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BEFORE THE

LA Public Service Commission

LOUISIANA PUBLIC SERVICE COMMISSION

THE BATON ROUGE WATER WORKS COMPANY
d/b/a BATON ROUGE WATER COMPANY

DOCKET NO. U-_____

*In re: Application for an Increase and Adjustment in Retail Rates, Request for Interim Rates, Approval for Hurricane Ida Recovery, and Request for Establishment of Emergency Reserve Fund***APPLICATION FOR AN INCREASE AND ADJUSTMENT IN RETAIL RATES,
REQUEST FOR INTERIM RATES, APPROVAL FOR HURRICANE IDA RECOVERY,
AND REQUEST FOR ESTABLISHMENT OF AN EMERGENCY RESERVE FUND**

NOW BEFORE the Louisiana Public Service Commission (hereinafter referred to "Commission" or "LPSC"), through undersigned counsel, comes The Baton Rouge Water Works Company, doing business as the Baton Rouge Water Company (hereinafter referred to as "BRWC," "Company," or "Applicant"), who in support of its Application for an Increase and Adjustment in Retail Rates, Request for Interim Rates, Approval for Hurricane Ida Recovery, and Request for the Establishment of an Emergency Reserve Fund (hereinafter referred to as the "Application") avers as follows:

DESCRIPTION OF APPLICANT

1.

BRWC is an LPSC-regulated utility that currently provides safe, reliable, and metered water service to approximately 116,959 customers (103,596 residential customers and 13,363 commercial customers) in East Baton Rouge Parish, Louisiana and is domiciled at 8755 Goodwood Boulevard, Baton Rouge, Louisiana 70806. Attached hereto and made a part hereof

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as Exhibit “A” is a copy of the company information sheet from the Louisiana Secretary of State website, which reflects that Applicant is active and in good standing.

2.

Although BRWC has a number of subsidiaries, BRWC is seeking an increase and adjustment in rates as a standalone entity, and the instant request is limited to BRWC customers in East Baton Rouge Parish. As a way of background and for sake of clarification, BRWC was incorporated on August 5, 1910 and is a majority-owned subsidiary of Utility Holdings, Inc. Parish Water Company (hereinafter referred to as “PWC”) and Utility Properties, Inc. (hereinafter referred to as “UPI”) are wholly-owned subsidiaries of BRWC. Ascension Water Company (hereinafter referred to as “AWC”) is a wholly-owned subsidiary of PWC. BRWC and PWC are LPSC-regulated water utilities operating in East Baton Rouge Parish. AWC is also a LPSC-regulated water utility operating in Ascension Parish. The Louisiana Water Company (hereinafter referred to as “LWC”) is a wholly-owned subsidiary of Utility Holdings, Inc. BRWC has no ownership in LWC. As stated above, this instant application requests an increase in metered water rates of BRWC on a standalone basis.

3.

BRWC’s last rate increase was granted in December 2013 (based on a 2012 test year) pursuant Commission Order in LPSC Docket No. U-32939, Baton Rouge Water Company, ex parte, *In re: Application for an increase in rates and fees for Baton Rouge Water Company* (hereinafter referred to as “U-32939”). Since the 2013 rate increase, BRWC has spent approximately \$53 million on upgrades and improvements to continue to provide quality and reliable service to our growing customer base. The rates authorized and presently being charged

to BRWC customers are outlined in the attached Exhibit “B,” which is a copy of Company’s current tariff on file with the Commission.

RETAIL RATE RELIEF

4.

As detailed in Confidential Exhibit “C,” as well as the accompanying testimony by the Applicant’s Chief Financial Officer, Mr. Roger A. Simmons, the Company’s current rates (i) are insufficient to cover current operating expenses necessary for providing high quality water services, (ii) do not provide for a fair rate of return on investment, (iii) do not cover costs associated with proposed upgrades, and (iv) are not sufficient to cover capital improvements and expenditures that are underway as well as needed in the immediate future. The aforementioned costs include but are not limited to upgrades and improvements to the Applicant’s production control systems, compliance with cybersecurity initiatives, large main replacements, and significant upgrades for emergency preparedness to maintain and support Applicant’s continued reliability through natural disasters, such as hurricanes, winter storms, and pandemics. In other words, Applicant’s current rates will not generate the adequate funds necessary to maintain and improve existing water systems so that these systems can continue to provide safe, reliable, and efficient water utility services to its customers. In addition, Applicant respectfully requests that the rate base calculation be based on actual test year numbers (2020 test year) adjusted for known and measurable pro forma adjustments, rather than using an average test year calculation.

5.

The adjusted return on equity earned in 2020 by the Company was 4.199%, which clearly indicates that BRWC’s rates are well below the level necessary to provide an adequate return on

the Company's investments given that the Commission, in 2013, authorized the Company to earn a return on equity of 11.25% and a return on rate base of 8.38%.

6.

Accordingly, Applicant is requesting an increase in retail water rates totaling \$3,284,459, which equates to a 11.38% increase to existing rates. This proposed adjustment is based on a 2020 test year and, if granted, would equate to a 10.25% return on equity and an approximate 6.71% return on rate base. It is important to note that BRWC has some of the lowest water rates in the State of Louisiana (and in the nation), and would continue to maintain lower than average rates even after the proposed rate relief was implemented. The average residential water bill for a BRWC customer in 2020 was \$16.94. As way of illustration, if the Applicant's rate relief request is granted, the typical BRWC residential customer, using an average of 700 cubic feet (or 5,236 gallons) per month, would see a \$1.52, or a 11.38%, increase in their monthly bill. Accordingly, the minimum residential bill would only increase by \$.97/month or 11.38%/month. A more comprehensive breakdown of these figures and calculations, along with related Company financial details, is outlined in the attached Confidential Exhibit "C" and discussed in more detail in the attached Applicant testimony in support of the Application (Exhibit "E"). Applicant respectfully submits that the requested increase is reasonable and necessary.

INTERIM RATE RELIEF

7.

This Commission has authority to grant interim rate relief. As stated in La. Const. Ann. art. IV, § 21, "[a]fter the effective filing date of any proposed schedule by a public utility which would result in a rate increase, the commission may permit the proposed schedule to be put into

effect, in whole or in part, pending its decision on the application for rate increase and subject to protective bond or security approved by the commission” (emphasis added).

8.

BRWC is not requesting that the entirety of the rate relief requested be implemented by virtue of interim rates; rather, the Company respectfully requests that the Commission allow the Company to begin charging an increase in rates of 3.26%, which is approximately one-fourth of the entire rate relief requested by the Company in the Application and is due to increased power costs.

9.

As further detailed in the attached testimony (Exhibit “E”), immediate interim rate relief is justified given the dramatic increase in the cost of power in 2021. Year to date in 2021, the Company has experienced a 23% increase in power costs. Such interim relief will permit BRWC to begin collecting needed revenues more promptly than would otherwise occur given the procedures required with a traditional rate case. Just as importantly, customers will not be harmed by this proposal because the interim relief reflects rates that customers will ultimately pay upon Commission approval, and any potential disallowed amounts will be returned to customers.

10.

Given the immediacy for retail rate relief, Applicant requests that an interim rate be applied as illustrated in Exhibit “D”. Such interim amount of retail jurisdictional revenue relief is estimated at \$941,572. Without such interim rate relief, BRWC’s financial metrics likely will continue to be adversely affected, and thus likely impose significant constraints upon operations

as well as capital projects and planned improvements to infrastructure. Accordingly, the interim rates are essential to secure safe and reliable water services.

11.

The customer impact of the requested interim rate relief would be as follows: a typical residential customer using 700 cubic feet (or 5,236 gallons) would see his or her monthly bill increase by approximately \$0.44. This equates to about a 3.26% increase in a customer's monthly bill

HURRICANE IDA RECOVERY

12.

On August 29, 2021, Hurricane Ida made landfall near Port Fourchon, Louisiana, as a strengthening Category 4 hurricane with sustained winds of 150 miles per hour. Hurricane Ida maintained its catastrophic Category 4 strength for six hours after landfall, inflicting extensive damage well inland of the Louisiana gulf coastline, including BRWC's service territory (*i.e.*, East Baton Rouge Parish). The logistical challenges of ensuring that water service was not interrupted were complicated, costly, and necessary.

13.

The attached Confidential Exhibit "C" *in globo* summarizes, *inter alia*, the estimated capital cost and Operation and Maintenance ("O&M") expenses, that BRWC has incurred due to Hurricane Ida as well as for the restoration of water service subsequent to Hurricane Ida. BRWC respectfully requests approval to recover all reasonable and necessary storm restoration costs.

14.

BRWC is proposing that the costs and expenses associated with BRWC's response to Hurricane Ida be recovered through the placement of a rate-rider on each customer's bill.

EMERGENCY RESERVE FUND

15.

Additionally, Applicant respectfully requests that the Commission authorize a reserve fund on a minimum target balance equal to approximately one (1) month of Applicant's operating costs, which is approximately \$848,000. The reserve fund will provide for costs associated with emergencies of the system, which unfortunately have become common place over the past few years, and is necessary to safeguard the financial stability of Applicant. An emergency reserve fund would provide Applicant with a means to cover unexpected expenses that arise in the course of providing water services, accommodating natural variations in revenue.

16.

Applicant proposes to collect a \$0.60 per month surcharge per customer to be deposited into an "Emergency Reserve Fund" for a period not to exceed twelve (12) months. The surcharge will be listed as an individual line item on each customer bill and be identified as the "Emergency Reserve Fund". All funds collected via the surcharge shall be solely dedicated for emergency repairs, costs associated with maintaining service and restoration efforts.

17.

APPLICANT EXHIBITS AND APPLICANT WITNESS' SUPPORTING TESTIMONY

Pursuant to Rule 13(E) of the Commission's Rules of Practice and Procedure, Applicant has attached the following exhibits upon which it will rely in support of its request for rate adjustments:

- Exhibit A: Louisiana Secretary of State Corporation Information for BRWC;
- Exhibit B: Company's Current Rate Tariff;
- Exhibit C: **CONFIDENTIAL**: The Company's Financial Statements, Proforma Details, and Rate Analysis;
- Exhibit D: Proposed Interim Rate Relief Tariff and Proposed Final Tariff; and
- Exhibit E: Applicant Testimony – Roger A. Simmons, Chief Financial Officer.

Applicant reserves the right to supplement this filing with additional exhibits and testimony.

18.

As required by Article IV, Section 21(D)(1) of the Louisiana Constitution of 1974, an advertisement will be placed in the official state journal as well as in the official journal for the following affected parish: East Baton Rouge Parish. Copies of the Proof of Publication will be filed with the Commission in accordance with the Rules of Practice and Procedure of the Commission.

19.

Applicant requests that notices, correspondence, and other communications concerning this matter be directed to the following persons:

Kara B. Kantrow
Kyle C. Marionneaux
J. H. "Hunter" Odom, III
Marionneaux Kantrow, LLC
10202 Jefferson Highway, Building C
Baton Rouge, Louisiana 70809
Telephone: (225) 769-7473
Facsimile: (225) 757-1709
Email: kara@mklawla.com
kyle@mklawla.com
hunter@mklawla.com

Mr. Roger A. Simmons
Chief Financial Officer
The Baton Rouge Water Company
Post Office Box 96016
Baton Rouge, LA 70896-9016
Telephone: (225) 231-0308
Email: rsimmons@batonrougewater.com

Applicant requests that the foregoing individuals be placed on the Official Service List for this proceeding and respectfully requests that the Commission permit the designation of more than one person to be placed on the Official Service List.

20.

Applicants respectfully request that Notice of this filing be published in the Commission's Official Bulletin, No. 1261, and interested parties be given fifteen (15) days to file any notice of intervention and/or protest.

WHEREFORE, the Baton Rouge Water Company prays that after all appropriate hearings and considerations that its Application for an Increase and Adjustment in Retail Rates, Request for Interim Rates, Approval for Hurricane Ida Recovery, and Request for the Establishment of an Emergency Reserve Fund as is set forth herein and in the testimony, exhibits, and schedules attached hereto and made part hereof, that this application be given a fifteen (15) day intervention period, and that the Applicant be granted the relief sought and any and all other general and equitable relief.

Respectfully Submitted,

MARIONNEAUX KANTROW, LLC



Kyle C. Marionneaux (Bar Roll No. 25785)

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