In my opinion, it is improper to make this new change to  
13 the Capital Rider calculation methodology on a retroactive basis.

14  
15 Finally, the Company has changed the methodology for forecasting retirements  
16 and removal costs. Previously, the Company relied upon an estimate to forecast  
17 retirements and cost of removal. In the current filing, the Company has updated  
18 this methodology and based it on a three-year average from 2014 – 2016.<sup>12</sup> I am  
19 certainly not opposed to updating these estimates and I would agree that they  
20 should be applied on a going-forward basis for 2018. However, the Company has

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<sup>10</sup> Note however on Page 10, line 2 of her direct testimony, Ms. Bridwell states that she “...does not recommend retroactively removing the prior calculation methodology” even though her exhibits do apply this change retroactively.

<sup>11</sup> See Response to CPAD #1-2 for confirmation that this change was not addressed in testimony.

<sup>12</sup> Direct Testimony of Linda C. Bridwell, Page 10 lines 10-14. Note especially that Ms. Bridwell’s testimony admits that this change was retroactively “...applied to both 2017 and 2018.”

1 again retroactively applied these calculations to the 2017 plant additions that were  
2 previously recognized and adopted by in TPUC Docket 16-00126. In my opinion,  
3 it is improper to make this new change to the Capital Rider calculation  
4 methodology on retroactive basis.

5

6 ***Q16. DID YOU REQUEST THAT THE COMPANY EXPLAIN THE REASONS***  
7 ***FOR THESE RETROACTIVE CHANGES IN RETIREMENT AND***  
8 ***REMOVAL COSTS?***

9 ***A16.*** Yes, and the Company's responses were vague. In the case of the average plant  
10 calculations and the construction expenditure allocation changes for 2017, the  
11 Company appears to recognize that these changes to the approved calculation  
12 methodology have taken place retroactively, but it has refused to take any  
13 corrective action.<sup>13</sup> In the case of the retirement and removal cost changes, the  
14 Company admits in its direct testimony that it retroactively applied these changes  
15 to 2017.<sup>14</sup>

16

17 ***Q17. WHAT ACTION DO YOU RECOMMEND THAT THE COMMISSION***  
18 ***TAKE TO ADDRESS THESE RETROACTIVE CHANGES IN***  
19 ***CALCULATION METHODOLOGY?***

20 ***A17.*** The Capital Rider calculation methodology for the Company's 2017 budget filing  
21 was already adopted and approved in TPUC Docket 16-00126. In my opinion, it  
22 is inappropriate for the Company to propose a change to the Capital Rider

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<sup>13</sup> See Responses to CPAD Requests #1-1, #1-2, #2-1, #2-2 and #2-13.

<sup>14</sup> Direct Testimony of Linda C. Bridwell, Page 10, lines 10-14.

1 calculation methodology on a retroactive basis. I would therefore recommend  
2 that the Commission direct the Company to provide a recalculated filing that  
3 includes the calculation methodologies previously approved for 2017.  
4

### 5 III – LACK OF ACCURATE CALCULATIONS 6

#### 7 ***Q18. PLEASE EXPLAIN THE CALCULATION CHANGES THAT IMPACT*** 8 ***THE ACCURACY OF THE CAPITAL RIDER.***

9 ***A18.*** In order to calculate tax depreciation, the Company has historically taken the total  
10 plant additions for each year, then deducted any customer provided contributions  
11 in aid of construction (CIAOC) for these plant additions and then multiplied the  
12 balance by the appropriate tax depreciation rate. In the current filing, the  
13 Company has eliminated this deduction for CIAOC thereby overstating the tax  
14 depreciation calculation in the Capital Rider filing. In my opinion, this change  
15 improperly calculates tax depreciation.  
16

#### 17 ***Q19. DID YOU REQUEST THAT THE COMPANY EXPLAIN THE REASONS*** 18 ***FOR THIS CHANGE?***

19 ***A19.*** Yes. In the Consumer Advocate's first data request, the Company appears to  
20 agree that this is an error but deferred a correction pending the outcome of the  
21 Tax Reform Act of 2017.<sup>15</sup>  
22 The Consumer Advocate then followed-up with a second data request for this  
23 same information. In this response, the Company stated that it was now

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<sup>15</sup> See Response to CPAD Request #1-14.

1 “...TAWC’s intent to exclude Contribution in Aid of Construction [from] the tax  
2 depreciation calculation in future filings.”<sup>16</sup> As a result, this tax depreciation error  
3 has not been corrected in either the Company’s original or revised filings.  
4

5 ***Q20. WHAT ACTION DO YOU RECOMMEND THAT THE COMMISSION***  
6 ***TAKE TO ADDRESS THIS CHANGE IN METHODOLOGY?***

7 ***A20.*** The Company’s change to the tax depreciation calculation through the exclusion  
8 of CIAOC was not accompanied with any testimony or other notice to the  
9 Commission. Therefore, I do not believe that there is any basis for the Company  
10 to propose this change which would result in an inaccurate Capital Rider  
11 calculation by excluding the contributed investment from the tax depreciation  
12 calculation. As a result, I would recommend that the Commission direct the  
13 Company to provide a recalculated filing that includes the impact of CIAOC on  
14 the tax depreciation calculation.  
15

16 **IV – IMPACT OF THE CAPITAL RIDER ON CUSTOMER BILLS**  
17

18 ***Q21. MR. NOVAK, DO YOU HAVE ANY FINAL THOUGHTS ON THE***  
19 ***CAPITAL RIDER CALCULATION FOR THE COMMISSION’S***  
20 ***CONSIDERATION?***

21 ***A21.*** Yes. As we enter the fifth year for the Capital Rider calculation, I think it is  
22 appropriate to review its cumulative impact on customer bills. As shown on  
23 Table 1 above, the revised Capital Rider in this Docket results in an increase in

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<sup>16</sup> See Response to CPAD Request #2-12.

1 rates of 16.38% above the amount approved in the Company's last rate case.

2 With this 16.38% rate increase in mind, I think it is appropriate to compare the

3 current rates of Tennessee-American with those of its affiliates that are in

4 relatively close proximity to Tennessee. Table 3 below provides a comparison of

5 the total monthly rate for a residential customer of Tennessee-American with its

6 affiliates in Kentucky, Virginia, and West Virginia. Certainly, each service

7 territory listed below is unique and Tennessee-American customers are fortunate

8 to have a ready supply of water from the Tennessee River. As a result, it is

9 impossible to make a truly direct comparison between these utilities. However,

10 with this disclosure in mind, the residential customers of Tennessee-American

11 appear to currently enjoy the lowest rates of its nearby affiliates even after the

12 impact of the Capital Rider surcharges are taken into account. As a result, the

13 Capital Rider appears to have allowed the Company to replace its critical

14 infrastructure while at the same time maintaining a relatively favorable rate

15 structure.

<b>TABLE 3 – TENNESSEE-AMERICAN WATER COMPANY RESIDENTIAL RATE COMPARISON<sup>17</sup></b>	
<b>Service Territory</b>	<b>Average Monthly Bill</b>
Kentucky-American Water	\$37.49
Tennessee-American Water	24.91
Virginia-American Water – Alexandria District	25.17
Virginia-American Water – Hopewell District	31.53
Virginia-American Water – Prince William District	35.49
Virginia-American Water – Eastern District	80.54
West Virginia-American Water	60.01

16

17

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<sup>17</sup> See Response to CPAD Request #2-14.



1    **Q22. DOES THIS COMPLETE YOUR TESTIMONY?**

2    **A22.** Yes, this completes my testimony at this time. However, I reserve the right to  
3    incorporate additional testimony regarding any new data that may subsequently  
4    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 Arda	<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>
Tennessee	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	HB-1349
	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>
	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	2009-2318
Alabama	Peoples & North Shore Gas Cos./Illinois Commerce Comm.	2007	Management Audit of Gas Purchasing Practices	06-0556
Illinois	Southwestern Public Service Co./New Mexico PRC	2010	Financial Audit of Fuel Costs for 2009 and 2010	09-00351-UT
New Mexico	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	09-0391-WS-AIR
	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>
	Center Point Energy/Texas AG	2009	Rate Case Audit - Class Cost of Service and Rate Design	GUD 9902
Texas	Sharyland Utilities/St. Lawrence Cotton Growers Assn.	2017	Rate Case Audit - Class Cost of Service and Rate Design	<u>PUC 45414</u>
North Carolina	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	1027
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.