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LA Public Service Commission

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION
NATIONAL WATER INFRASTRUCTURE, LLC, EX PARTE

DOCKET NO. U-_____

In Re: Application for Approval of Acquisition of Ascension Parish Wastewater Assets, Rate Making Treatment for Current and Acquired Systems, Certification and Prudency Determination of Regionalization Project and CWIP Recovery of Capital Expenditures associated therewith, and Associated Financing.

DIRECT TESTIMONY OF
THOMAS PERTUIT
ON BEHALF OF
NATIONAL WATER INFRASTRUCTURE, LLC

JUNE 6, 2022

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EXHIBITS

TP EXHIBIT-1	Sewer Conveyance and Franchise Agreement, Between Ascension Parish and National Water Infrastructure, LLC
TP EXHIBIT-2	Parish of Ascension Office of Communications Press Release, dated February 12, 2021
TP EXHIBIT-3	Capital Expense Estimates of National Water Infrastructure, LLC, and Ascension Parish
TP EXHIBIT-4	Photographs of Sewer Treatment Plants On School Grounds
TP EXHIBIT-5	NWI Proposed Second Revised Tariff

I. INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Thomas Pertuit. My business address is 37458 Cornerview Rd., Geismar, Louisiana 70769. I am currently employed by National Water Infrastructure, LLC (“NWI” or the “Company”), and serve as its Chief Executive Officer (“CEO”).

Q. PLEASE DESCRIBE YOUR JOB RESPONSIBILITIES.

A. As the CEO, I bear full and final responsibility for the entirety of NWI and its affiliate, National Water Infrastructure Services, LLC’s (“NWIS”), operational results, fiscal strength, strategic direction and regulatory compliance and reporting.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL AND EDUCATIONAL BACKGROUND.

A. I graduated from Louisiana State University with a Bachelor of Science in Mechanical Engineering in 1969. I worked in the industrial and engineering consulting sectors for 10 years prior to starting my own wastewater treatment company in 1979, Wastewater Treatment of Louisiana, Inc. (“WWT”). WWT eventually became Ascension Wastewater Treatment, LLC (“AWT”). I grew AWT from a one-man operation to one of the largest private sewer utility companies in Louisiana. In 2020, I sold the majority of AWT’s assets to Bernhard Capital Partners, LP (“BCP”) to form NWI as it exists today.

Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY IN A REGULATORY PROCEEDING?

1 A. Yes. I provided testimony to the Louisiana Public Service Commission
2 (“Commission” or “LPSC”) as part of AWT proceedings before the Commission.

3 **Q. WAS THE TESTIMONY IN THE INSTANT PROCEEDING PREPARED BY**
4 **YOU OR UNDER YOUR DIRECT SUPERVISION?**

5 A. Yes.

6 **Q. ARE THERE ANY EXHIBITS IN CONNECTION WITH YOUR**
7 **TESTIMONY?**

8 A. Yes. The Exhibits listed in the Table of Contents are included with my testimony.

9 **Q. DO YOU HAVE DIRECT KNOWLEDGE OF THE CONTENTS OF THESE**
10 **EXHIBITS?**

11 A. Yes.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
13 **PROCEEDING?**

14 A. In Section II of my testimony, I provide a general overview of NWI, its history and
15 operations. In Section III, I generally discuss NWI’s operational structure and
16 services. In Section IV, I explain NWI’s proposed purchase of the Ascension Parish
17 Government (the “APG”) East Bank wastewater treatment assets. In Section V, I
18 discuss capital expenses associated with the APG and NWI systems. In Section VI,
19 I explain the proposed amendments to NWI’s tariff being requested in this case. In
20 Section VII, I provide a general overview and description of NWI’s proposed
21 Regionalization Project to consolidate and regionalize NWI’s and the acquired APG
22 wastewater systems. Finally, in Section VIII, I provide my conclusions and
23 recommendations.

1 **II. NWI HISTORY AND BACKGROUND**

2 **Q. PLEASE PROVIDE A GENERAL OVERVIEW OF NWI AND ITS**
3 **OPERATING ASSETS.**

4 A. NWI is a Delaware limited liability company authorized and doing business in
5 Louisiana. NWI is a member of the BCP portfolio of companies. NWI is an LPSC-
6 regulated, investor-owned class A wastewater utility. NWI currently owns and
7 operates 168 wastewater treatment systems that treat influent from approximately
8 192 sewage collection systems (the "NWI Assets"). NWI currently operates in four
9 Louisiana Parishes - Ascension, East Baton Rouge, Iberville and Livingston. NWI
10 currently provides service to approximately 17,000 residential customers
11 (including customers in apartment units) and approximately 175 commercial
12 customers. The majority of NWI's customers are in Ascension Parish. The majority
13 of the NWI Assets were acquired from AWT in 2020, which was also an LPSC-
14 regulated utility. On April 3, 2020, the LPSC approved NWI's acquisition of AWT
15 assets in Docket No. S-35482.¹ The NWI-AWT transaction closed on April 9, 2020,
16 and NWI has been the operating utility of the former AWT assets since then.

17 **Q. PLEASE DESCRIBE YOUR INVOLVEMENT WITH AWT AND THE NWI**
18 **SYSTEM PRIOR TO THE 2020 TRANSACTION.**

19 A. I founded WWT in 1979. In 1994, WWT acquired the sewer assets of Lambert
20 Utilities and formed Wastewater Treatment Utilities, Inc. ("WTU"). WTU later

¹ See, LPSC Letter of Non-Opposition dated April 3, 2020, Docket No. S-35482, National Water Infrastructure, LLC and Ascension Wastewater Treatment, Inc., ex parte. *In re: Request for Commission Authority by National Water Infrastructure, LLC to operate as a Wastewater Provider and Joint Request for Commission Approval and/or Non-opposition to Change of Control by Ascension Wastewater Treatment, Inc. to National Water Infrastructure, LLC.*

1 became AWT. Over the next two decades, AWT grew into one of the largest
2 privately-held sewer utilities in Louisiana. In 2013, AWT was named “Company of
3 the Year for Operations and Maintenance” by the Louisiana Rural Water
4 Association. As AWT grew over the years, it took over service to the majority of
5 customers located in the unincorporated areas of the East Bank of Ascension Parish.

6 **Q. WHAT IMPACT DID THE 2020 AWT TRANSACTION HAVE ON THE**
7 **RATEPAYERS OF NWI?**

8 A. The acquisition of the AWT assets by NWI provided significant operational and
9 investment resources to the utility that were not previously available to AWT. NWI
10 has greater ability to invest in its wastewater treatment plants and operations than
11 did AWT due to NWI’s access to capital from its financial backers and equity
12 holders. NWI retained the senior management team of AWT, which has over 100
13 years of combined experience operating a wastewater utility. Members of the
14 former AWT management team currently serve as the CEO, Chief Administrative
15 Officer, and Chief Operating Officer of NWI. The experience of the NWI
16 management team continues to be instrumental in maintaining quality and reliable
17 utility service to its customers.

18 **Q. HAS NWI INCREASED THE RATES FORMERLY CHARGED BY AWT?**

19 A. No. Since the AWT transaction, NWI has continued to provide adequate,
20 dependable and safe sewer treatment services at the same tariffed rates formerly
21 charged by AWT.

22 **Q. AS PART OF NWI’S PROPOSED ACQUISITION OF THE APG**
23 **SEWERAGE ASSETS, YOU DISCUSS A PROJECT TO CONSOLIDATE**

**AND REGIONALIZE THE SEWAGE COLLECTION AND TREATMENT
SYSTEMS IN PARTS OF ASCENSION PARISH, PLEASE EXPLAIN.**

A. Since 1994, AWT and its predecessors have been involved in several efforts focused on consolidating and regionalizing the disparate individual package treatment plants and systems in Ascension Parish. As its customer base grew, AWT's role in these efforts became more critical in order to achieve the benefits associated with the project. However, for various reasons, the efforts of the APG and the various stakeholders did not culminate in the construction of such a project. BCP was the first investor group to approach AWT with a plan to consolidate and regionalize the sewage treatment facilities in parts of Ascension Parish that met our objectives and the goals of the Parish.

**Q. WHAT IS THE CURRENT OBJECTIVE OF THE APG AND NWI
REGARDING THE REGIONALIZATION PROJECT PROPOSED
HEREIN?**

A. As explained more fully below, the objective of the Parish and NWI is to consolidate a large portion of the currently decentralized package plant treatment systems in the Parish by constructing a regionalized collection system that would consolidate the sewage flow for transport to a new central treatment plant with a single point of discharge into the Mississippi River (the "Regionalization Project").

III. NWI OPERATIONAL STRUCTURE

Q. PLEASE DESCRIBE THE OPERATIONAL STRUCTURE OF NWI.

A. NWI is directly held by National Water Infrastructure Operations, LLC, which is the sole member and manager of NWI and its affiliated service company, NWIS.

1 NWI is the LPSC-jurisdictional regulated utility that owns the NWI Assets. NWIS
2 is an affiliated service company that provides a full suite of wastewater treatment
3 system management, operational, and support services.

4 **Q. PLEASE DESCRIBE THE SERVICES PROVIDED BY NWIS.**

5 A. NWIS and its contracted third parties provide NWI corporate and governance
6 services, such as strategy, financial management, corporate management,
7 accounting, legal, and human resources management; and day-to-day operational
8 services, such as engineering, construction management, customer relations,
9 billing, health and safety, environmental testing and advice, information
10 technology, site visits and inspections, routine maintenance and repair of systems
11 and equipment, and emergency call-outs.

12 **Q. DOES NWIS PERFORM SERVICES FOR THIRD PARTIES?**

13 A. Yes. NWIS performs construction, inspection, maintenance, and repair services for
14 unaffiliated wastewater treatment systems pursuant to service agreements between
15 NWIS and those third parties.

16 **Q. HOW DO THE CUSTOMERS OF NWI BENEFIT FROM ITS**
17 **OPERATIONAL RELATIONSHIP WITH NWIS?**

18 A. NWT's customers receive the benefit of the operational resources provided by
19 NWIS. NWIS operates as a wastewater service company that provides construction,
20 repair, and maintenance services to approximately 314 wastewater systems
21 (including approximately 280 treatment plants), inclusive of the NWI sewerage
22 systems. Operating third-party sewer systems, in addition to the NWI facilities,

1 allows for pooling of resources and leveraging of operational experience resulting
2 in more efficient service operations and economies of scale.

3 **Q. HOW ARE THE COSTS OF MANAGING, OPERATING, AND**
4 **SERVICING THE NWI ASSETS ALLOCATED BETWEEN NWI AND**
5 **NWIS?**

6 **A.** The costs associated with the operations and services performed by NWIS on behalf
7 of NWI are allocated pursuant to the methodology discussed in the Direct
8 Testimony of David Moore.

9 **IV. PROPOSED PURCHASE OF THE APG EAST BANK SEWER ASSETS**

10 **A. APG EAST BANK SEWER ASSETS**

11 **Q. PLEASE PROVIDE A DESCRIPTION OF THE APG SEWERAGE ASSETS**
12 **BEING PURCHASED BY NWI.**

13 **A.** The APG East Bank Assets are comprised of the wastewater collection and
14 treatment facilities serving the East Bank of the Parish, excluding those located
15 within the corporate limits of the City of Gonzales and the Town of Sorrento. These
16 assets are defined as the “Parish Property” in the Sewer Conveyance and Franchise
17 Agreement between Ascension Parish and NWI (the “Conveyance Agreement”),
18 which is included with my testimony on flash drive as **TP Exhibit-1**. The Parish
19 Property is primarily comprised of approximately 32 sewer treatment facilities and
20 42 collection systems, among other assets, serving approximately 2,745 residential
21 customers and 31 commercial customers on the East Bank of the Mississippi River
22 in Ascension Parish. The Parish Property valuation is detailed in the Hartman

1 Consultants, LLC Appraisal, which is included as part of TP Exhibit-1, and also
2 attached to the Direct Testimony of Grant Rabon as GR Exhibit-2. Mr. Rabon
3 discusses how the Parish Property assets are developed for rate base.

4 **Q: PLEASE PROVIDE A SUMMARY OF HOW THE PARISH PROPERTY**
5 **WAS ACQUIRED BY THE ASCENSION PARISH GOVERNMENT.**

6 A. The Parish Property was acquired by the APG through a number of methods,
7 including construction of the assets to meet customer demand, taking over assets
8 from third-party owners to remedy service quality issues, and, more recently, the
9 dedication of new sewer assets to the APG pursuant to the Ascension Parish Code
10 of Ordinances. It is my understanding that much of the Parish Property assets were
11 acquired upon the passing of a Parish Ordinance in 2014 that was enacted to
12 increase the number of customers served by the APG to accommodate a future
13 consolidation and regionalization project, similar to the Regionalization Project
14 proposed by NWI herein.

15 **Q. HAS THE APG PREVIOUSLY CONSIDERED A CONSOLIDATION**
16 **PROJECT FOR THE PARISH ASSETS?**

17 A. Yes, as discussed in the Direct Testimony of Paul O. Dicharry, the APG and the
18 United States Army Corps of Engineers ("USACE") have extensively studied the
19 need for sewer consolidation in the unincorporated areas of the East Bank of the
20 Parish. Over the years, the parties developed several concepts for a regionalized
21 system, which generally incorporate a model that would discharge treated effluent
22 from consolidated plants into the Mississippi River as opposed to the waterways of
23 Ascension Parish.

1 **Q. WERE ANY OF THESE PRIOR PLANS EVER APPROVED OR FUNDED?**

2 A. No. Over the years, various smaller-scale projects were completed by the APG, but
3 a comprehensive regionalization and consolidation project has not been initiated or
4 completed with regard to the Parish Property.

5 **B. GENERAL TERMS OF THE CONVEYANCE AGREEMENT**

6 **Q. PLEASE PROVIDE A SUMMARY OF THE GENERAL TERMS OF THE**
7 **CONVEYANCE AGREEMENT BETWEEN NWI AND THE APG.**

8 A. Pursuant to the Conveyance Agreement, the APG will transfer the Parish Property
9 (as defined in the Agreement) to NWI in exchange for the purchase price of
10 \$9,260,000 (the "Purchase Price"). Post-closing, the Parish Property will be owned
11 and operated by NWI, subject to the jurisdiction and regulation of the LPSC. The
12 Conveyance Agreement, Purchase Price, and authorization for NWI to recover the
13 Purchase Price through rates are subject to LPSC approval, pursuant to Section
14 2.3(e) of the Conveyance Agreement.

15 **Q. WILL THE APG GRANT A FRANCHISE TO NWI AS PART OF THE**
16 **ASSET PURCHASE TRANSACTION?**

17 A. Yes. the APG will grant NWI a nonexclusive franchise to use the public property
18 on the East Bank of the Parish (excluding any incorporated areas) for the collection
19 and treatment of wastewater for a period of 20 years (the "Franchise"). NWI will
20 pay the APG a franchise fee of 4.5% of the revenues collected by NWI for the
21 treatment of sewage in Ascension Parish. As a condition of the Franchise, NWI is
22 required to construct a sewer network that will convey sewage to a regional sewer
23 treatment plant with a capacity of at least 3.0 million gallons per day ("MGD") (the

1 “Central Treatment Plant”). The Central Treatment Plant would be located so that
2 discharge of treated effluent flows directly into the Mississippi River as opposed to
3 the local waterways of Ascension Parish. The Central Treatment Plant is to be
4 completed and commissioned within 60 months after the Commencement Date, as
5 defined in the Conveyance Agreement, which is the date of LPSC approval of
6 NWI’s acquisition of the APG Parish Property being requested herein.

7 **Q. WHAT IS THE BENEFIT OF THE FRANCHISE TO NWI AND ITS**
8 **RATEPAYERS?**

9 A. Access to the Parish servitudes and rights of way is imperative to the construction
10 of the Regionalization Project. Much of the collection system improvements will
11 be located along highways within the proposed service corridors of the Project.
12 Ratepayers will receive the benefit of savings associated with access to the Parish
13 rights of way pursuant to the Franchise. In addition, the APG is proposing to acquire
14 additional rights of way through portions of the Project corridor, which would be
15 available for use by NWI to construct the collection system.

16 **Q. DOES THE CONVEYANCE AGREEMENT REQUIRE NWI TO MAKE**
17 **OTHER IMPROVEMENTS?**

18 A. Yes. The Conveyance Agreement requires NWI to upgrade the APG sewer
19 treatment plant located at the Oak Grove Primary School (the “Oak Grove Primary
20 Treatment System”) by increasing capacity to accommodate the overflow currently
21 feeding into the Oak Grove plant in order to achieve Louisiana Department of
22 Environmental Quality (“LDEQ”) compliance. The Oak Grove Primary Treatment
23 System is included as part of the Parish Property in the Conveyance Agreement.

1 The Conveyance Agreement also requires NWI to make a demonstrated good-faith
2 effort to award 20% of the goods, services and construction contracts associated
3 with the Regionalization Project to certified disadvantaged business enterprises.

4 **Q. HAVE THE VOTERS OF ASCENSION PARISH APPROVED THE**
5 **CONVEYANCE AGREEMENT?**

6 A. Yes. On April 24, 2021, a majority of the Parish citizens voted to approve the
7 Conveyance Agreement and the Franchise. See Section IV.C of my testimony
8 below.

9 **Q. HOW WAS THE CONVEYANCE AGREEMENT NEGOTIATED**
10 **BETWEEN THE PARTIES?**

11 A. The Conveyance Agreement is the product of extensive negotiations between NWI,
12 the Ascension Parish Council (the “Council”), the Parish President and his
13 administration, and was the subject of numerous Council meetings and community
14 events. Through these negotiations, the format of the purchase transaction was
15 designed so that ownership of the Parish Property would be transferred to NWI,
16 which would thereafter own and operate the transferred wastewater assets pursuant
17 to the jurisdiction of the LPSC.

18 **Q. HOW WAS THE PURCHASE PRICE OF THE PARISH PROPERTY**
19 **ESTABLISHED?**

20 A. The Conveyance Agreement provides that the Purchase Price of the Parish Property
21 be established by appraisal. The APG procured two appraisals and established the
22 Purchase Price by taking the average of the values of the two appraisals. The
23 appraisals are attached to the Conveyance Agreement.

1 **Q. HAS NWI DEVELOPED A STRATEGY FOR BRINGING THE OAK**
2 **GROVE PRIMARY TREATMENT SYSTEM INTO COMPLIANCE WITH**
3 **LDEQ REGULATIONS?**

4 A. Yes. Sewage along State Highway LA42 is currently being collected by the APG
5 gravity system installed along LA42. This system collects raw sewage from
6 customers along the LA42 and a portion of the LA73 corridor and transports the
7 raw sewage to the Oak Grove Primary Treatment System for treatment. Because
8 the volume of sewage being transported to the site is greater than its design
9 capacity, the Oak Grove Primary Treatment System is receiving sewage flows
10 which are significantly greater than its permitted capacity, which results in LDEQ
11 noncompliance. Because the Oak Grove Primary Treatment System is located at
12 the entrance of the Oak Grove Primary School, the overflows directly impact the
13 school grounds.² The Oak Grove Primary Treatment System is currently comprised
14 of two treatment plants with treatment capacities of 22,500 and 32,500 gallons per
15 day (“GPD”), respectively. However, the plants are estimated to be receiving in
16 excess of 100,000 GPD of sewage for treatment.³ Thus, NWI is required to resolve
17 the capacity issues currently being experienced at the Oak Grove site.

18 **Q. WHAT IS NWI PROPOSING TO MAKE THE OAK GROVE PRIMARY**
19 **TREATMENT SYSTEM LDEQ COMPLIANT?**

² See David J. Mitchell, *Amid Concerns Sewage Has Overflowed At A School, Ascension Bolstering Overtaxed Sewer System*, THE ADVOCATE (Mar. 19, 2021, 3:45 PM), https://www.theadvocate.com/baton_rouge/news/article_3ca27ba8-88dc-11eb-9088-b3116440fbb1.html.

³ See LDEQ Plant Modification Application submitted by the Ascension Parish Government for the Oak Grove Treatment Plant, AI#120263, LAG570588.

1 A. NWI has developed a two-part approach to accomplishing this goal. First, NWI
2 plans to increase capacity at the 32,500 GPD plant to approximately 49,000 GPD.
3 Second, NWI will redirect excess capacity from the LA42 gravity collection system
4 to a temporary treatment system to be located on vacant land on LA42 (the
5 “Temporary Treatment Plant”). Louisiana Department of Health (“LDH”) and
6 LDEQ applications for the Temporary Treatment Plant have been submitted.⁴ In
7 the short term, NWI’s plan would increase the capacity at the Oak Grove Primary
8 site and reroute excess flow to the Temporary Treatment Plant. The Temporary
9 Treatment Plan will be designed so that it can be expanded as additional
10 developments come on-line during construction of the Regionalization Project.
11 Additionally, NWI is in discussions with the Ascension Parish School Board
12 (“APSB”) regarding the routing of sewage flows from the existing Prairieville
13 Primary School and the proposed Prairieville High School. The Temporary
14 Treatment Plant would be decommissioned and removed from the site upon
15 completion and operation of the Regionalization Project.

16 **Q. HOW WILL THE TEMPORARY TREATMENT PLANT ENCOURAGE**
17 **SEWER CONSOLIDATION?**

18 A. The concept of the Temporary Treatment Plant was established to permit additional
19 treatment capacity to accommodate future development (allowing additional
20 customers to tie into the LA42 gravity collection system), and prevent the need for
21 additional package plants along this corridor.

⁴ See LDEQ Permit Application submitted by NWI for the Hwy 42 Intermediate Regional Wastewater Treatment Plant, AI#231709.

1 The LA42 gravity collection system was installed and constructed by the APG. This
2 collection system is included in the Parish Property to be acquired by NWI, and is
3 proposed to remain in service as part of the consolidated collection system of the
4 Regionalization Project. Sewage tied into the LA42 gravity collection system will
5 feed into the Regionalization Project collection system and would be routed to the
6 proposed Central Treatment Plant.

7 The LA42 gravity collection system is designed to handle more sewage than its
8 current loading; whereas, there is no additional treatment capacity available at the
9 existing Oak Grove Primary Treatment System to accept additional flow. Without
10 the additional proposed treatment capacity for the LA42 gravity collection system,
11 new developments along the LA42 corridor would not be able to tie into the LA42
12 gravity collection system, requiring additional package plant treatment facilities
13 within the new developments.

14 To rectify this problem, the Temporary Treatment Plant would serve as an interim
15 method of temporarily consolidating wastewater treatment for existing customers
16 along the LA42 corridor, and would provide additional and expandable capacity to
17 encourage future customers and developments to tie into the LA42 gravity
18 collection system as part of the Regionalization Project.

19 This additional treatment capacity would encourage short-term consolidation and
20 prevent the need for additional package plant systems in each new development,
21 which would be more difficult to tie into the Regionalization Project upon
22 completion. Decommissioning individual package treatment plants and routing
23 sewerage collection lines through existing subdivisions would be more costly than

1 providing temporary consolidated capacity via the Temporary Treatment Plant
2 during construction of the Regionalization Project.

3 **C. SUPPORT FOR PURCHASE OF THE APG EAST BANK ASSETS**

4 **Q. HOW WAS THE CONVEYANCE AGREEMENT APPROVED BY THE**
5 **VOTERS OF ASCENSION PARISH?**

6 A. The Parish Council held a Special Meeting on February 11, 2021, where it
7 unanimously adopted a Resolution calling for an election of the voters of the Parish
8 to consider the sale of the Parish Property and to grant the Franchise to NWI. Prior
9 to the election, the APG conducted four town hall meetings⁵ at various locations
10 throughout the Parish detailing the economic and environmental impacts of the
11 APG continuing to operate the Parish Property.⁶ NWI attended each of the town
12 hall meetings to answer questions from the citizens of Ascension Parish.

13 **Q. WHAT WAS THE OUTCOME OF THE ELECTION?**

14 A. On April 24, 2021, a majority of the citizens of Ascension Parish (56% of the votes
15 cast) voted to approve the sale of the Parish Property and grant the Franchise to
16 NWI.⁷

17 **Q. HOW ARE THE ASCENSION PARISH CITIZENS IMPACTED BY NWI'S**
18 **ACQUISITION OF THE PARISH ASSETS?**

⁵ See David J. Mitchell, *Ascension Plans Public Meetings On Sewer Sale Vote in April; 1st Is Tuesday Night*, THE ADVOCATE (Mar. 15, 2021, 1:59 PM), https://www.theadvocate.com/baton_rouge/news/article_898cf1a6-85c0-11eb-a621-bbebf57dde88.html.

⁶ See David J. Mitchell, *Sale of Ascension Sewer Systems Heads To Voters; Here's What Included In Final Deal*, THE ADVOCATE (Feb. 12, 2021, 6:00 PM), https://www.theadvocate.com/baton_rouge/news/article_b08aeb22-6d70-11eb-815e-db3ad3211aec.html.

⁷ See Staff Report, *Ascension Council Approves Resolution To Send Sewer Sale To Vote*, DONALDSONVILLE CHIEF (Feb. 12, 2021, 8:40 AM), <https://www.donaldsonvillechief.com/story/news/2021/02/12/ascension-council-approves-resolution-put-sewer-system-sale-vote/6736033002/>.

1 A. In addition to capital improvements to the Parish Assets discussed in Section V of
2 my testimony, and the long-term environmental benefits contemplated from the
3 proposed Regionalization Project (as discussed in the Direct Testimony of Paul O.
4 Dicharry), Ascension Parish residents should benefit from the APG's ability to
5 reallocate resources towards improving roads, recreation and drainage.⁸

6 **Q. HAS THE PARISH COMMENTED ON THE ACQUISITION OF THE**
7 **PARISH PROPERTY AND THE PROPOSED REGIONALIZATION**
8 **PROJECT?**

9 A. Yes. In a press release, dated February 12, 2021, the Ascension Parish Office of
10 Communications noted that the Parish Council "unanimously approved a resolution
11 . . . seeking voter approval for transferring the parish's sewer assets to [NWI]." The
12 Ascension Parish Office of Communications press release is attached hereto as **TP**
13 **Exhibit-2**. Noting that the Parish had spent over \$42 million subsidizing sewer for
14 2,000 customers, Parish President Clint Cointment stated in the press release, "My
15 administration fully supports this sale of the parish's sewer system because along
16 with all of the financial benefits, this is our best chance to improve the environment
17 and remove 3 million gallons of sewer effluent per day from our polluted waterways
18 and ditches."⁹

⁸ "Over the past ten years, the Parish has spent over \$42 million subsidizing sewer for 2,000 customers, and these are substantial dollars that could have been used to improve our roads, recreation and drainage." Staff Report, *Ascension Council Approves Resolution To Send Sewer Sale To Vote*, DONALDSONVILLE CHIEF (Feb. 12, 2021, 8:40 AM), <https://www.donaldsonvillechief.com/story/news/2021/02/12/ascension-council-approves-resolution-put-sewer-system-sale-vote/6736033002/>.

⁹ See **TP Exhibit-2**. See also Staff Report, *Ascension Council Approves Resolution To Send Sewer Sale To Vote*, DONALDSONVILLE CHIEF (Feb. 12, 2021, 8:40 AM), <https://www.donaldsonvillechief.com/story/news/2021/02/12/ascension-council-approves-resolution-put-sewer-system-sale-vote/6736033002/>.

1 **V. CAPITAL EXPENSES OF NWI AND APG SYSTEMS**

2 **Q. HOW DOES NWI MONITOR ITS SYSTEMS TO DETERMINE WHEN**
3 **REPAIRS ARE NEEDED, AND HOW IS THE REPAIR PROCESS**
4 **IMPLEMENTED?**

5 **A.**NWIS uses “Flowfinity” software to input and track data in connection with routine
6 facility inspections. The “Flowfinity” system builds an online database that
7 personnel can review through reports the program produces, which allows NWIS
8 to monitor systems inspections and services and identify areas that need repair.

9 NWIS also uses “Mission” remote monitoring software at a select group of lift
10 stations with high flow. This allows office personnel to remotely monitor
11 operational variables such as pump run time, lift station water level, facility power
12 and pump status. This software assists NWIS in identifying issues prior to the next
13 scheduled inspection of the field personnel. The “Mission” software also includes
14 alarm features that alert office personnel when one of our operational alarms are
15 triggered.

16 NWIS also collects information through its customer service system that allows
17 customers to lodge complaints or advise of sewer emergencies. Calls identified as
18 emergencies are immediately dispatched to the designated Field Supervisor, who
19 then determines the proper personnel to be dispatched for necessary repairs.

20 NWIS also reviews discharge sample results that are sent to the LDEQ as required
21 by the individual discharge permits. These results provide a summary of
22 compliance with the designated LDEQ parameters and provide information
23 regarding the operational efficiency and needs of the treatment plant.

1 **Q. PLEASE DESCRIBE NWI'S APPROACH TO PLANNING AND**
2 **CONDUCTING CAPITAL EXPENSE PROJECTS FOR THE NWI ASSETS.**

3 A. NWIS constantly analyzes the various data sets discussed above and schedules and
4 allocates operational resources based on several criteria, including problem
5 severity, availability of materials, equipment and labor. NWIS manages an
6 emergency call-out team at all times to accommodate emergency repairs as soon as
7 possible. NWIS technician and mechanics teams can generally perform all repair
8 and maintenance associated with NWI's facilities. However, when more extensive
9 construction or maintenance is necessary, NWIS develops a project scope and
10 works with third party material suppliers and contractors to determine project
11 pricing. NWIS is a licensed contractor pursuant to the Louisiana State Licensing
12 Board for Contractors and typically acts as General Contractor on improvement
13 projects to the NWI facilities.

14 **Q. PLEASE DESCRIBE THE CAPITAL EXPENSE IMPROVEMENTS**
15 **NECESSARY FOR COMPLIANT OPERATION OF THE NWI ASSETS.**

16 A. Through the processes outlined above, NWI has developed a list of completed and
17 ongoing capital improvement projects and pricing for the NWI Assets, which are
18 included and attached hereto as part of TP Exhibit-3 (the "Capital Improvement
19 Plan").

20 **Q. PLEASE DESCRIBE THE CAPITAL EXPENSE IMPROVEMENTS**
21 **NECESSARY FOR COMPLIANT OPERATION OF THE APG ASSETS.**

22 A. Field inspections of the Parish Property have also been performed to determine the
23 capital improvement needs of each APG treatment facility. A list of cost estimates

1 and capital needs identified for the Parish Property is included in the Capital
2 Improvement Plan. NWIS also performed smoke testing on six APG collection
3 systems that were chosen based on the age of the system. This inspection and testing
4 resulted in the proposed “Collection System Repairs” of the Parish Property
5 included in the Capital Improvement Plan.

6 **Q. ARE THERE OTHER RELEVANT ASSETS OF NWI NOT OTHERWISE**
7 **DISCUSSED THAT IT IS SEEKING RECOVERY IN THIS CASE?**

8 A. Yes. NWI has deferred debits as shown on Schedule 3 of Mr. Rabon’s Testimony.

9 **Q. WHAT ARE THESE DEFERRED DEBITS?**

10 A. The deferred debits are unrecovered professional fees prudently incurred by AWT
11 related to regulatory issues. The deferred debits are broken down into two
12 categories: 1) Deferred Rate Case, and 2) Regulatory Assets, and are amortized
13 over seven and five years, respectively. The Deferred Rate Case category is
14 primarily composed of professional legal fees associated with tariff filings and
15 other regulatory matters, and the Regulatory Assets category is primarily composed
16 of professional fees associated with regulatory issues governed by LDEQ. NWI is
17 requesting that the amortization of the deferred debits (as shown on Schedule 3 of
18 Mr. Rabon’s testimony) be included in NWI’s revenue requirement.

19 **VI. PROPOSED AMENDMENTS TO NWI TARIFF**

20 **Q. PLEASE DESCRIBE THE PROPOSED AMENDMENT TO NWI’S TARIFF**
21 **APPLICABLE TO COMMERCIAL CUSTOMERS.**

1 A. NWI currently charges its Commercial Customers a flat rate of \$55 per month
2 pursuant to its current LPSC tariff (the “NWI Tariff”).¹⁰ NWI’s proposed Second
3 Revised Tariff¹¹ includes an amendment that would modify the amount charged to
4 Commercial Customers to the greater of: (i) the proposed Commercial flat rate; or
5 (ii) the amount derived from a formula based on the proposed Residential flat rate
6 and the Daily Average Biochemical Oxygen Demand (“BOD”) load attributed to
7 the Commercial Customer pursuant to Title 51 of the of the Louisiana
8 Administrative Code (the “Sanitary Code”), compared to the BOD loading of a
9 typical Residential Customer. The Commercial Customer rate would proportionally
10 increase based on the usage allocation determined under the Sanitary Code in
11 accordance with the formula below:

$$\begin{aligned} & \text{Commercial Customer Rate} = \text{Proposed Residential flat rate} * \\ & (\text{Sanitary Code Daily Average BOD applicable to the Commercial} \\ & \text{Customer} / 0.68 \text{ BOD pounds per day}) \end{aligned}$$

15 **Q. WHAT ARE THE SANITARY CODE BOD ESTIMATES BASED ON?**

16 A. The Sanitary Code establishes the BOD loading and corresponding treatment
17 capacity needs for each Commercial Customer based primarily on the type and size
18 of the Commercial Customer’s operations. The BOD loading for an individual
19 Commercial Customer would be derived by determining the type and size of
20 business based on the parameters established in the Sanitary Code and multiplying

¹⁰ See National Water Infrastructure, LLC Louisiana First Revised Sewerage Services Tariff, First Revised Page 1, effective October 5, 2021. NWI also has several Commercial Customers that are subject to contract rates as further detailed in Addendum 1 to the NWI Tariff, pursuant to the LPSC Letter of Non-Opposition, dated April 3, 2020 issued in Docket No. S-35482.

¹¹ Attached hereto as **TP Exhibit-5**.

1 this number by the BOD loading provided for that type of Commercial Customer.
2 The information for this analysis is generally determined by field inspections, the
3 occupancy permit issued to the Commercial Customer by the State Fire Marshal,
4 or review of the LDEQ/LDH permit applicable to the treatment plant, but should
5 remain subject to inspection based on NWI field load surveys.

6 **Q. WHAT IF THE LOADING DATA IS INCORRECT FOR A PARTICULAR**
7 **COMMERCIAL CUSTOMER?**

8 A. NWI will work diligently with Commercial Customers to ensure that their monthly
9 rate complies with the rate setting mechanism proposed herein. Under the proposed
10 mechanism, there are two potentials for inaccurate Commercial Customer rates.
11 First, inaccurate customer information as to the type of establishment or scale of
12 operation (e.g., inaccurate seating capacity data of a restaurant). In this case, the
13 customer can request that NWI perform a site inspection to confirm the actual type
14 and scope of operations (e.g., the actual seating capacity of the restaurant). Second,
15 the Commercial Customer's actual BOD loading is less than the loading estimated
16 under the Sanitary Code BOD loading schedule. In this case, the customer would
17 be able to request composite sampling data to determine the "Actual Daily Average
18 BOD Loading" of the Commercial Customer.

19 **Q. HOW WOULD NWI DETERMINE THE ACTUAL DAILY AVERAGE BOD**
20 **LOADING OF A COMMERCIAL CUSTOMER?**

21 A. At the request of the customer, NWI would perform a two-week composite
22 sampling of the wastewater generated by the customer. The sampling would be
23 comprised of six samples over the two week period, and the resulting actual Daily

1 Average BOD Loading would be used instead of the Sanitary Code Daily Average
2 BOD when calculating the applicable rate pursuant to the above formula. The
3 sampling would be performed at the expense of the customer, and the results would
4 be subject to periodic resampling by NWI pursuant to the “Noncompliant Influent
5 of Commercial Customers” provisions already contained in NWI’s tariff. The
6 Commercial Customer rate would further be subject to adjustment based on the
7 resampling results.

8 **Q. WHY IS NWI PROPOSING TO AMEND HOW IT CHARGES**
9 **COMMERCIAL CUSTOMERS?**

10 A. NWI’s current flat fee structure for Commercial Customers results in an inequitable
11 allocation of costs among its ratepayers. For example, NWI currently has several
12 high Daily Average BOD (high sewerage use) Commercial Customers, such as
13 medical clinics, nursing homes, schools, laundromats, large format restaurants and
14 hotels that are being charged a single flat rate, even though their Daily Average
15 BOD loading requires a significantly greater volume of treatment capacity than
16 Residential Customers or other Commercial Customers.

17 **Q. DOES LOUISIANA’S SANITARY CODE ADDRESS THIS ISSUE?**

18 A. Yes. From a design perspective, the Sanitary Code provides guidelines for
19 determining the treatment capacity necessary for each type of customer tying into
20 a treatment plant. Under the Sanitary Code, the Daily Average BOD loading
21 estimates based on the type and size of a customer directly impacts the gallons of
22 treatment capacity necessary to accommodate the customer. This information is
23 analyzed by LDH in determining the design capacity needs of the treatment facility.

1 The capacity of each plant is derived from the aggregate load of individual
2 customers established by the Sanitary Code. Certain Commercial Customers can
3 have treatment needs that are multiple times what is necessary for a Residential
4 Customer and other Commercial Customers with lower Daily Average BOD. The
5 extra capacity required for the high volume customers must be constructed and
6 operated to maintain regulatory compliance, regardless of whether the additional
7 load is actually received. In order to mitigate subsidization by Residential
8 Customers (and other lower-capacity Commercial Customers) of providing this
9 additional capacity, Commercial Customers should be assessed rates that are
10 proportional to their needs based on the Sanitary Code.

11 **Q. PLEASE EXPLAIN.**

12 A. For example, pursuant to the Sanitary Code, a typical restaurant is estimated to have
13 average BOD loading of 0.12 pounds per day per seat. For a restaurant with 40
14 seats, this would equate to BOD loading of 4.8, as compared with the 0.68 estimated
15 loading for a typical residential customer. So, this commercial restaurant should be
16 billed the equivalent of approximately 7 residential customers (4.8 divided by 0.68).
17 At NWI's current Residential flat rate of \$45.00 per month, this would equate to
18 \$315.00 per month. However, under NWI's current Commercial billing structure,
19 this restaurant may be being billed only \$55.00 per month, which causes inequity
20 in cost allocation among customers. Therefore, under NWI's current flat rate tariff
21 structure, Residential Customers and low daily average BOD Commercial
22 Customers are subsidizing the increased treatment requirements attributable to

1 Commercial Customers with daily average BOD loads greater than 0.83 pounds per
2 day.

3 **Q. WOULD NWI'S PROPOSED REVISED COMMERCIAL BILLING**
4 **STRUCTURE APPLY TO THE ACQUIRED APG COMMERCIAL**
5 **CUSTOMERS?**

6 A. Yes. The proposed revised billing structure for Commercial Customers would apply
7 to all Commercial Customers of NWI.

8 **Q. WHAT WOULD BE THE IMPACT OF THE PROPOSED COMMERCIAL**
9 **BILLING STRUCTURE ON NWI CUSTOMERS?**

10 A. The proposed Commercial Customer billing structure would result in a more
11 equitable allocation of costs among the ratepayers of NWI.

12 **Q. HOW WOULD THE PROPOSED COMMERCIAL BILLING STRUCTURE**
13 **IMPACT THE PROPOSED REGIONALIZATION PROJECT?**

14 A. The proposed Commercial Customer billing structure would ensure that
15 Commercial Customers served either by package plants or the Regionalization
16 Project are contributing equitably to the costs allocated to such customers in
17 proportion to the other customers served by NWI's treatment systems.

18 **Q. HAS THE LPSC ADOPTED A RATE SETTING MECHANISM FOR**
19 **COMMERCIAL CUSTOMERS SIMILAR TO NWI'S PROPOSAL?**

20 A. Yes. *See* LPSC Order No. U-34761, Abby Plantation Estates Sanitary Sewer
21 Corporation, D/B/A Louisiana Sewer Utilities (LSU), *ex parte*, *In re: Request for*
22 *an increase in sewer rates*; and LPSC Order No. U-34206, Community Utilities of

1 Louisiana, Inc., ex parte, *In re: Application for an Increase and Adjustment in Retail*
2 *Rates and Reservation of Rights to Request Interim Rates.*

3 **Q. IS NWI PROPOSING ANY OTHER MODIFICATIONS TO ITS TARIFF**
4 **FOR SPECIFIC CUSTOMER CLASSES?**

5 A. Yes. NWI is further proposing to establish a separate rate class for public school
6 customers that would be established pursuant to the per-pupil loading provided in
7 the Sanitary Code. The Sanitary Code provides that elementary schools are
8 allocated 0.038 pounds per day of Daily Average BOD per pupil, and that junior
9 and high schools are allocated 0.051 pounds per day of Daily Average BOD per
10 pupil.

11 **Q. HOW WOULD THE MONTHLY RATE FOR A SCHOOL BE**
12 **DETERMINED UNDER THIS METHODOLOGY?**

13 A. The treatment needs of the school would initially be determined on a per-pupil basis
14 in accordance with the Daily Average BOD loading requirements provided in the
15 Sanitary Code. The proposed school rate would then be discounted based on the
16 factors discussed below.

17 **Q. WHAT FACTORS SUPPORT A SPECIFIC RATE SETTING METHOD FOR**
18 **PUBLIC SCHOOLS?**

19 A. In determining the proposed rates for public schools, NWI established rates that
20 differ from the proposed Commercial Customer rate setting methodology. The
21 proposed public school rates include a discount intended to partially account for
22 certain operational and cost efficiencies associated with the treatment of sewage
23 from school facilities, such as limited collection systems, large volume single tie-

1 in, fewer lift stations, and limited use of school systems during summer, evenings,
2 nights, weekends, and holidays. The discount is also intended to recognize the
3 general public purpose of public schools and to incentivize schools to tie into the
4 proposed Regionalization Project, which would remove treatment plants from
5 school grounds where they discharge into the nearest ditch or stream.

6 **Q. PLEASE EXPLAIN.**

7 A. Currently, sewer service to schools in the unincorporated areas of Ascension Parish
8 is primarily provided by APSB-owned and operated treatment plants located on
9 school grounds. See for example, TP Exhibit-4, which shows treatment plants in
10 the proximity of regularly-used school spaces, such as athletic facilities and carpool
11 lines. NWI and the APSB staff have discussed the desire to eliminate these
12 treatment plants from school campuses over time to provide a safer education site,
13 as well as relieving the APSB from the obligations of operating and maintaining
14 sewer treatment facilities.

15 **Q. PLEASE EXPLAIN NWI'S PROPOSED REVISION TO THE TAP-IN FEE**
16 **LANGUAGE IN ITS TARIFF.**

17 A. NWI is also proposing to modify the language in its tariff applicable to the non-
18 recurring "Tap-In Fee" to clarify that the fee covers NWI's costs of inspection of
19 the initial tie-in performed by a builder or developer, and NWI's administrative cost
20 of establishing the service account. The Tap-In Fee does not include the builder or
21 developer's cost of physically performing the connection.

VII. PROPOSED ASCENSION PARISH REGIONALIZATION PROJECT

Q. PLEASE SUMMARIZE NWI'S PROPOSED REGIONALIZATION PROJECT IN ASCENSION PARISH.

A. As explained more fully in the Direct Testimony Justin Haydel, P.E., the proposed Regionalization Project is broken down into two phases. The first phase would encompass constructing a collection system along the State Highway 73/42 corridor in Ascension Parish (the "73/42 Corridor") that would tie into the proposed Central Treatment Plant. The 73/42 Corridor would initially consolidate approximately 69 separate wastewater collection systems and approximately 65 wastewater treatment plants in the Parish, and transport the combined design treatment capacity of the systems of approximately 3.1 MGD to the Central Treatment Plant for treatment. NWI is seeking LPSC approval of this first phase of the Project as part of this proceeding.

The second phase of the Project would encompass constructing a collection system along the State Highway 44/22 corridor in Ascension Parish (the "44/22 Corridor") that would also tie into the new Central Treatment Plant. The 44/22 Corridor segment is anticipated at this time to initially consolidate an additional 11 wastewater treatment systems in the Parish. So as to further spread the costs of the Regionalization Project over time, NWI is proposing that the second phase 44/22 Corridor segment be the subject of a future application with the Commission.

As explained in the testimony of Mr. Haydel, Phase I of the Project would consolidate the separate wastewater treatment systems along the 73/42 Corridor

1 into a single regional collection system (the “Regional Collection System”) that
2 would transport wastewater to the proposed regional Central Treatment Plant.

3 The Central Treatment Plant would be located in the industrial corridor of
4 Ascension Parish along State Highway LA75. Effluent from the Plant would
5 discharge directly into the Mississippi River in accordance with LDEQ discharge
6 limitations. The Central Treatment Plant will be designed for scalability to
7 accommodate customer growth in the service area and potentially the Phase II
8 44/22 Corridor segment, as explained by Mr. Haydel in his testimony.

9 **Q. WHAT NEEDS ARE ADDRESSED BY THE REGIONALIZATION**
10 **PROJECT?**

11 A. The Regionalization Project will primarily address two needs: (i) significantly
12 reducing the amount of effluent currently being discharged into the waterways of
13 Ascension Parish; and (ii) providing a long-term treatment solution to the
14 unincorporated areas of the Parish that lie within the proposed Corridors of the
15 Regionalization Project.

16 **Q. WHY IS A REGIONALIZATION PROJECT NEEDED ON THE EAST**
17 **BANK OF THE MISSISSIPPI RIVER IN ASCENSION PARISH?**

18 A. The unincorporated areas of the Parish are currently served by individually-owned
19 septic systems and hundreds of individual small package plant systems. The
20 primary consideration in developing and proposing the Regionalization Project,
21 with the support of the Parish and consistent with studies of the USACE, is to
22 alleviate detrimental environmental impacts that package plant systems have on
23 water quality in the Parish. As explained in the Direct Testimony of Paul Dicharry,

1 many of the treatment plants are currently discharging into Bayou Manchac and its
2 tributaries, which have been identified as impaired waterbodies by the LDEQ
3 subjecting them to increasingly stringent discharge regulations. These discharges
4 ultimately flow through the Amite River and into Lakes Maurepas and
5 Pontchartrain. The Regionalization Project is designed to alleviate these discharge
6 issues by initially removing treated effluent from the waterways of Ascension
7 Parish. The Regionalization Project offers a long-term solution to these issues by
8 providing the necessary capacity to accommodate current and future development
9 in the service areas.

10 **Q. WHY SHOULDN'T NWI CONTINUE TO OPERATE AND TREAT**
11 **SEWAGE UTILIZING THE CURRENT PACKAGE PLANTS?**

12 A. Because of the growth in Ascension Parish,¹² particularly in the unincorporated
13 East Bank of the Parish,¹³ the volume of sewage and number of package plants have
14 dramatically increased. Because package plants must be located at the site of the
15 sewage source (*e.g.*, the residential or commercial development), they discharge
16 into the nearest ditch, waterway, bayou or canal, and collectively flow towards the
17 Amite River.

18 As Mr. Dicharry explains in his testimony, although the LDEQ continues to
19 regulate the discharge of the package plants, and LDEQ discharge limitations

¹² "The new numbers show that Ascension as a whole was Louisiana's second fastest-growing parish in the most recent decade, at nearly 18% between 2010 and 2020, and was Louisiana's fastest-growing parish over the past two decades at 65%." See https://www.theadvocate.com/baton_rouge/news/article_32ea78f0-040a-11ec-b87c-eb6737df178d.html.

¹³ More than 93% of Ascension Parish's population growth over the past two decades has occurred outside its three municipalities, and the growth continues to be heavily weighted toward the East Bank of the Parish, as shown by the census data. See, *Id.*

1 remain in effect at each site, the continuously increasing volume of treated effluent
2 discharged into the small water bodies of the Parish cause adverse environmental
3 impacts.¹⁴ As a result, the LDEQ has implemented more stringent water quality
4 requirements for affected waterways; and, in some cases, the LDEQ has restricted
5 new discharge permits into these waterbodies.¹⁵

6 **Q. WHAT IMPACT DOES THIS HAVE ON NWT'S OPERATING COSTS?**

7 A. When discharge standards are increased on existing or new permits, each package
8 treatment system subject to the permit must be upgraded or retrofitted with
9 additional treatment capacity, technology or equipment to meet the more stringent
10 discharge limitations. These upgrades are capital intensive, require additional space
11 in developed subdivisions, and are significantly more expensive to operate and
12 maintain. Many of the treatment systems are located in developed subdivisions and
13 may require the purchase of adjacent property and homes to retrofit or expand the
14 package treatment systems. These costs multiply by the number of individual
15 package plants requiring improvement.

16 **Q. HOW WOULD THE PROPOSED REGIONALIZATION PROJECT**
17 **MITIGATE THESE ISSUES?**

18 A. Instead of treating raw sewage in individual neighborhoods and developments for
19 discharge into nearby ditches, waterways, and bayous of the Parish, raw sewage
20 would be transported by the Regional Collection System to the Central Treatment

¹⁴ The waterways and bayous presently receiving treated effluent, such as Bayou Manchac, primarily flow into the Amite River.

¹⁵ See, Direct Testimony of Paul O. Dicharry.

1 Plant for treatment and discharge into the Mississippi River, per LDEQ discharge
2 requirements.

3 **Q. WHAT LEVEL OF ENGINEERING HAS BEEN PERFORMED ON THE**
4 **REGIONALIZATION PROJECT?**

5 A. Engineering of the Project is at the study phase level. As discussed in the Direct
6 Testimony of Justin Haydel, P.E., NWI engaged two separate engineering firms to
7 develop Project designs utilizing two different collection methodologies. One
8 would use a force main based collection system, and the other would use a mixed
9 gravity and force main system. As explained by Mr. Haydel, each firm developed a
10 study phase model and cost estimates for their respective designs. Upon a favorable
11 prudence determination by the Commission, detailed engineering designs would be
12 initiated as explained by Mr. Haydel in his testimony.

13 **Q. WHY IS THE 44/22 CORRIDOR BEING PROPOSED AS A FUTURE**
14 **PHASE OF THE PROJECT?**

15 A. As discussed, the 44/22 Corridor is expected to experience significant population
16 growth over the next 10 years, similar to the growth already experienced in the
17 73/42 Corridor service area. As the 44/22 Corridor service area continues to
18 develop, the need to construct and implement modern and efficient sewer
19 infrastructure will be necessary to provide safe, reliable, environmentally-sound
20 and cost-effective service to this Corridor. NWI is proposing to pursue approval to
21 construct and implement this second phase of the Project in the future, as necessary,
22 in order to spread the overall capital costs of the Regionalization Project over a
23 longer period to help mitigate the impact on customer rates.

1 **Q. DOES THE CONVEYANCE AGREEMENT REQUIRE THAT THE**
2 **CENTRAL TREATMENT PLANT BE DESIGNED FOR A MINIMUM**
3 **TREATMENT CAPACITY?**

4 A. Yes. The Conveyance Agreement requires the Central Treatment Plant to have a
5 minimum initial capacity to handle 3.0 MGD of average daily flow (“ADF”).

6 **Q. WHAT IS THE REASONING BEHIND DESIGNING THE CENTRAL**
7 **TREATMENT PLANT TO HAVE EXPANDABLE CAPACITY?**

8 A. As further explained by Mr. Haydel in his testimony, the Regional Collection
9 System is designed not only to collect raw sewage from the package plants currently
10 serving the area of the Regionalization Project but to also accommodate additional
11 tie-ins from customers currently served by individual septic systems, as well as
12 additional development in the service area. Therefore, the initial treatment capacity
13 of the Central Treatment Plant is designed to accommodate the initial flow
14 stemming from the 73/42 Corridor, with overall capacity expandable to
15 accommodate future long-term growth in the service area of the Project.

16 **Q. WAS THE LOCATION OF THE CENTRAL TREATMENT PLANT**
17 **CONSIDERED IN THE CONVEYANCE AGREEMENT?**

18 A. Yes. The Conveyance Agreement requires that the Central Treatment Plant be
19 located so that treated effluent is discharged into the Mississippi River.

20 **Q. WHY IS IT IMPERATIVE THAT THE CENTRAL TREATMENT PLANT**
21 **BE LOCATED SO THAT IT CAN DISCHARGE INTO THE MISSISSIPPI**
22 **RIVER?**

1 A. As explained by Mr. Dicharry in his testimony, in order to alleviate the adverse
2 environmental impacts caused by the escalating volume of treated effluent
3 discharged into the ditches, bayous, and waterways of Ascension Parish, the Central
4 Treatment Plant must be located so that discharge of treated effluent flows into the
5 Mississippi River.

6 The proposed location of the Plant is in the industrial corridor of Ascension Parish
7 adjacent to the Mississippi River. This site alleviates concerns with operating a
8 sewer treatment plant in residential or commercial areas of the Parish. This location
9 was also selected by the APG, NWI, and the engineers and consultants engaged to
10 study the Regionalization Project design.

11 **Q. WHAT OTHER BENEFITS ARE ASSOCIATED WITH MOVING THE**
12 **DISCHARGE OF TREATED EFFLUENT TO THE MISSISSIPPI RIVER?**

13 A. Because the Regionalization Project would remove a significant amount of organic
14 matter from the ditches and waterways of Ascension Parish, which effectively acts
15 as a fertilizer increasing the rate of vegetation growth, the APG anticipates
16 significant savings in drainage and maintenance costs. In addition, removal of
17 treated effluent from the Parish waterbodies will also mitigate a source of ground
18 saturation, which would increase drainage capacity for the movement of rainwater.

19 **Q. WHAT ROUTINE OPERATIONAL AND MAINTENANCE EFFICIENCIES**
20 **WOULD BE ACHIEVED FROM THE REGIONALIZATION PROJECT?**

21 A. Consolidating and transporting the sewage through the Regional Collection System
22 to the Central Treatment Plant allows individual package treatment plants to be
23 decommissioned and removed from affected neighborhoods and service areas.

NWI's frequent operations and maintenance activities and site visits within these neighborhoods and service areas, currently occurring two to three times per week for each system, would become unnecessary.

In addition, the noise and odors associated with individual package treatment plants would be eliminated upon completion of the Regionalization Project. After completion of the Project, all that would remain at the sites of the individual package plants are retrofitted pump stations that will pump sewage into the Regional Collection System. Upon decommissioning and removal of the individual package plants, these sites could be returned to a green area for the benefit of neighborhoods.

Q. CAN CERTAIN CAPITAL COSTS ASSOCIATED WITH INDIVIDUAL PACKAGE PLANTS BE MITIGATED OR AVOIDED BY INSTALLING A CENTRALIZED PLANT?

A. Yes. Because each new development generally requires installing a new package treatment plant, each plant adds capital (and operational and maintenance) expenses associated with providing service to customers. In contrast, a centralized collection system and treatment plant designed to accommodate existing customers and future growth provide the benefits of economies of scale by mitigating escalating marginal costs associated with installing and operating additional individual package treatment plants.

Q. PLEASE EXPLAIN.

A. The Central Treatment Plant will be able to accommodate additional treatment and discharge capacity with minimal impact on the marginal costs of operating and

1 maintaining the Plant. As the volume of treated effluent increases, the incremental
2 operation and maintenance costs of the Central Treatment Plant will be minimally
3 affected. The incremental costs of accommodating increased effluent volumes at
4 the Central Treatment Plant would be less than the costs for NWI to continue adding
5 and operating additional package treatment plants. If the Central Treatment Plant is
6 ultimately utilized to its maximum capacity, these proportional savings would only
7 increase with the additional volume of effluent.

8 **Q: ARE THERE ADDITIONAL ENVIRONMENTAL COMPLIANCE COSTS**
9 **ASSOCIATED WITH CONTINUING TO MAINTAIN OR ADD PACKAGE**
10 **TREATMENT PLANTS IN THE PARISH?**

11 A: Yes. As explained by Mr. Dicharry, LDEQ discharge permits are granted for a
12 period of five years and are subject to modification by LDEQ upon each renewal.
13 Tightening the discharge limitations of package treatment plants would increase
14 capital expenditures to retrofit the plants and increase operational and maintenance
15 costs associated with cleaning, maintaining and operating the additional equipment
16 and technologies needed for compliance.

17 **Q: HOW WOULD THE REGIONALIZATION PROJECT MITIGATE**
18 **ENVIRONMENTAL COMPLIANCE COSTS?**

19 A: Consolidating treatment operations to the proposed Central Treatment Plant would
20 unify future compliance upgrade and operation costs to a single site instead of
21 having to replicate these costs at each of the hundreds of individual treatment plants
22 in NWI's service territory across Ascension Parish. The capital and increased
23 operational costs are compounded with each additional package plant that requires

1 upgrade, as each package plant operates individually and has its own discharge
2 permit.

3 Additionally, in developed areas where there is no space available to accommodate
4 improvements to the existing package plants, NWI would have to acquire private
5 property (which may include residential housing) to incorporate necessary
6 improvements to achieve environmental compliance.

7 **Q: WOULD NWI'S PROPOSED REGIONALIZED SYSTEM IMPROVE**
8 **RESILIENCY OF ITS SYSTEM AS A WHOLE?**

9 A: Yes. The Central Treatment Plant and the primary Regional Collection System
10 pumping stations would have on-site backup power supplied by natural gas
11 generators. With on-site backup power in the event of commercial power loss, raw
12 sewage held in the Regional Collection System could still be transported to the
13 Central Treatment Plant. Additionally, consolidating and centralizing sewage
14 treatment to one location would reduce the number of individual plant facilities at
15 risk in the event of commercial power outages and natural disasters, and avoid the
16 additional expense of operating and maintaining numerous individual facilities
17 during such events. Therefore, the Regionalization Project would add resiliency to
18 NWI's treatment system for the benefit of its customers.

19 **Q. DOES CONTEMPORANEOUS RECOVERY OF CWIP CAPITAL**
20 **EXPENDITURES ASSOCIATED WITH THE PROJECT BENEFIT**
21 **RATEPAYERS?**

22 A. Yes. Contemporaneous recovery from ratepayers of a return on the construction
23 work in progress ("CWIP") capital expenditures of the Regionalization Project, as

1 proposed and explained in the Direct Testimony of Mr. Grant Rabon, would benefit
2 ratepayers by spreading over time the incremental rate adjustments associated with
3 funding construction of the Project. Subject to LPSC approval, NWI is committed
4 to the purchase of the APG wastewater assets and constructing the Regionalization
5 Project in a manner that meets the needs of the Parish in a cost efficient manner.

6 In addition, based on my knowledge of NWI's annual operating income and the
7 anticipated costs of financing construction of the Regionalization Project,
8 construction of the Project would place significant strain on the cash flow of NWI
9 absent simultaneous and significant rate adjustments. These issues are mitigated by
10 NWI's request for contemporaneous CWIP recovery, allowing the Company to
11 spread out rate adjustments associated with funding construction of the Project
12 incrementally over time.

13 **Q. WILL NWI SEEK DEBT FINANCING AS PART OF THE FUNDING OF**
14 **THE REGIONALIZATION PROJECT?**

15 A. Yes. Depending on the status and outcome of this proceeding, NWI currently
16 anticipates spending on the Regionalization Project starting in January of 2023, but
17 significant spending on the Project cannot begin until lenders of capital are satisfied
18 NWI has LPSC approval for the Regionalization Project, which may not be until a
19 final order is issued in this case. NWI has no debt at this time other than two small
20 operating lines of credit.¹⁶ NWI has started discussions and negotiations with
21 potential lenders regarding a bank-financed construction loan to be used for the

¹⁶ NWI has recently filed for LPSC approval to increase its current revolving line of credit from under \$1 million to \$6 million. *See* LPSC Docket No. S-36363, pending.

1 construction of the proposed Regionalization Project in conjunction with the rate
2 relief and CWIP recovery sought herein. Assuming favorable Commission
3 decisions granting NWI's requested CWIP recovery and rate relief, at this time
4 NWI believes that an interest rate approximating 4.0% can be obtained based on
5 prior discussions with lenders and information associated with other projects.

6 **Q. DOES NWI PLAN TO IMPLEMENT A SEWERAGE IMPACT FEE IN THE**
7 **FUTURE?**

8 A. Yes. NWI currently plans to seek Commission approval as part of a future filing to
9 implement a non-recurring sewerage impact fee that would be paid by new
10 developments seeking to tie into NWI's system, which would mitigate costs to
11 ratepayers as new systems are added to NWI sewerage treatment system.

12 **Q. HAS NWI FILED ITS ANNUAL REPORTS WITH THE COMMISSION?**

13 A. Yes. NWI has filed its LPSC Annual Reports for each reporting year since it began
14 operations.

15 **VIII. CONCLUSION**

16 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

17 A: I recommend that the Commission: (i) approve NWI's acquisition of the Parish
18 Property and associated financing; (ii) establish rates for NWI's current and
19 acquired system assets based on the cost of service analysis and capital
20 improvements as proposed and explained by Mr. Rabon in his testimony; (iii)
21 approve NWI's proposed tariff amendments and methodologies for charging
22 Commercial and School customers, and Tap-In Fee language changes; (iv) find that
23 NWI's proposed Regionalization Project and associated financing, including

1 construction of the Phase I 73/42 Corridor of the Regional Collection System and
2 the Central Treatment Plant and capital expenditures associated therewith, is
3 reasonable, prudent and in the public interest; and (v) authorize NWI to recover a
4 return on CWIP from ratepayers on an annual basis through rate adjustments as
5 proposed and explained in Mr. Rabon's testimony.

6 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

7 **A:** Yes.

8

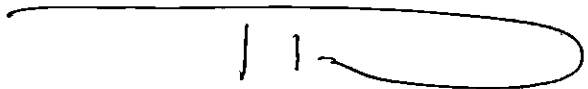
BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION
NATIONAL WATER INFRASTRUCTURE, LLC, EX PARTE
DOCKET NO. U-_____

In Re: Application for Approval of Acquisition of Ascension Parish Wastewater Assets, Rate Making Treatment for Current and Acquired Systems, Certification and Prudency Determination of Regionalization Project and CWIP Recovery of Capital Expenditures associated therewith, and Associated Financing.

STATE OF LOUISIANA
PARISH OF ASCENSION

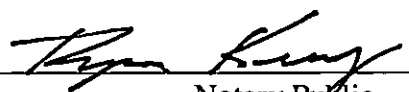
AFFIDAVIT

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and Parish aforesaid, personally came and appeared Thomas Pertuit, who being duly sworn, deposed and said that he is appearing as a witness on behalf of National Water Infrastructure, LLC before the Louisiana Public Service Commission in the above-captioned matter, and if present before the Commission and duly sworn, his statements would be as set forth in the annexed Direct Testimony.



Thomas Pertuit

SWORN TO AND SUBSCRIBED before me, Notary Public this 2 day of June, 2022.



Notary Public
Print Name of Notary: Ryan King
Bar Roll No. 37749
My Commission Expires at death