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July 31, 2025

VIA HAND DELIVERY

Louisiana Public Service Commission
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602 N. Fifth Street
Galvez Building, 12th Fl.
Baton Rouge, LA 70802

CC: JG
LA PUBLIC SERVICE COMM
JUL 31 2025 PM4:00

Re: Docket U-37570, Magnolia Water Utility Operating Company, LLC, ex parte. In re: Formula Rate Plan Annual Report for 2024.

To whom it may concern:

Enclosed for filing in the above-captioned matter is *Staff Report and Recommendation with supporting testimony of Robin Pendergrass and exhibits*. Please file the enclosed into the record of the above-captioned docket and provide one of the attached copies to the Administrative Hearings Division. If you have any questions regarding this filing, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Braeden Smith".

Braeden Smith (Bar Roll 40951)
Staff Attorney
Louisiana Public Service Commission
Phone: (225) 342-9888
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cc: Service List (via email)

LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. U-37570

MAGNOLIA WATER UTILITY OPERATING COMPANY, LLC,

EX PARTE.

In re: Formula Rate Plan Annual Report for 2024.

STAFF REPORT AND RECOMMENDATION

Background of Magnolia Water Utility Operating Company, LLC and Formula Rate Plan

Magnolia Water Utility Operating Company, LLC (“Magnolia” or “Company”) is a for-profit jurisdictional utility providing water and wastewater services to ratepayers located in thirty-three (33) Louisiana parishes.¹ Magnolia provides water service to approximately 21,873 customers and wastewater service to approximately 55,552 customers.² Magnolia’s operations are subject to the jurisdiction of the Louisiana Public Service Commission (“LPSC” or “Commission”).

Magnolia’s principle domicile and mailing address is 10761 Perkins Road, Suite A, Baton Rouge, Louisiana 70810, which is associated with the Company’s counsel. The Company is a wholly owned subsidiary of Central States Water Resources (“CSWR”), which is a Missouri for-profit corporation. CSWR’s corporate office is located at 1630 Des Peres Road, Suite 140, Saint Louis, Missouri 63131.

Magnolia was granted its authority to operate by the Commission in August of 2019. Magnolia initially started its operations by acquiring the water and wastewater assets of fifteen (15) LPSC regulated water and/or wastewater companies. These were systems with significant and varying compliance concerns from the Louisiana Department of Health (“LDH”) and the Louisiana Department of Environmental Quality (“LDEQ”). Magnolia immediately began implementing capital improvements to bring these systems into compliance. Magnolia has since acquired various additional water and wastewater assets with similar compliance issues and continues to seek additional acquisitions.

On November 19, 2021, the Commission approved, in Order No. U-35822,³ Magnolia’s request to increase water and sewer rates and charges. Since Magnolia continues to acquire additional

¹ The parishes served by Magnolia include Acadia, Ascension, Assumption, Beauregard, Bossier, Caddo, Calcasieu, East Baton Rouge, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, Lincoln, Livingston, Morehouse, Natchitoches, Ouachita, Pointe Coupee, Rapides, Sabine, St. Helena, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Vernon, and West Baton Rouge.

² Commercial unit counts are based on Equivalent Residential Units (ERU) and are determined by premise/facility type.

³ See Docket No. U-35822, Re: Magnolia Water Utility Operating Company, LLC ex parte, *In re: Application for Approval of Rate Design, Increase in Water and Sewerage Rates, Implementation of Service Charges and Any Other Related Relief*.

systems, Staff recommended, and Magnolia agreed, that the Company implement a Formula Rate Plan (“FRP”). The FRP provided a specific method for the calculation of rates on an ongoing basis and provided a rate of return on equity (“ROE”) of 9.50%. Pursuant to its FRP, Magnolia was required to file on or before May 1 of each of the years 2023, 2024, and 2025, an FRP Annual Report containing a calculation of the Company’s revenue requirement based on the twelve months ending December 31 of the previous year (“Test Year”).

The FRP utilizes an earnings bandwidth based on a calculated ROE lower limit of 9.00%, an upper limit of 10.00%, and a midpoint of 9.50%. If earnings were to fall within the calculated ROE bandwidth, then no rate change would be necessary. If earnings were to fall above the upper limit of the bandwidth, then a rate change would occur to bring the Company down to the upper limit of 10.00%. If earnings were to fall below the lower limit of the bandwidth, then a rate change would occur to bring the Company up to the lower limit of 9.00%.

Procedural History

On May 1, 2025, Magnolia filed its FRP Annual Report for the twelve months ending December 31, 2024 (“2024 FRP Filing”), per the provisions set forth in Order No. U-35822. Notice of the 2024 FRP Filing was published in the Commission’s Official Bulletin #1349, dated May 9, 2025, for a twenty-five (25) day intervention period. Multiple interventions were filed.⁴ In its 2024 FRP Filing, Magnolia reported a consolidated ROE of 5.83%, which is 3.67% below the allowed return of 9.50%, taking into consideration the fifty basis points dead band. This deficiency in earnings would require an increase in revenue requirement of \$5,142,967, with \$986,739 allocated to water and \$4,156,228 allocated to sewer. The estimated revenue increase would increase the average customer’s water and sewer bills by approximately 6% and 10%, respectively.

Major Provisions of Magnolia’s FRP

Magnolia’s FRP requires that the Company file with the Commission annual reports based on the twelve-month (12-month) period ended December 31 of each test year. In accordance with its FRP, Magnolia must file these annual reports on or before May 1 immediately following the close of the respective test year. Staff and any intervenors have until July 1 to review the Company’s FRP filing and to propose any deficiencies or corrections. Magnolia then has until August 1 to review any proposed deficiencies or corrections and to file a revision to the proposed FRP rate changes, if necessary. Any FRP rate changes will become effective on September 1 for bills rendered on and after the first billing cycle for the month.

The FRP utilizes an earnings bandwidth based on a calculated ROE lower limit of 9.00%, an upper limit of 10.00%, and a midpoint of 9.50%. If earnings were to fall within the calculated ROE bandwidth, then no rate change would be necessary. If the ROE is less than the Lower Band, the Rider FRP Revenue level in effect for the test year shall be increased by 100% of the difference between the ROE and the Lower Band. If the ROE exceeds the Upper Band, the Rider FRP Revenue level in effect for the test year shall be reduced by 100% of the difference between the ROE and the Upper Band.

⁴ See attached service list for complete list of interventions.

For years 2023 and 2024, the calculated ROE for those test years shall be based on an imputed capital structure of 40% debt and 60% equity for FRP purposes, or a higher amount if the actual debt level is higher than 40% as of the end of the test year. For year 2025, the calculated ROE for that test year shall be based on an imputed capital structure of 50% debt and 50% equity for FRP purposes, or a higher amount if the actual debt level is higher than 50% as of the end of the test year. Staff noted that Magnolia's actual capital structure for the 2024 test year was 62% equity and 38% debt; therefore, an imputed capital structure of 50% debt and 50% equity was used in Staff's evaluation.

Magnolia was authorized to establish a System Acquisition Regulatory Asset ("SARA") to accrue any operating losses during the test year, upon acquisition of 4,000 or more customers after the initial rate filing test year December 31, 2020. The SARA accrued for such systems until the rates were adjusted within the 2022 FRP. The SARA is amortized for ratemaking purposes over a ten-year period with an effective date of September 1, 2023. Staff noted that Magnolia's addition to SARA for the 2023 test year was \$5,066,821, resulting in an annual amortization amount of \$857,613.

Staff Review

Staff conducted a review of the 2024 FRP Filing to determine if the information contained in Magnolia's report was accurate and a true representation of the Company's results of operation for the test year ended December 31, 2024. Documentation that accompanied the filing included financial statements, rate base calculations, and schedules illustrating *pro forma* adjustments that were made by the Company. As part of the review process, Staff issued two (2) formal sets of data requests and several informal requests via email to obtain additional supporting documentation to substantiate the information contained in the 2024 FRP Filing, including general ledgers, detailed transaction registers, and other accounting records. The Company provided responses to Staff's data requests in a timely manner. Magnolia and Staff also participated in several virtual meetings and phone calls in order to further discuss and clarify data.

In addition to issuing data requests to Magnolia, Staff issued a set of data requests on June 17, 2025, to all intervenors within Docket U-37570. Requests were for specific grievances relevant to water and/or sewer services provided by Magnolia, as well as billing information and exact location of the customer. Staff received responses from Cindy Case-Brown on June 26, 2025. No other responses to Staff's requests were received in this docket.

Staff reviewed Magnolia's rate base calculations and determined that the Company had an increase in Utility Plant in Service of approximately \$69,746,057 from 2023 to 2024. Further, overall rate base increased by approximately \$78,395,792 from 2023 to 2024. These increases were due to Magnolia's purchases of additional utilities and the necessary investments needed to bring them into regulatory compliance. These increases are directly related to Magnolia's consolidated ROE of 5.83% and the need for a rate increase.

LPSC Order No. U-35822, ordering paragraph 11, states that "Should the Company report an ROE of more than 200 basis points below the Lower Band, the Company or the Staff may propose that

costs resulting in said ROE, or a portion thereof, be deferred and amortized over a reasonable number of years.” Magnolia deferred allocated corporate overhead costs in its 2022 FRP filing in the amount of \$2,468,500 in order to mitigate rate impacts in 2023. Magnolia did not recover any of this expense in the 2023 FRP filing. In September 2024, the Company began allocating those costs over a ten-year period in the annual amount of \$246,850.

Staff reviewed comparative schedules of test year and prior year financials, based on “Per Books” as filed, to determine if there were any significant variances in the revenue and expense line items and results of operations. Staff noticed a significant increase in Sewer Late Fees from \$73,390 in 2023 to \$2,510,934 in 2024. This increase was due to an account reclassification in the 2024 filing and resulted in an actual lesser increase. The remainder of the increase was a result of an increase in customer payment delinquencies. The Company states that it is continuing to refine its accounting practices to improve the tracking and classification of revenues and expenses. Outside Services (Legal Fees) increased from \$63,541 in 2023 to \$147,059 in 2024 due to Magnolia’s expanded growth and continued acquisition of water and wastewater systems. As Magnolia expands its operations, the number and complexity of regulatory filings, compliance matters, and legal proceedings have increased, resulting in a greater need for legal support. Outside Services (IT) increased from \$195,078 in 2023 to \$409,450 in 2024 due to the ongoing cost of remote monitoring of system assets. In 2024, the Company not only installed new systems, but incurred a full year of subscription costs for systems installed in 2023. Regulatory Expense DNR increased from \$27,920 in 2023 to \$247,984 in 2024 due to improvements in the Company’s internal recording processes to include a more accurate and consistent recording of expenses related to Regulatory Expense with the Department of Natural Resources. Water-Source of Supply-Operating Labor increased from \$1,094,563 in 2023 to \$3,000,337 in 2024 due to the addition of newly acquired systems and contract price increases. As Magnolia’s footprint expands, contract operations expenses increase accordingly to support safe and reliable service. Water-Purification-Labor increased from \$17,446 in 2023 to \$55,440 in 2024 due to an increase in samples being gathered, attributed to new acquisitions. Water-T&D Operation of Meters increased from \$197,615 in 2023 to \$334,189 in 2024 due to remote meter read subscriptions, along with an increase in maintenance costs incurred by Magnolia necessary to continue efforts to enhance system reliability, improve operational efficiency, and ensure safe and reliable water services to its customers. Miscellaneous Expense increased from \$12,468 in 2023 to \$871,589 in 2024 due to Magnolia including the overage in passthrough water charges in the amount of \$844,306. Magnolia made an adjustment to remove the amount to account for the fact that the Company began passing through the charges in 2024. And finally, Sewer-Chemicals-Treatment Operations increased from \$475,289 in 2023 to \$1,236,022 in 2024 due to sewer chemicals being booked into two separate accounts in 2023. The total of both accounts in 2023 was \$1,454,628, reflecting an actual decrease in 2024, and thus was not an actual increase in Magnolia’s overall expenses.

Staff noted that sewer base revenues increased by 24% and water base revenues increased by 4% from 2023 to 2024, with a total revenue increase of 22%, inclusive of non-recurring revenues. Total operating expenses increased by 22% from 2023 to 2024, resulting in an increase in net operating income of 9% during the same period.

Staff reviewed Magnolia's pro forma adjustments to its December 31, 2024 "Per Books" revenues and expenses on the Adjusted Income Statement. Company pro forma adjustments were as follows:

1. Adjustment to increase water base revenues in the amount of \$3,590,836 and increase sewer base revenues in the amount of \$3,936,518, for a combined increase of \$7,527,354 to reflect annualized test year revenues
2. Adjustment to decrease Miscellaneous Income Deductions in the amount of \$93,000 to properly exclude RIDER FRP Attachment 1 items 5-7 (fines, penalties, campaign & charitable contributions).
3. Adjustment to decrease Administrative Expenses Transferred in the amount of \$3,850,000 to exclude per RIDER FRP Attachment 1 item 9. Magnolia is requesting to defer these costs and amortize them over ten (10) years.
4. Adjustment to decrease Fuel and Power Purchased for Pumping in the amount of \$276 to properly exclude RIDER FRP Attachment 1 items 5-7 (late fees).
5. Adjustment to decrease Miscellaneous Expense in the amount of \$844,306 to remove purchased water charges offset by pass through correction.
6. Adjustment to decrease Sewer-Purchased Power-Pumping in the amount of \$6 to properly exclude RIDER FRP Attachment 1 items 5-7 (late fees).
7. Adjustment to increase Depreciation Expense in the amount of \$1,253,759 to annualize year end 2024 depreciation expense.
8. Adjustment to increase Depreciation Expense Contributions in Aid of Construction ("CIAC") in the amount of \$28,180 to annualize year end 2024 CIAC.
9. Adjustment to increase Amortization of SARA Expense in the amount of \$857,613 to expense one year of amortization of the adjusted SARA from the balance sheet.
10. Adjustment to Amortization of Other Regulatory Asset in the amount of \$246,850 to expense one year of amortization of the Other Regulatory Asset from the balance sheet.
11. Adjustment to increase Interest Long-Term in the amount of \$441,121 to reflect annualized 2024 interest expense.
12. Adjustment to decrease Gain/Loss of Utility Property in the amount of \$6,825,301 to reflect Magnolia's Accounts Receivable Write-offs.
13. Adjustment to decrease Income Tax Expense in the amount of \$261,970 to remove income tax accrual.

Staff agrees with each of Magnolia's pro forma adjustments, with the exception of adjustments #1 and #9. Magnolia's annualized base revenues were incorrectly adjusted against total revenues, including nonrecurring revenues and non-utility revenues. Therefore, Staff made an adjustment against water and sewer base revenues resulting in an increase to water base revenues in the amount of \$3,840,603 and an increase to sewer base revenues in the amount of \$6,653,647, for a combined increase of \$10,494,249 to correctly annualize test year revenues. Staff also made an adjustment to move Non-Utility Income out of Operating Income and into Non-operating Income.

While Staff agrees with the Company's calculation of Amortization of SARA Expense in the amount of \$857,613, it disagrees with the adjustment to the income statement. The adjustment should have been the annual amortization amount of \$857,613 less the "Per Books" balance of \$467,908, for an adjustment of \$389,705.

Staff made an additional adjustment to pro forma income taxes to account for the additional annualized revenues. Staff increased the water portion of income taxes by \$759,645 and increased the sewer portion of income taxes by \$2,264,358, for a total increase of \$2,762,033. It should be noted that Staff used a different method of calculating income taxes than Magnolia. Magnolia erroneously included Inspection and Supervision fee ("ISF") rates in its calculations. ISF are calculated based on gross revenues, rather than net income. Staff also moved income taxes from below the operating line to above the line, to properly include income taxes as operating expenses. Finally, Staff corrected the Net Income calculation to subtract Income Tax expenses from operating revenues, as the Company had erroneously added it back in. This correction increased Net Income from a loss of \$9,315,684 to a loss of \$9,839,624, in the amount of \$523,940 (tax amount of \$261,970 doubled). Staff's corrections also lowered Net Operating Income After Taxes by approximately \$498,201. Net Operating Income is used to calculate the Company's Return on Rate Base ("RORB"). Staff's adjustment decreased Magnolia's per books RORB from 1.21% to 1.11%.

As a result of Staff's adjustments mentioned above, Magnolia's consolidated ROE of 5.83% increased to 6.18%, which is still below the allowed return of 9.50%, taking into consideration the fifty basis points dead band. This deficiency in earnings would require an increase in revenue requirement of \$3,284,918, with \$1,097,110 allocated to water and \$2,187,808 allocated to sewer. The estimated revenue increase would increase the average customer's water and sewer bills by approximately 7% and 5%, respectively. See Attachment A for detailed impact to customer rates.

Compliance Review

In addition to a review of Magnolia's financial position, Staff reviewed its compliance with State regulatory agencies. Audit Staff verified that as of the date of filing of this memorandum, Magnolia has filed all quarterly inspection and supervision forms and has remitted all payments to the Louisiana Department of Revenue, as required by Louisiana Revised Statute 45:1177. Audit Staff further verified that as of the date of filing of this memorandum, Magnolia has properly filed

its annual report of its financial and operating conditions, as required by General Order No. 2, dated July 1, 1921 and pursuant to the General Order dated November 22, 2011.⁵

The Company provided documentation to and from the Louisiana Department of Health (“LDH”) and the Louisiana Department of Environmental Quality (“LDEQ”) relating to any necessary improvements made to the systems, as well as documentation pertaining to any violations and recommendations from LDH or LDEQ and remedial actions taken by the Company to resolve those violations. Staff noted that all system improvement projects were properly submitted to LDH and LDEQ for review, approval, and permitting.

Magnolia received an Administrative Order on Consent (“AOC”) Agreement executed between the Company and LDEQ on December 12, 2019.⁶ The AOC included twenty-six (26) acquired companies with a total of one hundred fifty-four (154) sewer facilities that contained deficiencies. On November 29, 2022, Magnolia received a second AOC for its newly acquired Water & Wastewater Utilities with a total of twenty-two (22) sewer facilities that contained deficiencies.⁷ Also, on November 29, 2022, Magnolia received a third AOC for its newly acquired Total Environmental Solutions, Inc. with a total of seventy-four (74) sewer facilities that contained deficiencies.⁸ On November 7, 2024, Magnolia received a fourth AOC for twenty-nine (29) “pending” facilities to be acquired that contained deficiencies.⁹ To date, Magnolia has officially acquired fifteen (15) of the twenty-nine (29) systems and is actively reporting to LDEQ under that AOC. Magnolia has successfully removed 242 systems from AOCs in Louisiana. This achievement represents a significant shift from noncompliance to compliance, making it the largest movement of its kind in the state’s history. Magnolia continues to work towards bringing the remaining sewer systems into compliance.

On May 4, 2023, Magnolia received a Compliance Order from LDEQ for its Guste Island Sewer Treatment Facility (“STF”) that contained deficiencies.¹⁰ In order to correct the deficiencies, Magnolia was required to conduct an improvement project that included the installation of a baffle wall, the addition of aeration equipment to the lagoon cells, and the installation of a second sieve screen. Magnolia experienced delays with the project due to delayed equipment deliveries and some electrical service challenges. However, as of May 22, 2025, construction of improvements necessary for compliance at the Guste Island STF is nearly complete. Magnolia anticipates full compliance by August 30, 2025.

On May 12, 2023, Magnolia received a Notice of Violation (“NOV”) from LDH for its Brigas Estates Water System due to its water pressure dropping below 20 psi. Magnolia pulled and

⁵ LPSC General Order dated November 22, 2011, states that “All Annual Reports filed with the Commission by regulated companies shall form the basis for the assessment of [Inspection and Supervision] Fees as provided for in La. R.S. 45:1179 and shall be sworn to before a notary public by the owner or officer/officers having personal knowledge of the facts set forth therein.”

⁶ Administrative Order on Consent Agreement WE-AOA-19-00949 executed December 12, 2019 and amended May 8, 2020; March 2, 2021; and March 21, 2022.

⁷ Administrative Order on Consent Agreement WE-AOA-22-00770 executed November 29, 2022.

⁸ Administrative Order on Consent Agreement WE-AOA-22-00786 executed November 29, 2022.

⁹ Administrative Order on Consent Agreement WE-AOA-24-00510 executed November 7, 2024.

¹⁰ LDEQ Compliance Order WE-C-23-00168 executed May 4, 2023 and amended November 6, 2023 and April 23, 2025.

cleaned the wells and is in the process of constructing a new well to ensure continued reliability and system performance. Magnolia has not received any low-pressure reports in 2025.

On March 17, 2025, Magnolia received a NOV from LDH for its Spring Creek Subdivision Water System due to compliance issues that the Company inherited from the previous ownership. The prior owner had the facility permitted for gas chlorination, but instead, installed sodium hypochlorite without proper LDH authorization. Since acquiring the system on July 13, 2022, Magnolia began taking steps to bring the system into compliance.¹¹ Magnolia is in the process of bringing an inactive well back online once a new storage tank is installed and an approved disinfection system is in place. After inspecting, the existing tank at Spring Creek, Magnolia determined that a full replacement would be more appropriate than a repair, and has proceeded with plans for a new tank installation to ensure long-term integrity. Both NOV's are actively being resolved and Magnolia believes that both should be completed by the end of 2025.

On July 25, 2025, Magnolia received a Required Corrective Action ("RCA") from LDH for its Brier Lake Water System ("Brier Lake") due to multiple customer complaints regarding the handling of water quality complaints by Magnolia's staff. Based on verbal testimony from the complainants, LDH deemed it necessary that Magnolia meet the provisions of R.S. 40:1281.12, requiring any Magnolia personnel whose job responsibilities include communicating with customers of the water system undertake an appropriate training course incorporating topics concerning proper customer service, customer relations, public relations, or related matters. Magnolia was given sixty (60) days to provide documentation of completion of the required training. Further, LDH required Magnolia to provide its 2025 Complaint Log and the water system's flushing plan within fourteen (14) days of the notice. On July 29, 2025, Magnolia provided an email response to LDH that included copies of its flushing plan and 2025 Complaint Log for Brier Lake, as well as its intention to schedule additional communications training for its personnel. Magnolia also provided a copy of its Welcome Notice issued to Brier Lake customers upon acquisition, a Consumer Confidence Report for 2024, and several community updates to customers.¹²

Further, Magnolia provided LDH with a brief narrative of the issues leading up to the customer complaints at Brier Lake. Magnolia indicated that upon acquisition of the system on December 5, 2024,¹³ it identified a range of legacy infrastructure and compliance issues that had not been addressed by the previous owner. They took swift and strategic action to stabilize the system; however, in the first quarter of 2025 customers began reporting sand in their water. Magnolia found that the main storage tank contained a large amount of sand and that the primary well had a cracked casing and damaged screen. In response, Magnolia immediately transferred service to the

¹¹ See Docket No. S-36182, Re: Magnolia Water Utility Operating Company, LLC ex parte, *In re: Request for a Letter of Non-Opposition to the transfer of water and wastewater system assets by Spring Creek Water & Sewerage, LLC to Magnolia Water Utility Operating Company*.

¹² Brier Lake Community Update dated March 25, 2025 to notify customers that water was safe to drink following line flushing. Community Update dated April 30, 2025 to notify customers of a temporary water conservation request while Magnolia conducted an assessment on the water well. Community Update dated July 21, 2025 to notify customers that Magnolia was finalizing repairs to the well.

¹³ See Docket No. S-37365, Re: Magnolia Water Utility Operating Company, LLC ex parte, *In re: Request for Letter of Non-Opposition to the transfer of water and wastewater system assets from Brier Lake Utilities, Inc. to Magnolia Water*.

backup well and issued a water conservation notice, as the backup well is undersized for systemwide demand. After evaluating long-term solutions, Magnolia decided to acquire and interconnect the neighboring Oaklawn Trace water system with Brier Lake. While this solution is in progress, the Company engineered a temporary system that utilizes non-pressurized settling tanks at the main well site to capture sand before it reaches customers. Magnolia has received engineering approval from LDH and is currently awaiting final bacteriological clearance before activating the system. Magnolia understands the frustrations of its customers and is working diligently to finalize these upgrades to provide reliable, safe water service to the Brier Lake community.

Act 98 of the 2021 Regular Session of the Louisiana Legislature authorized the Louisiana Department of Health Safe Drinking Water Program to develop a grade for community water system accountability. This would provide for the issuance of a letter grade reflective of community water system quality and performance. LDH determines letter grades based on 7 Standards evaluating the infrastructure, accountability, and overall health risk of drinking water to consumers. Staff requested that Magnolia identify any water systems owned or operated by the Company that were included in the LDH Preliminary 2024 Community Public Water System Grade, the grade it was given, and any issues those water systems are currently experiencing. Magnolia provided a list of sixty-five (65) systems included in the report indicating a grade of “A” for sixty-one (61) of its systems and a grade of “B” for four (4) of its systems.

Interventions

The LPSC received twenty-three (23) Notices of Protest and Interventions in this proceeding representing eighteen (18) different addresses served by Magnolia. On June 17, 2025, Staff issued data requests to intervenors requesting additional information, including copies of water/wastewater bills, average water usage, documentation of communications with Magnolia, specific issues related to complaints, etc. On June 26, 2025, Staff received responses to data requests from Cindy Case-Brown. No other responses to Staff’s requests were received in this docket. Ms. Case-Brown has resided in the Greenleaves neighborhood, formerly owned by H2O Systems, Inc. (“H2O”),¹⁴ for eight (8) years. Her specific grievances with Magnolia included discolored water, continued rate increases, meter readings, Magnolia forgetting to flush the lines, and lack of transparency with system updates and repairs. She provided Staff with copies of email threads between herself and Mary Lou Davis, with the Greenleaves Master Association; Magnolia support; Magnolia management; Commissioner Skrmetta and his Staff; Lee Zurik, with Fox News; and others. A timeline of communications are as follows:

October 3, 2024 – Ms. Case-Brown began noticing discolored water and emailed brown water tub photo to Ms. Davis.

¹⁴ See Docket No. S-35297, Re: Magnolia Water Utility Operating Company, LLC ex parte, *In re: Application for a Letter of Non-Opposition to the Acquisition of the Water and/or Wastewater System(s) operated by H2O Systems, Inc.*

December 10, 2024 – Ms. Case-Brown emailed Commissioner Skrmetta’s office complaining of high bills and brown water, with a copy of her bill and brown water tub photo. A complaint case file was created and review began.

January 3, 2025 – Ms. Case-Brown emailed brown water tub photo to Magnolia Support, Ms. Davis and Commissioner Skrmetta. Magnolia responded with instructions on how to flush residential water lines.

February 14, 2025 – Ms. Case-Brown reissued December 10, 2024 email, but added Magnolia Support and Lee Zurik to the thread.

February 16, 2025 – Ms. Case Brown forwarded December 10, 2024 email to Josiah Cox, President of Magnolia, accusing him of exploiting customers for his own interests.

February 17, 2025 – Magnolia issued a service order to investigate brown water complaint.

February 19, 2025 – Magnolia notified Ms. Case-Brown that the service order was complete and that water testing results were good and water was clear. Ms. Case-Brown requested a copy of the report and requested that someone come clean her meter and read it properly. Magnolia confirmed that her meter is manually read monthly, with photo verification of the reading monthly. Ms. Case-Brown provided a photo of a muddy meter and insisted that it was not being read. Magnolia provided a photo of the meter reading, as well as a photo of the clear water that was collected during testing.

February 20, 2025 – Ms. Case-Brown threatened to file a complaint with the Better Business Bureau. She stated that none of the documentation that Magnolia provided was sufficient, then complained about her bill being high. Magnolia provided her with the Work Order Report.¹⁵

May 19, 2025 – Ms. Davis emailed a brown water complaint on behalf of Ms. Case-Brown to Commissioner Skrmetta’s office; Magnolia Support; Steve Ernst, Magnolia’s Director of Louisiana Regulatory Relations; and others. Mr. Ernst responded to Ms. Davis requesting that members contact Magnolia directly for a prompt resolution. Ms. Case-Brown forwarded several emails to Mr. Ernst. In a separate email to Ms. Davis, Ms. Case-Brown admitted that Magnolia had already sent someone to test her water. Commissioner Skrmetta’s assistant, Donna Dardar, provided contact information for LDH and LDEQ and recommended that Ms. Case-Brown contact them regarding her water issues, as they oversee the water quality for water/wastewater companies. Ms. Dardar also stated that she received an email from Mr. Ernst indicating that he had responded to Ms. Case-Brown’s previous email and was willing to assist in an attempt to investigate her water issue. Note: Staff was not provided a copy of Mr. Ernst’s emailed response.

June 6, 2025 – Ms. Case-Brown emailed a photo of brown toilet water to Ms. Davis, Commissioner Skrmetta’s office, Magnolia Support, Steve Ernst, and others. Mr. Ernst responded within two (2) minutes that he would have someone out that day. No further correspondences were provided to Staff regarding this customer complaint.

¹⁵ Magnolia 381650-0 WO Report dated February 18, 2025.

In a response to Staff's inquiry regarding the water discoloration in the Greenleaves neighborhood, Magnolia stated that the Greenleaves system was converted to a chloramine disinfection system, without LDH approval, long before Magnolia acquired the system. After initial complaints, Magnolia attempted to remedy the problem by flushing the lines. However, after consistent flushings, the water remained cloudy because it was difficult to make tweaks to that type of disinfection system. Ultimately, Magnolia submitted a request to LDH for approval to move from the chloramine system to a free chlorine/phosphate system. Magnolia believes that based on prior results in several systems with similar characteristics, the change in disinfection methodology should permanently eliminate the cloudiness of the water. Magnolia received approval from LDH on June 18, 2025 and completed the process on July 11, 2025.

In addition to copies of email correspondences, Ms. Case-Brown provided twelve (12) months of water/wastewater bills from June 6, 2024 to June 3, 2025 for Staff's review. Ms. Case-Brown claimed that her water/wastewater bill was \$150 per month. Staff utilized the data from the bills and determined that the only month that her bill was over \$150 was in July 2024, where her water consumption was 17,180 gallons. This extreme consumption amount generated a total water and wastewater bill in the amount of \$162.37, with the water portion being \$85.65. Staff was further able to determine that Ms. Case-Brown's average monthly water consumption amount over the twelve (12) month period was 8,473 gallons. The average combined monthly bill was \$138.85, with the average water portion being \$60.71.

Staff conducted an analysis of the rate increases related to the Greenleaves system since Magnolia's acquisition of the system on January 17, 2020. Upon acquisition, Magnolia was required to maintain the prior rates charged by H2O until a full rate review was conducted by LPSC Staff. This was the requirement for ALL acquisitions made by Magnolia. Water rates for Greenleaves prior to acquisition were \$17.75 for the first 2,000 gallons and \$2.75 for each additional 1,000 gallons of water consumed. The wastewater rate was 117% of the water bill, with a minimum charge of \$20.77 and a maximum charge of \$65.00. On December 18, 2020, Magnolia filed its application for a rate review based on a 2020 Test Year in Docket U-35822. An increase was ultimately authorized by the LPSC and was deemed effective on December 1, 2021, nearly two (2) years after Magnolia's acquisition of the Greenleaves system. It should be noted that during this two (2) year period, Magnolia was actively incurring costs related to the system without an increase in revenues.

Magnolia's water and wastewater rates were designed based on a three-tiered billing structure. Tier One rates apply to residential wastewater customers served by single-cell lagoons or multi-cell lagoons without mechanical aerations and to water and/or wastewater customers in communities containing manufactured homes and permanent or semi-permanent recreational vehicles. Tier Two rates apply to residential and commercial customers in communities where Magnolia supplies water from Company-owned wells or treats wastewater at Company-owned facilities. Tier Three rates apply to residential and commercial water and wastewater customers in communities where Magnolia sources water and water used for sewerage activities from a third-party provider pursuant to a codified or contracted rate.

Tier One customers are less costly to service than Magnolia's Tier Two customers, thus, Magnolia was authorized to charge Tier One water customers \$15.84 for the first 2,000 gallons and \$2.50

for each additional 1,000 gallons. Unmetered water customers were charged a flat rate of \$23.68 per month. Tier One wastewater customers were charged a flat rate of \$27.83 per month. Tier Two customers are more costly to service and make up 85% of Magnolia's customer base. Tier Two water customers were charged \$31.69 for the first 2,000 gallons and \$4.00 for each additional 1,000 gallons. Unmetered water customers were charged a flat rate of \$47.38 per month. Tier Two wastewater customers were charged a flat rate of \$55.66 per month. Tier Three water customers were charged the exact rate charged to Magnolia from the relevant third-party supplier, plus a monthly base charge of \$8.50 to cover Magnolia's fixed costs to transport the water and maintain the lines. Tier Three wastewater customers were charged a flat rate of \$55.66 per month. These were the rates established in Magnolia's initial rate review and all systems previously acquired were brought up, and in some cases down, to these LPSC approved rates.

Pertaining to Greenleaves-specific rate increases, Staff determined that the initial rate increase on December 1, 2021 increased the average customers' water bill (using a consumption of 5,000 gallons) by 68% and increased the average wastewater bill by 83%, for a total bill increase of 76%. While Staff acknowledges that this is a steep increase, it would note that Greenleaves customers were acquired by Magnolia with some of the lowest rates in Louisiana and maintained those rates for nearly two (2) years before being required to update to Magnolia's company-wide rates. One of Ms. Case-Brown's complaints regarding rates was that Magnolia is granted rate increases every year causing her water/wastewater bills to constantly increase. Staff disagrees with this assertion. In fact, Magnolia's 2022 FRP (Docket U-36790)¹⁶ resulted in a 21% **decrease** in water rates, with a 14% increase in wastewater rates, with a net increase in the total average bill of less than 1%. While Magnolia continued to make necessary and required improvements to its systems, it nearly doubled its customer base from 2020 to 2022 creating economies of scale, thus mitigating a large rate impact. This is exactly how the FRP process is designed to work. Without the FRP process, Magnolia would have continued to charge customers at a higher rate without an LPSC review of their books. In turn, Magnolia's 2023 FRP (Docket U-37191)¹⁷ resulted in a 59% increase in water rates and a 9% increase in wastewater rates, for a total average bill increase of 20%. This was a result of Magnolia continuing to make necessary and required improvements, while only increasing its customer base by 5%. As Magnolia continues to expand its customer base, customer rates will begin to level out and possibly begin to decrease. It should be noted that several of Magnolia's most recent requests for acquisitions have been for newly built systems, requiring no upgrades or improvements. Adding these newer systems to Magnolia's rate base will help further spread costs and mitigate large rate increases. Therefore, it is important that Magnolia be allowed to continue its endeavors of purchasing and rehabilitating Louisiana's failing water and wastewater systems.

As far as Ms. Case-Brown's complaints, Staff believes that with Magnolia moving the Greenleaves disinfection system from the chloramine system to a free chlorine/phosphate system, the brown water issue is resolved. This should also eliminate the need for constant flushing of the lines. Staff also believes that Ms. Case-Brown's excessive bills are relative to her excessive water

¹⁶ See Docket No. U-36790, Re: Magnolia Water Utility Operating Company, LLC ex parte, *In re: 2022 Formula Rate Plan Annual Report, request for adjustment of water and sewage rates, including modification of commercial wastewater rate design, adjustment of the system acquisition regulatory asset, and implementation of service charges*.

¹⁷ See Docket No. U-37191, Re: Magnolia Water Utility Operating Company, LLC ex parte, *In re: Formula Rate Plan 2023 Test Year Annual Report filing*.

consumption. Staff recommends that she have a plumber check for possible leaks in her water lines. Regarding Magnolia's "lack of transparency with system updates and repairs," Magnolia has a "Community Impact" tab on its website that includes system updates, including informational videos explaining different processes. Magnolia also has a "Regulatory Information" tab that includes water and sewer rates, tariffs, compliance reports, consumer confidence reports, (including the Greenleaves system), and public notices. Magnolia has the one of most transparent websites of any water/wastewater utility in Louisiana. Staff believes that any concerns that Ms. Case-Brown previously had have properly been resolved.

STAFF RECOMMENDATIONS

After Staff's review of Magnolia's 2024 FRP Filing, supporting documentation, and responses to formal and informal data requests, Staff made several adjustments to Magnolia's 2024 operating revenues and expenses. Based on its analysis, Staff recommends the following:

1. Magnolia be allowed to adjust its water rates to generate an increase in water revenue of \$1,097,110 to provide for the deficient earnings of water ROE for the test year ended December 31, 2024.
2. Magnolia be allowed to adjust its sewer rates to generate an increase in sewer revenue of \$2,187,808 to provide for the deficient earnings of sewer ROE for the test year ended December 31, 2024.
3. Magnolia be allowed a total revenue increase of \$3,284,918 to provide for the total deficient earnings of ROE for the test year ended December 31, 2024.
4. Magnolia be allowed to implement a change in rates effective September 1st per the terms of the FRP and subject to refund in the event that the Commission denies or alters Staff's recommendation.
5. Within fifteen (15) days of the issuance of an order in this proceeding, Magnolia shall submit an updated and revised Tariff consistent with the order to the Commission's Utilities Division and Legal Division for their review and approval.

Magnolia Water Utility Operating Company, LLC
Docket No. U-37570
LPSC Staff Pro Forma Adjusted Balance Sheet-Water & Sewer Combined
As of December 31, 2024

	12/31/2024 Test Year As Filed	LPSC Staff Recommended Adjustments	12/31/2024 Test Year Pro forma Adjusted
Assets			
Current Assets			
Cash			
131.100 - Cash Operation	\$ -		\$ -
131.600 - Cash Operation PNC	\$ 1,220,113		\$ 1,220,113
	\$ 1,220,113	\$ -	\$ 1,220,113
Accounts Receivable			
125.000 - AR Trade	\$ 11,653,839		\$ 11,653,839
125.100 - AR Trade	\$ 29,578		\$ 29,578
144.000 - Accum Prov for Uncoil Accts	\$ (2,441,897)		\$ (2,441,897)
Total Accounts Receivable	\$ 9,241,520	\$ -	\$ 9,241,520
Other Current Assets			
124.000 - Investment in Financial Co-op	\$ 1,000		\$ 1,000
134.000 - Other Special Deposits	\$ -		\$ -
145.000 - N/R from Associated Companies	\$ 220,107		\$ 220,107
151000 - Plant Materials and Supplies	\$ 51,172		\$ 51,172
166.000 - Prepayments	\$ 774,509		\$ 774,509
173.100 - Accrued Water Revenue	\$ 1,126,011		\$ 1,126,011
173.200 - Accrued Sewer Revenue	\$ 3,475,298		\$ 3,475,298
184.200 - Customer Cash Clearing Acct	\$ 1,428,839		\$ 1,428,839
Total Other Current Assets	\$ 7,076,936	\$ -	\$ 7,076,936
Total Current Assets	\$ 17,538,569	\$ -	\$ 17,538,569
Non-Current Assets			
Other Non-Current Assets			
181.000 - Unamortized Debt	\$ 565,938		\$ 565,938
186.001 - Deferred Rate Case Expense	\$ 138,884		\$ 138,884
186.010 - Other Deferred Assets	\$ 2,919,203		\$ 2,919,203
186.100 - System Acquisition Regulatory Asset	\$ 12,141,735		\$ 12,141,735
108.300 - Accum Amort of System Acquisition Regulatory Asset	\$ (467,908)		\$ (467,908)
Total Other Non-Current Assets	\$ 15,297,851	\$ -	\$ 15,297,851
Preliminary Survey & Investigation			
142.100 - Preliminary Survey and Investigation Charges	\$ (177,848)		\$ (177,848)
183.001 - PSI Engineering	\$ 378,292		\$ 378,292
183.002 - PSI - Legal	\$ 618,263		\$ 618,263
Total Preliminary Survey & Investigation	\$ 818,706	\$ -	\$ 818,706
Total Non-Current Assets	\$ 16,116,558	\$ -	\$ 16,116,558
Property, Plant & Equipment, Net			
100.301 - CIP	\$ 75,597,630	\$ -	\$ 75,597,630
100.500 - Utility Plant Purchased/Sold	\$ 1,286,311	\$ -	\$ 1,286,311
108.000 - Accum Deprec Plant in Service	\$ (64,914,387)	\$ -	\$ (64,914,387)
121.000 - Utility Plant In Service - Other	\$ -	\$ -	\$ -
122.000 - Accum Deprec - Other Property	\$ -	\$ -	\$ -
307.000 - Water - Wells and Springs	\$ 1,266,300	\$ -	\$ 1,266,300
311.000 - Land and Land Rights	\$ 14,492,087	\$ -	\$ 14,492,087
312.000 - S&I Source of Supply	\$ 5,046,844	\$ -	\$ 5,046,844
316.000 - Electric Pumping Equipment	\$ 712,959	\$ -	\$ 712,959
320.000 - Purification System	\$ 6,469,393	\$ -	\$ 6,469,393
322.000 - Distribution Mains and Access	\$ -	\$ -	\$ -
325.000 - Hydrants	\$ 477,728	\$ -	\$ 477,728
336.000 - Miscellaneous Equipment	\$ 2,601,030	\$ -	\$ 2,601,030
342.000 - Distr. Reservoirs & Standpipes	\$ 96,943	\$ -	\$ 96,943
343.000 - Transmission & Distribution Mains	\$ 18,514,769	\$ -	\$ 18,514,769
345.000 - Services	\$ 496,624	\$ -	\$ 496,624
346.000 - Meters	\$ 1,543,521	\$ -	\$ 1,543,521
353.000 - Land and Land Rights	\$ 51,505,639	\$ -	\$ 51,505,639
354.000 - Structures and Improvements	\$ 80,381,781	\$ -	\$ 80,381,781
360.200 - Collection Sewers - Force (Collection Plant)	\$ 31,451,014	\$ -	\$ 31,451,014
361.000 - Collection Sewers - Gravity	\$ 2,777,652	\$ -	\$ 2,777,652
363.200 - Sewer - Services to Customers	\$ 412,262	\$ -	\$ 412,262
364.000 - Flow Measuring Devices	\$ 791,505	\$ -	\$ 791,505
371.300 - Sewer - Pumping Equipment	\$ 13,319,833	\$ -	\$ 13,319,833
372.000 - Treatment & Disposal Equipment	\$ 33,522,971	\$ -	\$ 33,522,971
374.000 - Outfall Sewer Lines	\$ 273,551	\$ -	\$ 273,551
380.000 - Treatment Equipment	\$ 76,639	\$ -	\$ 76,639
394.000 - Tools, Shop, & Garage Equipment	\$ 50,745	\$ -	\$ 50,745
396.000 - Power Operated Equipment	\$ 1,612,062	\$ -	\$ 1,612,062
397.000 - Sewer - Miscellaneous Equip	\$ 7,020,114	\$ -	\$ 7,020,114
Total Property, Plant & Equipment, Net	\$ 286,883,519	\$ -	\$ 286,883,519
Total Assets	\$ 320,538,646	\$ -	\$ 320,538,646

	12/31/2024 Test Year As Filed	LPSC Staff Recommended Adjustments	12/31/2024 Test Year Pro forma Adjusted
Liabilities & Equity			
Current Liabilities			
Accounts Payable			
232.000 - AP Trade	\$ 18,016,338		\$ 18,016,338
Total Accounts Payable	\$ 18,016,338	\$ -	\$ 18,016,338
Other Current Liabilities			
230.000 - Other Current&. Accrued Liab	\$ 96,774		\$ 96,774
241.000 - Tax Collections Payable	\$ -		\$ -
242.000 - Misc Current & Accrued Liab	\$ 3,253,199		\$ 3,253,199
253.100 - Pre-Billed Revenue	\$ -		\$ -
Total Other Current Liabilities	\$ 3,349,973	\$ -	\$ 3,349,973
Total Current Liabilities	\$ 21,366,311	\$ -	\$ 21,366,311
Long-Term Liabilities			
Contributions in Aid of Construction			
271.000 - CIAC	\$ 39,963,825	\$ -	\$ 39,963,825
272.000 - CIAC Accum Amort	\$ (30,470,938)	\$ -	\$ (30,470,938)
Total Contributions in Aid of Construction	\$ 9,492,887	\$ -	\$ 9,492,887
Long-Term Debt			
224.000 LT Debt	\$ 77,741,634	\$ -	\$ 77,741,634
Total Long-Term Debt	\$ 77,741,634	\$ -	\$ 77,741,634
Payable to Associated Companies			
233.000 - Notes Payable Associated Companies	\$ 37,502,038	\$ -	\$ 37,502,038
Total Payable to Associated Companies	\$ 37,502,038	\$ -	\$ 37,502,038
Total Long-Term Liabilities	\$ 124,736,559	\$ -	\$ 124,736,559
Equity			
Paid-in Capital			
201.000 - Common Stock Issued	\$ 188,647,534	\$ -	\$ 188,647,534
Total Paid-in Capital	\$ 188,647,534	\$ -	\$ 188,647,534
Retained Earnings			
216.000 - Unappropriated Retained Earnings	\$ (4,896,074)	\$ -	\$ (4,896,074)
Profit Current Year	\$ (9,315,684)	\$ -	\$ (9,315,684)
Total Retained Earnings	\$ (14,211,758)	\$ -	\$ (14,211,758)
Total Equity	\$ 174,435,776	\$ -	\$ 174,435,776
Total Liabilities & Equity	\$ 320,538,646	\$ -	\$ 320,538,646

Magnolia Water Utility Operating Company, LLC
Docket No. U-37570
LPSC Staff Adjusted Income Statement-Water & Sewer Combined
For the Year Ending December 31, 2024

		Per Books	Pro Forma Adjustments	Pro Forma Present	Recommended Increase	Pro Forma Recommended
Operating Revenues						
Late Fees Water	470.000	\$ 219,730	\$ -	\$ 219,730	\$ -	\$ 219,730
Revenue Sewer	521.000	\$ 36,001,187	\$ 6,653,647	\$ 42,654,834	\$ 2,187,808	\$ 44,842,642
Late Fees Sewer	532.000	\$ 2,510,934	\$ -	\$ 2,510,934	\$ -	\$ 2,510,934
Miscellaneous Service Revenues	536.000	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Water	602.001	\$ 9,904,039	\$ 3,840,603	\$ 13,744,642	\$ 1,097,110	\$ 14,841,752
Total Water & Sewer Operating Revenue		\$ 48,635,891	\$ 10,494,249	\$ 59,130,140	\$ 3,284,918	\$ 62,415,058
Operating Expenses						
<u>G&A - General & Admin:</u>						
Taxes (Other)	408.100	\$ 134,001	\$ -	\$ 134,001	\$ 7,081	\$ 141,082
Taxes Property	408.160	\$ 572,005	\$ -	\$ 572,005	\$ -	\$ 572,005
Miscellaneous Income Deductions	426.000	\$ 93,000	\$ (93,000)	\$ -	\$ -	\$ -
Customers' Actgng & Collect Exps - Uncollectible Accounts	784.000	\$ 1,857,230	\$ -	\$ 1,857,230	\$ 32,849	\$ 1,890,080
Cust Record Collect (Billing)	903.100	\$ 2,343,609	\$ -	\$ 2,343,609	\$ -	\$ 2,343,609
Cust Record Collect (Bank Fees)	903.280	\$ 776,827	\$ -	\$ 776,827	\$ -	\$ 776,827
Office Supp Ex (Communication)	921.500	\$ 7,931	\$ -	\$ 7,931	\$ -	\$ 7,931
Office Supplies Expense	921.800	\$ 48,070	\$ -	\$ 48,070	\$ -	\$ 48,070
Administrative Expenses Transferred	922.000	\$ 9,317,135	\$ (3,850,000)	\$ 5,467,135	\$ -	\$ 5,467,135
SARA Expenses Transferred	922.100	\$ (162,463)	\$ -	\$ (162,463)	\$ -	\$ (162,463)
Other Regulatory Expenses Transferred	922.300	\$ (1,645,667)	\$ -	\$ (1,645,667)	\$ -	\$ (1,645,667)
Outside Services (Bank Fees)	923.100	\$ 322,938	\$ -	\$ 322,938	\$ -	\$ 322,938
OutsideService (Legal Fees)	923.400	\$ 147,059	\$ -	\$ 147,059	\$ -	\$ 147,059
OutsideService (Audit/Accounting)	923.500	\$ 66,103	\$ -	\$ 66,103	\$ -	\$ 66,103
OutsideService (Manage Consult)	923.600	\$ 64,301	\$ -	\$ 64,301	\$ -	\$ 64,301
Outside Services (IT)	923.900	\$ 409,450	\$ -	\$ 409,450	\$ -	\$ 409,450
Property Insurance Commercial	924.400	\$ 1,307,897	\$ -	\$ 1,307,897	\$ -	\$ 1,307,897
Regulatory Expense DNR	928.100	\$ 247,984	\$ -	\$ 247,984	\$ -	\$ 247,984
Misc General Expense	930.200	\$ (49,144)	\$ -	\$ (49,144)	\$ -	\$ (49,144)
Customer Courtesy Credit Expense	930.300	\$ -	\$ -	\$ -	\$ -	\$ -
Total G&A - General & Admin		\$ 15,858,267	\$ (3,943,000)	\$ 11,915,267	\$ 39,930	\$ 11,955,197
<u>Ops & Maint - Operations & Maintenance:</u>						
Water - Source of Supply - Operating Labor	630.000	\$ 3,000,337	\$ -	\$ 3,000,337	\$ -	\$ 3,000,337
Water - Source of Supply - Maintenance Supervision & Engineering	630.205	\$ (67)	\$ -	\$ (67)	\$ -	\$ (67)
Water - Maintenance of Source of Supply Plant	630.200	\$ 24,782	\$ -	\$ 24,782	\$ -	\$ 24,782
Fuel and Power Purchased for Pumping	615.000	\$ 263,328	\$ (276)	\$ 263,051	\$ -	\$ 263,051
Water - Purification - Labor	630.302	\$ 55,440	\$ -	\$ 55,440	\$ -	\$ 55,440
Water - Purification - Supplies and Expenses	630.301	\$ 496	\$ -	\$ 496	\$ -	\$ 496
Water - Purification - Chemicals	618.300	\$ 67,463	\$ -	\$ 67,463	\$ -	\$ 67,463
Miscellaneous Expense	675.000	\$ 871,589	\$ (844,306)	\$ 27,283	\$ -	\$ 27,283
Water - Purification - Maintenance of Structure & Improvements	630.401	\$ (242)	\$ -	\$ (242)	\$ -	\$ (242)
Water - T&D - Operation Supervision & Engineering	630.205	\$ -	\$ -	\$ -	\$ -	\$ -
Water - T&D - Maps and Records	630.604	\$ 2,243	\$ -	\$ 2,243	\$ -	\$ 2,243
Water - T&D Operation of Meters	630.500	\$ 334,189	\$ -	\$ 334,189	\$ -	\$ 334,189
Water - T&D - Maintenance Supervision & Engineering	630.404	\$ (200)	\$ -	\$ (200)	\$ -	\$ (200)
Water - T&D - Maintenance of Structures & Improvements	630.601	\$ (200)	\$ -	\$ (200)	\$ -	\$ (200)
Water - T&D - Maintenance of Mains	630.607	\$ (326,010)	\$ -	\$ (326,010)	\$ -	\$ (326,010)
Water - T&D - Maintenance of Other Distribution Plant	630.608	\$ 78	\$ -	\$ 78	\$ -	\$ 78
Sewer - O&M - Purchased Sewage Treatment	710.000	\$ 147,527	\$ -	\$ 147,527	\$ -	\$ 147,527
Sewer - O&M - Sludge Removal Expense	711.000	\$ 258	\$ -	\$ 258	\$ -	\$ 258
Sewer - Purchased Power - Collection	715.100	\$ 26,167	\$ -	\$ 26,167	\$ -	\$ 26,167
Sewer - Purchased Power - Pumping	715.300	\$ 1,135,126	\$ (6)	\$ 1,135,119	\$ -	\$ 1,135,119
Sewer - Purchased Power - Treatment	715.500	\$ 1,908,311	\$ -	\$ 1,908,311	\$ -	\$ 1,908,311
Sewer - Fuel for Power Production	716.000	\$ 12,872	\$ -	\$ 12,872	\$ -	\$ 12,872
Sewer - Chemicals - Treatment Operations	718.500	\$ 1,236,022	\$ -	\$ 1,236,022	\$ -	\$ 1,236,022
Sewer - Materials & Supplies - Collection Operations	720.100	\$ 242,880	\$ -	\$ 242,880	\$ -	\$ 242,880
Sewer - Materials & Supplies - Collection Maintenance	720.200	\$ 173,649	\$ -	\$ 173,649	\$ -	\$ 173,649
Sewer - Materials & Supplies - Pumping Maintenance	720.400	\$ 6,818	\$ -	\$ 6,818	\$ -	\$ 6,818
Sewer - Materials & Supplies - Treatment Operations	720.500	\$ 220,501	\$ -	\$ 220,501	\$ -	\$ 220,501
Sewer - Materials & Supplies - Treatment Maintenance	720.600	\$ 8,041	\$ -	\$ 8,041	\$ -	\$ 8,041
Sewer - O&M - Contractual Services - Water Testing	735.000	\$ 729,997	\$ -	\$ 729,997	\$ -	\$ 729,997
Sewer - O&M - Contractual Services - Other Collection Ops	736.100	\$ 13,386,455	\$ -	\$ 13,386,455	\$ -	\$ 13,386,455
Sewer - O&M - Contractual Services - Other Collection Maint	736.200	\$ 562,464	\$ -	\$ 562,464	\$ -	\$ 562,464
Sewer - O&M - Contractual Services - Other Pumping Ops	736.300	\$ (135)	\$ -	\$ (135)	\$ -	\$ (135)
Sewer - O&M - Contractual Services - Other Pumping Maint	736.400	\$ 42,884	\$ -	\$ 42,884	\$ -	\$ 42,884
Sewer Treatment Chemicals	741.000	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer - Transportation Expense	750.000	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer - Miscellaneous Expenses - Collection Ops	775.100	\$ 53,143	\$ -	\$ 53,143	\$ -	\$ 53,143
Sewer - Miscellaneous Expenses - Collection Maint	775.200	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer - Miscellaneous Expenses - Treatment Ops	775.500	\$ 24,358	\$ -	\$ 24,358	\$ -	\$ 24,358
Sewer - Miscellaneous Expenses - Treatment Maint	775.600	\$ 24,831	\$ -	\$ 24,831	\$ -	\$ 24,831
Total Ops & Maint - Operations & Maintenance		\$ 24,235,396	\$ (844,588)	\$ 23,390,807	\$ -	\$ 23,390,807

		Per Books	Pro Forma Adjustments	Pro Forma Present	Recommended Increase	Pro Forma Recommended
<u>Depr & Amort - Depreciation & Amortization:</u>						
Depreciation Expense	403.000	\$ 6,741,382	\$ 1,253,759	\$ 7,995,141	\$ -	\$ 7,995,141
Depreciation Expense CIAC	403.100	\$ (1,310,916)	\$ (28,180)	\$ (1,339,096)	\$ -	\$ (1,339,096)
Amort of Rate Case Expense	404.000	\$ 67,188	\$ -	\$ 67,188	\$ -	\$ 67,188
Amort of SARA Expense	404.100	\$ 467,908	\$ 389,705	\$ 857,613	\$ -	\$ 857,613
Amort of other Reg Asset	404.200	\$ -	\$ 246,850	\$ 246,850	\$ -	\$ 246,850
<i>Total Depr & Amort - Depreciation & Amortization</i>		<i>\$ 5,965,562</i>	<i>\$ 1,862,134</i>	<i>\$ 7,827,696</i>	<i>\$ -</i>	<i>\$ 7,827,696</i>
Total Operating Expenses		\$ 46,059,226	\$ (2,925,454)	\$ 43,133,771	\$ 39,930	\$ 43,173,701
Net Operating Income Before Taxes		\$ 2,576,665	\$ 13,419,704	\$ 15,996,369	\$ 3,244,988	\$ 19,241,357
<u>Income Taxes</u>						
Income Tax	408.200	\$ 261,970	\$ 2,762,033	\$ 3,024,003	\$ 886,531	\$ 3,910,534
<i>Total Income Tax Expense</i>		<i>\$ 261,970</i>	<i>\$ 2,762,033</i>	<i>\$ 3,024,003</i>	<i>\$ 886,531</i>	<i>\$ 3,910,534</i>
Net Operating Income After Taxes		\$ 2,314,695	\$ 10,657,671	\$ 12,972,366	\$ 2,358,457	\$ 15,330,823
<u>Non-Operating Income/(Expenses):</u>						
Non-utility Income	421.000	\$ 236,231	\$ -	\$ 236,231	\$ -	\$ 236,231
Interest Expense- Long Term	427.000	\$ (4,486,422)	\$ (441,121)	\$ (4,927,543)	\$ -	\$ (4,927,543)
Gain/Loss of Utility Property	414.000	\$ (7,904,127)	\$ 6,825,301	\$ (1,078,826)	\$ -	\$ (1,078,826)
<i>Total Non-Operating Income/(Expenses)</i>		<i>\$ (12,154,319)</i>	<i>\$ 6,384,180</i>	<i>\$ (5,770,139)</i>	<i>\$ -</i>	<i>\$ (5,770,139)</i>
Net Income		\$ (9,839,624)	\$ 17,041,851	\$ 7,202,227	\$ 2,358,457	\$ 9,560,685

Magnolia Water Utility Operating Company, LLC
Docket No. U-37570
Known and Measurable Adjustments-Water
As of December 31, 2024

Line Number (A)	NARUC Account (B)	Account Type (C)	Account Description (D)	Pro Forma Adjustments (E)	Narrative Discussion of Pro Forma Adjustments (F)
1	426.000	General & Administrative	Miscellaneous Income Deductions	(\$26,849)	Removal of RIDER FRP Attachment 1 items 5-7
2	403.000	Depreciation & Amortization	Depreciation Expense	\$128,802	Annualizing year end 2024 Depreciation Expense
3	427.000	Non-Operating Income Expense	Interest Expense- Long Term	(\$125,322)	Annualized Interest
4	408.200	Income Taxes	Income Tax	\$74,413	To remove income tax accrual
5	602.001	Revenues	Water - Flat Rate Sales to Gen Customers	\$3,840,603	Annualized Base Year Revenue at Present Rates
6	404.100	Depreciation & Amortization	Amort of SARA Expense	\$222,459	Amortization of SARA Expense
7	675.000	Miscellaneous Expense	Miscellaneous Expense	(\$844,306)	Removal of purchased water charges - offset by pass through correction
8	403.100	Depreciation & Amortization	Depreciation Expense CIAC	(\$8,005)	Annualized CIAC Amortization
9	615.000	Operations & Maintenance	Fuel and Power Purchased for Pumping	(\$276)	Removal of RIDER FRP Attachment 1 items 5-7
10	414.000	Gain/Loss of Utility Property	Gain/Loss of Utility Property	\$1,793,466	Adjustment for Gain/Loss
11	404.200	Depreciation & Amortization	Amort of Other Reg Asset	\$73,021	Amortization of Other Reg Asset
12	408.200	Income Taxes	Income Tax	(\$759,645)	Adjusted for pro forma changes to test year

Magnolia Water Utility Operating Company, LLC
Docket No. U-37570
Known and Measurable Adjustments-Sewer
As of December 31, 2024

Line Number (A)	NARUC Account (B)	Account Type (C)	Account Description (D)	Pro Forma Adjustments (E)	Narrative Discussion of Pro Forma Adjustments (F)
1	426.000	General & Administrative	Miscellaneous Income Deductions	(\$66,151)	Removal of RIDER FRP Attachment 1 items 5-7
2	403.000	Depreciation & Amortization	Depreciation Expense	\$1,124,957	Annualizing year end 2024 Depreciation Expense
3	427.000	Non-Operating Income Expense	Interest Expense- Long Term	(\$315,798)	Annualized Interest
4	922.000	General & Administrative	Administrative Expenses Transferred	(\$3,850,000)	Removal of RIDER FRP Attachment 1 item 9
5	408.200	Income Taxes	Income Tax	\$187,557	Reclassification of Income Tax Expense
6	521.000	Revenue	Revenue Sewer	\$6,653,647	Annualized Base Year Revenue at Present Rates
7	404.100	Depreciation & Amortization	Amort of SARA Expense	\$635,154	Amortization of SARA Expense
8	403.100	Depreciation & Amortization	Depreciation Expense CIAC	(\$20,176)	Annualized CIAC Amortization
9	715.300	Operations & Maintenance	Purchased Power - Pumping	(\$6)	Removal of RIDER FRP Attachment 1 items 5-7
10	414.000	Gain/Loss of Utility Property	Gain/Loss of Utility Property	\$5,031,835	Adjustment for Gain/Loss
11	404.200	Depreciation & Amortization	Amort of Other Reg Asset	\$173,829.33	Amort of Other Reg Asset
12	408.200	Income Taxes	Income Tax	(\$2,264,358)	Adjusted for pro forma changes to test year

Magnolia Water Utility Operating Company, LLC
Docket No. U-37570
LPSC Staff Recommended Return on Rate Base Calculations
For the Period Ended December 31, 2024

	Per Books	Pro Forma Adjustments	Pro Forma Present	Recommended Increase	Effect of Recomm. Increase
Utility Plant in Service	\$ 274,913,965	\$ -	\$ 274,913,965	\$ -	\$ 274,913,965
Net Plant	\$ 274,913,965	\$ -	\$ 274,913,965	\$ -	\$ 274,913,965
Less:					
Accumulated Depreciation	\$ 46,232,592	\$ -	\$ 46,232,592	\$ -	\$ 46,232,592
Contributions in Aid of Construction	\$ 9,492,887	\$ -	\$ 9,492,887	\$ -	\$ 9,492,887
Accumulated Deferred Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 55,725,479	\$ -	\$ 55,725,479	\$ -	\$ 55,725,479
Plus:					
Working Capital	\$ 2,883,798	\$ -	\$ 2,883,798	\$ -	\$ 2,883,798
Prepayments	\$ 774,509	\$ -	\$ 774,509	\$ -	\$ 774,509
Regulatory Assets (SARA), net	\$ 8,459,155	\$ -	\$ 8,459,155	\$ -	\$ 8,459,155
Regulatory Asset Deferral, net	\$ 1,645,667	\$ -	\$ 1,645,667	\$ -	\$ 1,645,667
Deferred Rate Case Expense	\$ 96,057	\$ -	\$ 96,057	\$ -	\$ 96,057
	\$ 13,859,185	\$ -	\$ 13,859,185	\$ -	\$ 13,859,185
Rate Base	\$ 233,047,671	\$ -	\$ 233,047,671	\$ -	\$ 233,047,671
Net Operating Income	\$ 2,576,665	\$ 10,657,671	\$ 13,234,336	\$ 2,358,457	\$ 15,592,793
Return on Rate Base	1.11%		5.68%		6.69%

Magnolia Water Utility Operating Company, LLC
Docket No. U-37570
FRP Revenue Determination Formula
For the Year Ending December 31, 2024

SECTION 1 BANDWIDTH CHECK

Line	Description	Reference	Water	Sewer	Consolidated
1	Pro Forma Present Net Income	Schedule X	\$1,739,783	\$5,462,444	\$7,202,227
2	Pro Forma Present Rate Base	Schedule X	\$63,042,066	\$170,005,605	\$233,047,671
3	Equity % of Capital Structure	Input Schedule	50.00%	50.00%	50.00%
4	Earned Rate of Return on Equity	L1 / (L2 * L3)	5.52%	6.43%	6.18%
5	Evaluation Period Cost Rate for Common Equity		9.50%	9.50%	9.50%
6	If Line 5 + 0.50% < Line 4	Go To Section 2	Go To Section 2	Go To Section 2	Go To Section 2
7	If Line 5 + 0.50% > Line 4	Go To Section 3	Go To Section 3	Go To Section 3	Go To Section 3
8	Otherwise	No Rate Change	No Rate Change	No Rate Change	No Rate Change

SECTION 2 UPPER BAND TEST AND RESET TO UPPER BAND

Line	Description	Reference	Water	Sewer	Consolidated ¹
9	Earned Rate of Return on Equity	L4			
10	Upper Band	Input Schedule			
11	Upper Band Reset Target	Input Schedule			
12	If Line 9 > Line 10, Reduction to Upper Band	L9 - L11			
13	Extraordinary Costs	See Note X		\$0	
14	Common Equity Capital Ratio	Input Schedule			
15	Pro Forma Present Rate Base	Schedule X			
16	Revenue Conversion Factor	Input Schedule			
17	Net Cost Impact on Common Equity	L13 / (L14 * L15 * L16)			
18	Reduction due to Extraordinary Costs	Lesser of L12 or L17	0.00%	0.00%	0.00%
19	Reduction in Earned Rate of	if L12 > L18, then			
20	Return on Common Equity	(L12 - L18); otherwise zero	0.00%	0.00%	0.00%
21	Total ROE Reduction	L18 + L20	0.00%	0.00%	0.00%
22	If Line 21 ≤ 0.50%		No Rate Change	No Rate Change	No Rate Change
23	If L21 > 0.50%, then				
24	Reduction in Base Rider FRP Revenue	L14 * L15 * L16 * L21	\$0.00	\$0.00	

SECTION 3 LOWER BAND TEST AND RESET TO LOWER BAND

Line	Description	Reference	Water	Sewer	Consolidated ²
25	Lower Band	Input Schedule	9.00%	9.00%	9.00%
26	Earned Rate of Return on Common Equity	L4	5.52%	6.43%	6.18%
27	Reset target	Input Schedule	9.00%	9.00%	9.00%
28	If Line 26 < Line 25, Increase to Lower Band	L27 - L26	3.48%	2.57%	2.82%
29	Increase in Earned Rate of Return on				
30	Common Equity	L28	3.48%	2.57%	2.82%
31	If Line 30 ≤ 0.50%		No Rate Change	No Rate Change	No Rate Change
32	If Line 30 > 0.50%, then				
33	Increase in Earned Rate of Return on Equity	L30	3.48%	2.57%	2.82%
34					
35	Common Equity Capital Ratio	Input Schedule	50.00%	50.00%	60.00%
36	Pro Forma Present Rate Base	Schedule X	\$63,042,066	\$170,005,605	\$233,047,671
37	Revenue Conversion Factor	Input Schedule			
38	Increase In Base Rider FRP Revenue	L33 * L35 * L36 * L37	\$1,097,110	\$2,187,808	\$3,284,918

NET INCREASE/(DECREASE) IN BASE RIDER FRP REVENUE³¹ To be used if decrease is for both water and sewer.² To be used if increase is for both water and sewer.³ To be used if there is a decrease in one service and an increase in the other.

Magnolia Water Utility Operating Company, LLC

Docket No. U-37570

Revenue by Customer Class - Water

For the Period Ending December 31, 2024

Assumed Usage (Gal)
5000

Service Area & Customer Type (B)	Base Year Customer Count (C)	Residential Customer Equivalent (D)	Customer Equivalents (E)	Present Rates (Base Charge) (F)	Base Year At Present Rates Revenue (G)	Recommended Revenue Increase (H)	Base Year Recommended Revenue (I)	Base Year Recommended Flat Monthly Charge (J)	Usage Charge Per 1,000 Gal. (K)	Gal. Inc. In Base Charge (L)	Avg. Usage Charge at 5,000 Gal. per Equiv. (M)	Usage Revenue at 5,000 Gal. per Equiv. (N)	Base Year Recommended Avg. Monthly Bill (O)	Percentage Increase (P)	Avg. Bill Increase (Q)	
Tier I																
Meter Size																
(C) x (D)																
(C) x (F)																
(G) + (H)																
(I) / (C) / 12																
(M) x (C) *12																
(J) + (M)																
5/8"	379	1.00	379	\$19.87	\$90,369	\$9,357	\$99,725	\$21.93	\$2.50	2,000	\$7.50	\$34,110	\$29.43	8%	\$2.06	
3/4"	496	1.00	496	\$19.87	\$118,266	\$12,245	\$130,511	\$21.93	\$2.50	2,000	\$7.50	\$44,640	\$29.43	8%	\$2.06	
1"	3	1.25	4	\$24.83	\$894	\$93	\$986	\$27.40	\$2.50	2,000	\$9.38	\$338	\$36.78	8%	\$2.57	
1.5"	0	5.00	0	\$99.35	\$0	\$0	\$0	\$109.64	\$2.50	2,000	\$37.50	\$0	\$147.14	8%	\$10.29	
2"	3	8.00	24	\$158.96	\$5,723	\$593	\$6,315	\$175.42	\$2.50	2,000	\$60.00	\$2,160	\$235.42	8%	\$16.46	
3"	0	15.00	0	\$298.05	\$0	\$0	\$0	\$328.91	\$2.50	2,000	\$112.50	\$0	\$441.41	8%	\$30.86	
4"	0	25.00	0	\$496.75	\$0	\$0	\$0	\$548.18	\$2.50	2,000	\$187.50	\$0	\$735.68	8%	\$51.43	
6"	0	25.00	0	\$496.75	\$0	\$0	\$0	\$548.18	\$2.50	2,000	\$187.50	\$0	\$735.68	8%	\$51.43	
10"	0	25.00	0	\$496.75	\$0	\$0	\$0	\$548.18	\$2.50	2,000	\$187.50	\$0	\$735.68	8%	\$51.43	
No Meter - Line Size (Flat Rate)	509	1.00	509	\$29.71	\$181,469	\$18,789	\$200,258	\$32.79	-	-	-	-	\$32.79	10%	\$3.08	
Flat Rate																
Tier II																
Meter Size																
5/8"	9,970	1.00	9,970	\$39.76	\$4,756,886	\$492,520	\$5,249,406	\$43.88	\$4.00	2,000	\$12.00	\$1,435,680	\$55.88	8%	\$4.12	
3/4"	6,561	1.00	6,561	\$39.76	\$3,130,384	\$324,115	\$3,454,499	\$43.88	\$4.00	2,000	\$12.00	\$944,784	\$55.88	8%	\$4.12	
1"	596	1.25	745	\$49.70	\$355,454	\$36,803	\$392,258	\$54.85	\$4.00	2,000	\$15.00	\$107,280	\$69.85	8%	\$5.15	
1.5"	30	5.00	150	\$198.75	\$71,550	\$7,408	\$78,958	\$219.33	\$4.00	2,000	\$60.00	\$21,600	\$279.33	8%	\$20.58	
2"	129	8.00	1,032	\$318.02	\$492,295	\$50,971	\$543,266	\$350.95	\$4.00	2,000	\$96.00	\$148,608	\$446.95	8%	\$32.93	
3"	8	15.00	120	\$596.26	\$57,241	\$5,927	\$63,168	\$638.00	\$4.00	2,000	\$180.00	\$17,280	\$838.00	8%	\$61.74	
4"	16	25.00	400	\$993.78	\$190,806	\$19,756	\$210,561	\$1,096.67	\$4.00	2,000	\$300.00	\$57,600	\$1,396.67	8%	\$102.89	
6"	5	25.00	125	\$993.78	\$59,627	\$6,174	\$65,800	\$1,096.67	\$4.00	2,000	\$300.00	\$18,000	\$1,396.67	8%	\$102.89	
10"	0	25.00	0	\$993.78	\$0	\$0	\$0	\$1,096.92	\$4.00	2,000	\$300.00	\$0	\$1,396.92	8%	\$103.14	
No Meter - Line Size (Flat Rate)	1,143	1.00	1,143	\$59.43	\$815,142	\$84,398	\$899,540	\$65.58	-	-	-	-	\$65.58	10%	\$6.15	
Flat Rate																
Tier III																
5/8"	1,467	1.00	1,467	\$10.67	\$187,835	\$19,448	\$207,283	\$11.77	\$2.50	-	\$12.50	\$220,050	\$24.27	5%	\$1.10	
3/4"	383	1.00	383	\$10.67	\$49,039	\$5,077	\$54,117	\$11.77	\$2.50	-	\$12.50	\$57,450	\$24.27	5%	\$1.10	
1"	169	1.25	211	\$13.34	\$27,054	\$2,801	\$29,855	\$14.72	\$2.50	-	\$15.63	\$31,688	\$30.35	5%	\$1.38	
1.5"	0	5.00	0	\$53.34	\$0	\$0	\$0	\$58.87	\$2.50	-	\$62.50	\$0	\$121.37	5%	\$5.53	
2"	6	8.00	48	\$85.30	\$6,142	\$636	\$6,777	\$94.13	\$2.50	-	\$100.00	\$7,200	\$194.13	5%	\$8.83	
3"	0	15.00	0	\$160.03	\$0	\$0	\$0	\$176.62	\$2.50	-	\$187.50	\$0	\$364.12	5%	\$16.59	
4"	0	25.00	0	\$266.72	\$0	\$0	\$0	\$294.37	\$2.50	-	\$312.50	\$0	\$606.87	5%	\$27.65	
6"	0	25.00	0	\$266.72	\$0	\$0	\$0	\$294.37	\$2.50	-	\$312.50	\$0	\$606.87	5%	\$27.65	
Total	21,873		23,767		\$10,596,175	\$1,097,110	\$11,693,285					\$3,148,467		7%		

Magnolia Water Utility Operating Company, LLC
Docket No. U-37570

Revenue by Customer Class - Sewer

For the Period Ending December 31, 2024

Service Area & Customer Type (B)	Base Year Customer Count / ERU (C)	Residential Customer Equivalent (D)	Customer Equivalents (E)	Present Rates (F)	Base Year At Present Rates Revenue (G)	Recommended Revenue Increase (H)	Base Year Recommended Revenue (I)	Base Year Recommended Monthly Rate (J)	Recommended % Increase (K)	Recommended Avg. Bill Increase (L)
Tier I										
Residential	7,607	1.00	7,607	\$34.50	\$3,149,298	\$161,531	\$3,310,829	\$36.27	5%	\$1.77
Commercial	251	1.00	251	\$34.50	\$103,914	\$5,330	\$109,244	\$36.27	5%	\$1.77
Tier II										
Residential	46,053	1.00	46,053	\$69.00	\$38,131,884	\$1,955,821	\$40,087,705	\$72.54	5%	\$3.54
Commercial*	1,426	1.00	1,426	\$69.00	\$1,180,728	\$60,561	\$1,241,289	\$72.54	5%	\$3.54
Tier III										
Residential	215	1.00	215	\$34.50	\$89,010	\$4,565	\$93,575	\$36.27	5%	\$1.77
Commercial*	0	1.00	0	\$34.50	\$0	\$0	\$0	\$36.27	5%	\$1.77
Total	55,552		55,552		\$42,654,834	\$2,187,808	\$44,842,642		5%	

*Commercial unit counts are based on Equivalent Residential Unit (ERU) and are determined by premise/facility type

Magnolia Water Utility Operating Company, LLC
Docket No. U-37570
Comparison of Present and Recommended Rates - Water

Category	Meter Size		Present Rate	Recommended Rate	Recommended \$ Increase	Recommended % Increase
Tier I - Residential	3/4" & 5/8"	First 2,000 gallons Each 1,000 gallons Average Bill (5,000 gallons)	\$19.87 \$ 2.50 \$ 27.37	\$21.93 \$2.50 29.43	\$ 2.06 - 2.06	10.35% 0.00% 7.52%
Tier I - Residential	1"	First 2,000 gallons Each 1,000 gallons Average Bill (6,250 gallons)	\$24.83 \$ 2.50 \$ 35.46	\$27.40 2.50 38.03	\$ 2.57 - 2.57	10.35% 0.00% 7.25%
Tier I - Residential	1.5"	First 2,000 gallons Each 1,000 gallons Average Bill (25,000 gallons)	\$99.35 \$ 2.50 \$ 156.85	\$109.64 2.50 167.14	\$ 10.29 - 10.29	10.35% 0.00% 6.56%
Tier I - Residential	2"	First 2,000 gallons Each 1,000 gallons Average Bill (40,000 gallons)	\$158.96 \$ 2.50 \$ 253.96	\$175.42 2.50 270.42	\$ 16.46 - 16.46	10.35% 0.00% 6.48%
Tier I - Residential	3"	First 2,000 gallons Each add'l 1,000 gallons Average Bill (75,000 gallons)	\$298.05 \$ 2.50 \$ 480.55	\$328.91 2.50 511.41	\$ 30.86 - 30.86	10.35% 0.00% 6.42%
Tier I - Residential	4" and Above	First 2,000 gallons Each add'l 1,000 gallons Average Bill (125,000 gallons)	\$496.75 \$ 2.50 \$ 804.25	\$548.18 2.50 855.68	\$ 51.43 - 51.43	10.35% 0.00% 6.40%
Tier I - Residential	No Meter		\$29.71	\$32.79	\$ 3.08	10.35%
Tier II - Residential	3/4" & 5/8"	First 2,000 gallons Each 1,000 gallons Average Bill (5,000 gallons)	\$39.76 \$ 4.00 \$ 51.76	\$43.88 4.00 55.88	\$ 4.12 - 4.12	10.35% 0.00% 7.95%
Tier II - Residential	1"	First 2,000 gallons Each 1,000 gallons Average Bill (6,250 gallons)	\$49.70 \$ 4.00 \$ 66.70	\$54.85 4.00 71.85	\$ 5.15 - 5.15	10.35% 0.00% 7.71%
Tier II - Residential	1.5"	First 2,000 gallons Each 1,000 gallons Average Bill (25,000 gallons)	\$198.75 \$ 4.00 \$ 290.75	\$219.33 4.00 311.33	\$ 20.58 - 20.58	10.35% 0.00% 7.08%
Tier II - Residential	2"	First 2,000 gallons Each 1,000 gallons Average Bill (40,000 gallons)	\$318.02 \$ 4.00 \$ 470.02	\$350.95 4.00 502.95	\$ 32.93 - 32.93	10.35% 0.00% 7.01%

Category	Meter Size	
Tier II - Residential	3"	First 2,000 gallons Each add'l 1,000 gallons Average Bill (75,000 gallons)
Tier II - Residential	4" and Above	First 2,000 gallons Each add'l 1,000 gallons Average Bill (125,000 gallons)
Tier II - Residential	No Meter	
Tier III - Residential	3/4" & 5/8"	
Tier III - Residential	1"	
Tier III - Residential	1.5"	
Tier III - Residential	2"	
Tier III - Residential	3"	
Tier III - Residential	4" and Above	
Oak Harbor East - Residential	All	First 4000 gallons Each 1,000 gallons Average Bill (5,000 gallons)
Oak Harbor East - Commercial	All	First 4000 gallons Each 1,000 gallons Average Bill (5,000 gallons)
Brier Lake Estates	All	First 2000 gallons Each 1,000 gallons Average Bill (5,000 gallons)

Present Rate	Recommended Rate	Recommended \$ Increase	Recommended % Increase
\$596.26	\$658.00	\$ 61.74	10.35%
\$ 4.00	\$ 4.00	\$ -	0.00%
\$ 888.26	\$ 950.00	\$ 61.74	6.95%
\$993.78	\$1,096.67	\$ 102.89	10.35%
\$ 4.00	\$ 4.00	\$ -	0.00%
\$ 1,485.78	\$ 1,588.67	\$ 102.89	6.93%
\$ 59.43	\$65.58	\$ 6.15	10.35%
\$10.67	\$11.77	\$ 1.10	10.35%
\$13.34	\$14.72	\$ 1.38	10.35%
\$53.34	\$58.87	\$ 5.53	10.37%
\$85.30	\$94.13	\$ 8.83	10.35%
\$160.03	\$176.62	\$ 16.59	10.37%
\$266.72	\$294.37	\$ 27.65	10.37%
\$16.00	\$43.88	\$ 27.88	174.23%
\$ 1.75	\$ 4.00	\$ 2.25	128.57%
\$ 17.75	\$ 55.88	\$ 38.13	214.80%
\$19.00	\$43.88	\$ 24.88	130.93%
\$ 1.75	\$ 4.00	\$ 2.25	128.57%
\$ 20.75	\$ 55.88	\$ 35.13	169.29%
\$11.00	\$43.88	\$ 32.88	298.88%
\$ 2.00	\$ 4.00	\$ 2.00	100.00%
\$ 17.00	\$ 55.88	\$ 38.88	228.69%

Magnolia Water Utility Operating Company, LLC
Docket No. U-37570
Comparison of Present and Recommended Rates/Bills
Sewer Systems

Company*

Present Rate/Bill	Recommended Rate/Bill	Recommended \$ Increase	Recommended % Increase
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Tier I - Residential
Tier I - Commercial

\$ 34.50	\$ 37.86	\$ 3.36	9.74%
\$ 34.50	\$ 37.86	\$ 3.36	9.74%

Tier II - Residential
Tier II - Commercial
Tier II - Schools

\$ 69.00	\$ 75.72	\$ 6.72	9.74%
\$ 69.00	\$ 75.72	\$ 6.72	9.74%
\$ 34.50	\$ 37.86	\$ 3.36	9.74%

Tier III - Residential
Tier III - Commercial

\$ 34.50	\$ 37.86	\$ 3.36	9.74%
\$ 34.50	\$ 37.86	\$ 3.36	9.74%

Brier Lake Estates
Silver Hills / Oaklawn Trace
Oak Harbor East

\$ 26.25	\$ 75.72	\$ 49.47	188.47%
\$ 20.00	\$ 75.72	\$ 55.72	278.62%
\$ 16.00	\$ 75.72	\$ 59.72	373.27%

Staff Recommended Water Rates:

Service Area & Customer Type	Present Rates (Base Charge)	Usage Charge Per 1,000 Gal.	Avg. Usage Charge at 5,000 Gal. per Equv.	Base Year Present Avg. Monthly Bill
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Base Year Recommended Flat Monthly Charge	Recommended Avg. Monthly Bill	Recommended Avg. Increase	% Increase
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Tier I								
Meter Size								
5/8"	\$19.87	\$2.50	\$7.50	\$27.37	\$21.93	\$29.43	\$2.06	8%
3/4"	\$19.87	\$2.50	\$7.50	\$27.37	\$21.93	\$29.43	\$2.06	8%
1"	\$24.83	\$2.50	\$9.38	\$34.21	\$27.40	\$36.78	\$2.57	8%
1.5"	\$99.35	\$2.50	\$37.50	\$136.85	\$109.64	\$147.14	\$10.29	8%
2"	\$158.96	\$2.50	\$60.00	\$218.96	\$175.42	\$235.42	\$16.46	8%
3"	\$298.05	\$2.50	\$112.50	\$410.55	\$328.91	\$441.41	\$30.86	8%
4"	\$496.75	\$2.50	\$187.50	\$684.25	\$548.18	\$735.68	\$51.43	8%
6"	\$496.75	\$2.50	\$187.50	\$684.25	\$548.18	\$735.68	\$51.43	8%
10"	\$496.75	\$2.50	\$187.50	\$684.25	\$548.18	\$735.68	\$51.43	8%

No Meter - Line Size (Flat Rate)

Flat Rate	\$29.71	-	-	\$29.71	\$32.79	\$32.79	\$3.08	10%
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Tier II								
Meter Size								
5/8"	\$39.76	\$4.00	\$12.00	\$51.76	\$43.88	\$55.88	\$4.12	8%
3/4"	\$39.76	\$4.00	\$12.00	\$51.76	\$43.88	\$55.88	\$4.12	8%
1"	\$49.70	\$4.00	\$15.00	\$64.70	\$54.85	\$69.85	\$5.15	8%
1.5"	\$198.75	\$4.00	\$60.00	\$258.75	\$219.33	\$279.33	\$20.58	8%
2"	\$318.02	\$4.00	\$96.00	\$414.02	\$350.95	\$446.95	\$32.93	8%
3"	\$596.26	\$4.00	\$180.00	\$776.26	\$658.00	\$838.00	\$61.74	8%
4"	\$993.78	\$4.00	\$300.00	\$1,293.78	\$1,096.67	\$1,396.67	\$102.89	8%
6"	\$993.78	\$4.00	\$300.00	\$1,293.78	\$1,096.67	\$1,396.67	\$102.89	8%
10"	\$993.78	\$4.00	\$300.00	\$1,293.78	\$1,096.92	\$1,396.92	\$103.14	8%

No Meter - Line Size (Flat Rate)

Flat Rate	\$59.43	-	-	\$59.43	\$65.58	\$65.58	\$6.15	10%
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Tier III								
5/8"	\$10.67	\$2.50	\$12.50	\$23.17	\$11.77	\$24.27	\$1.10	5%
3/4"	\$10.67	\$2.50	\$12.50	\$23.17	\$11.77	\$24.27	\$1.10	5%
1"	\$13.34	\$2.50	\$15.63	\$28.97	\$14.72	\$30.35	\$1.38	5%
1.5"	\$53.34	\$2.50	\$62.50	\$115.84	\$58.87	\$121.37	\$5.53	5%
2"	\$85.30	\$2.50	\$100.00	\$185.30	\$94.13	\$194.13	\$8.83	5%
3"	\$160.03	\$2.50	\$187.50	\$347.53	\$176.62	\$364.12	\$16.59	5%
4"	\$266.72	\$2.50	\$312.50	\$579.22	\$294.37	\$606.87	\$27.65	5%
6"	\$266.72	\$2.50	\$312.50	\$579.22	\$294.37	\$606.87	\$27.65	5%

Staff Recommended Sewer Rates:

Service Area & Customer Type	Present Rates	Base Year Recommended Monthly Rate	Recommended Increase	% Increase
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Tier I

Residential	\$34.50	\$36.27	\$1.77	5%
Commercial	\$34.50	\$36.27	\$1.77	5%

Tier II

Residential	\$69.00	\$72.54	\$3.54	5%
Commercial	\$69.00	\$72.54	\$3.54	5%

Tier III

Residential	\$34.50	\$36.27	\$1.77	5%
Commercial	\$34.50	\$36.27	\$1.77	5%

5%

LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. U-37570

**MAGNOLIA WATER UTILITY OPERATING COMPANY, LLC,
EX PARTE**

In re: Formula Rate Plan Annual Report for 2024.

DIRECT TESTIMONY OF ROBIN PENDERGRASS

ON BEHALF OF THE

LOUISIANA PUBLIC SERVICE COMMISSION

July 31, 2025

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A.** My name is Robin Pendergrass. My business address is Louisiana Public Service Commission,
3 Galvez Building, 12th Floor, 602 North 5th Street, Baton Rouge, Louisiana 70821.

4
5 **Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A.** I am employed at the Louisiana Public Service Commission ("LPSC" or "Commission") as the
7 Audit Director. My position involves the examination, review, analysis and evaluation of
8 accounting records, reports, financial statements and other documents of a company under the
9 jurisdiction of the LPSC, during rate cases. My review and analysis is in an effort to verify the
10 accuracy, authenticity and/or existence of information and property in order to provide a
11 recommendation on a company's request for a rate increase. I also handle the training and day-to-
12 day oversight of the auditing department.

13
14 **Q. PLEASE PROVIDE YOUR EDUCATIONAL BACKGROUND.**

15 **A.** I graduated from Southeastern Louisiana University with a Bachelor's Degree in Accounting and
16 a Bachelor's Degree in Management. I have also completed several NARUC courses in Utility
17 Regulation.

18
19 **Q. PLEASE PROVIDE A SUMMARY OF YOUR PROFESSIONAL EXPERIENCE.**

20 **A.** I have twenty-four (24) years of accounting experience: four (4) years as the Accounting
21 Administrator for a small service company; and twenty (20) years as an auditor for the LPSC, five
22 (5) of which I served as Audit Supervisor and eleven (11) years as Audit Director.

23

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS**
2 **REGARDING UTILITY RATES?**

3 **A.** Yes. I have previously presented testimony and/or supervised testimony in regulatory proceedings
4 on multiple occasions before the Commission over the last twenty (20) years.
5

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

7 **A.** I am testifying on behalf of the Louisiana Public Service Commission Staff ("LPSC Staff").
8

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 **A.** The purpose of my testimony is to provide an objective recommendation to the Commission
11 concerning a requested rate increase by Magnolia Water Utility Operating Company, LLC
12 ("Magnolia" or "the Company") in accordance with its annual Formula Rate Plan ("FRP").
13

14 **Q. WHEN DID THE COMPANY SUBMIT ITS APPLICATION REQUESTING AN**
15 **INCREASE IN RATES IN ACCORDANCE WITH ITS ANNUAL FORMULA RATE**
16 **PLAN?**

17 **A.** The Company filed its application requesting an increase in rates in accordance with its 2024 FRP
18 on May 1, 2025.
19

20 **Q. PLEASE PROVIDE A BRIEF SUMMARY OF THE COMPANY IN TERMS OF ITS**
21 **SERVICE TERRITORY AND THE NUMBER OF CUSTOMERS IT SERVES.**

1 **A.** The Company is a for-profit public utility providing water and wastewater services to
2 customers in thirty-three (33) Louisiana parishes. Magnolia currently provides services to
3 approximately 21,873 water customers and 55,552 wastewater customers.

4
5 **Q. DID YOU REVIEW THE COMPANY'S APPLICATION?**

6 **A.** Yes. I reviewed the Company's request and supporting documents that were filed in support of
7 the Company's request, as well as responses to formal and informal data requests provided by the
8 Company.

9
10 **Q. WHAT DID THE COMPANY REQUEST IN ITS APPLICATION?**

11 **A.** The Company requested an increase in water revenues of \$986,739 and sewer revenues of
12 \$4,156,228, for a total increase of \$5,142,967. The revenue increase would increase the average
13 customer's water and sewer bills by approximately 6% and 10%, respectively.

14
15 **Q. WHAT DID MAGNOLIA PROVIDE IN SUPPORT OF ITS REQUESTED RATE**
16 **INCREASE?**

17 **A.** Along with its application, Magnolia provided financial information for the years ending
18 December 31, 2023 and 2024, including Income Statements and Balance Sheets. Magnolia also
19 provided General Ledgers, Depreciation Schedules, detailed workpapers, and responses to data
20 requests.

21
22 **Q. WHAT IS MAGNOLIA'S AUTHORIZED RETURN ON EQUITY ("ROE") ACCORDING**
23 **TO ITS FRP?**

1 A. Magnolia's authorized ROE is 9.50% according to its FRP. The FRP utilizes an earnings
2 bandwidth based on a calculated ROE lower limit of 9.00%, an upper limit of 10.00%, and a
3 midpoint of 9.50%. If earnings were to fall above the upper limit of the bandwidth, then a rate
4 change would occur to bring the Company down to the upper limit of 10.00%. If earnings were to
5 fall below the lower limit of the bandwidth, then a rate change would occur to bring the Company
6 up to the lower limit of 9.00%.

7
8 **Q. DID YOU RECOMMEND THAT THE INCREASE BE APPROVED AS REQUESTED?**

9 A. No. I made several adjustments to the Company's cost of service that resulted in a slightly lower
10 increase to bring the Company's ROE up to the lower limit of 9.00%.

11

12 **Q. WHAT WAS YOUR RECOMMENDATION ON THE COMPANY'S REQUESTED RATE**
13 **INCREASE?**

14 A. My adjustments necessitated a recommended increase in revenue requirement of \$3,284,918, with
15 \$1,097,110 allocated to water and \$2,187,808 allocated to sewer. The estimated revenue increase
16 would increase the average customer's water and sewer bills by approximately 7% and 5%,
17 respectively.

18

19 **Q. DO YOU BELIEVE STAFF'S RECOMMENDATION IS FAIR, REASONABLE AND IN**
20 **THE PUBLIC INTEREST?**

21 A. Yes, I do.

22 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

23 A. Yes, it does.

LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. U-37570

MAGNOLIA WATER UTILITY OPERATING COMPANY, LLC, EX PARTE

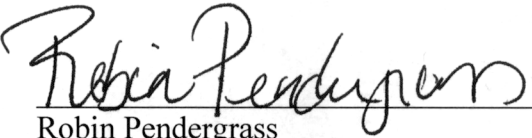
In re: Formula Rate Plan Annual Report for 2024.

AFFIDAVIT

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

I, Robin Pendergrass, Audit Director with the Louisiana Public Service Commission, being duly sworn, do hereby state that I have prepared and reviewed the above and foregoing Testimony and that the matters contained therein are true and accurate to the best of my knowledge, information, and belief. I do adopt the same as my sworn testimony in this proceeding.



Robin Pendergrass
Audit Director
Louisiana Public Service Commission

Sworn and subscribed to before me this 31st day of July 2025.



Justin Bello Notary Public
Bar Roll No. 35039
My Commission is for life.