

**Joshua C. Nowak**  
**Principal**  
**Sussex Economic Advisors, LLC**

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Mr. Nowak has extensive experience in providing economic, financial, and strategic advisory services to clients in regulated industries. His experience includes financial analysis, expert testimony preparation, and litigation support. Mr. Nowak has performed financial modeling, statistical analysis, and policy assessments. He has worked with gas and electric utilities to develop benchmarking, affiliate-cost studies, and lead-lag studies in regulatory proceedings. In addition, he has provided support for expert witnesses and developed a number of analyses for issues ranging from cost of capital to operational efficiency.

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## **REPRESENTATIVE PROJECT EXPERIENCE**

### **Management and Operations Consulting**

Mr. Nowak has taken a lead analytical role in developing benchmarking and affiliate cost analyses. Specifically, he has:

- Analyzed the reasonableness and cost-effectiveness of affiliate direct expenses and shared-service expense allocations for a regulated utility and its unregulated parent company
- Developed a benchmarking analysis, in support of expert testimony, comparing a gas distribution company's cost efficiency, taking into account a situational assessment of exogenous factors
- Performed a benchmarking study to compare an electric utility company to the industry, based upon explanatory, performance-efficiency, and operational metrics
- Supported analysis for a report of the reasonableness of a shared service company's administrative and general costs

### **Litigation Support and Expert Testimony Support**

Mr. Nowak's work includes supporting project management, research, and analysis for expert witness testimony. His work has included:

- Support for expert testimony in cost of capital and return on equity proceedings through research, financial analysis, and testimony development
- Project management of expert testimony assignments, including all phases of the regulatory schedule
- Performing analysis to support expert testimony regarding affiliate expenses and allocations

### **Rate Case Support**

Mr. Nowak has contributed to projects related to utility rate case filings including:

- Support for a lead-lag analysis and testimony
- Preparation of minimum filing requirements for a rate case
- Responding to discovery requests from state utility commissions and intervening parties

### **Financial Analysis**

Other financial analysis Mr. Nowak has conducted include:

- Developing a dispatch model to estimate historical revenues for a merchant power plant
- Estimating damages for breach of contract in fuel delivery commitment
- Researching strategic investment opportunities for merchant generators
- A report on the profitability of various generation technologies in a deregulated energy market
- Supporting utility asset appraisals, including research and analysis for income approach, cost approach, and sales comparison approach
- Reviewing internal financial models used by utility clients

In his previous work, Mr. Nowak contributed to the evaluation of regulatory policy for government clients. His experience included performing policy analysis, including economic impact assessments, for federal regulations.

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## **PROFESSIONAL HISTORY**

### **Sussex Economic Advisors, LLC (2012 – Present)**

Principal

### **Concentric Energy Advisors, Inc. (2007 – 2012)**

Senior Consultant

Consultant

Assistant Consultant

Analyst

### **RTI International (2006 – 2007)**

Economist

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## **EDUCATION**

B.A., Boston College, 2006

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| SPONSOR   | DATE  | CASE/APPLICANT  | DOCKET NO.       | SUBJECT              |
|---|-------|---|------------------|----------------------|
| <b>Public Utility Commission of Texas</b>   |       |   |                  |                      |
| Wind Energy Transmission Texas, LLC   | 05/15 | Wind Energy Transmission Texas, LLC   | Docket No. 44746 | Cash Working Capital |
| Lone Star Transmission, LLC   | 05/14 | Lone Star Transmission, LLC   | Docket No. 42469 | Cash Working Capital |
| <b>Railroad Commission of Texas</b>   |       |   |                  |                      |
| CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas | 03/14 | CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas | GUD No. 10432    | Cash Working Capital |
| Texas Gas Service Company, a Division of One Gas, Inc.  | 12/15 | Texas Gas Service Company, a Division of One Gas, Inc.  | GUD No. 10488    | Cash Working Capital |
| Texas Gas Service Company, a Division of One Gas, Inc.  | 03/16 | Texas Gas Service Company, a Division of One Gas, Inc.  | GUD No. 10506    | Cash Working Capital |

Granite State Electric Company  
Lead-Lag Study  
Cash Working Capital Requirement

| Line | Description                          | Test Year Amount | Average Daily Amount | Revenue Lag | Ref.       | Expense Lag | Ref.       | Net (Lead)/Lag Days | Working Capital Requirement |
|------|--------------------------------------|------------------|----------------------|-------------|------------|-------------|------------|---------------------|-----------------------------|
| 1    | Operations and Maintenance Expenses  |                  |                      |             |            |             |            |                     |                             |
| 2    | Labor-Related (Payroll) O&M Expenses | \$ 11,294,348    | \$ 30,943            | 63.43       | JCN-3 p. 1 | (40.31)     | JCN-3 p. 3 | 23.12               | \$ 715,391                  |
| 3    | Non-Labor O&M Expenses               | 7,419,166        | 20,326               | 63.43       | JCN-3 p. 1 | (34.07)     | JCN-3 p. 3 | 29.36               | 596,816                     |
| 4    | Total O&M Expenses                   | \$ 18,713,514    | \$ 51,270            |             |            |             |            |                     | \$ 1,312,208                |
| 5    | Income Taxes                         |                  |                      |             |            |             |            |                     |                             |
| 6    | Current Federal Income Taxes         | \$ 1,510,273     | \$ 4,138             | 63.43       | JCN-3 p. 1 | (36.00)     | JCN-3 p. 5 | 27.43               | \$ 113,503                  |
| 7    | Deferred Federal Income Taxes        | -                | -                    | 0.00        |            | 0.00        |            | 0.00                | -                           |
| 8    | Total Federal Income Taxes           | \$ 1,510,273     | \$ 4,138             |             |            |             |            |                     | \$ 113,503                  |
| 9    | Taxes Other Than Income Taxes        |                  |                      |             |            |             |            |                     |                             |
| 10   | Payroll Taxes                        | \$ 700,105       | \$ 1,918             | 63.43       | JCN-3 p. 1 | (18.30)     | JCN-3 p. 6 | 45.13               | \$ 86,571                   |
| 11   | Ad Valorem Taxes                     | 3,697,928        | 10,131               | 63.43       | JCN-3 p. 1 | 13.31       | JCN-3 p. 6 | 76.74               | 777,464                     |
| 12   | Taxes Other Than Income Taxes        | \$ 4,398,033     | \$ 12,049            |             |            |             |            |                     | \$ 864,035                  |
| 13   | Depreciation Expense                 | \$ 5,766,507     | \$ 15,799            | 0.00        |            | 0.00        |            | 0.00                | \$ -                        |
| 14   | Total                                | \$ 30,388,327    | \$ 83,256            |             |            |             |            | 27.50               | \$ 2,289,745                |

Granite State Electric Company  
Lead-Lag Study  
Revenue Lag

| Line | Description                  | Revenue Lag  | Reference      |
|------|------------------------------|--------------|----------------|
| 1    | Service Lag                  | 15.21        | (365) / 12 / 2 |
| 2    | Billing Lag                  | 2.92         | WP A-1         |
| 3    | Collection Lag               | 45.30        | WP A-2         |
| 4    | <u>Composite Revenue Lag</u> | <u>63.43</u> |                |

Granite State Electric Company  
Lead-Lag Study  
Collection Lag

| Line | Month Start | Month End  | Revenues         |                        | A/R Balance     |                |
|------|-------------|------------|------------------|------------------------|-----------------|----------------|
|      |             |            | Monthly Revenues | Daily Average Revenues | Monthly Balance | Collection Lag |
| 1    | 1/1/2015    | 1/31/2015  | \$ 12,481,647    | \$ 402,634             | \$ 18,081,429   |                |
| 2    | 2/1/2015    | 2/28/2015  | 13,109,984       | 468,214                | 18,352,936      |                |
| 3    | 3/1/2015    | 3/31/2015  | 13,908,007       | 448,645                | 18,304,208      |                |
| 4    | 4/1/2015    | 4/30/2015  | 9,104,007        | 303,467                | 15,458,784      |                |
| 5    | 5/1/2015    | 5/31/2015  | 7,558,147        | 243,811                | 13,201,979      |                |
| 6    | 6/1/2015    | 6/30/2015  | 10,799,794       | 359,993                | 14,561,029      |                |
| 7    | 7/1/2015    | 7/31/2015  | 9,075,075        | 292,744                | 13,942,481      |                |
| 8    | 8/1/2015    | 8/31/2015  | 9,508,747        | 306,734                | 14,780,075      |                |
| 9    | 9/1/2015    | 9/30/2015  | 9,149,028        | 304,968                | 14,422,509      |                |
| 10   | 10/1/2015   | 10/31/2015 | 7,819,201        | 252,232                | 12,352,526      |                |
| 11   | 11/1/2015   | 11/30/2015 | 6,850,998        | 228,367                | 11,222,440      |                |
| 12   | 12/1/2015   | 12/31/2015 | 9,532,887        | 307,512                | 12,874,139      |                |
|      |             | Average    |                  | \$ 326,610             | \$ 14,796,211   | 45.30          |
|      |             |            |                  |                        |                 | 45.30          |

Granite State Electric Company  
Lead-Lag Study  
O&M Expenses

| Line | Description                    | Expense       | (Lead)/Lag<br>Days | Reference | Dollar Days      |
|------|--------------------------------|---------------|--------------------|-----------|------------------|
| 1    | Labor-Related - O&M Expenses   | \$ 11,294,348 | (40.31)            | WPC-1     | \$ (455,296,355) |
| 2    | Non-Labor - Other O&M Expenses | 7,419,166     | (34.07)            | WP C-5    | \$ (252,768,658) |
| 3    | Total O&M Expenses             | \$ 18,713,514 | (37.84)            |           | \$ (708,065,013) |

Granite State Electric Company  
Lead-Lag Study  
O&M Expenses - Payroll

| Line | Description   | Expense       | Percent | (Lead)/Lag<br>Days | Reference | Dollar Days      |
|------|---|---------------|---------|--------------------|-----------|------------------|
| 1    | Regular Payroll - Weekly                            | \$ 4,111,176  | 46.36%  | (8.44)             | WP C-2    | \$ (34,707,811)  |
| 2    | Regular Payroll - Bi-Weekly                         | \$ 4,757,643  | 53.64%  | (11.92)            | WP C-3    | \$ (56,725,749)  |
| 3    | Regular Payroll - Total                             | \$ 8,868,819  | 46.36%  | (8.44)             |           | \$ (34,707,811)  |
| 4    | Regular Payroll - Regular Pay                       | \$ 8,868,819  | 93.70%  | (8.44)             |           | \$ (74,873,301)  |
| 5    | Regular Payroll - Vacation Pay                      | 596,421       | 6.30%   | (190.94)           |           | (113,882,084)    |
| 6    | Regular Payroll - Adjusted for Vacation Pay - Total | \$ 9,465,241  | 100.00% | (19.94)            |           | \$ (188,755,385) |
| 7    | Annual Performance Bonus Pay                        | \$ 718,141    |         | (308.79)           | WP C-4    | \$ (221,755,808) |
| 8    | Payroll - Total                                     | \$ 10,183,381 |         | (40.31)            |           | \$ (410,511,193) |



Granite State Electric Company  
Lead-Lag Study  
Income Tax

Federal Income Tax

| Line | Quarter                                   | (Lead)/Lag Days         |                       | Midpoint of<br>Service Period | Payment Date | Percent of Taxes<br>Due | (Lead)/Lag Days                          |                    |
|------|---|-------------------------|-----------------------|-------------------------------|--------------|-------------------------|--|--------------------|
|      |   | Service Period<br>Start | Service Period<br>End |                               |              |                         | Days from<br>Midpoint to<br>Payment Date | (Lead)/Lag<br>Days |
| 1    | First Quarter                             | 1/1/2015                | 12/31/2015            | 7/2/2015                      | 4/15/2015    | 25.00%                  | 78.50                                    | 19.63              |
| 2    | Second Quarter                            | 1/1/2015                | 12/31/2015            | 7/2/2015                      | 6/15/2015    | 25.00%                  | 17.50                                    | 4.38               |
| 3    | Third Quarter                             | 1/1/2015                | 12/31/2015            | 7/2/2015                      | 9/15/2015    | 25.00%                  | (74.50)                                  | (18.63)            |
| 4    | Fourth Quarter                            | 1/1/2015                | 12/31/2015            | 7/2/2015                      | 12/15/2015   | 25.00%                  | (165.50)                                 | (41.38)            |
| 5    | <u>Federal Income Tax (Lead)/Lag Days</u> |                         |                       |                               |              |                         |  | <u>(36.00)</u>     |

Granite State Electric Company  
Lead-Lag Study  
Taxes Other Than Income Tax

| Line | Description          | Amount       | (Lead)/Lag<br>Days | Reference | Dollar Days     | Composite<br>(Lead)/Lag<br>Days |
|------|----------------------|--------------|--------------------|-----------|-----------------|---------------------------------|
|      | Payroll Taxes        |              |                    |           |                 |                                 |
| 1    | FICA                 | \$ 1,319,882 | (11.48)            | WP D-1    | \$ (15,145,741) |                                 |
| 2    | Federal Unemployment | 14,494       | (30.75)            | WP D-2    | (445,681)       |                                 |
| 3    | State Unemployment   | 87,021       | (119.70)           | WP D-3    | (10,416,594)    |                                 |
| 4    | Total Payroll Taxes  | \$ 1,421,397 |                    |           | \$ (26,008,016) | (18.30)                         |
| 5    | Property Taxes       | \$ 3,697,928 | 13.31              | WP D-4    | 49,210,364      | 13.31                           |