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MAY 25 2021

LA Public Service Commission

LPSC DOCKET NO. U- 36003

DIRECT TESTIMONY

of

MR. AARON ACCARDO

on behalf of

UTILITIES, INC. OF LOUISIANA

In re: Request for Extension of Formula Rate Plan With Modifications Thereto

TABLE OF CONTENTS

I.	INTRODUCTION.....	3
II.	PURPOSE OF DIRECT TESTIMONY	4
III.	DESCRIPTION OF UIL AND ITS CORPORATE STRUCTURE.....	4
IV.	OVERVIEW OF UIL’S SYSTEMS AND CAPITAL INVESTMENTS	8
V.	OVERVIEW OF THE COMPANY’S INSTANT FILING.....	9
VI.	INTRODUCTION OF OTHER WITNESSES.....	10
VII.	CONCLUSION	11

I. INTRODUCTION

1
2
3
4
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Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION AT UTILITIES, INC. OF LOUISIANA (“UIL” OR “COMPANY”).

A. My name is Aaron Accardo. My business address is 1100 N. Causeway Blvd., Mandeville, LA 70471. I serve as President of UIL.

Q. HOW LONG HAVE YOU HELD THAT POSITION AT UIL?

A. I’ve been employed by UIL in various roles since 2006 and I became the President of UIL in 2019.

Q. PLEASE DESCRIBE YOUR DUTIES AS THE PRESIDENT OF UIL.

A. I am responsible for UIL’s regulated water and wastewater operations in Louisiana, including facility operations, finance, business development, safety, compliance, regulatory affairs and customer service.

Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL BACKGROUND.

A. I received my undergraduate degree in Economics from Louisiana State University in Baton Rouge. I began working for Corix Regulated Utilities (US) Inc. (“CRU”), formerly known as Utilities, Inc. in 2006 as an Area Manager in Operations and have held Regional Management, Regional Director, and Vice President roles prior to serving in my current role as President of UIL. Prior to joining CRU, I worked within the Network Construction and Engineering division of BellSouth, now AT&T.

Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY AUTHORITIES?

A. Yes. I have provided testimony on behalf of the Company before the Louisiana Public Service Commission (“LPSC” or “Commission”) in LPSC Docket Nos. U-34206 and U-34742, as well as before the Alabama Public Service Commission.

24 Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

25 A. I am testifying on behalf of UIL.

26 **II. PURPOSE OF DIRECT TESTIMONY**

27 Q. PLEASE STATE THE PURPOSE OF YOUR DIRECT TESTIMONY.

28 A. The purpose of my Direct Testimony is to generally provide a description of UIL and its
29 corporate structure, current operations and recent capital investments, discuss the Company's
30 current Formula Rate Plan ("FRP") as well as the filing made incident to my testimony.
31 Additionally, I would like to take this opportunity to introduce UIL's other witnesses in this
32 docket.

33 Q. PLEASE PROVIDE AN OVERVIEW OF THE RELIEF UIL IS REQUESTING IN THIS
34 PROCEEDING.

35 A. Generally speaking, UIL is requesting that the Commission renew UIL's current FRP (the
36 "Initial FRP") with a few modifications. These modifications deal mostly with
37 administrative issues and revisions needed due to certain provisions no longer being
38 applicable to the Company.

39 **III. DESCRIPTION OF UIL AND ITS CORPORATE**
40 **STRUCTURE**

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42 Q. PLEASE PROVIDE A GENERAL OVERVIEW OF UIL, ITS MISSION, AND VALUES.

43 A. UIL is a Class A water and wastewater utility that operates 111 systems in 19 Parishes within
44 Louisiana (Ascension, Assumption, Bienville, Calcasieu, East Baton Rouge, Evangeline,
45 Jackson, Livingston, Madison, Morehouse, Richland, St. Landry, St. Tammany, Tangipahoa,
46 Vermillion, Washington, West Baton Rouge, West Feliciana, and Winn). UIL provides water

47 services to approximately 10,916 connections and wastewater service to approximately 14,475
48 connections. UIL is committed to providing safe, reliable, and cost-effective water and
49 wastewater service to our customers; a safe, challenging and enjoyable work environment for
50 our employees; and a fair return for our shareholders, all with the underlying commitment to
51 act with integrity, protect the environment, conserve resources and enhance the communities
52 we serve. These over-arching principles shape the manner in which UIL operates its water and
53 wastewater systems.

54 Q. PLEASE GENERALLY DESCRIBE UIL'S ORGANIZATION, MANAGEMENT, AND
55 STAFFING.

56 A. As President, I am responsible for all of the operations of UIL. Company witness Alex
57 Williams, State Director of Operations, manages the operations and reports directly to me. We
58 have one environmental compliance and safety coordinator for all our systems. Our operators
59 are cross trained to operate and maintain all of the systems within their operating region,
60 ensuring that UIL can maintain a lean and cost-effective staff of approximately 46 direct
61 Louisiana employees, that is able to provide safe and reliable service at a reasonable cost.

62 Q. IS UIL PART OF A LARGER FAMILY OF UTILITIES?

63 A. Yes. UIL is an indirect subsidiary of Corix Infrastructure, Inc. ("CII"), which provides
64 sustainable water, wastewater, and energy infrastructure solutions for small to medium-sized
65 communities across North America. Company witness Shawn Elicegui describes the
66 organizational structure of CII and its affiliated companies, which comprise the "Corix Group
67 of Companies" (none of which are publicly traded). Collectively, CII and the Corix Group of
68 Companies have over 70 years of experience, financial stability, and cost-effective, efficient
69 approaches to operating and maintaining community utility infrastructure, as well as the in-

70 house expertise to address any utility challenge. One member of the Corix Group of
71 Companies, Water Service Corporation (“WSC”), provides a full suite of support services to
72 UIL as further described by Mr. Elicegui.

73 Q. PLEASE GENERALLY DESCRIBE UIL’S IMMEDIATE PARENT COMPANY, CORIX
74 REGULATED UTILITIES.

75 A. Corix Regulated Utilities is a unique company in the water and wastewater industry in certain
76 respects. From its inception 53 years ago, Corix Regulated Utilities has concentrated on the
77 purchase, formation, and expansion of smaller water and wastewater utility systems. Corix
78 Regulated Utilities has grown over the years and currently has over 16 subsidiary operating
79 companies, including UIL. Corix Regulated Utilities’ subsidiary utilities provide water and
80 wastewater utility service to approximately 200,000 customers in 18 states. WSC also is a
81 subsidiary of Corix Regulated Utilities and provides necessary support services to UIL and
82 other Corix Regulated Utilities subsidiaries. Please refer to the Corix Organizational Chart
83 included in Mr. Elicegui’s testimony as an exhibit for further details.

84 Q. PLEASE GENERALLY EXPLAIN UIL’S RELATIONSHIP TO CII AND WSC.

85 A. As will be further discussed by Mr. Elicegui, both CII and WSC provide corporate support
86 services to UIL and other members of the Corix Group of Companies. Generally speaking, CII
87 provides corporate and governance services, such as policy and strategy, financial
88 management, corporate management, investor relations, compliance, internal audit, tax and
89 strategic legal, human resources management and communications. WSC provides day-to-day
90 services such as engineering, construction, operating, billing, customer relations, human
91 resources administration, health safety and environmental, information technology,

92 communications, accounting, and legal. The services provided by both CII and WSC are
93 necessary for UIL to operate.

94 Q. HOW DO UIL'S CUSTOMERS BENEFIT FROM UIL'S RELATIONSHIP WITH CII AND
95 WSC?

96 A. As further described by Mr. Elicegui, UIL is able to obtain the services provided by CII and
97 WSC at a lower cost than if UIL were to independently provide or outsource these important
98 services. UIL customers receive these services on a shared basis, without having to bear the
99 sole, full costs of the services, including critical and often expensive investments in
100 technology, security, safety and environmental compliance. Sharing the cost of these services
101 over a broader base of business units results in lower costs for each company and their
102 customers compared to what customers would otherwise have to pay through rates if the
103 utilities were standalone businesses.

104 Q. ARE ANY DIRECT COSTS OF CII AND WSC ALLOCATED TO UIL?

105 A. Yes. The costs for corporate services are allocated to UIL in accordance with the Corix Cost
106 Allocation Manual (the "Corix CAM"). Mr. Elicegui discusses in greater detail the Corix CAM
107 as well as the CII and WSC services, associated costs and benefits that those services provide
108 to customers.

109 Q. HAVE THE DIRECT COSTS OF CII AND WSC ALLOCATED TO UIL BEEN INCLUDED
110 IN THE REVENUE REQUIREMENT?

111 A. Yes, UIL has requested recovery of these costs in each of the FRP Annual Reports for the test
112 years ending December 31, 2018, 2019 and 2020. However, recovery of these costs has not
113 been allowed.

114 **IV. OVERVIEW OF UIL'S SYSTEMS AND CAPITAL**
115 **INVESTMENTS**
116

117 Q. PLEASE PROVIDE A DESCRIPTION OF UIL SYSTEMS.

118 A. As will be discussed in greater detail by Mr. Williams, UIL operates and maintains 20 public
119 water systems and 91 wastewater systems across Louisiana. UIL's service area stretches
120 across 19 Parishes.

121 Q. PLEASE PROVIDE A GENERAL OVERVIEW OF THE ADDITIONAL CAPITAL
122 INVESTMENT UIL HAS MADE IN ITS SYSTEMS DURING THE CURRENT THREE
123 YEAR FRP.

124 A. UIL has made significant investments in wastewater treatment plant rehabilitations, storage
125 tank rehabilitations, metering all water customers, installing a sludge press to improve cost-
126 efficiency among other critical projects to maintain and/or improve customer service quality
127 and environmental regulatory compliance, as is described in more detail by Mr. Williams.

128 Q. HOW DOES THE CURRENT FRP HELP FACILITATE UIL'S CAPITAL
129 INVESTMENT?

130 A. The Current FRP provides UIL the opportunity to earn a return that supports continued
131 investment to maintain and improve service quality for the customer. The predictability of an
132 annual review process allows UIL to plan capital investments related to service
133 improvements, capacity expansion and end of asset life while having the flexibility to
134 respond to the inevitable unplanned capital projects that cannot be foreseen. As Mr. Williams
135 and Mr. Francis will expand upon, the Current FRP has been very helpful in facilitating
136 capital projects beneficial to our end customers.

V. OVERVIEW OF THE COMPANY'S INSTANT FILING

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139 Q. PLEASE PROVIDE A BRIEF OVERVIEW OF HOW THE INITIAL FRP OPERATES.

140 A The Initial FRP regulates water and wastewater rates by establishing an approved Return on
141 Equity ("ROE") Midpoint and related Bandwidth and then requiring prospective rate changes
142 to occur if UIL's Test Year operating revenues produce a Calculated ROE that falls outside
143 (higher or lower) of the approved ROE Bandwidth. If the Calculated ROE is within the
144 prescribed ROE Bandwidth, rates do not change. In the event that the Calculated ROE is
145 either higher or lower than the Bandwidth, the FRP Revenue level is reset to achieve the
146 ROE Midpoint. The aforementioned ROE Midpoint is equal to 10.25%, and the ROE
147 Bandwidth has a lower limit equal to 9.75% and an upper limit equal to 10.75%.

148 Q. WHAT ARE SOME OF THE BENEFITS TO UIL AND ITS CUSTOMERS AFFORDED
149 BY THE CURRENT FRP?

150 A. In general, the annual FRP reviews provide a timely and efficient mechanism for the
151 Commission to review rates and determine whether adjustments are necessary. The use of an
152 FRP also provides significant administrative efficiencies both in terms of cost and time as
153 compared to rate cases. Both of these features benefit the utility and its customers, as has
154 been the case with the UIL FRP.

155 Q. IS UIL REQUESTING ANY CHANGES TO ITS FRP?

156 A Yes.

157 Q. PLEASE SUMMARIZE THE MATERIAL CHANGES UIL IS REQUESTING TO MAKE
158 IN THE MODIFIED FRP.

159 A. Mr. Francis will discuss the major modifications to the FRP and Mr. D'Ascendis will support
160 the ROE Midpoint recommendation in greater detail in their testimony. In summary, the

161 material changes include: requesting an ROE Midpoint of 11.00% with an ROE Bandwidth
162 with a lower limit equal to 10.50% and an upper limit equal to 11.50%, striking Sections “3.C”
163 Storm Recovery, “3.D” Interim Rate Refund, and “3.E” Tax Cut and Jobs Act (TCJA) Refund
164 since those three sections are no longer applicable.to UIL requests that section “3.B”
165 Extraordinary Cost Changes be modified for a reduced limit of net annual revenue requirement
166 impact exceeding \$250,000 instead of \$1,000,000. There are also some other administrative
167 issues that have been updated for efficiency and clarity purposes.

168 VI. INTRODUCTION OF OTHER WITNESSES

169 Q. WHO ARE THE OTHER UIL WITNESSES SUBMITTING TESTIMONY IN THIS
170 PROCEEDING?

171 A. UIL’s instant filing is supported by the following additional witnesses:

- 172 • Brian Francis, Director of Financial Planning and Analysis, provides narrative support for
173 UIL’s requested modifications to the current FRP, as well as a general background to the
174 Initial FRP;
- 175 • Alex Williams, State Director of Operations, describes UIL’s systems and operations, and
176 identifies improvements and capital expenditures recently made and placed in service in
177 UIL’s water and wastewater systems to assure reliable, adequate, environmentally sage
178 and cost-effective service to our customers;
- 179 • Shawn Elicegui, Executive Vice President of Risk Management for CII, describes the
180 relationship between WSC, CII, Corix Regulated Utilities and UIL, discusses the value,
181 reasonableness, and necessity of the cost of shared services allocated to UIL, and

182 sponsors the Cost Allocation Manual used to allocate costs among affiliates within the
183 Corix Group of Companies; and
184 • Dylan D'Acendis, Partner, ScottMadden, describes UIL's capital structure and return on
185 equity required to achieve a fair and reasonable return on investment.

186 VII. CONCLUSION

187 Q. PLEASE SUMMARIZE WHY THE RENEWAL OF THE INITIAL FRP, WITH
188 MODIFICATIONS, IS IN THE BEST INTEREST OF BOTH CUSTOMERS AND UIL.

189 A. The Initial FRP has certainly benefited both UIL and its customers. It has allowed UIL to
190 successfully complete several major capital projects that have provided direct benefits to
191 customers without the need for frequent expensive rate case filings. In this case, UIL seeks to
192 renew its FRP with modifications in order to continue to provide benefits to customers and
193 transparency to the Commission that have been experienced over the last three years. It is
194 clear that the Initial FRP is in the public interest, both for the Company and the Company's
195 customers.

196 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

197 A. Yes, at this time. I reserve the right to supplement or amend my testimony as may be needed.

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

UTILITIES, INC. OF LOUISIANA

DOCKET NO. U-_____

In re: Request for Extension of Formula Rate Plan With Modifications Thereto

AFFIDAVIT

STATE OF Louisiana
COUNTY OF St Landry

I, Aaron Accardo, being first duly sworn, depose that the Direct Testimony contained in the above captioned matter on behalf of Utilities, Inc. of Louisiana is true and correct to the best of my knowledge, information, and belief.

UTILITIES, INC. OF LOUISIANA



Mr. Aaron Accardo

Subscribed and sworn before me this 21st day of May, 2021.

Shauna Fortnow
Notary Public 045757