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## ATTACHMENTS

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Attachment WHN-1	William H. Novak Vitae
Attachment WHN-2	Dilutive Effect of the Jasper Highlands Acquisition

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

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<sup>1</sup> 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?***

12 ***A3.*** I am testifying on behalf of the Consumer Advocate Unit (Consumer Advocate)  
13 of the Office of the Tennessee Attorney General.

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

17 ***A4.*** Yes. I presented rate case testimony in Docket Nos. U-86-7402, U-87-7534, 89-  
18 15388, 91-05224, 93-06946, 10-00189, and 12-00049 concerning Tennessee-  
19 American Water Company (Tennessee-American or Company) as well as  
20 testimony concerning Tennessee-American in other generic tariff and rulemaking  
21 matters. I have also previously presented testimony concerning the Company's  
22 alternative regulatory mechanisms in Docket Nos. 13-00130, 14-00121, 15-  
23 00001, 15-00029, 15-00111, 16-00022, 16-00126, 16-00148, 17-00020 and 17-

1 00124. In addition, I presented testimony concerning the Company's acquisition  
2 of the Whitwell water system in Docket No. 12-00157 that is similar in scope to  
3 the current proceeding.  
4

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

7 ***A5.*** My testimony will support and address the Consumer Advocate's positions and  
8 concerns with respect to the Company's Petition. Specifically, I will address the  
9 Company's proposed accounting and regulatory treatment for the acquisition of  
10 the water distribution system in the Jasper Highland's development that is  
11 currently owned by Thunder Air, Inc. (Thunder Air).  
12

13 ***Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF***  
14 ***YOUR TESTIMONY?***

15 ***A6.*** I have reviewed the Company's Petition filed on September 7, 2018, along with  
16 the accompanying testimony and exhibits. I have also reviewed Tennessee-  
17 American's and Thunder Air's responses to the data requests submitted by both  
18 the Commission Staff and the Consumer Advocate in this Docket. In addition, I  
19 reviewed the Commission's Order in Docket No. 12-00157 regarding the  
20 Company's acquisition of the Whitwell water system.  
21

22 ***Q7. PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCERNS IN***  
23 ***THIS DOCKET.***

1    **A7.**    I recommend approval of the acquisition and request for a Certificate of  
2           Convenience and Necessity (CCN) subject to the following adjustments and  
3           restrictions.

- 4           • I recommend an Acquisition Adjustment of \$-730,000 in order to alleviate the  
5           dilutive effects on income from the acquisition. In addition, I would  
6           recommend that this Acquisition Adjustment be reviewed for reconsideration  
7           in the Company's next rate case.
- 8           • I recommend rejection of the Company's proposal to recover from ratepayers  
9           up to \$10,000 for due diligence and closing costs related to the acquisition.
- 10          • I recommend that Tennessee-American's capital and expense rider surcharges  
11          be excluded from the rates of Jasper Highland's customers.
- 12          • I recommend that Tennessee-American's capital and expense rider surcharges  
13          be excluded from the rates of Jasper Highland's customers.
- 14          • I recommend that Tennessee-American's capital and expense rider surcharges  
15          be excluded from the rates of Jasper Highland's customers.

15    ***Q8.    PLEASE DESCRIBE THE RELIEF THAT TENNESSEE-AMERICAN IS***  
16    ***ASKING FROM THE COMMISSION IN ITS PETITION.***

17    **A8.**    Among other things, the Company is asking the Commission to approve "full rate  
18           base recognition of its investment" of \$1.5 million in the water distribution  
19           system at Jasper Highlands.<sup>2</sup> Further, the Company is asking the Commission to  
20           allow it to defer up to \$10,000 in external due diligence and closing costs related  
21           to the acquisition and recover these costs over ten years.<sup>3</sup> The Company is also  
22           proposing to apply the surcharges from "...the Capital Recovery Riders as  
23           approved by the TPUC, and the PCOP Rider as appropriate" to the Jasper  
24           Highland's customers after the acquisition.<sup>4</sup> A detailed discussion for each of the  
25           issues I've identified along with my recommendations for their resolution follows.

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<sup>2</sup> Company Petition, Page 5, Paragraph 20.

<sup>3</sup> Direct testimony of Company witness Bridwell, Pages 4-5.

<sup>4</sup> Company Petition, Page 6, Paragraph 22.

1 I. ACQUISITION ADJUSTMENT

2  
3 ***Q9. HAS THE COMPANY PROPOSED A RATE ADJUSTMENT IN THIS CASE***  
4 ***FOR THE COST OF THE JASPER HIGHLAND'S ACQUISITION?***

5 A9. No. The Company has proposed to maintain the current rate structure at Jasper  
6 Highlands until a future rate proceeding.<sup>5</sup> However, Tennessee-American's  
7 request for the Commission to approve the regulatory treatment of the \$1.5  
8 million purchase price in this case will ultimately bind the Commission in future  
9 rate proceedings. Therefore, even though Tennessee-American is not asking for a  
10 rate increase at this time, the accounting and regulatory treatment that it has  
11 requested will ultimately impact rates. As a result, the proposed \$1.5 million  
12 purchase price is not an appropriate regulatory value for the Jasper Highland's  
13 water distribution system.

14  
15 ***Q10. HOW DID THE CONSUMER ADVOCATE DETERMINE THAT THE***  
16 ***PROPOSED \$1.5 MILLION PURCHASE PRICE IS NOT AN APPROPRIATE***  
17 ***REGULATORY VALUE FOR THE JASPER HIGHLAND'S WATER***  
18 ***DISTRIBUTION SYSTEM?***

19 A10. Based on Tennessee-American's forecasted 2019 income statement and balance  
20 sheet for the Jasper Highland's water distribution system,<sup>6</sup> along with the return  
21 authorized by the Commission in the Company's last rate case,<sup>7</sup> it appears that an

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<sup>5</sup> Company Petition, Page 4, Paragraph 10.

<sup>6</sup> Tennessee-American response to Commission Staff Data Request No. 16.

<sup>7</sup> Docket 12-00049.

acquisition adjustment of \$-730,000 is necessary to avoid a dilutive impact from the acquisition on the Company's rate of return. Failure to recognize this acquisition adjustment could potentially mean that Tennessee-American's existing customers would be required to subsidize a portion of the Jasper Highland's acquisition.

***Q11. HOW DID THE CONSUMER ADVOCATE CALCULATE THE DILUTIVE IMPACT OF THE JASPER HIGHLAND'S ACQUISITION?***

A11. The acquisition adjustment was calculated by computing the amount necessary to eliminate the budgeted revenue deficiency for 2019 as forecasted by the Company. A complete calculation of the dilutive effect of the Jasper Highland's acquisition is contained in Attachment WHN-2 to my testimony. However, I have summarized the calculation below on Table 1.

<b>TABLE 1 – ACQUISITION ADJUSTMENT CALCULATION<sup>8</sup></b>			
	<b>2019 Budget</b>	<b>Acquisition Adjustment</b>	<b>Adjusted Budget</b>
Net Operating Income	\$54,717		\$54,717
Rate Base	1,486,362	-730,000	756,362
Earned Rate of Return	3.68%		7.23%
Fair Rate of Return	7.23%		7.23%
Required Net Operating Income	\$107,464		\$54,717
Net Operating Income Deficiency	\$-52,747		\$0
Revenue Conversion Factor	1.648561		1.648561
Revenue Deficiency	\$-86,957		\$0

<sup>8</sup> Attachment WHN-2



1 ***Q12. IS THE CONSUMER ADVOCATE RECOMMENDING THAT THE***  
2 ***COMMISSION DENY THE COMPANY'S PROPOSED ACQUISITION***  
3 ***BECAUSE OF THE DILUTIVE IMPACT?***

4 A12. No. The Consumer Advocate's position is that a negative acquisition adjustment  
5 of \$-730,000 must be recognized in order to prevent Tennessee-American's  
6 existing customers from subsidizing the cost of the Jasper Highland's acquisition.

7  
8 ***Q13. COULD CUSTOMER GROWTH OR A REDUCTION IN BUDGETED***  
9 ***OPERATING EXPENSES AT JASPER HIGHLANDS IMPACT THE***  
10 ***CONSUMER ADVOCATE'S PROPOSED ACQUISITION ADJUSTMENT***  
11 ***CALCULATION?***

12 A13. Yes. The Company has forecasted that the dilutive impact of the Jasper  
13 Highland's acquisition will be completely offset by 2021.<sup>9</sup> However, this forecast  
14 appears highly speculative and is based on information that was just recently  
15 disclosed to the Commission.<sup>10</sup> Still, it is possible that the operations of Jasper  
16 Highland could ultimately be self-supporting based on the existing rates. As a  
17 result, I would recommend that this Acquisition Adjustment be reviewed for  
18 reconsideration in the Company's next rate case.

19  
20  
21  

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<sup>9</sup> Tennessee-American response to Commission Staff Data Request No. 16.

<sup>10</sup> Tennessee-American supplemental response to Consumer Advocate Data Request No. 3-13, December 20, 2018.

1                   **II.       RECOVERY OF DUE DILIGENCE AND CLOSING COSTS**

2

3   ***Q14.   MR. NOVAK, HAS THE COMPANY PROPOSED TO RECOVER ANY OF***  
4                   ***THE THIRD-PARTY EXTERNAL COSTS ASSOCIATED WITH THE***  
5                   ***JASPER HIGHLAND’S ACQUISITION?***

6   A14.   Yes. The Company is requesting to recover up to \$10,000 of their external third-  
7           party costs associated with completing the Jasper Highland’s acquisition, and then  
8           recover this amount over a ten-year period as a component of the acquisition.<sup>11</sup>

9

10   ***Q15.   DO YOU AGREE WITH THE COMPANY’S PROPOSAL TO RECOVER***  
11           ***THEIR EXTERNAL COSTS ASSOCIATED WITH THE JASPER***  
12           ***HIGHLAND’S ACQUISITION?***

13   A15.   No. The Commission previously ruled in Tennessee-American’s Whitwell  
14           acquisition, that “...while due diligence costs are not costs associated with the  
15           delivery of water services, such costs may be incurred to safeguard the assets of  
16           the Company, thus protecting the interests of the shareholders *and* ratepayers. To  
17           allow recovery of a cost incurred to benefit shareholders but funded solely by  
18           ratepayers is unacceptable.”<sup>12</sup> Further, the Commission allowed approximately  
19           \$1.1 million for rate case expenses in the Company’s last rate case that has since  
20           been fully amortized even though the rates supporting this cost still continue.<sup>13</sup>

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<sup>11</sup> Direct testimony of Company witness Bridwell, Pages 4-5.

<sup>12</sup> Commission Order in Docket 12-00157, Page 21.

<sup>13</sup> Commission Order in Docket 12-00049 approving Settlement Agreement, Schedule 4.

1 As a result, I recommend that the Commission deny the Company's request to  
2 defer the external costs associated with the Jasper Highland's acquisition.  
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### III. APPLICATION OF CAPITAL AND EXPENSE RIDERS TO JASPER HIGHLAND CUSTOMERS

***Q16. MR. NOVAK, IS TENNESSEE-AMERICAN PROPOSING TO APPLY THE CAPITAL AND EXPENSE RIDER SURCHARGES TO THE JASPER HIGHLAND'S CUSTOMERS?***

A16. Yes. The Company is proposing to initially apply the capital and expense rider surcharges and then simultaneously credit these same surcharges to the base rates of Jasper Highland's customers.<sup>14</sup> After this initial adjustment, the Company proposes that these riders would then be applied at the authorized rates.<sup>15</sup>

**Q17. DO YOU AGREE WITH THE COMPANY'S PROPOSAL TO APPLY THESE RIDER SURCHARGES TO THE JASPER HIGHLAND'S CUSTOMERS?**

A17. No. The overall purpose of the capital riders was to accelerate infrastructure replacement for the existing customers of Tennessee-American. The Jasper Highland's water distribution system is relatively new and not in need of the same infrastructure replacement as the Chattanooga area system. In addition, the expense riders were designed in large part to recover the incremental costs associated with water treatment expenses in Chattanooga. Since the water for Jasper Highlands is obtained from a third-party provider and not through Tennessee-American's own treatment facility, it would appear to be inappropriate to apply these same surcharge rates to the customers of Jasper Highlands. As a

<sup>14</sup> Company response to Consumer Advocate data request 2-8.

<sup>15</sup> Ibid.

1 result, I recommend that the Commission deny the Company's request to apply  
2 the capital and expense rider surcharges to the Jasper Highland's customers.

3  
4 ***Q18. DOES THIS COMPLETE YOUR TESTIMONY?***

5 ***A18.*** Yes, it does. However, I reserve the right to incorporate any new information that  
6 may 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>
Tennessee	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>
	Chatanooga 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>
	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>
Alabama	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>
	Southwestern Public Service Co./New Mexico PRC	2010	Financial Audit of Fuel Costs for 2009 and 2010	<u>09-00351-UT</u>
	National Grid/New York PSC	2011	Audit of Affiliate Relationships and Transactions	<u>10-M-0451</u>
	Ohio-American Water Company/Ohio Consumers' Counsel	2010	Rate Case Audit - Class Cost of Service and Rate Design	<u>09-0391-WVS-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-JUNC</u>
Texas	Center Point Energy/Texas AG	2009	Rate Case Audit - Class Cost of Service and Rate Design	<u>GUID 9902</u>
North Carolina	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

Dilutive Effect of the Jasper  
Highland Acquisition

Tennessee-American Water Company - Proposed Jasper Highlands Acquisition  
Acquisition Adjustment Calculation

Docket 18-00099  
Attachment WHN-2

	2019 Budget	A/ Plant Acquisition Adjustment	Adjusted Budget
<b>Net Operating Income:</b>			
<b>Operating Revenue:</b>			
Water Revenue	\$224,303		\$224,303
Other Operating Revenue	0		0
<b>Total Operating Revenue</b>	<b>\$224,303</b>		<b>\$224,303</b>
<b>Operating Expenses &amp; Taxes</b>			
Production Cost	\$39,734		\$39,734
Employee Related Expense	24,215		24,215
Maintenance	30,851		30,851
Miscellaneous	16,913		16,913
Depreciation & Amortization	27,143		27,143
General Taxes	30,074		30,074
Income Taxes	656		656
<b>Total Operating &amp; Maintenance Expenses</b>	<b>\$169,586</b>		<b>\$169,586</b>
<b>Net Operating Income</b>	<b>\$54,717</b>		<b>\$54,717</b>
<b>Rate Base:</b>			
Utility Plant in Service	\$1,558,740	-\$730,000	\$828,740
Accumulated Depreciation	-61,266		-61,266
Materials and Supplies	1,530		1,530
Accumulated Deferred Income Taxes	-12,643		-12,643
<b>Total Rate Base</b>	<b>\$1,486,362</b>		<b>\$756,362</b>
 Earned Rate of Return	 3.68%		 7.23%
Fair Rate of Return	7.23% B/		7.23%
Required Net Operating Income	\$107,464		\$54,717
Net Operating Income Deficiency	-\$52,747		\$0
Gross Revenue Conversion Factor	1.648561 B/		1.648561
<b>Revenue Deficiency</b>	<b>-\$86,957</b>		<b>\$0</b>

A/ TAWC response to Commission Staff Data Request #16.

B/ Commission Order in Docket 12-00049 from TAWC's last rate case.