

**BEFORE
THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE**

Application of Tennessee Water Service,)
Inc. for Adjustment of Rates and Charges,)
Approval of a Qualified Infrastructure)
Investment Program, and Modification to)
Certain Terms and Conditions for the)
Provision of Water Service)

Docket No. 19-00028

**SUPPLEMENTAL TESTIMONY
of
WILLIAM H. NOVAK**

**ON BEHALF OF
THE CONSUMER ADVOCATE UNIT
OF THE
FINANCIAL DIVISION
OF THE
OFFICE OF THE TENNESSEE ATTORNEY GENERAL**

July 31, 2019

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.

6 ***Q2. ARE YOU THE SAME WILLIAM H. NOVAK WHO PRESENTED PRE-***
7 ***FILED DIRECT TESTIMONY IN THIS DOCKET?***

8 A2. Yes.

9 ***Q3. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?***

10 A3. The purpose of my supplemental testimony is to address the miscellaneous tariff
11 changes proposed by Tennessee Water Service, Inc. (TWS or Company) in this
12 docket. As mentioned in my direct testimony, the Company failed to include a
13 copy of the current tariff in its initial rate case filing, making a side-by-side
14 analysis of the proposed miscellaneous tariff changes impossible at that time.¹ I
15 have now received a copy of the Company's current tariff and can adequately
16 comment on the proposed changes.

17 ***Q4. WHAT MISCELLANEOUS TARIFF CHANGES HAS THE COMPANY***
18 ***PROPOSED?***

19 A4. The Company has proposed miscellaneous tariff changes for Contributions in Aid
20 of Construction (CIAOC), as well as changes related to metered service and fire
21 service.

¹ Direct testimony of William H. Novak in Docket No. 19-00028, Page 45, Paragraph 45, July 12, 2019.

**Q5. PLEASE DESCRIBE THE COMPANY'S MISCELLANEOUS TARIFF
CHANGES FOR CIAOC.**

A5. The Company is proposing to update Sheet No. 1.1 of its tariff for CIAOC in order to reflect the current tax rates. A comparison of the current and proposed tariff language for CIAOC is shown below in Table 1.

Table 1 – Contributions in Aid of Construction Tariff Language	
Current Tariff	Proposed Tariff
All contributions and advances, whether in the form of property or cash, shall be increased by a cash payment to the utility, in an amount equal to 33% of the contribution or advance. The contribution or advance will be equal to the “original cost” if in the form of property or face value if in the form of cash.	All contributions and advances, whether in the form of property or cash, shall be increased by a cash payment to the utility, in an amount equal to 35.38% of the contribution or advance ($1 / (1 - (6.5\% + (21\% * 1 - 6.5\%)))$), where 6.5% equals the state income tax rate and 21% equals the federal income tax rate. The contribution or advance will be equal to the “original cost” if in the form of property or face value if in the form of cash.

**Q6. DO YOU AGREE WITH THE COMPANY'S PROPOSED TARIFF
CHANGE FOR CIAOC?**

A6. Not entirely. The new tariff language reflects the adjustments for current federal tax rates and reflects the intent of the Commission's Order in Docket No. 18-00001. However, the Tennessee State Excise Tax does not apply to CIAOC.² As a result, the Company should exclude the 6.5% excise tax rate from its proposed tariff for CIAOC.

² See Tenn. Code Ann. § 67-4-2006, and specifically Tenn. Code Ann. § 67-4-2006(b)(2)(S), along with federal Public Law 115-97, § 13312, 131 STAT. 2132-2133 (Dec. 22, 2017), showing the relevant amendments to Internal Revenue Code (IRC) § 118, and the previous and current versions of IRC § 118.

1 **Q7. HOW SHOULD THE COMPANY'S PROPOSED TARIFF LANGUAGE**
2 **FOR CIAOC BE ADAPTED TO TAKE INTO ACCOUNT THE**
3 **EXCLUSION OF STATE EXCISE TAXES?**

4 **A7.** The Company's proposed tariff language for CIAOC should be altered as follows.

5 *All contributions and advances whether in the form of property or*
6 *cash, shall be increased by a cash payment to the utility in an*
7 *amount equal to 26.58% of the contribution or advance ($1 / (1 -$*
8 *21%)), where 21% equals the federal income tax rate. The*
9 *contribution or advance will be equal to the "original cost" if in the*
10 *form of property or face value if in the form of cash.*

11 **Q8. PLEASE DESCRIBE THE COMPANY'S MISCELLANEOUS TARIFF**
12 **CHANGES FOR METERED SERVICE AND FIRE SERVICE.**

13 **A8.** The Company is proposing to update certain provisions for metered service and
14 fire service on Sheet Nos. 5, 7 and 11 of its tariff. A comparison of the current
15 and proposed tariff language for metered service and fire service is shown below
16 in Table 2.

Table 2 – Metered Service and Fire Service Tariff Language	
Current Tariff	Proposed Tariff
21. The Company shall require all new Customers who desire both regular water service and fire protection to install separate service lines, one of which is to be used solely for private fire protection. The Company will not permit the use of water from separate fire protection lines except for the extinguishing of fires or fire drills.	21. The Company shall require all new Customers who require both regular water service and fire protection per applicable local, state, or federal building codes to submit a request to the Company for either a multi-use service (private fire and regular water) or a separate dedicated fire service line to be installed, solely at the Company's cost. The nature of the private fire service (dedicated fire or multi-use line) will be governed by applicable building codes for the premise type.
28. Meters, except detector devices and/or fire service line meters, shall be installed, maintained and renewed by and at the expense of the Company and shall be conveniently located at a place approved by the Company, and such proper place and protection for the meter shall be provided by the applicant. A stop and waste or gate valve shall be placed on the service line on the street side of and near the meter, and a stop and waste or gate valve on the house side of such meter.	28. Meters, except detector devices, shall be installed, maintained and renewed by and at the expense of the Company and shall be conveniently located at a place approved by the Company, and such proper place and protection for the meter shall be provided by the applicant. A stop and waste or gate valve shall be placed on the service line on the street side of and near the meter, and a stop and waste or gate valve on the house side of such meter.
42. It is specifically understood that the Company does not hold itself out to render private fire protection service.	42. It is specifically understood that the Company does not hold itself out to render private fire protection service for purposes of extinguishment.

1

2 ***Q9. DO YOU AGREE WITH THE COMPANY'S PROPOSED TARIFF***
3 ***CHANGES FOR METERED SERVICE AND FIRE SERVICE?***

4 ***A9.*** I have no objection to the Company's proposed miscellaneous tariff changes for
5 metered service and fire service. However, my recommendation for these
6 miscellaneous tariff changes for metered service and fire service does not extend

1 to the Company's proposed Rate Sheet No. 1.A for Private Fire Service. In my
2 opinion, the Company has not identified any significant need for this tariff or
3 justification for the rates that have been proposed.³

4 ***Q10. ARE THERE ANY OTHER MISCELLANEOUS TARIFF CHANGES***
5 ***THAT THE COMMISSION SHOULD CONSIDER AT THIS TIME?***

6 ***A10.*** Yes. The Company's current tariff refers to the "Tennessee Public Service
7 Commission" in Paragraph Nos. 8, 24g, 31, 45, and 46. Now would be an
8 appropriate time to update this language. In addition, there appears to be a
9 misspelling in Paragraph No. 20 that should now be corrected.⁴

10 ***Q11. DOES THIS COMPLETE YOUR SUPPLEMENTAL TESTIMONY?***

11 ***A11.*** Yes, it does. However, I reserve the right to incorporate any new information that
12 that may subsequently become available.

³ See Company response to Consumer Advocate Discovery Request No. 2-1 projecting only three customers taking service under the proposed Private Fire Service tariff.

⁴ Specifically, "again t" should be "against".