

Joshua C. Nowak
Principal
Sussex Economic Advisors, LLC

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.

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.

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

EDUCATION

B.A., Boston College, 2006

SPONSOR	DATE	CASE/APPLICANT	DOCKET No.	SUBJECT
Public Utility Commission of Texas				
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
Railroad Commission of Texas				
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

<u>Line</u>	<u>Description</u>	<u>Revenue Lag</u>	<u>Reference</u>
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 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 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	Service Period Start	Service Period End	Midpoint of Service Period	Payment Date	Percent of Taxes Due	(Lead)/Lag Days		
							Days from Midpoint to Payment Date	(Lead)/Lag 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 Days	Reference	Dollar Days	Composite (Lead)/Lag 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