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BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

NATIONAL WATER INFRASTRUCTURE, LLC EX PARTE

DOCKET NO. U- _____

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

DIRECT TESTIMONY OF

DAVID J. MOORE

ON BEHALF OF

NATIONAL WATER INFRASTRUCTURE, LLC

JUNE 6, 2022

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS AFFILIATION.**

3 A. My name is David J. Moore. I am a stockholder and director with the public accounting
4 firm of Postlethwaite & Netterville, APAC, 8550 United Plaza Blvd. Suite 1001 Baton
5 Rouge, Louisiana, 70809 (“P&N”).

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
7 BACKGROUND?**

8 A. I hold a Bachelor of Science degree in Accounting from Louisiana State University. I am
9 licensed as a Certified Public Accountant in the State of Louisiana. I have been employed
10 by P&N since 1985 and practice primarily in the areas of accounting and audit where I am
11 responsible for overall performance and approval of assurance engagements as well as
12 maintaining client relationships. I also participate in various accounting and financial
13 consulting projects for various industries.

14 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

15 A. I am testifying on behalf of National Water Infrastructure, LLC (“NWI” or the
16 “Company”), which is the successor to Ascension Wastewater Treatment, Inc (“AWT”) as
17 later described.

18 **Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT
19 SUPERVISION?**

20 A. Yes, it was.

21 **Q. HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH YOUR
22 TESTIMONY?**

23 A. Yes. I have prepared the Exhibits listed in the table preceding my testimony.

1 **Q. WERE THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR DIRECT**
2 **SUPERVISION?**

3 A. Yes.

4 **Q. WHAT IS THE PURPOSE AND SCOPE OF YOUR TESTIMONY IN THIS**
5 **PRCEEDING?**

6 A. My testimony supports the following areas:

7 1. NWI's operating revenues and expenses for the period January 1, 2021 to December
8 31, 2021, including annualization and normalization adjustments to reflect the
9 appropriate regulated operating expenses.

10 2. Provide support for NWI's projected operating expenses for the proposed acquisition
11 of a portion of the Ascension Parish Government Sewer Utility wastewater system.

12 3. Provide support for NWI's projected initial annual operating and maintenance expenses
13 for the proposed expansion and regionalization of the overall wastewater system.

14 **Q. PLEASE DESCRIBE THE NATURE OF THE SERVICES PROVIDED BY P&N**
15 **TO NWI AND YOUR AWARENESS OF ITS BOOKS AND RECORDS.**

16 A. I oversee and have responsibility for accounting and consulting services that P&N provides
17 to NWI and affiliates which include assistance with monthly accounting services,
18 compiling of financial statements, budgeting and forecasting, and other services
19 surrounding the financial operations in support of the management of the Company. P&N
20 is also engaged to prepare information to assist NWI in this rate case. P&N has assisted
21 NWI management in both maintaining its accounting records, including developing
22 adjustments as necessary to reflect the operations of NWI under a regulatory framework of
23 accounting. P&N has prepared the schedule of operating revenues and expenses for a year

1 representing January 1, 2021 to December 31, 2021 (the “Test Year”) that can be found at

2 **DJM Exhibit-1.**

3 P&N has also prepared projected financial information regarding anticipated expansion of
4 the NWI operations for the proposed acquisition of wastewater operations which are
5 currently operated by the Ascension Parish Government which is included as **DJM**

6 **Exhibit-2.** We also assisted NWI management develop financial projections of the initial
7 year of operating the proposed regionalized project which is included as **DJM Exhibit-4.**

8 The projected financial information is based on key assumptions provided by NWI’s
9 management and other sources as described herein which are significant to the projected
10 financial information of these acquired and expanded operations.

11 **II. DEVELOPMENT OF THE 2021 TEST YEAR**

12 **Q. PLEASE EXPLAIN HOW THE 2021 TEST YEAR INFORMATION WAS**
13 **DEVELOPED?**

14 **A.** P&N has assisted NWI in maintaining its accounting records and developing adjustments
15 as necessary to reflect the operations of NWI under a regulatory framework of accounting
16 for the Test Year period. P&N has prepared the schedule of operating revenues and
17 expenses for a period representing the Test Year from NWI’s books and records which are
18 included at **DJM Exhibit-1.**

19 The Test Year results are based on NWI’s actual financial records and represent the costs
20 incurred for the Company’s operations during the Test Year, including the allocation of
21 certain shared costs with the non-regulated operations of the Company’s affiliate, National
22 Water Infrastructure Services, LLC (“NWIS”). Expenses are charged to regulated
23 operations based on costs directly attributed to regulated operations as well as allocations

1 of shared or common costs between NWI and NWIS. Common operating costs with NWIS
2 are allocated to NWI and NWIS as further described below.

3 **Q. PLEASE EXPLAIN THE ELEMENTS OF THE TEST YEAR OPERATING**
4 **REVENUES AND EXPENSES?**

5 A. Operating revenues for the 2021 Test Year represent revenues recognized from customers
6 during the Test Year and totaled \$9,417,518 (excluding LDEQ fees of \$179,914 collected
7 as described later). For the 2021 Test Year, NWI incurred total operating expenses of
8 \$8,841,450, and net income of \$576,068, after adjustments, as reflected in DJM Exhibit-
9 1. These amounts do not include income tax expense due to the flow-through tax status of
10 the Company whereby NWI's owners are responsible for income taxes on the Company's
11 operations.

12 As detailed on DJM Exhibit-1, adjustments are made to certain expenses not deemed by
13 NWI management to be recoverable in regulated operations. Additionally, certain
14 operating expenses incurred during the Test Year were also adjusted to reflect known and
15 measurable changes to certain Test Year operating expenses for unusual or non-recurring
16 expenses, and to normalize or annualize operating expense changes in the Test Year to
17 reflect the normalized operating expenses to provide wastewater services.

18 Operating and Maintenance (O&M) Expenses

19 NWI's wastewater system is comprised of numerous individual treatment plants, lift
20 stations, and collection assets located throughout its operating territory. The disbursed
21 nature of the individual wastewater treatment systems requires continuous monitoring and
22 maintenance to operate and maintain the system. O&M expenses consist primarily of

1 salaries and wages, along with related payroll taxes and employee benefits, chemicals,
2 materials and supplies, purchased power, insurance, transportation expenses, and other
3 costs directly assigned to NWI's regulated operations.

4 NWI contracts with an unrelated entity, Ascension Water Company ("Ascension Water"),
5 to provide most of the billing and collection services to the Company's customers. A
6 smaller portion of the Company's billing and collections are performed by NWI's internal
7 staff. The cost incurred for Ascension Water billing and collection services are directly
8 attributed to NWI's operations and is included in contract services based on the monthly
9 charges incurred.

10 Depreciation

11 Depreciation expense has been computed based on the historical cost of NWI's wastewater
12 facilities and related capital improvements. NWI acquired the assets and liabilities of AWT
13 effective April 9, 2020, including AWT's regulated operations. The historical cost values
14 of the AWT regulated plant assets were ascertained from AWT's books and records and
15 used as the source of the information for depreciation. The historical cost of these regulated
16 assets has been carried over, and not revalued for the change in control and financial
17 reporting of NWI, in keeping with the Uniform System of Accounts published by the
18 National Association of Regulatory Utility Commissioners ("NARUC"). Assets acquired
19 after the acquisition of AWT's assets have been recorded at the acquisition costs of those
20 assets. NWI has continued to depreciate the acquired AWT regulated plant asset, as well
21 as new assets put in service, using consistent estimated useful lives and straight-line
22 depreciation methods previously employed by AWT.

1 Taxes, Licenses and Regulatory Fees

2 Taxes and licenses are comprised primarily of property taxes associated with the sewer
3 plant assets distributed throughout the Company's operating territory. Regulatory fees are
4 associated with the operations of these facilities.

5 **Q. PLEASE DESCRIBE HOW SHARED EXPENSES BETWEEN NWI AND THE**
6 **NONREGULATED AFFILIATE HAVE BEEN ALLOCATED?**

7 A. After acquiring the operations of AWT and affiliates, operational changes were
8 implemented related primarily to the non-regulated operations of AWT's affiliate which
9 included discontinuing a significant portion of construction related non-regulated
10 activities. The operational and business changes implemented by NWI resulted in changes
11 in the level of direct operating cost structure as well as administrative cost drivers of the
12 overall business operations. The NWI operating costs recognized were reevaluated to
13 appropriately consider the allocation of shared or common costs among the non-regulated
14 activities and the NWI regulated activities. Based on consultation with NWI management,
15 it was determined that shared costs with NWIS, that were not directly assignable to NWI
16 regulated operations, should be allocated based on two primary allocation bases.

- 17 • Revenue Allocation Basis – The relationship of total revenues of NWI and NWIS to
18 the total combined revenues of both entities is used to allocate shared administrative
19 costs including for rent expense, office and personnel, utilities, professional fees related
20 to accounting and auditing fees, transportation, insurance, and general office expenses.
21 The revenue allocation basis for the Test Year results in 92% allocated to NWI's
22 regulated operations and 8% to NWIS's non-regulated activities.

- 1 • Salaries and Wages Allocation Basis – The salaries and wages allocation basis is used
2 for the allocation of employee salaries and wages and related payroll taxes and benefits.
3 First, management reviewed employee activities who performed work directly for a
4 regulated or non-regulated activity and allocated employee compensation cost
5 accordingly. For employees who provided services to both regulated and nonregulated
6 businesses, management next developed estimates of the monthly level of effort each
7 employee provided to regulated and non-regulated activities. To augment
8 management’s estimated allocations, management also implemented time tracking for
9 most employees on a contemporaneous basis during July and August 2021. We assisted
10 the Company in developing a two-step approach to determine the appropriate allocation
11 of salaries and wages and related cost drivers between regulated and nonregulated
12 operations. This approach is considered the best information available and results in a
13 reasonable allocation of costs between the regulated operations and non-regulated
14 activities of the NWI entities. The revenue allocation basis for the Test Year results in
15 89% allocated to NWI’s regulated operations and 11% to affiliated non-regulated
16 activities.

17 **Q. PLEASE DESCRIBE ADJUSTMENTS INCLUDED IN NWI’S ACTUAL TEST**
18 **YEAR OPERATING AND MAINTENANCE EXPENSES TO DERIVE THE**
19 **ADJUSTED OPERATING AND MAINTENANCE EXPENSES.**

20 A. The Company incurred total O&M expenses totaling \$7,818,009 during the Test Year, as
21 reflected in column 1 of DJM Exhibit-1. Also reflected are adjustments made to the Test
22 Year operating expenses to reflect adjustments to the Test Year consistent with common
23 practice and guidelines for regulated utilities, and adjustments for known and measurable

1 changes to O&M expense levels. These adjustments reduce the actual Test Year O&M
2 expenses by \$267,688 (\$87,774 excluding LDEQ fees) and are reflected in column 2 of
3 **DJM Exhibit-1** and further described below.

4 1. Salaries, Wages and Payroll Taxes: Salaries and wages-related expense adjustments for
5 limitations and known and measurable expense adjustments resulted in an adjustment of
6 \$100,552, which decreased Test Year operating expenses incurred. This net adjustment is
7 comprised of the following factors:

8 a. Executive Compensation - Executive compensation incurred during the Test Year
9 period was reduced to levels consistent with regional average compensation as a
10 proxy for market data. Compensation levels for certain executives was limited to
11 benchmark data derived from Reasonable Compensation Reports, Inc., Bureau of
12 Labor Statistics, and the U.S. Census data for "Utility Company" executive
13 compensation within the state of Louisiana, which was determined as an acceptable
14 level of executive compensation. Compensation levels for other management
15 personnel were comparable to, or below, the survey benchmarks and not adjusted.
16 The compensation levels of the Company's various staff and field positions are
17 likewise considered to be market based and therefore not adjusted in the Test Year
18 for the survey comparisons. The executive compensation amounts exceeding the
19 survey amounts were adjusted such that they are excluded from regulated operating
20 expenses.

21 b. Performance and Cost of Living Compensation Adjustments – The Company
22 provided employees and management with standard performance and costs of
23 living salary and wage increases which were effective in December 2021. An

1 adjustment was made to annualize these known and measurable increases in
2 personnel costs (excluding limited executive compensation described previously).

3 The annualization adjustment was calculated based on the adjusted hourly/salary
4 pay rate over a 12-month period.

5 c. New Positions Filled and Open Positions – An annualization adjustment was also
6 included for staff positions which were filled for only a portion of 2021 such that
7 the Test Year O&M expenses reflect the full annualized expense of these positions.
8 A similar normalization adjustment was incorporated for new permanent positions
9 identified by management which were unable to be filled by the end of the Test
10 Year but are to be filled after the Test Year.

11 d. Payroll Tax – An adjustment to recognize the employer payroll taxes associated
12 with the limitation of executive compensation and other known and measurable
13 increases in salaries and wages.

14 2. Advertising and Promotional Expenses: Advertising and promotional expenses were
15 reduced by \$90,580 for amounts incurred related to the proposed Ascension Parish
16 Government Sewer Utilities (ACUD2) acquisition. The nature and purpose of these costs
17 are non-recurring expenses necessary for regulated operations. Based on review of
18 historical financial data and expected regulated operations, NWI's management expects to
19 incur an average \$3,815 per month of advertising and promotional costs for
20 communications with ratepayers as an ordinary and necessary regulated O&M expense,
21 which expenses are primarily comprised of customer outreach and informational activities
22 planned during the construction of the Regionalization Project.

- 1 3. Grounds Maintenance: A normalization adjustment to increase the O&M expenses
2 provided pursuant to a third-party contract for ground maintenance. These activities were
3 previously performed by employees who were discontinued or reassigned to other
4 continuing duties in the regulated business. A normalization adjustment of \$87,240 to
5 increase ground maintenance expense to reflect the increased continuing level of costs
6 related to a ground maintenance contract which commenced in April 2021.
- 7 4. Contract Services: Ascension Water Company provides billing and collections services to
8 the Company. The Ascension Water contracted rate for these services increased during
9 2021 and a normalization adjustment of \$5,542 is included to reflect the new O&M expense
10 level for the full Test Year based on the number of current customers as defined in the
11 Ascension Water agreement.
- 12 5. Legal and Professional: Normalization adjustments are included to reduce engineering,
13 legal and professional service expenses by a total of \$119,548 for amounts incurred which
14 were deemed to not related to providing regulated operations.
- 15 6. Insurance: The Company has incurred increasing insurance expense due to significant
16 premium rate increases for auto, general and excess liability, and workers' compensation
17 coverages each year. Management has obtained information from its insurance broker
18 indicating its premiums will again increase in 2022 upon renewal over the current expiring
19 premium rates. A normalization adjustment of \$71,204 has been included to reflect an
20 estimated 16% overall increase in insurance premiums expected over insurance premium
21 expenses recognized during the Test Year.
- 22 7. Rent Expense: Rent expense increased April 1, 2021 of the Test Year for leased office
23 space and facilities which were occupied and utilized continuously during the period by

1 the Company. The lease is with an affiliate related to a minority owner of the Company.
2 In May 2019, NWT's management obtained a written real estate broker opinion supporting
3 the monthly rental amount at that time. The April 1, 2021 revised lease rate is
4 approximately 6% above the May 2019 appraisal-based lease rate which was deemed to be
5 a reasonable lease rate considering the limited time since the broker opinion was obtained
6 and general awareness of increases in commercial rental rates. Additionally, a new lease
7 agreement was executed in May of 2022 in the amount of \$2,500 per month for property
8 to operate a temporary wastewater treatment plant on Hwy 42 which was necessary to
9 increase the treatment capacity for that region. A normalization adjustment of \$33,536 was
10 included to normalize the Test Year lease expense for these leases.

11 8. LDEQ Fees – the Company collects LDEQ fees from customers of \$0.77 per customer
12 which represent a pass-through charge collected from customers and not considered a cost
13 of providing wastewater services. An adjustment is included on DJM Exhibit-1 to reduce
14 both revenues and permits and property tax expense by \$179,914 for the amounts remitted
15 during the Test Year.

16 9. Miscellaneous: A normalization adjustment of \$5,000 was included to remove political
17 contributions and \$1,000 of penalties which were deemed not related to providing regulated
18 operations.

19 10. Bad Debt: The Company reports revenues net of bad debts due to the method of reporting
20 of these activities and collections by Ascension Water for the Company. A normalization
21 adjustment of \$7,079 was included for non-recurring adjustments to reconcile and adjust
22 accounts receivables and customer accounts which is considered a non-recurring
23 accounting adjustment.

1 11. Other Income: The Company recognized gains on dispositions of certain vehicles which
2 are not expected to re-occur. These transactions resulted from restructuring of the
3 Company's operations as previously described as well as higher than normal values of used
4 vehicles in the marketplace, which are not expected to re-occur. Accordingly, a
5 normalization adjustment has been included to remove these non-recurring other income
6 items from the Test Year.

7 The aggregate impact of the above normalization and annualization adjustments for the
8 Test Year resulted in a reduction of total operating expenses by \$267,688, or \$87,774
9 excluding the LDEQ pass-through amounts.

10 **Q. HAVE YOU CALCULATED NWI'S ADJUSTED OPERATING AND**
11 **MAINTENANCE EXPENSES FOR THE TEST YEAR?**

12 A. Yes, included in column 3 of DJM Exhibit-1 are NWI's adjusted O&M expense accounts
13 for the Test Year. NWI's adjusted total O&M expenses are \$7,550,321 for the Test Year
14 for purposes of rate setting in this matter.

15 **III. ASCENSION PARISH SEWER UTILITY PROJECTION**

16 **Q. PLEASE DESCRIBE THE PROCESS UTILIZED TO DEVELOP FINANCIAL**
17 **PROJECTIONS FOR THE OPERATION OF THE PROPOSED ASCENSION**
18 **PARISH GOVERNMENT SEWER UTILITY ACQUISITION AS A PART OF NWI?**

19 A. The rate case filing also contemplates the approval and successful completion of the
20 acquisition of a portion of the wastewater treatment assets and operations from the
21 Ascension Parish Government. On February 11, 2021, the Ascension Parish Council
22 unanimously approved a resolution which appeared on the ballot and was approved by the

1 voters on April 24, 2021. This proposed transaction is pending and subject to completion
2 of negotiations and execution with the Ascension Parish Government as well as other
3 approvals, including approval by the Louisiana Public Service Commission (“LPSC”). The
4 proposed transaction includes the ACUD2 customers along with the related plant assets
5 and infrastructure to operate this wastewater system. *See*, Direct Testimony of Thomas
6 Pertuit. NWI has developed plans to consolidate portions of the existing NWI and
7 proposed ACUD2 acquired operations into one integrated system. *See*, Direct Testimony
8 of Thomas Pertuit and Justin Haydel, P.E.

9 Projected incremental O&M expenses of the acquired ACUD2 operations have been
10 included in **DJM Exhibit-2**, which presents the projected operating activities assuming the
11 acquisition of the ACUD2 systems. These estimates were developed using assumptions
12 and estimates provided by NWI’s management that would be incremental to the existing
13 operating cost of NWI. NWI intends to operate the combined NWI and ACUD2 operations
14 as one overall wastewater system with common regulated rates and has not developed fully
15 distributed costs of each separate operation. This projection approach did not reallocate
16 expenses currently incurred by NWI to the projected ACUD2 financial operations on a
17 stand-alone or fully distributed cost basis. The projection approach utilized reflects the
18 incremental additional O&M costs of operating the ACUD2 systems in addition to NWI’s
19 existing operations, and are not intended to reflect projected O&M expenses of operating
20 the acquired ACUD2 system separately. This approach was utilized to add the estimated
21 incremental O&M costs of operating the acquired ACUD2 systems to NWI’s Test Year
22 O&M expenses, and reflect the projected combined annual O&M expenses for the
23 combined operations.

1 NWI's management developed its key assumptions and estimates to operate the ACUD2
2 operations based on evaluation of how the Ascension Parish Government operated its
3 system as compared to NWI's operating expenses. First, NWI management obtained and
4 evaluated the 2020 operating cost of the ACUD2 operations, which is operated in
5 conjunction with the Ascension Parish water system and other wastewater activities that
6 are not subject to the NWI-ACUD2 acquisition. The Parish's costs of operations were
7 observed to be greater than the estimated incremental cost of NWI to operate the acquired
8 system due to several factors including leveraging NWI's management and operational
9 expertise, outsourcing of certain activities, and improvements in efficiencies of operations.
10 It should also be noted that Ascension Parish utilizes governmental accounting policies and
11 practices which are not comparable to NWI's regulatory-focused accounting practices.
12 This projection approach indicates total O&M expenses of the acquired ACUD2 systems,
13 excluding depreciation expense, was estimated to be \$1,825,206.

14 Management also developed financial projections based on comparisons of key operating
15 metrics and relationships of the NWI system operations, including flow rates of each
16 system. These relationships were used to develop expected O&M expenses of operating
17 the acquired ACUD2 systems as a stand-alone system, excluding anticipated scale
18 efficiencies and the ability to leverage the existing NWI operations. NWI's management
19 developed the estimated incremental operating costs of the ACUD2 systems by comparing
20 estimates to the current NWI operations based on the comparable flow rates of NWI's
21 current operations with the existing ACUD2 system flow rates in conjunction with the
22 actual historical operating cost of the ACUD2 system as operated by the Parish. This
23 projection approach indicated total O&M expenses, excluding depreciation expense, of

1 \$1,192,872. While the total projected operating expenses of the ACUD2 system utilizing
2 each methodology were similar, the categories of projected expenses under each method
3 varied.

4 NWI's management developed its expected estimated incremental O&M expenses
5 associated with the acquisition of the ACUD2 systems to reflect the estimated normalized
6 operations of the ACUD2 wastewater system, and do not incorporate additional expenses
7 anticipated for acquiring, integrating and upgrading the ACUD2 system. The incremental
8 additional total annual O&M expenses to operate the ACUD2 system were estimated to be
9 \$1,192,872 as detailed in DJM Exhibit-2.

10 **Q. PLEASE DESCRIBE THE KEY ASSUMPTIONS AND ESTIMATES**
11 **UNDERLYING THE FINANCIAL PROJECTIONS OF INCREMENTAL**
12 **OPERATING AND MAINTENANCE EXPENSES FOR THE PROPOSED**
13 **ASCENSION PARISH SEWER UTILITIES ACQUISITION.**

14 A. Included as DJM Exhibit-2 are the financial projections used to develop the incremental
15 projected total operating expenses of the ACUD2 acquired systems. Key operating cost
16 driver assumptions for the proposed acquisition of ACUD2 system include the following:

17 1. Salaries, Wages and Payroll Taxes: Salaries and wages are based on additional
18 resources necessary to operate and maintain the expanded wastewater system in
19 addition to the existing NWI personnel. These positions and estimated expenses and
20 related payroll taxes and benefits are based on management's assessment of the
21 resource needs and market-based compensation for the identified positions.

22 2. Contract Services: Contract services represents billing and collection services
23 projected to be performed by Ascension Water on behalf of NWI pursuant to the

1 contract terms. Additional contract service expenses for regulatory, legal and
2 consulting services, engineering, testing, and other professional services are based on
3 similar service expenses utilized in NWI's regulated operations.

4 3. Chemicals and Materials & Supplies: Management estimated the costs of chemicals
5 and materials & supplies based on the flow rate of operating NWI's wastewater systems
6 compared to the expected flow rate of the ACUD2 system.

7 4. Repairs & Maintenance: Repair and maintenance expenses were estimated based on
8 comparison of NWI's operations and management expenses to those of the ACUD2
9 system.

10 5. Purchased Power: Purchased power costs were based on flow rates of NWI's systems
11 and the expected flow rate of the ACUD2 system.

12 6. Insurance: Insurance costs estimates are based on comparison to similar coverages for
13 NWI's assets and work force.

14 7. Taxes and Licenses: ACUD2 currently operates as a political subdivision and is not
15 subject to property taxes. However, the ACUD2 systems are expected to become
16 subject to property taxes after NWI's acquisition. Incremental property taxes are based
17 on information obtained from a property tax consultant's estimate of annual property
18 tax assessments of the acquired ACUD2 systems of \$50,000.

19 8. Transportation Expenses: Transportation expenses were estimated based on expected
20 additional operation vehicle and maintenance costs needed to provide transportation
21 for the expanded work force to service the acquired additional plant assets.

22 9. Equipment rentals, other office and miscellaneous expenses were estimated based on
23 the 2020 costs incurred by Ascension Parish.

1 **IV. PROJECTED COMBINED OPERATION OF NWI AND ACUD2 SYSTEMS**

2 **Q. PLEASE EXPLAIN THE PROJECTED FINANCIAL OPERATION OF NWI AND**
3 **THE PROPOSED ACQUISITION OF THE ACUD2 SYSTEM OPERATED ON A**
4 **COMBINED BASIS.**

5 A. DJM Exhibit-3 presents the combined NWI Test Year O&M expenses of DJM Exhibit-
6 1 with the ACUD2 incremental O&M expenses developed in DJM Exhibit-2. The
7 additional incremental O&M expenses expected to be incurred to operate the ACUD2
8 sewer operations are estimated to be \$1,192,872 on an annualized basis. These additional
9 O&M expenses are incremental to the O&M expenses of NWI, which are reflected in this
10 testimony as NWI operating cost and have not been reallocated to the pro-forma ACUD2
11 operations.

12 The projected combined O&M expenses of NWI for the Test Year operations including the
13 projected ACUD2 incremental O&M expenses total \$8,743,193.

14 **V. SYSTEM UPGRADE AND REGIONALIZATION PROJECT**
15

16 **Q. PLEASE DESCRIBE THE PROCESS TO DEVELOP FINANCIAL**
17 **PROJECTIONS FOR THE UPGRADE AND REGIONALIZATION PLANS FOR**
18 **THE COMBINED NWI AND ACUD2 SYSTEMS.**

19 A. As more fully described in Direct Testimony of Thomas Pertuit, Justin Haydel and Grant
20 Rabon, NWI's management has developed plans to significantly upgrade, consolidate,
21 interconnect, and regionalize the combined NWI and ACUD2 sewage systems (the
22 "Regionalization Project"). This initiative is expected to require significant capital
23 expenditures over multiple years and will result in various changes to the operating cost

1 structure of the combined NWI and ACUD2 systems, which currently operate primarily as
2 distributed, multi-package plant wastewater treatment systems.

3 We have coordinated with management and its advisors to develop estimates and
4 assumptions of the initial annual O&M expenses of a regionalized wastewater treatment
5 system once placed into service, assuming such plans are approved by the LPSC, and
6 developed projections consistent with management's current plans for the Regionalization
7 Project. These projections are based on significant assumptions which are dependent on
8 successful design, construction and upgrades to existing facilities as well as assumptions
9 of future O&M expenses to operate the proposed Regionalized Project.

10 The projections included in **DJM Exhibit-4** are intended to represent the estimated O&M
11 expenses of the planned upgraded and regionalized wastewater treatment system once the
12 Regionalization Project is completed and in service and is not intended to reflect the
13 operating costs during the implementation phase of the proposed project. The approach
14 used by management to project the estimated operating costs of the Regionalization Project
15 was to first estimate the increased operating costs of the enhanced system. Importantly, it
16 is also assumed that the Regionalization Project, once completed and implemented, will
17 result in various operating cost efficiencies and savings as compared to the existing
18 distributed, multi-package plant wastewater treatment systems.

19 The projections included in **DJM Exhibit-4** begin in Column 1 with the projected O&M
20 expenses of acquiring the ACUD2 systems and combining them with NWI's system, which
21 are derived from **DJM Exhibit-3** as previously discussed herein. The additional O&M
22 expenses estimated to be incurred related operating the regionalized systems are included
23 in Column 2, which total \$1,164,691. The Regionalization Project, once implemented, is

1 also expected to provide incremental O&M expenses reductions and savings which are
2 reflected in Column 3 and total \$1,000,188. The projections of estimated annual O&M
3 expenses of the proposed regionalized system, once placed in service and operating as
4 management anticipates, are reflected in Column 4 and total \$8,907,695.

5 **Q. PLEASE DESCRIBE THE METHODOLOGY USED AND KEY ASSUMPTIONS**
6 **MADE IN THE FINANCIAL PROJECTIONS OF ADDITIONAL INCREMENTAL**
7 **OPERATING AND MAINTENANCE EXPENSES OF THE REGIONALIZATION**
8 **PROJECT.**

9 A. As detailed in DJM Exhibit-4, Column 2 provides an itemized listing of projected
10 increases in O&M expenses of the Regionalization Project once placed in service. Increases
11 in O&M expenses are projected to include incremental increases in salaries and wages,
12 including payroll taxes and benefits, due to ongoing maintenance of the proposed
13 regionalized treatment system. These incremental increases in expenses were developed
14 by management based on the design of the Regionalization Project. Other increases in
15 estimated operating expenses of the Project include chemicals, materials and supplies,
16 insurance, purchased power, and property taxes for the expanded facility. These
17 incremental increases are anticipated for operating the upgraded and regionalized
18 wastewater treatment system without consideration of cost reductions and savings from
19 decommissioning and eliminating the less efficient multi-package plant systems currently
20 in place. Additional depreciation expense and capital costs are not included in these O&M
21 expense estimates.

22 **Q. PLEASE DESCRIBE THE METHODOLOGY USED AND KEY ASSUMPTIONS**
23 **MADE IN THE FINANCIAL PROJECTIONS OF INCREMENTAL OPERATING**

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

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

STATE OF LOUISIANA
PARISH OF EAST BATON ROUGE

AFFIDAVIT

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



David J. Moore

SWORN TO AND SUBSCRIBED before me, Notary Public this 3rd day of June, 2022.



Notary Public

Print Name of Notary: RALPH STEPHENS

Bar Roll No. 12444

My Commission Expires AT DEATH

National Water Infrastructure, LLC

DJM EXHIBIT-1

Test Year - January 1, 2021 to December 31, 2021

	Column 1	Column 2	Column 3
	Historical Year (Per Books)	Test Year Adjustments	Test Year December 31, 2021
1 Sewer Utility Service Revenue	\$ 9,597,432	\$ (179,914)	\$ 9,417,518
2 TOTAL OPERATING REVENUE	9,597,432	(179,914)	9,417,518
3 Salaries and wages	3,143,127	(118,120)	3,025,007
4 Contract services:			
5 - Accounting fees	201,628		201,628
6 - Auditing fees	86,928		86,928
7 - Contract billing (BRWW)	327,977	5,542	333,519
8 - Engineering	43,151	(37,036)	6,115
9 - Legal	171,688	(37,012)	134,676
10 - Regulatory consulting	69,950		69,950
11 - Testing	83,464		83,464
12 - Other professional fees	-		-
13 - Ground maintenance	91,520	87,240	178,760
14 Payroll taxes	167,758	17,568	185,326
15 Advertising	136,354	(90,580)	45,774
16 Bank charges	7,936		7,936
17 Benefits	214,634		214,634
18 Chemicals	250,852		250,852
19 Dues and subscriptions	47,439		47,439
20 Equipment rental	20,716		20,716
21 Insurance	448,278	71,204	519,482
22 Materials and supplies expense	150,283		150,283
23 Miscellaneous	12,796	(6,000)	6,796
24 Office	88,012		88,012
25 Other services	96,498		96,498
26 Professional fees	84,300	(45,500)	38,800
27 Purchased power	762,575		762,575
28 Rent	229,897	33,536	263,433
29 Repairs and maintenance	221,235		221,235
30 Permits and property taxes	320,407	(179,914)	140,493
31 Transportation expense	235,250		235,250
32 Travel and meals	6,459		6,459
33 Utilities	128,281		128,281
34 Bad debt	(7,079)	7,079	-
35 Other income	(24,305)	24,305	-
36 TOTAL OPERATING & MAINTENANCE EXPENSES	7,818,009	(267,688)	7,550,321
37 Depreciation and amortization expense	1,240,276		1,240,276
38 Interest expense	50,853		50,853
39 TOTAL OPERATING EXPENSES	9,109,138	(267,688)	8,841,450
40 NET INCOME	\$ 488,294	\$ 87,774	\$ 576,068

National Water Infrastructure, LLC
Projected Ascension Parish Sewer Utility Operations (ACUD2)
Projected Incremental Annual Operating Expenses - Initial Year

DJM EXHIBIT-2

	<u>Annualized Projection</u>
OPERATING & MAINTENANCE EXPENSES	
1 Salaries and wages	\$ 322,400
2 Contract services	160,200
3 Payroll taxes	24,600
4 Advertising	-
5 Bank charges	-
6 Benefits	25,200
7 Chemicals	65,312
8 Dues and subscriptions	-
9 Equipment rental	3,534
10 Insurance	60,315
11 Materials and supplies expense	44,997
12 Miscellaneous	1,249
13 Office	7,449
14 Other services	-
15 Professional fees	-
16 Purchased power	232,000
17 Rent	-
18 Repairs and maintenance	120,000
19 Permits and Property Taxes	50,000
20 Transportation expense	75,616
21 Travel and meals	-
22 Utilities	-
23 Bad debt	-
24 TOTAL OPERATING & MAINTENANCE EXPENSES	<u>1,192,872</u>

National Water Infrastructure, LLC
 Pro Forma NWI Test Year and Projection of ACUD2 Incremental Annual Expenses
 and Projection of Combined Operations

DJM EXHIBIT-3

	Column 1 <u>(from DJM Exhibit-1)</u>	Column 2 <u>(from DJM Exhibit-2)</u> ACUD2	Column 3 <u>Projection of</u> <u>Combined</u> <u>Operations</u>
	<u>Test Year</u> <u>12/31/21</u>	<u>Projection of</u> <u>Incremental</u> <u>Annual Expenses</u>	
OPERATING & MAINTENANCE EXPENSES			
1	Salaries and wages	\$ 3,025,007	\$ 3,347,407
2	Contracted Services:		
3	- Accounting fees	201,628	201,628
4	- Auditing fees	86,928	86,928
5	- Contract billing (BRWW)	333,519	391,049
6	- Engineering	6,115	16,115
7	- Legal	134,676	134,676
8	- Regulatory consulting	69,950	81,950
9	- Testing	83,464	124,534
10	- Other professional fees	-	-
11	- Ground maintenance	178,760	218,360
12	Payroll taxes	185,326	209,926
13	Advertising	45,774	45,774
14	Bank charges	7,936	7,936
15	Benefits	214,634	239,834
16	Chemicals	250,852	316,164
17	Dues and subscriptions	47,439	47,439
18	Equipment rental	20,716	24,250
19	Insurance	519,482	579,797
20	Materials and supplies expense	150,283	195,280
21	Miscellaneous	6,796	8,045
22	Office	88,012	95,461
23	Other services	96,498	96,498
24	Professional fees	38,800	38,800
25	Purchased power	762,575	994,575
26	Rent	263,433	263,433
27	Repairs and maintenance	221,235	341,235
28	Permits and property taxes	140,493	190,493
29	Transportation expense	235,250	310,866
30	Travel and meals	6,459	6,459
31	Utilities	128,281	128,281
32	Bad debt	-	-
33	Other income	-	-
	TOTAL OPERATING & MAINTENANCE EXPENSES	7,550,321	8,743,193

National Water Infrastructure, LLC

Projection of Pro Forma Regionalization Annual Operating & Maintenance Expenses

DJM EXHIBIT-4

	Column 1 (from DJM Exhibit-3) Projected NWI & ACUD2 Combined Annual Operations	Column 2 Pro Forma of Regionalization Operating & Maintenance Expense Estimates Increased Costs	Column 3 Pro Forma of Regionalization Operating & Maintenance Expense Estimates Reduced/Saved Costs	Column 4 Regionalization Projected Pro Forma Annual Operations
OPERATING & MAINTENANCE EXPENSES				
1	Salaries and wages \$ 3,347,407	\$ 461,077	\$ (172,640)	\$ 3,635,844
2	Contracted Services:			
3	- Accounting Fees 201,628	-	-	201,628
4	- Auditing Fees 86,928	-	-	86,928
5	- Contract Billing (BRWW) 391,049	-	-	391,049
6	- Engineering 16,115	-	(1,846)	14,269
7	- Legal 134,676	-	-	134,676
8	- Regulatory Consulting 81,950	-	-	81,950
9	- Testing 124,534	15,000	(36,534)	103,000
10	- Other Professional Fees -	-	-	-
11	- Ground Maintenance 218,360	-	(64,896)	153,464
12	Payroll taxes 209,926	33,944	(13,207)	230,663
13	Advertising 45,774	-	-	45,774
14	Bank charges 7,936	-	-	7,936
15	Benefits 239,834	84,860	(14,958)	309,736
16	Chemicals 316,164	59,500	(93,758)	281,906
17	Dues and subscriptions 47,439	450	-	47,889
18	Equipment rental 24,250	4,000	-	28,250
19	Insurance 579,797	67,000	(29,647)	617,149
20	Materials and supplies expense 195,280	48,250	(57,790)	185,740
21	Miscellaneous 8,045	2,875	-	10,920
22	Office 95,461	-	-	95,461
23	Other services 96,498	20,000	(29,131)	87,367
24	Professional fees 38,800	-	-	38,800
25	Purchased power 994,575	292,500	(294,255)	992,820
26	Rent 263,433	4,250	-	267,683
27	Repairs and maintenance 341,235	4,764	(99,915)	246,084
28	Permits and Property Taxes 190,493	22,437	(38,110)	174,820
29	Transportation expense 310,866	22,565	(53,500)	279,931
30	Travel and meals 6,459	6,000	-	12,459
31	Utilities 128,281	15,219	-	143,500
32	Bad Debt -	-	-	-
33	Other income -	-	-	-
34	TOTAL OPERATING & MAINTENANCE EXPENSES \$ 8,743,193	\$ 1,164,691	\$ (1,000,188)	\$ 8,907,695