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ATTACHMENTS

Attachment WHN-1	William H. Novak Vitae
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1 ***Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND***
2 ***OCCUPATION FOR THE RECORD.***

3 A1. My name is William H. Novak. My business address is 19 Morning Arbor Place,
4 The Woodlands, TX, 77381. I am the President of WHN Consulting, a utility
5 consulting and expert witness services company.¹

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.

16 My work experience has centered on regulated utilities for over 40 years. Before
17 establishing WHN Consulting, I was Chief of the Energy & Water Division of the
18 Tennessee Public Utility Commission where I had either presented testimony or
19 advised the Commission 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

¹ State of Tennessee, Registered Accounting Firm ID 3682.

1 President of Regulatory Compliance for Sequent Energy Management, a natural
2 gas trading and optimization entity in Texas, where I was responsible for ensuring
3 the firm's compliance with state and federal regulatory requirements.
4

5 In 2004, I established WHN Consulting as a utility consulting and expert witness
6 services company. Since 2004 WHN Consulting has provided testimony or
7 consulting services to state public utility commissions and state consumer
8 advocates in at least ten state jurisdictions as shown in Attachment WHN-1.
9

10 ***Q3. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?***

11 A3. I am testifying on behalf of the Consumer Advocate Division ("Consumer
12 Advocate" or "CA") of the Office of the Tennessee Attorney General.
13

14 ***Q4. HAVE YOU PRESENTED TESTIMONY IN ANY PREVIOUS RATE***
15 ***CASES REGARDING LIMESTONE UTILITY OPERATING COMPANY***
16 ***OR ANY OF ITS AFFILIATE COMPANIES?***

17 A4. I have not previously presented any testimony concerning Limestone Utility
18 Operating Company, LLC ("Limestone" or "the Company"). However, I have
19 presented testimony and assisted others with their own testimony in various rate
20 cases concerning Cartwright Creek, LLC. In addition, I previously presented rate
21 case testimony in Docket No. 06-00187 regarding Aqua Utilities.
22

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

3 A5. My testimony will support and address the Consumer Advocate's positions and
4 concerns with respect to the Company's Petition. Specifically, I will address the
5 following:

- 6 i. Consumer Advocate's proposed attrition period revenue calculations.
7 ii. Consumer Advocate's proposed rate design.

8

9 ***Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF***
10 ***YOUR TESTIMONY?***

11 A6. I have reviewed the Company's Rate Case Application filed on July 16, 2024,
12 along with the testimony and exhibits presented with its filing. In addition, I have
13 reviewed the Company's workpapers supporting its attrition period revenues and
14 rate design. I have also reviewed the Company's responses to the Consumer
15 Advocate's discovery requests (and documents filed in connection with those
16 requests and responses) in the areas directly relevant to my responsibilities in this
17 case. Finally, I reviewed the testimony, exhibits and Commission Orders in the
18 following cases:

- 19 i. Docket No. 16-00127 regarding Cartwright Creek, LLC.
20 ii. Docket No. 15-00044 regarding Aqua Utilities Company.
21 iii. Docket No. 95-03948 regarding Shiloh Falls Utilities.

22

23

1 **Q7. MR. NOVAK, PLEASE SUMMARIZE YOUR SIGNIFICANT FINDINGS**
2 **AND MAJOR RECOMMENDATIONS IN THIS CASE.**

3 A7. My most significant findings and recommendations are as follows:

- 4 • There are current deficiencies in Limestone's processes for recording certain
5 commercial revenues. As a result, in my opinion, Limestone's books cannot
6 be relied upon as a basis for setting rates. I recommend that these deficiencies
7 be corrected before any change in rates is considered.
- 8 • It appears that Limestone did not retain the historical billing determinants
9 from any of its acquisitions. As a result, there is only limited data that can be
10 used to determine the appropriate billing rates. I recommend that any change
11 in rates be deferred until at least four years of billing determinant data can first
12 be obtained.
- 13 • Limestone has mistakenly recorded receipts from Tap Fees and Inspection
14 Fees as Contributions in Aid of Construction instead of Revenues. I
15 recommend that these receipts be reclassified as Revenues before any change
16 in rates is considered.
- 17 • It appears that Limestone has relied completely upon outside third-party
18 contractors to perform its Operation & Maintenance functions in Tennessee. I
19 recommend that the use of outside third-party contractors be balanced with in-
20 state employees to perform these functions.

21 I discuss each of these findings and recommendations in more detail later in my
22 testimony.

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25 *[Testimony continues on next page]*
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1 **I. ERRORS IN COMMERCIAL REVENUE**

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3 ***Q8. MR. NOVAK, PLEASE EXPLAIN THE COMPANY'S ERRORS IN***

4 ***RECORDING COMMERCIAL REVENUE.***

5 A8. In Docket No. 21-00053, the Commission approved the Petition by Limestone to

6 acquire the assets, property, and real estate of Cartwright Creek, LLC

7 ("Cartwright Creek"). Cartwright Creek's tariff provides for monthly commercial

8 wastewater service at the rates shown below in Table 1.

Table 1 – Cartwright Creek Monthly Commercial Rate ²	
Charge Type	Rate
Rate per 1,000 Gallons per Month (Actual or Estimated Flow)	\$8.75
Minimum Monthly Charge	37.00

9

10 As shown in Table 1, the Cartwright Creek tariff provides for a charge based on

11 the customer's monthly water usage. However, Limestone has not levied any

12 usage charges to Cartwright Creek's commercial customers since the acquisition

13 in January 2022. Instead, Limestone has only applied the monthly minimum bill

14 to these commercial customers. As a result, the test period revenues are

15 materially understated by these omitted charges.

16

17 ***Q9. WHY DID LIMESTONE NOT APPLY THE CORRECT TARIFF RATES***

18 ***TO CARTWRIGHT CREEK'S COMMERCIAL CUSTOMERS?***

19 A9. Limestone states that "it did not have any approved methodology for estimating

20 flow for each commercial type. Rather than over-charge any particular customer

² Company Response to Consumer Advocate DR No. 1-1.

1 due to a lack of relevant data, the Company limited its billings to the base charge
2 in the tariff.”³

3

4 ***Q10. DO YOU AGREE WITH LIMESTONE’S RATIONALE FOR OMITTING***
5 ***THE MONTHLY USAGE CHARGES TO CARTWRIGHT CREEK***
6 ***COMMERCIAL CUSTOMERS?***

7 A10. No. The previous owners of Cartwright Creek were able to obtain the usage of
8 their commercial customers on a continuing basis. Limestone’s failure to capture
9 and bill for commercial usage results in an over-stated revenue deficiency in this
10 Docket.

11

12 ***Q11. WHAT IS THE IMPACT OF THE UNBILLED MONTHLY USAGE***
13 ***CHARGES FOR THE COMMERCIAL CUSTOMERS OF CARTWRIGHT***
14 ***CREEK?***

15 A11. Limestone has not provided any usage data for the commercial customers of
16 Cartwright Creek. As a result, it is unknown exactly what the test period value of
17 this omission would be. However, in Cartwright Creek’s last rate case in Docket
18 No. 16-00127, the Commission Party Staff included commercial usage charges of
19 \$91,230.⁴ Therefore, I would expect the test period commercial usage charges in
20 the Cartwright Creek service area to be similar to this amount.

21

³ Company Response to Consumer Advocate DR No. 2-2c.

⁴ TRA Docket No. 16-00127, *Joint Petition of Cartwright Creek, LLC and TRA Staff (as a Party) to Increase Rates and Charges*, Pre-Filed Direct Testimony of Daniel Ray, TRA Party Staff Exhibits and Workpapers, TRA Staff Exhibit, Schedule 7, November 10, 2016.

1 ***Q12. WHAT IS YOUR RECOMMENDATION ON HOW THE COMMISSION***
2 ***SHOULD TREAT THIS ISSUE?***

3 A12. Limestone’s omission of the commercial usage charges for the Cartwright Creek
4 service area potentially has a material impact on the revenue deficiency in this
5 docket. Therefore, I recommend that the Commission require Limestone to
6 correct this deficiency before any change in rates is considered.

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11 *[Testimony continues on next page]*

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1 **II. FAILURE TO RETAIN HISTORICAL BILLING DETERMINANTS**

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3 ***Q13. MR. NOVAK, DID LIMESTONE RETAIN A COPY OF THE***
4 ***HISTORICAL BILLING DETERMINANTS FOR ANY OF ITS***
5 ***ACQUISITIONS?***

6 A13. No. In spite of the Commission's Order as well as the Stipulation & Settlement
7 Agreement agreed to by the Parties to each of Limestone's utility acquisitions in
8 Tennessee, the Company has failed to obtain the historical billing records for any
9 of the utility properties that it now holds. The failure to obtain these historical
10 billing records is problematic in a rate case where we typically examine billing
11 data for a minimum of four years.

12
13 ***Q14. WHERE DID THE COMMISSION ORDER LIMESTONE TO RETAIN***
14 ***THESE HISTORICAL BILLING RECORDS?***

15 A14. Paragraph 15 of the Stipulation & Settlement Agreement approved by the
16 Commission in Docket No. 21-00053 regarding Limestone's acquisition of
17 Cartwright Creek, LLC reads as follows:

18 *The Parties agree that, at closing, Cartwright Creek shall transfer*
19 *to Limestone complete copies of Cartwright Creek's accounting*
20 *records for the two calendar years immediately preceding the date*
21 *of acquisition as well as the complete year-to-date accounting*
22 *records for the calendar year in which closing occurs. Limestone*
23 *shall maintain these records intact at least through completion of its*
24 *first rate proceeding before the Commission.*⁵

⁵ This exact language requirement was also included in the Stipulation & Settlement Agreement for Limestone's acquisition of Aqua Utilities in Docket No. 19-00062, Shiloh Falls in Docket No. 21-00055, Chapel Woods in Docket No. 21-00060, Candlewood Lakes in Docket No. 21-00059, and DSH & Associates in Docket No. 23-00016.

1 This Stipulation & Settlement Agreement is then referenced by the Commission
2 in the Order for that Docket.

3

4 ***Q15. WHY DID LIMESTONE NOT OBTAIN A COPY OF THE HISTORICAL***
5 ***BILLING RECORDS FOR ANY OF ITS ACQUISITIONS?***

6 A15. Limestone states that they do request “all relevant accounting records and
7 documentation from the seller to ensure a thorough understanding of the acquired
8 entity’s financial and operational position.” However, Limestone then goes on to
9 note that “detailed data reflecting specific customer usage metrics and
10 calculations are generally not considered part of core accounting records, and, as
11 such, were not specifically requested from sellers.”⁶

12

13 ***Q16. DO YOU AGREE WITH LIMESTONE’S ASSERTION THAT THE***
14 ***CUSTOMER USAGE METRICS ARE NOT A PART OF THE CORE***
15 ***ACCOUNTING RECORDS?***

16 A16. No, I do not. The historical billing records are critical to fully understanding the
17 billing system for each acquired entity. As such, this historical data should have
18 been obtained by Limestone and then preserved for this rate case. Obtaining this
19 data could have also avoided the Company’s failure to properly bill its
20 commercial customers for usage as discussed earlier. In addition, the historical
21 billing records are needed in a rate case where they are examined over a four-year
22 period in order to appropriately set new rates by the Commission.

⁶ Company Response to Consumer Advocate DR No. 2-1.

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Q17. WHY IS IT NECESSARY TO HAVE FOUR YEARS OF HISTORICAL BILLING RECORDS IN ORDER TO SET RATES FOR THE FUTURE?

A17. In a rate case, we typically examine historical billing records over a four-year period to ensure that there are no anomalies in the data. For example, if the billing was somehow delayed for a particular month and then doubled-up in the following month. Also, there can be significant end-of-year adjustments to historical billing data that needs to be considered when setting future rates. Examining this historical billing data over a four-year period allows us to get comfortable with recommending what we expect to occur during the attrition period. However, in this rate case, the historical billing data has not been preserved and is not available for the Commission’s consideration.⁷

Q18. WHAT IS YOUR RECOMMENDATION ON HOW THE COMMISSION SHOULD TREAT THIS ISSUE?

A18. Historical billing data is critical to the rate setting process and setting appropriate billing rates for the future. Since this data is not available, I recommend that any change in rates be deferred until at least four years of billing data can be obtained.

⁷ For some of the most recent acquisitions, only two months of historical data is available during the test period. See WHN Revenue Workpaper R-7-1.07 regarding billing data for DSH & Associates.

TPUC Docket No. 24-00044 10 Novak, Direct

1 **III. TAP FEES & INSPECTION FEES**

2

3 ***Q19. HOW DID THE COMPANY CLASSIFY RECEIPTS FROM TAP FEES***

4 ***AND INSPECTION FEES?***

5 A19. The Company states that they record “the receipts from these charges as CIAC

6 (Contributions in Aid of Construction) because these fees represent payments

7 from customers to Limestone that help cover the cost of expanding

8 infrastructure.”⁸

9

10 ***Q20. DO YOU AGREE WITH THIS CLASSIFICATION METHODOLOGY?***

11 A20. No. The Commission has a long history of requiring utilities to record these types

12 of receipts as revenues. For example, in the last rate case for Cartwright Creek,

13 \$21,000 was included in Revenues for Tap Fees and Inspection Fees.⁹ Likewise

14 in the last rate case for Aqua Utilities, \$21,375 was included in Revenues for Tap

15 Fees.¹⁰ Finally, in the CCN Application for Shiloh Falls Utilities, \$25,500 was

16 included in Revenues for Tap Fees.¹¹ So, as can be seen, there is a clear history of

17 the Commission’s treatment for the classification of Tap Fee and Inspection Fee

18 receipts as revenues.

19

⁸ Company Response to Consumer Advocate DR No. 1-19b.

⁹ TRA Docket No. 16-00127, *Joint Petition of Cartwright Creek, LLC and TRA Staff (as a Party) to Increase Rates and Charges*, Pre-Filed Direct Testimony of Daniel Ray, TRA Party Staff Exhibits and Workpapers, TRA Staff Exhibit, Schedule 3, Line Nos. 5 and 7, November 10, 2016.

¹⁰ TRA Docket No. 15-00044, *Joint Petition of Aqua Utilities and TRA Staff (as a Party) to increase rates and charges*, Pre-Filed Direct Testimony of Joe Shirley, TRA Staff Exhibits and Workpapers, TRA Staff Exhibit, Schedule 7, Line No. 10, April 10, 2015.

¹¹ TPSC Docket 95-03948, *The Application of Shiloh Falls Utilities, Inc. for a Certificate of Convenience and Necessity, Initial Order, Settlement Agreement*, Schedule I, May 31, 1996.

**Q21. HOW HAVE YOU CALCULATED INSPECTION FEES AND TAP FEES
FOR THE ATTRITION PERIOD.**

A21. For Inspection Fees, Limestone was unable to provide any guidance for its anticipated level of activity for the attrition year.¹² Therefore, I applied the ratio of Inspections and Re-Inspections from the last Cartwright Creek rate case in Docket No. 16-00127 to the anticipated growth rate for properties with an Inspection Fee and priced these amounts out at the current tariff rate.¹³

For Tap Fees, Limestone was also unable to provide any guidance for its anticipated level of activity for the attrition year.¹⁴ Therefore, I applied the anticipated customer growth for each service area to the current tariff rate for Tap Fees.¹⁵

This process produced \$493,125 in total Inspection Fees and Tap Fees as shown below on Table 2.

Table 2 – Attrition Period Inspection Fees and Tap Fees	
Charge Type	Amount
Inspection Fees	\$11,550
Tap Fees	481,575
Total	\$493,125

**Q22. WHAT IS YOUR RECOMMENDATION ON HOW THE COMMISSION
SHOULD TREAT THIS ISSUE?**

¹² Company Response to Consumer Advocate DR No. 2-3.
¹³ WHN Revenue Workpaper R-10-3.00. Note also that Inspection Fees only apply to the Cartwright Creek property areas.
¹⁴ Company Response to Consumer Advocate DR No. 2-5.
¹⁵ WHN Revenue Workpaper R-10-4.00.

1 A22. I recommend that the Commission should continue to treat Inspection Fees and
2 Tap Fees as Revenues. I further recommend that the Company be required to
3 reclassify these receipts on its books and records before any change in rates is
4 considered.

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1 **IV. OUTSIDE THIRD-PARTY CONTRACTORS**

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3 ***Q23. MR. NOVAK, WHY DOES LIMESTONE USE THIRD-PARTY***

4 ***CONTRACTORS TO PERFORM OPERATION & MAINTENANCE***

5 ***FUNCTIONS INSTEAD OF HIRING EMPLOYEES TO PERFORM***

6 ***THESE FUNCTIONS?***

7 A23. According to the Company, Limestone operates 10 separate water and wastewater

8 systems that are geographically dispersed across Tennessee.¹⁶ Limestone then

9 points out that it only provides service to approximately 573 water and 1,914

10 wastewater customers in Tennessee and concludes that “it would be almost

11 impossible...to cost-effectively employ an in-house workforce of sufficient size

12 to perform all required O&M (Operation & Maintenance) functions necessary to

13 fulfill the objective of providing customers safe, reliable, and timely utility

14 service at reasonable rates.”¹⁷ Finally, Limestone provides a comparison of its

15 operations across Tennessee with those of Tennessee-American Water Company

16 in the Chattanooga area to demonstrate “where systems and connections are

17 concentrated in a relatively small area [then] utilities may be able to cost-

18 effectively employ such [direct employees] as part of their own workforce.¹⁸

19

16 Pre-Filed Direct Testimony of Todd Thomas, P. 6.

17 Pre-Filed Direct Testimony of Todd Thomas, P. 7.

18 Pre-Filed Direct Testimony of Todd Thomas, P. 6-7.

1 ***Q24. DO YOU AGREE WITH LIMESTONE’S CHARACTERIZATION THAT***
2 ***THE USE OF OUTSIDE THIRD-PARTY CONTRACTORS IS THE MOST***
3 ***EFFICIENT USE OF COMPANY RESOURCES?***

4 A24. No. First, Limestone has not provided any type of quantitative analysis verifying
5 that its use of third-party contractors economically outweighs that of direct
6 employees. Without this type of cost analysis, it is impossible to fully determine
7 the cost/benefits of third-party contractors vs. direct employees.

8
9 Next, Limestone’s contrast of its operations with that of Tennessee-American
10 Water Company is not really an apples-to-apples comparison. A better example
11 would be to compare the operations of Limestone to Tennessee Wastewater
12 Systems, Inc. (“TWSI”). TWSI provides wastewater services to approximately
13 2,760 residential customers and 804 commercial customers throughout
14 Tennessee.¹⁹ In TWSI’s last rate case, \$623,560 was included for wages while
15 only \$386,670 was included for Outside Contractors.²⁰ This distribution shows a
16 balance between the use of outside contractors and direct employees rather than
17 relying exclusively on one over the other.

¹⁹ Docket No. 20-00009, *Joint Petition of Tennessee Wastewater Systems, Inc and TPUC Staff (as a Party) to Increase Rates and Charges*, Joint Petition, Page 1, January 31, 2020.

²⁰ Docket No. 20-00009, *Joint Petition of Tennessee Wastewater Systems, Inc and TPUC Staff (as a Party) to Increase Rates and Charges*, Pre-Filed Direct Testimony of Kevin McClenathan, Commission Staff Exhibit, Schedules 4 and 5, January 31, 2020.

1 Finally, the use of direct employees is likely to provide better customer service to
2 Tennessee communities. This is because employees are typically closer and more
3 engaged with customers than outside contractors.
4

5 ***Q25. WHAT IS YOUR RECOMMENDATION ON HOW THE COMMISSION***
6 ***SHOULD TREAT THIS ISSUE?***

7 A25. There is no rate adjustment related to this issue. Instead, I recommend that the
8 Commission should encourage the Company to balance its use of outside
9 contractors with direct employees.
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15 *[Testimony continues on next page]*
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V. ATTRITION PERIOD REVENUES

Q26. MR. NOVAK, HAVE YOU PREPARED AN ATTRITION PERIOD REVENUE CALCULATION FOR THE COMMISSION'S CONSIDERATION?

A26. Yes. If the Commission decides against my recommendations to defer any rate adjustment until the Company's books and records are in order with respect to Revenues, then I have prepared separate attrition period forecasts for Limestone's Service Revenues and Other Revenues for consideration.

Q27. WHAT IS YOUR FORECAST FOR LIMESTONE'S SERVICE REVENUES?

A27. My total attrition period forecast for Limestone's service revenues is \$1,186,981 as shown below on Table 3.

Table 3 – Attrition Period Service Revenues ²¹	
Operating Territory	Amount
Aqua Utilities – Water	\$151,015
Aqua Utilities – Sewer	118,127
Cartwright Creek – Res – Grasslands	296,218
Cartwright Creek – Res -Arrington/Hardeman/Hideaway	278,736
Cartwright Creek - Commercial	97,446
Candlewood Lakes	49,920
Chapel Woods	49,822
Lakeside Estates (DSH)	54,005
Shiloh Falls	91,692
Total	\$1,186,981

²¹ WHN Revenue Workpaper R-1-1.00.

1 The attrition period revenues were forecast by first applying a historic growth rate
2 to the test period bills and water usage for those properties with anticipated
3 growth. Next, I applied the current tariff charges to the attrition period billing
4 determinants to get the attrition period service revenues.

5
6 ***Q28. WHAT IS YOUR FORECAST FOR LIMESTONE’S OTHER REVENUES?***

7 A28. My total attrition period forecast for Limestone’s other revenues is \$555,943 as
8 shown below on Table 4.

Table 4 – Attrition Period Other Revenues²²	
Operating Territory	Amount
Forfeited Discounts	\$62,753
Non-Sufficient Fund Fees	65
Inspection Fees	11,550
Tap Fees	481,575
Total	\$555,943

9
10 To calculate Forfeited Discounts, I calculated the average rate used in the
11 Company’s most recent rate cases for Cartwright Creek and Aqua Utilities and
12 then applied this average rate to the attrition period Service Revenues described
13 above. To calculate Inspection Fees and Tap Fees, I applied the anticipated
14 customer growth for each service area to the current tariff rate for these charges as
15 described earlier.

16
17 ***Q29. WHAT IS YOUR TOTAL REVENUE FORECAST FOR THE ATTRITION***
18 ***PERIOD?***

22 WHN Revenue Workpaper R-1-1.00.

1 A29. The Service Revenues and Other Revenue forecasts discussed above produced
2 \$1,742,924 in total attrition period revenues. as shown below on Table 5.

Table 5 – Total Attrition Period Revenue Forecast²³	
Revenue Type	Amount
Service Revenues	\$1,186,981
Other Revenues	555,943
Total Revenues	\$1,742,924

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10 *[Testimony continues on next page]*

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²³ WHN Revenue Workpaper R-1-1.00.

1 **VI. RATE DESIGN**

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3 ***Q30. MR. NOVAK, PLEASE SUMMARIZE THE RATE DESIGN PROPOSAL***
4 ***MADE BY THE COMPANY TO RECOVER ITS REVENUE DEFICIENCY.***

5 A30. The Company has proposed “consolidated rates across its entire Tennessee
6 footprint.”²⁴

7

8 ***Q31. DO YOU AGREE WITH THE COMPANY’S PROPOSED RATE DESIGN***
9 ***METHODOLOGY?***

10 A31. No. My experience has been that customers typically feel that their current rates
11 are fair – otherwise the Commission would be constantly receiving new rate
12 complaints. In this case, the Company has proposed combining the rates for all
13 their geographic territories into a single consolidated rate structure. The problem
14 with this type of rate design proposal is that it creates winners and losers among
15 the different customers – some rates must go up by much more than others in
16 order to create this single billing rate.

17

18 ***Q32. HOW DO YOU PROPOSE THAT THE COMMISSION ALLOCATE THE***
19 ***COMPANY’S REVENUE REQUIREMENTS?***

20 A32. I would recommend that the Consumer Advocate’s revenue deficiency of
21 \$654,305 as shown on CA Exhibit, Schedule 1, be allocated evenly across-the-
22 board to all customer service areas based upon the ratio of the attrition period

²⁴ Direct testimony of Aaron Silas, p. 17:23-24.

1 revenue in each area to total attrition period revenue. My complete revenue
2 allocation is presented on Consumer Advocate Exhibit, Schedule 12 and
3 summarized below on Table 6.

Table 6 – Consumer Advocate Proposed Attrition Period Revenue Deficiency Allocation²⁵				
Tariff	Current Revenue	Revenue Change	Proposed Revenue	Percent Change
Cartwright Creek	\$672,400	\$351,054	\$1,023,454	52.21%
Aqua Utilities	269,142	140,517	409,659	52.21%
Chapel Woods	49,822	26,012	75,834	52.21%
Lakeside Estates	54,005	28,195	82,200	52.21%
Shiloh Falls	91,692	47,872	139,564	52.21%
Candlewood Lakes	49,920	26,063	75,983	52.21%
Other	555,943	34,592	590,535	6.22%
Total	\$1,742,924	\$654,305	\$2,397,229	37.54%

4
5 To summarize the results of Table 6, the Consumer Advocate would propose
6 allocating a 52.21% increase to all customers based upon an across-the-board
7 distribution of attrition period margin under current rates. The Consumer
8 Advocate believes that this type of revenue increase allocation more equitably
9 spreads the burden of any increase in rates and is preferable to the Company's
10 consolidated rate results.

11

12 ***Q33. WHAT SPECIFIC RATE DESIGN DO YOU PROPOSE?***

13 A33. As mentioned above, I recommend that the proposed revenue deficiency of
14 \$654,305 be allocated evenly across-the-board to all service areas based upon the
15 ratio of attrition period revenue in each area to the total attrition period revenue.

²⁵ WHN Revenue Workpaper R-1-1.02. Note that individual amounts may not sum precisely to totals due to rounding.

1 As to specific tariff rates, I propose that the rate increase allocation shown above
2 in Table 6 be allocated to each of the Company's existing service rates based on
3 their existing margin.

4
5 For example, Table 6 shows a revenue increase for Cartwright Creek customers of
6 \$351,054. This revenue deficiency is allocated proportionately between customer
7 charges and usage charges based on the attrition period revenues. This process
8 produces the proposed rates for Cartwright Creek customers shown below in
9 Table 7. My complete proposed rate design calculations for all service areas are
10 contained in Attachment WHN-2.

Table 7 – Current & Proposed Billing Rates for Cartwright Creek Customers²⁶			
Billing Charge	Current Rate	Proposed Rate	Percentage Change
Customer Charges:			
Grassland-2 Bedroom	\$42.00	\$63.93	52.21%
Grassland-3 Bedroom	46.50	70.78	52.21%
Grassland-4 Bedroom	52.00	79.15	52.21%
Grassland-5 Bedroom	55.25	84.10	52.21%
Other Residential	55.25	84.10	52.21%
Commercial	37.00	56.32	52.21%
Usage Charges:			
Commercial/1,000 Gallons	\$8.75	\$13.32	52.21%

11
12 As can be seen in Table 7, the monthly billing charges have been increased by the
13 same overall percentage changes of 52.21% that are first shown in Table 6.

14

²⁶ Attachment WHN-2.

1 ***Q34. MR. NOVAK, WHY DO YOU BELIEVE THAT YOUR PROPOSED RATE***
2 ***DESIGN IS APPROPRIATE FOR THIS CASE?***

3 A34. My proposed rate design maintains the Company's existing rate structure and
4 results in an equal rate increase for all customers. As a result, there is no
5 preferential treatment in assigning the rate increase for any single customer class
6 or geographic location. I would therefore recommend that the Commission
7 approve the across-the-board rate design proposed here.

8

9 ***Q35. DOES THIS COMPLETE YOUR TESTIMONY?***

10 A35. Yes, it does. However, I reserve the right to incorporate any new data that may
11 subsequently become available.

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IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:

PETITION OF LIMESTONE WATER
UTILITY OPERATING COMPANY,
LLC TO INCREASE CHARGES, FEES
AND RATES, AND FOR APPROVAL OF
A GENERAL RATE INCREASE AND
CONSOLIDATED RATES

DOCKET NO. 24-00044

AFFIDAVIT

I, William Novak, 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 Advocate Division.



WILLIAM H. NOVAK

Sworn to and subscribed before me
this 2nd day of December, 2024.



NOTARY PUBLIC



My commission expires:

1/31/2027.

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
WHN Proposed Rate Design

Area	Attrition Determinants	Current Rate	Current Revenue	Rate Increase	Proposed Revenue	Proposed Rate	Percent Increase
Bills:							
Cartwright Creek - Grassland - Residential - Two Bedroom	412	\$42.00	\$17,304	\$9,034	\$26,338	\$63.93	52.21%
Cartwright Creek - Grassland - Residential - Three Bedroom	3,340	46.50	155,310	81,086	236,396	70.78	52.21%
Cartwright Creek - Grassland - Residential - Four Bedroom	2,275	52.00	118,300	61,763	180,063	79.15	52.21%
Cartwright Creek - Grassland - Residential - Five Bedroom	96	55.25	5,304	2,769	8,073	84.10	52.21%
Cartwright Creek - Arrington/Hardeman/Hideaway - Residential	5,045	55.25	278,736	145,526	424,262	84.10	52.21%
Cartwright Creek - Commercial	168	37.00	6,216	3,245	9,461	56.32	52.21%
Aqua Utilities - Water	5,293	19.65	104,007	54,301	158,309	29.91	52.21%
Aqua Utilities - Sewer	4,463	19.65	87,698	45,786	133,484	29.91	52.21%
Chapel Woods	1,718	29.00	49,822	26,012	75,834	44.14	52.21%
Lakeside Estates (DSH) - Residential	60	30.73	1,844	963	2,806	46.77	52.21%
Shiloh Falls - Residential	1,704	8.90	15,166	7,918	23,083	13.55	52.21%
Shiloh Falls - Commercial	28	8.90	249	130	379	13.55	52.21%
Candlewood Lakes	1,248	40.00	49,920	26,063	75,983	60.88	52.21%
Total Bill Revenue	25,850		\$889,876	\$464,597	\$1,354,474		52.21%

Area	Attrition Determinants	Current Rate	Current Revenue	Rate Increase	Proposed Revenue	Proposed Rate	Percent Increase
Usage:							
Cartwright Creek - Commercial	10,426	\$8.75	\$91,230	\$47,630	\$138,860	\$13.32	52.21%
Aqua Utilities - Water	15,412	3.05	47,007	24,542	71,549	4.64	52.21%
Aqua Utilities - Sewer	9,977	3.05	30,429	15,887	46,316	4.64	52.21%
Lakeside Estates (DSH) - Commercial 0-100 Gallons/Day	332	68.37	22,665	11,833	34,498	104.07	52.21%
Lakeside Estates (DSH) - Commercial 101-200 Gallons/Day	53	68.37	3,589	1,874	5,463	104.07	52.21%
Lakeside Estates (DSH) - Commercial 201-300 Gallons/Day	63	68.37	4,307	2,249	6,556	104.07	52.21%
Lakeside Estates (DSH) - Commercial 301-400 Gallons/Day	54	83.37	4,502	2,350	6,852	126.90	52.21%
Lakeside Estates (DSH) - Commercial 401-500 Gallons/Day	26	98.37	2,508	1,310	3,818	149.73	52.21%
Lakeside Estates (DSH) - Commercial 501-600 Gallons/Day	27	113.37	3,061	1,598	4,659	172.56	52.21%
Lakeside Estates (DSH) - Commercial 601-700 Gallons/Day	23	128.37	2,888	1,508	4,396	195.39	52.21%
Lakeside Estates (DSH) - Commercial 701-800 Gallons/Day	8	143.37	1,075	561	1,637	218.22	52.21%
Lakeside Estates (DSH) - Commercial 801-900 Gallons/Day	0	158.37	0	0	0	241.05	52.21%
Lakeside Estates (DSH) - Commercial 901-1000 Gallons/Day	2	173.37	260	136	396	263.89	52.21%
Lakeside Estates (DSH) - Commercial 1001-2000 Gallons/Day	9	330.16	2,971	1,551	4,523	502.53	52.21%
Lakeside Estates (DSH) - Commercial 2001-3000 Gallons/Day	2	486.95	730	381	1,112	741.18	52.21%
Lakeside Estates (DSH) - Commercial 3001-4000 Gallons/Day	2	643.74	966	504	1,470	979.83	52.21%
Lakeside Estates (DSH) - Commercial 4001-5000 Gallons/Day	2	800.53	1,201	627	1,828	1,218.48	52.21%
Lakeside Estates (DSH) - Commercial 5001-6000 Gallons/Day	2	957.32	1,436	750	2,186	1,457.13	52.21%
Shiloh Falls - Residential	17,056	3.71	63,278	33,037	96,315	5.65	52.21%
Shiloh Falls - Commercial	3,504	3.71	13,000	6,787	19,787	5.65	52.21%
Total Usage Revenue	56,975		\$297,105	\$155,116	\$452,221		52.21%

Area	Attrition Determinants	Current Rate	Current Revenue	Rate Increase	Proposed Revenue	Proposed Rate	Percent Increase
Other Revenue:							
Forfeited Discounts		5.29%	\$62,753	\$34,592	\$97,345	5.29%	55.12%
Non-Sufficient Fund Fees - \$20	2	\$20.00	40	0	40	\$20.00	0.00%
Non-Sufficient Fund Fees - \$25	1	25.00	25	0	25	25.00	0.00%
Inspection Fees	44	250.00	11,000	0	11,000	250.00	0.00%
Re-Inspection Fees	11	50.00	550	0	550	50.00	0.00%
Tap Fees - Cartwright Creek - Grassland - Residential	0	10,000.00	0	0	0	10,000.00	0.00%
Tap Fees - Cartwright Creek -AHH - Residential	44	10,000.00	440,000	0	440,000	10,000.00	0.00%
Tap Fees - Cartwright Creek - Commercial	0	10,000.00	0	0	0	10,000.00	0.00%
Tap Fees - Aqua Utilities - Water	14	1,425.00	19,950	0	19,950	1,425.00	0.00%
Tap Fees - Aqua Utilities - Sewer	11	1,425.00	15,675	0	15,675	1,425.00	0.00%
Tap Fees - Shiloh Falls	7	850.00	5,950	0	5,950	850.00	0.00%
Total Other Revenue			\$555,943	\$34,592	\$590,535		6.22%
Total Revenue			\$1,742,924	\$654,305	\$2,397,229		37.54%
				\$654,305			

SOURCE: WHN Revenue Workpaper R-1-1.01.

Filed
Confidentially

Excel file: WHN Revenue Analysis3 - Limestone 24-00044 Confidential