

**BEFORE
THE TENNESSEE PUBLIC UTILITY COMMISSION**

)
)
)
Joint Petition of Tennessee-American
Water Company, and Thunder Air, Inc.)
d/b/a Jasper Highlands Development, Inc.)
for Approval of an Asset Purchase)
Agreement and for the Issuance of a)
Certificate of Convenience and Necessity)
)

Docket No. 20-00011

**DIRECT TESTIMONY
of
WILLIAM H. NOVAK**

ON BEHALF OF

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

September 8, 2020

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ATTACHMENTS

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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.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 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

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?***

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. Finally, I presented testimony regarding Tennessee-
4 American's 2018 proposed acquisition of the water system that is the subject of
5 this current proceeding in Docket No. 18-00099 that was later withdrawn at the
6 Company's request.

7
8 ***Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***
9 ***PROCEEDING?***

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

15
16 ***Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF***
17 ***YOUR TESTIMONY?***

18 A6. I have reviewed the Company's Petition filed on February 3, 2020, along with the
19 accompanying testimony and exhibits. I have also reviewed Tennessee-
20 American's and Thunder Air's responses to the data requests submitted by the
21 Consumer Advocate in this Docket as well as Docket No. 18-00099. In addition,
22 I reviewed the Commission's Order in Docket No. 12-00157 regarding the
23 Company's acquisition of the Whitwell water system.

1 ***Q7. PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCERNS IN***
2 ***THIS DOCKET.***

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

- 6 • I recommend that the portion of the acquisition price not immediately payable
7 to Thunder Air be treated as a long-term liability on the books of Tennessee-
8 American instead of a Customer Advance as proposed by the Company.
9
- 10 • I recommend an incremental acquisition adjustment \$-1,527,610 in order to
11 alleviate the dilutive effects on income from the acquisition. This incremental
12 amount is on top of the original \$-3,771,235 acquisition adjustment proposed
13 by Tennessee-American and brings the total acquisition adjustment to \$-
14 5,298,845. In addition, I would recommend that this acquisition adjustment
15 be reviewed for reconsideration in the Company's next rate case.
16
- 17 • I recommend rejection of the Company's proposal to recover from ratepayers
18 up to \$10,000 for due diligence and closing costs related to the acquisition.
19
- 20 • I recommend that Tennessee-American's capital and expense rider surcharges
21 be excluded from the rates of Thunder Air customers.
22

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

25 A8. Among other things, the Company is asking the Commission to approve "full rate
26 base recognition of its investment" of \$2,398,200 in the Thunder Air water
27 distribution system.² Further, the Company is asking the Commission to allow it
28 to defer and amortize up to \$10,000 in external due diligence and closing costs
29 related to the acquisition.³ The Company is also proposing to apply the

² Company Petition, Page 7, Paragraph 24.

³ Pre-filed Direct Testimony of Company witness Chambers, Page 5.

1 surcharges from “...the Capital Recovery Riders as approved by the TPUC, and
2 the PCOP Rider as appropriate” to the Thunder Air customers after the
3 acquisition.⁴ A detailed discussion for each of the issues I’ve identified along
4 with my recommendations for their resolution follows.⁵

5

6 **I. PROPOSED ACQUISITION STRUCTURE**

7

8 ***Q9. MR. NOVAK, PLEASE DESCRIBE THE ACQUISITION PRICE THAT***
9 ***TENNESSEE-AMERICAN HAS NEGOTIATED FOR THUNDER AIR.***

10 A9. As shown on Attachment WHN-2, Schedule 1, Tennessee-American intends to
11 record utility plant in service on its books of [REDACTED]. After offsetting this
12 plant amount against an initial acquisition adjustment and accumulated
13 depreciation, the net price that that Tennessee-American has agreed to pay
14 Thunder Mountain is \$2,398,200 as shown below on Table 1.⁶

Table 1 – Purchase Price Calculation ⁷			
Utility Plant in Service		[REDACTED]	
Less Plant Acquisition Adjustment		[REDACTED]	
Accumulated Depreciation		[REDACTED]	
Proposed Purchase Price			\$2,398,200

⁴ Company Petition, Page 8, Paragraph 26.

⁵ Although not a part of my specific recommendations, the Commission may need to affirm whether or not the current rate structure is appropriate for Thunder Air since these rates were never considered by any regulatory body and the Company no longer has the details for how they were first calculated. See Tennessee-American response to Consumer Advocate Discovery Request Nos. 2-5 and 3-2 for further details.

⁶ Tennessee-American response to Consumer Advocate Discovery Request No. 1-4 (3rd Supplemental).

⁷ Attachment WHN-2, Schedule 1.

1 **Q10. DOES THE UTILITY PLANT IN SERVICE OF [REDACTED] SHOWN IN**
2 **TABLE 1 REPRESENT THE ASSETS ON THE BOOKS OF THUNDER**
3 **AIR?**

4 A10. No. Thunder Air has inflated the book value of its water distribution assets for
5 retroactive pro forma adjustments which it describes as “Soft Costs.”⁸ These Soft
6 Costs, which total over \$2 million, were never actually recorded on the books of
7 Thunder Air, are presented below on Table 2 along with the balance of Utility
8 Plant in Service.

Table 2 – Soft Costs Components in Utility Plant in Service ⁹			
Total Utility Plant in Service from Table 1		[REDACTED]	
Less Supervision Costs		[REDACTED]	
Borrowing Costs		[REDACTED]	
Entrepreneurial Profit		[REDACTED]	
Capitalized Management Revenue		[REDACTED]	
Net Utility Plant in Service		[REDACTED]	

9 **Q11. DOES THE NET UTILITY PLANT IN SERVICE [REDACTED] THEN**
10 **REPRESENT THE ASSETS ON THE BOOKS OF THUNDER AIR?**

11 A11. Surprisingly, the [REDACTED] amount shown above on Table 2 does not represent
12 the assets on the books of Thunder Air. Instead, the actual property ledger of
13 Thunder Air only shows [REDACTED] in assets as shown below on Table 3 on the
14 following page.

15

⁸ Tennessee-American response to Consumer Advocate Discovery Request No. 2-17 (Supplemental).

⁹ Tennessee-American response to Consumer Advocate Discovery Request No. 1-10 (Supplemental).

[illegible]

Rank	Category	Value
5	A12.	95
6		98
7		92
8		99
9		100
10		100
11		85

¹⁰ Tennessee-American response to Consumer Advocate Discovery Request No. 2-11 (Supplemental).

11. _____

A13. No. In Docket No. 18-00099, Tennessee-American's proposed purchase price was only \$1.5 million.

Q14. WHY DID TENNESSEE-AMERICAN AGREE TO PAY NEARLY \$900,000 MORE IN THIS CURRENT DOCKET FOR THE SAME ASSETS THAT THEY FIRST PROPOSED TO PURCHASE IN DOCKET NO. 18-00099?

A14. No specific response was ever provided as to why Tennessee-American agreed to increase the total purchase price by \$898,200.¹² Tennessee-American states that only \$1.5 million of the total purchase price will be paid immediately to Thunder Air upon closing.¹³ The Company then proposes to credit the remaining \$898,200 of the purchase price as a Customer Advance that would eventually be paid out to Thunder Air on a per connection basis of \$1,800 per customer as new customers are connected to the water system and are served for 12 consecutive months.

Q15. IS IT APPROPRIATE TO CREDIT CUSTOMER ADVANCES BY \$898,200 FOR THE DIFFERENCE BETWEEN THE TOTAL PURCHASE PRICE AND THE IMMEDIATE PAYMENT TO THUNDER AIR?

A15. No. The NARUC Uniform System of Accounts (USOA) defines customer advances as follows:

252. Advances for Construction

This account shall include advances by or in behalf of customers for construction which are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which

¹² Tennessee-American response to Consumer Advocate Discovery Request No. 1-14.

¹³ Pre-filed Direct Testimony of Company witness Chambers, Page 4.

1 the advance was made, the balance, if any, remaining in this account shall be
2 credited to account 271 – Contributions in Aid of Construction.¹⁴
3

4 Customer Advances are typically intended to represent payments from the
5 Company's end-use customers to extend utility service to their homes and
6 businesses in situations where the economics of such a service extension are
7 uneconomical. These advances are then later refunded to customers as more
8 customers are connected to the utility main. However, there is no provision in the
9 NARUC USOA that allows a utility to record potential payments owed from a
10 utility acquisition as a Customer Advance.
11

12 ***Q16. HOW SHOULD THE \$898,200 AMOUNT BE RECORDED ON***
13 ***TENNESSEE-AMERICAN'S BOOKS?***

14 A16. This amount should be recorded as Other Long-Term Debt on the books of
15 Tennessee-American. Again, the NARUC USOA is very specific about this
16 requirement for long-term obligations which reads as follows:

17 **224. Other Long-Term Debt**

18 A. This account shall include, until maturity, all long-term debt not otherwise
19 provided for. This covers such items as receiver's certificates, real estate
20 mortgages, executed or assumed assessments for public improvements, notes and
21 unsecured certificates of indebtedness not owned by associated companies, receipts
22 outstanding for long-term debt, **and other obligations maturing more than one**
23 **year from date of issuance and assumption.**¹⁵ [Emphasis added.]
24

¹⁴ National Association of Regulatory Utility Commissioners, Uniform System of Accounts for Class A Water Utilities – 1996, Page No. 84.

¹⁵ National Association of Regulatory Utility Commissioners, Uniform System of Accounts for Class A Water Utilities – 1996, Page No. 81.

1 As can be seen, the acquisition contract negotiated by the parties represents a
2 long-term obligation with respect to the potential \$898,200 in payments from
3 Tennessee-American to Thunder Air as new customers connect to the water
4 distribution system. As a result, I recommend that the Commission reject the
5 Company's proposal to record this obligation as a Customer Advance. Instead, I
6 recommend that the \$898,200 amount be recorded as Other Long-Term Debt on
7 the books of Tennessee-American.

8

9 **II. ACQUISITION ADJUSTMENT**

10

11 ***Q17. HAS THE COMPANY PROPOSED A RATE ADJUSTMENT IN THIS***
12 ***CASE FOR THE COST OF THE THUNDER AIR ACQUISITION?***

13 A17. No. The Company has proposed to maintain the current rate structure at Thunder
14 Air until a future rate proceeding.¹⁶ However, Tennessee-American's request for
15 the Commission to approve the regulatory treatment of the \$2,398,200 purchase
16 price in this case will ultimately bind the Commission in future rate proceedings.
17 Therefore, even though Tennessee-American is not asking for a rate increase at
18 this time, the accounting and regulatory treatment that it has requested for the
19 Thunder Air acquisition will ultimately bind the Commission in a future rate
20 proceeding, resulting in increased rates to the water customers in Chattanooga.
21 As a result, the proposed \$2,398,200 purchase price is not an appropriate

¹⁶ Pre-filed Direct Testimony of Company witness Chambers, Page 11.

1 regulatory value for the Thunder Air water distribution system and needs to be
2 reduced through an acquisition adjustment.

3

4 ***Q18. HOW DID THE CONSUMER ADVOCATE DETERMINE THAT THE***
5 ***PROPOSED \$2,398,200 PURCHASE PRICE IS NOT AN APPROPRIATE***
6 ***REGULATORY VALUE FOR THE THUNDER AIR WATER***
7 ***DISTRIBUTION SYSTEM?***

8 A18. Based on Tennessee-American's forecasted base year income statement and
9 balance sheet for the Thunder Air water distribution system,¹⁷ along with the
10 return authorized by the Commission in the Company's last rate case,¹⁸ it appears
11 that an acquisition adjustment of [REDACTED] is necessary to avoid a dilutive
12 impact from the acquisition on the Company's rate of return. Failure to recognize
13 this acquisition adjustment could potentially mean that Tennessee-American's
14 existing customers in Chattanooga would be in effect required to subsidize a
15 portion of the Thunder Air acquisition.

16

17 ***Q19. MR. NOVAK, HOW DID YOU CALCULATE THE DILUTIVE IMPACT***
18 ***OF THE THUNDER AIR ACQUISITION?***

19 A19. The acquisition adjustment was calculated by computing the amount necessary to
20 eliminate the budgeted base year revenue deficiency as forecasted by the
21 Company. A complete calculation of the dilutive effect of the Thunder Air

¹⁷ Tennessee-American response to Consumer Advocate Discovery Request No. 1-4 (3rd Supplemental).

¹⁸ Docket No. 12-00049.

1 ***Q21. COULD CUSTOMER GROWTH OR A REDUCTION IN BUDGETED***
2 ***OPERATING EXPENSES AT THUNDER AIR IMPACT THE***
3 ***CONSUMER ADVOCATE’S PROPOSED ACQUISITION ADJUSTMENT***
4 ***CALCULATION?***

5 A21. Yes. [REDACTED]
6 [REDACTED]²¹ However, this forecast appears
7 highly speculative and is based on the timing of future customer additions. Still,
8 it is possible that the operations of Thunder Air could ultimately be self-
9 supporting based on the existing rates. As a result, I would recommend that this
10 acquisition adjustment be reviewed for reconsideration in the Company’s next
11 rate case.

12
13 **III. RECOVERY OF DUE DILIGENCE AND CLOSING COSTS**
14

15 ***Q22. MR. NOVAK, HAS THE COMPANY PROPOSED TO RECOVER ANY OF***
16 ***THE THIRD-PARTY EXTERNAL COSTS ASSOCIATED WITH THE***
17 ***THUNDER AIR ACQUISITION?***

18 A22. Yes. The Company is requesting to recover up to \$10,000 of their external third-
19 party costs associated with completing the Thunder Air acquisition, and then
20 recover this amount over a ten-year period as a component of the acquisition.²²
21

²¹ Tennessee-American response to Consumer Advocate Discovery Request No. 1-4 (3rd Supplemental).

²² Direct testimony of Company witness Chambers, Page 5. The Company makes no statement in its testimony regarding the amortization period for these costs.

1 ***Q23. DO YOU AGREE WITH THE COMPANY'S PROPOSAL TO RECOVER***
2 ***THEIR EXTERNAL COSTS ASSOCIATED WITH THE THUNDER AIR***
3 ***ACQUISITION?***

4 A23. No. The Commission previously ruled in Tennessee-American's Whitwell
5 acquisition, that "...while due diligence costs are not costs associated with the
6 delivery of water services, such costs may be incurred to safeguard the assets of
7 the Company, thus protecting the interests of the shareholders *and* ratepayers. To
8 allow recovery of a cost incurred to benefit shareholders but funded solely by
9 ratepayers is unacceptable."²³ Further, the Commission allowed approximately
10 \$1.1 million for rate case expenses in the Company's last rate case that has since
11 been fully amortized even though the rates supporting this cost still continue.²⁴
12 As a result, I recommend that the Commission deny the Company's request to
13 defer the external costs associated with the Thunder Air acquisition.

14
15 **IV. APPLICATION OF CAPITAL AND EXPENSE RIDERS TO**
16 **THUNDER AIR CUSTOMERS**

17
18 ***Q24. MR. NOVAK, IS TENNESSEE-AMERICAN PROPOSING TO APPLY***
19 ***THE CAPITAL AND EXPENSE RIDER SURCHARGES TO THE***
20 ***THUNDER AIR CUSTOMERS?***

²³ Commission Order in Docket No. 12-00157, Page 21.

²⁴ Commission Order in Docket No. 12-00049 approving Settlement Agreement, Schedule 4.

1 A24. Yes. The Company is proposing to apply the capital and expense rider surcharges
2 to the base rates of the Thunder Air customers.²⁵

3 ***Q25. DO YOU AGREE WITH THE COMPANY'S PROPOSAL TO APPLY***
4 ***THESE RIDER SURCHARGES TO THE THUNDER AIR CUSTOMERS?***

5 A25. No. The overall purpose of the capital riders was to accelerate infrastructure
6 replacement for the existing customers of Tennessee-American. The Thunder Air
7 water distribution system is relatively new and not in need of the same
8 infrastructure replacement as the Chattanooga area system. In addition, the
9 expense riders were designed in large part to recover the incremental costs
10 associated with water treatment expenses in Chattanooga. Since the wholesale
11 water for Thunder Air is obtained from a third-party provider and not through
12 Tennessee-American's own treatment facility, it would appear to be inappropriate
13 to apply these same surcharge rates to the customers of Thunder Air. As a result,
14 I recommend that the Commission deny the Company's request to apply the
15 capital and expense rider surcharges to the Thunder Air customers.

16
17 ***Q26. PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE***
18 ***COMMISSION.***

19 A26. I recommend approval of the acquisition and request for a Certificate of
20 Convenience and Necessity (CCN) subject to the following adjustments and
21 restrictions.

- 22 • I recommend that the portion of the acquisition price not immediately payable
23 to Thunder Air be treated as a long-term liability on the books of Tennessee-
24 American instead of a Customer Advance as proposed by the Company.

²⁵ Pre-filed Direct Testimony of Company witness Chambers, Page 10.

- 1
- 2 • I recommend an incremental acquisition adjustment [REDACTED] in order to
- 3 alleviate the dilutive effects on income from the acquisition. This incremental
- 4 amount is on top of the original [REDACTED] acquisition adjustment proposed
- 5 by Tennessee-American and brings the total acquisition adjustment to \$-
- 6 [REDACTED] In addition, I would recommend that this acquisition adjustment
- 7 be reviewed for reconsideration in the Company's next rate case.
- 8
- 9 • I recommend rejection of the Company's proposal to recover from ratepayers
- 10 up to \$10,000 for due diligence and closing costs related to the acquisition.
- 11
- 12 • I recommend that Tennessee-American's capital and expense rider surcharges
- 13 be excluded from the rates of Thunder Air customers.
- 14

15 ***Q27. DOES THIS COMPLETE YOUR TESTIMONY?***

16 A27. Yes, it does. However, I reserve the right to incorporate any new information that

17 may subsequently become available.

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:

JOINT PETITION OF TENNESSEE-
AMERICAN WATER COMPANY AND
THUNDER AIR, INC. D/B/A JASPER
HIGHLANDS DEVELOPMENT, INC.
FOR APPROVAL OF AN ASSET
PURCHASE AGREEMENT AND FOR
THE ISSUANCE OF A CERTIFICATE
OF CONVENIENCE AND NECESSITY

DOCKET NO. 20-00011

AFFIDAVIT

I, WILLIAM H. NOVAK, on behalf of the Consumer Advocate Unit 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 Unit.

William H. Novak
WILLIAM H. NOVAK

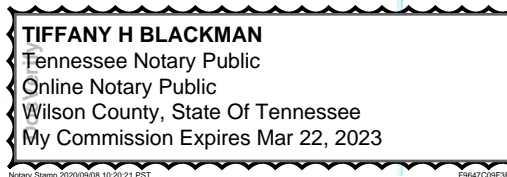
Sworn to and subscribed before me

This _____ day of _____, 2020

09/08/2020

Tiffany H. Blackman
Signed on 2020/09/08 12:20:21 -6:00

NOTARY PUBLIC



My Commission Expires: March 22, 2023

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	S-32534
	CenterPoint Energy/Louisiana PSC	2011	Audit of PGA Filings from 2002 - 2008 of CenterPoint Entex	S-32537
	Louisiana Electric Utilities/Louisiana PSC	2012	Technical Consultant for Impact of Net Meter Subsidy on other Electric Customers	R-31417
Tennessee	Aqua Utilities/Aqua Utilities	2006	Presentation of Rate Case on behalf of Aqua Utilities	06-00187
	Atmos Energy Corporation/Atmos Intervention Group	2007	Rate design for Industrial Intervenor Group	07-00105
	Bristol TN Essential Services/BTES	2009	Audit of Cost Allocation Manual	05-00251
	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	11-00144
	Tennessee-American Water Company/Tennessee AG	2012	Rate Case Audit - Revenues, Rate Base, Class Cost of Service Study and Rate Design	12-00049
	Tennessee-American Water Company/Tennessee AG	2013-2017	Alternative Regulation - Audit of Budget & True-up Filings, Rate Design	16-00126
	Piedmont Natural Gas Company/Tennessee AG	2013-2017	Alternative Regulation - Audit of Budget & True-up Filings, Rate Design	16-00140
	Piedmont Natural Gas Company/Tennessee AG	2014	Audit of Recovery of Compressed Natural Gas Infrastructure Costs	14-00086
	Piedmont Natural Gas Company/Tennessee AG	2014	Audit of Accumulated Deferred Federal Income Tax	14-00017
	Atmos Energy Corporation/Tennessee AG	2014	Rate Case Audit - Revenues, O&M Expenses, Rate Base and Rate Design	14-00146
	Atmos Energy Corporation/Tennessee AG	2015-2017	Alternative Regulation - Audit of Budget & True-up Filings, Rate Design	16-00105
	B&W Gas Company/B&W	2015	Presentation of Rate Case on behalf of B&W Gas Company	15-00042
	AEP & Kingsport Power/Tennessee AG	2015	Audit of Storm Costs and Rate Recovery	15-00024
	AEP & Kingsport Power/Tennessee AG	2016	Rate Case Audit - Revenue, Rate Base, Class Cost of Service Study & Rate Design	16-00001
Alabama	Jefferson County (Birmingham) Wastewater/Alabama AG	2013	Bankruptcy Filing - Allowable Costs and Rate Design	2009-2318
Illinois	Peoples & North Shore Gas Cos./Illinois Commerce Comm.	2007	Management Audit of Gas Purchasing Practices	06-0556
New Mexico	Southwestern Public Service Co./New Mexico PRC	2010	Financial Audit of Fuel Costs for 2009 and 2010	09-00351-UT
New York	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	07-1080-GA-AIR
	Duke Energy-Ohio/Public Utilities Commission of Ohio	2009	Focused Management Audit of Fuel & Purchased Power (FPP Riders)	07-0723-EL-UNC
Texas	Center Point Energy/Texas AG	2009	Rate Case Audit - Class Cost of Service and Rate Design	GUD 9902
	Sharyland Utilities/St. Lawrence Cotton Growers Assn.	2017	Rate Case Audit - Class Cost of Service and Rate Design	PUC 45414
North Carolina	Aqua Utilities/PSS Legal Fund	2011	Rate Case Audit - Class Cost of Service and Rate Design	W-218, Sub-319
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.

ATTACHMENT WHN-2

Dilutive Effect of the
Thunder Air Acquisition

Tennessee-American Water Company - Proposed Jasper Highlands Acquisition
Consumer Advocate Acquisition Adjustment Calculation
Base Year Forecast

Docket 20-00011
Attachment WHN-2
Schedule 1

	<u>TAWC Base Year Budget</u>	<u>A/</u>	<u>CA Adjustments</u>	<u>Adjusted Base Year Budget</u>	<u>Plant Acquisition Adjustment</u>	<u>Post Budget Acquisition Adjustment</u>
Net Operating Income:						
Operating Revenue:						
Water Revenue - Customer Charges						
Water Revenue - Usage						
Other Operating Revenue (QIIP & PCOP)						
Total Operating Revenue						
Operating Expenses & Taxes:						
Cost of Sales						
Other Operating & Maintenance Expenses						
General Taxes						
Depreciation & Amortization						
Income Taxes						
Total Operating & Maintenance Expense						
Net Operating Income						
Rate Base:						
Additions:						
Utility Plant in Service						
Materials and Supplies						
Total Rate Base Additions						
Deductions:						
Accumulated Depreciation						
Utility Plant Acquisition Adjustment						
Customer Advances						
Accumulated Deferred Income Taxes						
Total Rate Base Deductions						
Total Rate Base						
Earned Rate of Return						
Fair Rate of Return						
Required Net Operating Income						
Net Operating Income Deficiency						
Gross Revenue Conversion Factor						
Revenue Surplus/(Deficiency)						

- A/ TAWC response to Consumer Advocate Discovery Request 1-4 (3rd Supplemental).
B/ Commission Order in Docket 12-00049 from TAWC's last rate case.
C/ Attachment WHN-2, Schedule 2.
D/ Elimination of QIIP & PCOP Surcharges.
E/ Elimination of Customer Advances as a component of Rate Base.
F/ Acquisition Adjustment required to result in a \$0 revenue deficiency.

Tennessee-American Water Company - Proposed Jasper Highlands Acquisition
Consumer Advocate Acquisition Adjustment Calculation
Revenue Conversion Factor Calculation

Docket 20-00011
Attachment WHN-2
Schedule 2

	Per Docket 12-00049			Pro Forma for Tax Rate Changes	
	Amount	Balance	A/	Amount	Balance
Operating Revenues		1.000000			1.000000
Add: Forfeited Discounts	0.008661	0.008661		0.008661	0.008661
Balance		1.008661			1.008661
Uncollectible Ratio	0.010480	0.010571		0.010480	0.010571
Balance		0.998090			0.998090
State Excise Tax	0.065000	0.064876		0.065000	0.064876
Balance		0.933214			0.933214
Federal Income Tax	0.350000	0.326625		0.210000 B/	0.195975
Balance		0.606589			0.737239
Revenue Conversion Factor		1.648561			1.356411
Operating Revenues					1.000000
State Excise Tax				0.065000	0.065000
Balance					0.935000
Federal Income Tax				0.210000	0.196350
Balance					0.738650
Effective Tax Rate					0.261350