U-36223

12-15-2021

EXHIBITS

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

R. Kyle Ardoin
Secretary of State

State of Louisiana Secretary of State

COMMERCIAL DIVISION
225.925.4704

Fax Numbers
225.932.5317 (Admin. Services)
225.932.5314 (Corporations)
225.932.5318 (UCC)

Trade Name, Service Mark Details

Type(s) Registered:	TRADE NAME, SERVICE MARK
Registered Name:	BATON ROUGE WATER COMPANY
Applicant:	THE BATON ROUGE WATER WORKS COMPANY 8755 GOODWOOD BLVD. BATON ROUGE, LA 70806
Type Of Business:	PUBLIC UTILITY SERVICES IN THE NATURE OF SUPPLYING WATER AND WATER TREATMENT SERVICES
Book #:	69-3880
Current Status:	ACTIVE

Dates

Registration Date:	6/20/2018
Expiration Date:	6/20/2028
Date First Used:	1/1/1987
Date First Used (in La.):	1/1/1987

Current Classes

Class Name	Start Date	End Date
39 TRANSPORTATION & STORAGE	6/20/2018	
40 MATERIAL TREATMENT	6/20/2018	
42 MISCELLANEOUS	6/20/2018	

Expired Classes

No Expired Classes

Amendments On File

No Amendments on file

Print

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State of Louisiana
Secretary of State

COMMERCIAL DIVISION
225.925.4704

Fax Numbers
225.932.5317 (Admin. Services)
225.932.5314 (Corporations)
225.932.5318 (UCC)

Name	Type	City	Status
THE BATON ROUGE WATER WORKS COMPANY	Business Corporation	BATON ROUGE	Active

Previous Names

Business: THE BATON ROUGE WATER WORKS COMPANY
Charter Number: 06700270D
Registration Date: 8/5/1910
Domicile Address
8755 GOODWOOD BLVD.
BATON ROUGE, LA 70806
Mailing Address
P. O. BOX 96016
BATON ROUGE, LA 708969016
Principal Office Address
8755 GOODWOOD BLVD.
BATON ROUGE, LA 70806

Status

Status: Active
Annual Report Status: In Good Standing
File Date: 8/5/1910
Last Report Filed: 7/8/2021
Type: Business Corporation

Registered Agent(s)

Agent:	PATRICK J. KERR
Address 1:	8755 GOODWOOD BLVD.
City, State, Zip:	BATON ROUGE, LA 70806
Appointment Date:	7/9/2007

Agent:	ADRIENNE MIRE
Address 1:	8755 GOODWOOD BLVD
City, State, Zip:	BATON ROUGE, LA 70806
Appointment Date:	1/17/2020

Officer(s)

Additional Officers: No

Officer:	PATRICK J. KERR
Title:	President, Director
Address 1:	8755 GOODWOOD BLVD.
City, State, Zip:	BATON ROUGE, LA 70806

Officer:	ROGER SIMMONS
Title:	Secretary, Vice-President, Treasurer
Address 1:	8755 GOODWOOD BLVD
City, State, Zip:	BATON ROUGE, LA 70806

Officer:	ADRIENNE MIRE
Title:	Vice-President, Secretary
Address 1:	8755 GOODWOOD BLVD

City, State, Zip:	BATON ROUGE, LA 70806

Officer:	REBECCA OEHRLE
Title:	Vice-President, Comptroller
Address 1:	8755 GOODWOOD BLVD
City, State, Zip:	BATON ROUGE, LA 70806

Mergers (1)

Filed Date	Effective Date:	Type	Charter#	Chater Name	Role
11/21/1946	**11/21/1946**	**MERGE**	**06700270D**	**THE BATON ROUGE WATER WORKS COMPANY**	**SURVIVOR**
			12103790D	SUBURBAN WATER COMPANY, INC.	NON-SURVIVOR

Amendments on File (12)

Description	Date
Amendment	11/29/1927
Amendment	2/16/1945
Merger	11/21/1946
Amendment	5/8/1959
Amendment	3/21/1961
Amendment	3/17/1967
Amendment	6/8/1970
Amendment	10/16/1979
Amendment	3/24/1987
Domicile, Agent Change or Resign of Agent	1/10/1994
Domicile, Agent Change or Resign of Agent	1/17/2020
Restated Articles	7/8/2021

Print

BATON ROUGE WATER WORKS COMPANY
Baton Rouge, Louisiana
SCHEDULE OF RATES AND CHARGES
Issued: December 19, 2013

Effective: December 19, 2013
Authority: LPSC Order No. U-32939

MONTHLY MINIMUM CHARGE

Size of Meter

5/8"	$8.52
3/4"	13.37
1"	23.08
1 ½"	48.55
2"	78.87
3"	148.02
4"	248.22
6"	491.43
8"	975.64
10"	2,818.87

The minimum charge applicable to meter banks (two or more meters on one service line) shall be that which would be billed under the above schedule for a single meter having nearest equivalent capacity.

MONTHLY RATES FOR WATER USED PER 100 CUBIC FEET

First	3 hundred cu. ft.	$2.840
Next	197 hundred cu. ft.	1.213
Additional hundred cu. ft.		0.737

Intercompany Rate = $0.737 per 100 cu. ft.

PRIVATE FIRE PROTECTION

Automatic Sprinkler System

Size of Service	Monthly Charge
2"	$18.40
3"	24.40
4"	33.40
6"	42.40
8"	55.40
10"	85.40

Private Fire Hydrant Service

Per year payable monthly in advance..............$300.00

TEMPORARY METERS

*Installation & Removal of Meter on Hydrant	$350.00
Deposit	$1,000
Water used:	$6.00 per 1,000 gallons

*If meter is installed on service other than hydrant, installation and removal will be at cost.

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CUSTOMER DEPOSIT

The amount of the deposit will be calculated at 2 ½ times the average monthly bill.

SERVICE CHARGES AND FEES

For each new service connected to the Company's system, the initial service charge will be:
Residential $300.00
Differential (Apt. and Condos) $85.00

Temporary and special service will be furnished at prevailing rates plus the actual cost of installing and removing the service and necessary attendance.

For turning on a service or reading the meter upon a change of customers, the charge will be............................$30.00

For reconnecting a service after disconnection for non-payment, failure to make a deposit, or fraudulent use, the charge will be $50.00

For reconnecting a service **after business hours and on weekends** after disconnection for non-payment, failure to make a deposit, or fraudulent use, the charge will be..$100.00

For the customer taking water without applying for service necessitating the removal of the meter, the charge will be $50.00

For the customer turning the service on after an off-for-nonpayment necessitating the removal of the meter, the charge will be $50.00

For the customer taking water through the use of a jumper device or a stolen meter, the charge will be $250.00.

For each check given to the Company by the customer and charged back to the Company by the bank for nonsufficient funds i.e., NSF, the charge per occurrence will be $20.00

A deposit of $30.00 will be required for a meter test requested by the customer. If the meter records in excess of 102% of the quantity measured, the deposit will be refunded. Otherwise, the amount of the deposit will be retained as a charge for the meter test.

For the customer paying their bill by credit card, an additional convenience fee will be assessed for each transaction. This fee will be the actual fee charged by the 3rd party processor.

For the customer paying their bill by credit card, and disputed or charged back to the company, an additional fee will be assessed. This fee will be the actual fee charged by the 3rd party processor.

Docket No.: U-36223

LOUISIANA PUBLIC SERVICE COMMISSION

Exhibit C

✓ Confidential sealed documents financial doc's

____ Oversized document

____ Non-paper exhibit

____ Photographs

____ Other:

Please contact the Records Division of the Louisiana Public Service Commission at (225) 342-3157 for more information about this item.

BATON ROUGE WATER WORKS COMPANY
Baton Rouge, Louisiana
SCHEDULE OF RATES AND CHARGES
Issued: Proposed INTERIM Tariff

MONTHLY MINIMUM CHARGE

Size of Meter

5/8"	$8.80
3/4"	13.81
1"	23.84
1 ½"	50.15
2"	81.47
3"	152.89
4"	256.40
6"	507.53
8"	1007.51
10"	2910.77

The minimum charge applicable to meter banks (two or more meters on one service line) shall be that which would be billed under the above schedule for a single meter having nearest equivalent capacity.

MONTHLY RATES FOR WATER USED PER 100 CUBIC FEET

First	3 hundred cu. ft.	$2.933
Next	197 hundred cu. ft.	1.253
Additional hundred cu. ft.		0.761

Intercompany Rate = $0.761 per 100 cu. ft.

PRIVATE FIRE PROTECTION

Automatic Sprinkler System

Size of Service	Monthly Charge
2"	$18.40
3"	24.40
4"	33.40
6"	42.40
8"	55.40
10"	85.40

Private Fire Hydrant Service

Per year payable monthly in advance $300.00

TEMPORARY METERS

*Installation & Removal of Meter on Hydrant	$350.00
Deposit	$1,000
Water used:	$6.00 per 1,000 gallons

*If meter is installed on service other than hydrant, installation and removal will be at cost.

EXHIBIT
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EXHIBIT "D" in globo

Effective:
Authority: LPSC Order No. ______

RECEIVED
DEC 15 2021
LA Public Service Commission

CUSTOMER DEPOSIT

The amount of the deposit will be calculated as 2 times the average monthly bill.

SERVICE CHARGES AND FEES

For each new service connected to the Company's system, the initial service charge will be:
Residential $300.00
Differential (Apt. and Condos)......................... $85.00

Temporary and special service will be furnished at prevailing rates plus the actual cost of installing and removing the service and necessary attendance.

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EXHIBIT "D" in globo

BATON ROUGE WATER WORKS COMPANY
Baton Rouge, Louisiana
SCHEDULE OF RATES AND CHARGES
Issued: Proposed FINAL Tariff

Effective:
Authority: LPSC Order No. ________

MONTHLY MINIMUM CHARGE

Size of Meter

5/8"	$9.49
3/4"	14.89
1"	25.70
1 ½"	54.07
2"	87.85
3"	164.85
4"	276.46
6"	547.39
8"	1,086.78
10"	3,140.11

The minimum charge applicable to meter banks (two or more meters on one service line) shall be that which would be billed under the above schedule for a single meter having nearest equivalent capacity.

MONTHLY RATES FOR WATER USED PER 100 CUBIC FEET

First	3 hundred cu. ft.	$3.163
Next	197 hundred cu. ft.	1.351
Additional hundred cu. ft.		0.821

Intercompany Rate = $0.821 per 100 cu. ft.

PRIVATE FIRE PROTECTION

Automatic Sprinkler System

Size of Service	Monthly Charge
2"	$18.40
3"	24.40
4"	33.40
6"	42.40
8"	55.40
10"	85.40

Private Fire Hydrant Service

Per year payable monthly in advance $300.00

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For the customer paying their bill by credit card, and disputed or charged back to the company, an additional fee will be assessed. This fee will be the actual fee charged by the 3rd party processor.

LPSC DOCKET NO. U- _______

DIRECT TESTIMONY

of

MR. ROGER A. SIMMONS

on behalf of

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

In re: Application for an Increase and Adjustment in Retail Rates, Request for Interim Rates, Approval for Hurricane Ida Recovery, and Request for Establishment of Emergency Reserve Fund

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TABLE OF CONTENTS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION AT THE BATON ROUGE WATER WORKS COMPANY D/B/A BATON ROUGE WATER COMPANY ("BRWC," "COMPANY," OR "APPLICANT").

A. My name is Roger A. Simmons. My business address is 8755 Goodwood Blvd., Baton Rouge, Louisiana 70806. I am currently the Chief Financial Officer ("CFO") at BRWC.

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

A. I joined BRWC in 2003 and have been the CFO since I began working for the Company.

Q. PLEASE DESCRIBE YOUR DUTIES AS THE CFO AT BRWC.

A. I am responsible for all financial activities of the Company including, financial management, planning, monitoring and reporting financial results, cash management, tax planning, capital and financing management as well as providing Louisiana Public Service Commission ("LPSC" or "Commission") regulatory support for BRWC. Additionally, I am responsible for all Information Technology ("IT") support functions of the Company.

Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL BACKGROUND.

A. I graduated from the University of Southern Mississippi with a Bachelor of Science in Business Administration with a major in Accounting. My professional career started at Peat Marwick public accountants (now KPMG) in 1985. I worked in the auditing division of the firm for four (4) years, completed the Certified Public Accountant ("CPA") exam, and became a licensed CPA in 1987. I then spent the next fourteen (14) years working in various finance and accounting capacities for Bank One (now JP Morgan/Chase Bank) until I joined BRWC in 2003 as the CFO.

Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY AUTHORITIES?

A. Yes. I have provided testimony on behalf of the Company before the LPSC in various matters since becoming the CFO in 2003.

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

A. I am testifying on behalf of BRWC.

II. PURPOSE OF DIRECT TESTIMONY

Q. PLEASE STATE THE PURPOSE OF YOUR DIRECT TESTIMONY.

A. The purpose of my Direct Testimony is to generally provide an overview of the Company; discuss the Commission filing made incident to my testimony (i.e. BRWC's *Application for an Increase and Adjustment in Retail Rates, Request for Interim Rates, Approval for Hurricane Ida Recovery, and Request for the Establishment of an Emergency Reserve Fund* (the "Application")) and associated exhibits; provide commentary on the Company's existing retail rates as well as the requested retail rate relief; discuss infrastructure improvements and capital expenditures made and/or planned on behalf of the Company; discuss the Company's request for Hurricane Ida recovery and Interim Rate Relief; and provide commentary on the need for the establishment of an emergency reserve fund. I will also discuss other relevant topics that touch on the issues that I just mentioned. My analyses and recommendations for matters related to the Company's rate adjustments, recovery, and reserve fund are supported by the data presented in CONFIDENTIAL Exhibit "C," which was attached to the Application and made apart hereof.

Q. WAS CONFIDENTIAL EXHIBIT "C" PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes.

Q. PLEASE CONFIRM THAT YOU HAVE READ, UNDERSTAND, AND ARE IN AGREEMENT WITH THE REQUESTS OUTLINED IN THE APPLICATION.

A. Yes, I confirm that I have read, understand, and am in agreement with the statements and requests as stated in the Application.

Q. PLEASE PROVIDE AN OVERVIEW OF THE RELIEF BRWC IS REQUESTING IN THIS PROCEEDING.

A. Generally speaking, BRWC is requesting that the Commission approve (i) an increase in retail water rates, which would total a general increase of $3,284,459, (ii) the implementation of interim rates so that the Company can adequately cover costs associated with increased electric bills, (iii) the establishment of a 12-month Hurricane Ida recovery line item, and (iv) the establishment of an emergency reserve fund.

III. BRWC'S COMPANY PROFILE

Q. PLEASE GENERALLY DESCRIBE BRWC AND ITS SERVICE TERRITORY IN LOUISIANA.

A. The Company provides water service to approximately 116,959 customers in East Baton Rouge Parish. The Company's Louisiana footprint is comprised of approximately 89% percent residential, 11% percent commercial, and 0% percent industrial.

Q. PLEASE DESCRIBE THE COMPANY PROFILE AND OWNERSHIP.

A. BRWC was incorporated on August 5, 1910 and is a majority-owned subsidiary of Utility Holdings, Inc. Parish Water Company ("PWC") and Utility Properties, Inc. ("UPI") are wholly-owned subsidiaries of BRWC. Ascension Water Company ("AWC") is a wholly-owned subsidiary of PWC. BRWC and PWC are regulated water utilities operating in East

Baton Rouge Parish. AWC is also a regulated water utility operating in Ascension Parish. The Louisiana Water Company ("LWC") is a wholly-owned subsidiary of Utility Holdings, Inc. BRWC has no ownership in LWC. To clarify, the Application requests an increase in metered water rates of BRWC on a standalone basis.

Q. HOW ARE BRWC'S WATER RATES CURRENTLY SET?

A. Currently, BRWC's water rates are set pursuant to rates that were approved by the Commission in 2013 in LPSC Order No. U-32929. The Commission approved tariff illustrating BRWC's rates is attached to the Application as Exhibit "B" and incorporated herein.

IV. RETAIL RATE RELIEF

A. GENERAL OVERVIEW CURRENT RETAIL RATES

Q. DID YOU ASSIST IN THE DEVELOPMENT OF THE CURRENT RATE STRUCTURE OF THE COMPANY?

A. Yes.

Q. WHEN WAS THE LAST TIME THE COMPANY RECEIVED A RETAIL RATE INCREASE?

A. BRWC's last retail rate increase was granted in 2013 and was based on a 2012 test year (LPSC Docket No. U-32939, Baton Rouge Water Company, ex parte, *In re: Application for an increase in rates and fees for Baton Rouge Water Company* ("LPSC Docket U-32939")). As stated above, the current BRWC rates are illustrated in the attached Exhibit "B" to the Application. The Commission, in LPSC Docket No. U-32939, authorized the Company to increase its water rates and non-recurring fees in order to earn a return on equity of 11.25% and a return on rate base of 8.38%.

Q. GENERALLY, PLEASE PROVIDE AN OVERVIEW OF THE COMPANY'S CURRENT RATE STRUCTURE, RATE BASE, AND ROE.

A. BRWC's rates are designed to provide revenue sufficient for the Company to earn an adequate return on invested rate base, cover operating expenses, as well as ensure the Company's ability to service its debt and meet its obligations to debt covenants.

BRWC's rate tariff includes a minimum monthly bill, which includes a monthly minimum charge comprised of 3 hundred Cu. Ft. (2,244 gallons) of consumption. Any additional monthly water usage over 3 hundred cu. ft. is billed as following: the next 197 hundred Cu. ft. is $1.213 per hundred Cu. Ft. with all additional consumption is billed at $0.737 per hundred Cu. Ft.

The Company's Rate base is defined as the net investment of property, plant, equipment and other assets that BRWC has acquired or constructed to provide utility services to its customers. Since the Company's last rate increase (based on a test year of 2012), BRWC has spent approximately $53MM on upgrades and improvements to continue to provide quality and reliable service to our growing customer base.

My analyses indicate that the Company's ROE is currently 4.199%. As I stated above, the Commission, in LPSC Docket No. U-32939, authorized the Company to increase its water rates and non-recurring fees in order to earn a return on equity of 11.25% and a return on rate base of 8.38%. Accordingly, the Company is earning well below the Commission authorized ROE.

Q. PLEASE EXPLAIN WHY THE COMPANY IS FILING FOR A RETAIL RATE INCREASE AT THIS TIME.

A. As discussed below, and throughout the Application, the Company's need for rate relief stems primarily, but not entirely, from the significant capital investments since the Company's last rate case made to provide reliable and compliant water services to our customers. As stated above, BRWC has spent approximately $53MM on upgrades and improvements to continue to provide quality and reliable service to our growing customer base. These investments, along with increases in power costs and chemicals have made it necessary for the Company to file the Application. Without the requested rate relief, the Company's ability to continue to provide safe, reliable, and efficient water utility services to its customers and to meet its financial obligations would be compromised, which would ultimately adversely affect service to the Company's customers. Under present rates, BRWC is not able to meet its operating costs and earn a reasonable return on its investments in the Company's systems.

As indicated below, the Company utilized a 2020 test year for this filing. During the 2020 test year, the Company experienced an overall rate of return on rate base of 3.806% and return on equity of 4.199%. These rates of return are well below BRWC's currently-authorized overall rates of return – 11.25% ROE and 8.38% return on rate base.

B. OVERVIEW OF REQUESTED RETAIL RATE RELIEF

Q. WHY IS BRWC FILING FOR AN INCREASE IN ITS RETAIL RATES AT THIS TIME?

A. The rates approved by the Commission in 2013 have worked reasonably well to offset costs up until now, or a period of about eight (8) years. The requested rate relief in this proceeding is critical to allow the Company a reasonable opportunity to earn a fair return, maintain its financial strength, and continue to invest in upgrades to infrastructure and capital expenditures. As stated above, the current rates of return that the Company is experiencing are well below

BRWC's current Commission authorized overall rates of return – 11.25% ROE and 8.38% return on rate base.

Q. WHAT TEST YEAR WAS UTILIZED FOR THIS FILING?

A. The Company utilized a 2020 test year.

Q. WHAT IS THE RETAIL RATE INCREASE REQUESTED BY BRWC IN THIS PROCEEDING AND WHAT IS THE CORRESPONDING CUSTOMER IMPACT AT AN AVERAGE CONSUMPTION LEVEL?

A BRWC is requesting an increase in base revenue of $3,284,459, which represents an increase of $1.80 per month to the average residential customer. Attached to the Application as Exhibit "D" *in globo* is a proposed tariff illustrating the requested rate relief (both interim and final).

Q. IS THE COMPANY PROPOSING ANY NEW RATE MECHANISMS IN THIS PROCEEDING?

A. Yes. As discussed in more detail below, in addition to an increase in base rates, the Company is requesting the following new authorizations:

- Approval of Hurricane Ida Recovery (line-item for 12 months)
- Authority to create an Emergency Reserve Fund (line-item for 12 months)

Q. PLEASE EXPLAIN HOW THE AMOUNT OF RETAIL RATE RELIEF WAS DERIVED, INCLUDING THE METHODOLOGY UTILIZED BY THE COMPANY TO DETERMINE THE APPROPRIATE LEVEL THE RATE OF RETURN, PROPOSED RATE BASE, AND PROPOSED ROE.

A. As to the proposed ROE, as I stated above, the Company's ROE is currently 4.199%. Based on the quantitative and qualitative analyses indicated in Confidential Exhibit "C" attached to the Company's Application, the Company proposed that an ROE of 10.25% percent is reasonable and appropriate give the current market conditions and based on the results of the Capital Asset Pricing Model that the LPSC uses. The Company uses the return on rate base methodology to calculate the revenue requirement to earn an adequate return. The Company's rate base is calculated using the utility plant in service less accumulated depreciation and also adjusted by other assets and liabilities to arrive at a net rate base number, as detailed in Confidential Exhibit "C".

Q. WHAT ARE THE KEY FACTORS CONSIDERED IN YOUR ANALYSES AND UPON WHICH YOU BASE YOUR RECOMMENDED ROE, RATE OF RETURN, AND ADJUSTMENTS TO RATE BASE?

A. The seminal guidance on this topic was provided by the U.S. Supreme Court in the *Hope* and *Bluefield*[1] cases, which found that:

- The return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks;[2]
- The return should be reasonably sufficient to assure confidence in the 8 financial soundness of the utility; and
- The return should be adequate, under efficient and economical management for the utility to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.[3]

In light of the above and in consideration of all the issues discussed throughout the balance of my Direct Testimony, it is my view that the requests made by the Company are well founded, appropriate, and would lead to just and reasonable rates.

[1] *Bluefield Water Works & Improvement Co. v. Public Service Com'n of West Virginia*, 262 U.S. 679 (1923) ("Bluefield"), and *Federal Power Com'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944) ("Hope").
[2] Hope, 320 U.S. at 603.
[3] Bluefield, 262 U.S. at 680.

Specifically, BRWC, as a regulated utility, cannot remain financially sound unless the return it is allowed to earn on its invested capital is fair and reasonable. A fair return will enable BRWC to continue to provide safe, reliable water service while maintaining financial integrity.

Q. HAS THE COVID-19 PANDEMIC HAD A SPECIFIC IMPACT ON THE COMPANY?

A. Yes. Unlike in prior financial distress periods, in March 2020 the LPSC approved an order which disallowed BRWC to disconnect non-paying customers. This caused a considerable cashflow shortage and accounts receivable increased by $1.8MM with 22,982 customers with past due balances. This represents approximately 46.4% of our customer base with past due bills.

Q. HOW DID THE COMPANY CALCULATE THE REVENUE REQUIREMENT NEEDED IN THIS REQUEST FOR RATE RELIEF?

A. As stated above, the Company uses the return on rate base methodology. This process uses the test year rate base as a denominator and the test year Net Operating Income as the numerator to computer the actual return on rate base. The result of that calculation is used to calculate the imputed rate of return on equity. Then, the model uses the requested return on equity to calculate the return on rate base. This calculation creates the required return on rate base which is then multiplied by the adjusted rate base to calculate the required Net Operating Income. The model then compares the required Net Operating Income to the actual Net Operating Income and determines the shortfall. This shortfall is then grossed up using BRWC's effective combined State and Federal tax rate.

C. SYSTEM IMPROVEMENTS AND UPGRADES/PROFORMA COMPONENT

Q. PLEASE BRIEFLY SUMMARIZE THE COMPANY'S ONGOING INVESTMENT IN SYSTEM IMPROVEMENTS AND UPGRADES?

A. Since the last test year of 2012, BRWC has spent approximately $53M on upgrades and improvements to continue to provide quality and reliable service to our growing customer base. Additionally, as indicated in Confidential Exhibit "C," which was filed in conjunction with the Application, the Company is proposing proforma capital expenditures and improvements totaling $11,512,065, which includes but is not limited to a new well, upgrades to the Company's control systems, improvements to the Company's transmission and distribution system, additional and replacement generators, as well as other expenditures to maintain power at the Company's pump stations during power outages. These expenditures are ongoing and will be completed by the 3rd quarter of 2022

Q. PLEASE DESCRIBE HOW YOUR RECOMMENDATIONS FOR NEEDED UPGRADES AND/OR IMPROVEMENTS WILL BE IMPLEMENTED AND THE CORRESPONDING TIMETABLE FOR THE SAME.

A. These recommendations are currently underway and will be completed by the 3rd quarter of 2022.

Q. DESCRIBE THE PROCESS UNDERTAKEN BY YOU IN ARRIVING AT YOUR DETERMINATION THAT THE SYSTEM IS NEED OF THESE UPGRADES AND/OR IMPROVEMENTS.

A. The Company is continually evaluating our system for reliability, service quality, and capacity. We use a series of hydrological computer models to determine where improvements are needed in transmission, distribution, and production. As a result of these models, the Company plans, several years in advance, to make improvements to meet this demand. The Company's improvements in emergency preparedness are based on evaluations of how the system performs during actual emergencies as well computer modeling to determine hypothetical scenarios that can place additional demands on the system.

Q. IS THERE A PROFORMA COMPONENT TO THE COMPANY'S RATE RELIEF REQUEST?

A. Yes. As indicated in Confidential Exhibit "C," which was filed in conjunction with the Application, certain pro forma adjustments were made to the 2020 test year. Accordingly, these pro forma adjustments created an adjusted rate base as of the end of the 2020 test year. Specifically, the Company has over $11MM of capital projects currently underway that will be completed by the 3rd quarter of 2022. Those improvements are detailed in Confidential Exhibit "C," specifically Confidential Exhibit "C-14", the document entitled "*Proforma Capital Expenditures in 2020.*"

Q. DESCRIBE THE PROFORMA COMPONENT ASSOCIATED WITH THE COMPANY'S REQUESTED RATE RELIEF.

A. Please refer to Confidential Exhibit "C-14," document entitled "*Proforma Capital Expenditures in 2020*" for numerical details of the proforma improvements that are currently underway to maintain and improve the resilience of the system. These improvements include a new well, upgrades to our control systems, improvements to our transmission and distribution system, additional and replacement generators as well as other expenditures to maintain power at our pump stations during power outages.

Q. IN CONCLUSION AND GENERALLY SPEAKING, HOW WILL THE ADDITIONAL REVENUE GENERATED FROM THE COMPANY'S REQUESTED RETAIL RATE RELIEF BENEFIT THE COMPANY'S CUSTOMERS?

A. In general, this rate relief is required to cover ever increasing operating costs and meet all Federal and State water quality standards, guidelines and policies. Additionally, the Company continually makes all necessary capital investments to provide quality and reliable service to a growing and shifting customer base as well as upgrading and replacing older infrastructure as is required. BRWC has also been instrumental in protecting our water supply and the Southern Hills aquifers by monitoring the water quality and acting by installing saltwater scavenger wells. The Company also constantly studies the need for resiliency and dependability of our system during hurricanes and other natural disasters and makes any and all improvements needed to maintain service during those very difficult times for our customers.

V. INTERIM RATE RELIEF

Q. DID THE COMPANY REQUEST INTERIM RATE RELIEF? IF SO, WHY?

A. Yes. As indicated in the analysis of the Company's test year of 2020, the Company has experienced a severe increase in its electric power bill (i.e., power costs). Specifically, an average increase of 23% when comparing 2020 to 2021. Specifically, the Company spent $1,754,352 annually on power costs in 2020; that amount increased to an annualized amount of $2,877,997 for 2021. The interim rate relief requested by the Company is designed only to address the ever-increasing power costs. Given that the Company's power costs have dramatically increased (and continue to do so), the Company's financial problems will continue to worsen the longer that the root cause (i.e., unrecovered increased power costs) is not squarely addressed. Thus, the interim rates are immediately necessary. The interim rate amount has been designed to simply address the increased power costs.

Q. IN GENERAL TERMS, HOW ARE POWER COSTS HARMING THE COMPANY'S FINANCIAL HEALTH?

A. Left unchecked, they will rapidly destroy the Company's health as these costs are not accounted for in the Company's current rates. Given that this problem is due from relatively sudden, drastic, and precipitous changes in the Company's power costs, which the Company is not currently recovering in our existing rates, the Company's financial health, in turn, has suffered (and continues to suffer with each passing month). In other words, the under recovery of power costs puts an undue strain on the Company cash flow, which taken in conjunction with the low ROE (as I discussed above), the lack of recovery of hurricane costs, and the length of time since the Company's last rate case, provides for a scenario in which the Company's financial health could easily be put at further jeopardy.

Q. ASSUMING INTERIM RATE RELIEF IS NOT GRANTED, WHAT IS THE IMPACT ON THE COMPANY?

A. The Company will continue to under earn and not meet its approved ROE, and it will also continue to be a cash drain and impend our ability to make necessary capital improvements.

Q. ASSUMING INTERIM RATE RELIEF IS GRANTED, WHAT IS THE IMPACT ON THE COMPANY'S FINANCIAL HEALTH?

A. The interim rate relief will help cover the increasing costs of power while the Commission rate case is pending.

Q. TO BE CLEAR, IS THE COMPANY REQUESTING THAT THE ENTIRETY OF ITS RETAIL RATE RELIEF BE GRANTED BY VIRTUE OF INTERIM RATES?

A. No. As I stated above, the Company is requesting only that the portion allocated for increased power costs be implemented immediately.

Q. IS THE COMPANY AWARE OF THE RULES AND OBLIGATIONS SURROUNDING THE IMPLEMENTATION OF INTERIM RATES, IF APPROVED BY THE COMMISSION?

A. Yes. As I appreciate the requirements surrounding the implementation of interim rates, once the interim rate is approved by the Commission, the interim increase in rates would become effective when adequate security is filed with the Commission. The form of the security must be approved by the Commission and maintained until a final determination on the proposed retail rate increase by the Commission. If the Commission does not grant an increase in the amount equal to or greater than the approved interim rates, then a refund is in order in the amount of the delta between the amount ultimately approved by the Commission and the amount of the interim rate. This refund should be paid as soon as possible, but no later than 90 days after the final decision by the Commission or court. A refund would equal the difference between gross additional revenue collected by the Company during the pendency of interim rates and the gross additional revenue finally determined to be reasonable by the Commission or court, plus legal interest.

Q. IF INTERIM RATES ARE APPROVED, DOES THE COMPANY AGREE TO THESE TERMS?

A. Yes.

VI. HURRICANE IDA RECOVERY

Q. AS IT RELATES TO HURRICANE IDA RECOVERY, PLEASE EXPLAIN THE COMPANY'S REQUEST.

A. On August 29, 2021, Hurricane Ida made landfall near Port Fourchon, Louisiana, as a strengthening Category 4 hurricane with sustained winds of 150 miles per hour. Hurricane Ida tied 2020's Hurricane Laura as the strongest storm to make landfall in Louisiana. It is my understanding that Louisiana has become the first state to experience landfalling hurricanes of that intensity in back-to-back years. While East Baton Rouge Parish was spared in comparison to other parts of the state, the week that followed Hurricane Ida was chaotic for East Baton Rouge Parish – the sole parish of the Company's service territory – trees blocking roads and power outages that continued for days.

BRWC's gross storm costs from Hurricane Ida totaled $284,999 (a graph detailing these costs is below). After adding carrying costs through 12/31/2021, BRWC is requesting a Commission determination that a total of $289,830 was prudently incurred by the Company due to Hurricane Ida, and therefore, is eligible for recovery from customers.

Q. GENERALLY, WHAT PREPARATIONS HAS THE COMPANY TAKEN TO ENSURE THE LEAST NUMBER OF DISRUPTIONS TO CUSTOMER SERVICE DURING AN EMERGENCY EVENT OR NATURAL DISASTER, SUCH AS A HURRICANE?

A. In preparation for a weather event, the Company ensures that it has adequate personnel in the area, plenty of necessary emergency restoration equipment prior to the forecasted event, and access to fuel. Doing so allows the Company to take quick action to ensure that the Company's sites function properly and have sufficient working generator capabilities. On a related note, regarding preparation, and as indicated later in my testimony, BRWC is requesting Commission determination that an establishment of an emergency reserve fund, which is appropriate so that the Company can be better financially positioned when an emergency such as a natural disaster or pandemic occurs.

Generally speaking, BRWC, through its experience in past storms and weather events, has taken many precautions and invested heavily in infrastructure and equipment so that the Company can ensure that is effectively prepared and can respond to any weather event that might occur in its service territory. The Company now has the capacity to acquire fuel directly from the local refineries using Company owned tanker trucks. This process ensures that fuel will be available for the Company's generators for the duration of the power outage. The Company has also developed a systematic process that enables the Company to clear trees and other debris from roadways and access points so as to allow unobstructed access to the Company's production facilities throughout our service area immediately after the storm or weather event has passed. This proactive approach has benefited BRWC customers as it has allowed for uninterrupted quality service through weather events.

Q. PLEASE SUMMARIZE THE COMPANY'S HURRICANE IDA COSTS.

A. The following table shows the Company's Hurricane Ida costs, exclusive of carrying costs:

Description	**Amount**
Fuel Cost for Generators	$27,166
Labor	$119,093
Materials & Equipment	$131,945
Carrying Costs	$4,831
Other	$6,795
Total Gross Storm Costs	$289,830

Q. WERE THE COSTS INCURRED BY THE COMPANY IN RESPONSE TO HURRICANE IDA REASONABLE AND PRUDENT?

A. Despite the amounts expended on materials, labor, and the other cost categories being relatively substantial, the public interest required that BRWC act expeditiously to ensure that service was maintained as quickly, as reasonably, and as safely possible. Had BRWC not taken these steps, the restoration and continued service water service of BRWC customers would not have been possible during and post-Hurricane Ida.

VII. EMERGENCY RESERVE FUND

Q. WHY HAS THE COMPANY REQUESTED TO ESTABLISH AN EMERGENCY RESERVE FUND?

A. It is essential that the Company be allowed to establish an emergency reserve fund in order to ensure ready access to a source of cash to pay for the contractors, vendors, overtime, and materials that are necessary to complete a timely restoration and/or maintenance of service during natural disasters/emergencies. Unfortunately, after record breaking hurricanes and winter storms, along with a world-wide pandemic, it is in the best interest of both the Company and its customers that BRWC have available an emergency cash reserve for all future emergencies.

Q. PLEASE DESCRIBE THE DETAILS OF THE PROPOSED EMERGENCY RESERVE FUND.

A. The Company has requested to collect a $848,953 surcharge to be deposited into an "Emergency Reserve Fund" for a period not to exceed twelve (12) months or one (1) year. The surcharge will be listed as an individual line item on each customer bill and be identified as the "Emergency Reserve Fund". All funds collected via the surcharge shall be solely dedicated for emergency repairs and restoration efforts. This would represent a $0.60 upward adjustment of each customer's monthly bill for a period of one (1) year. To be clear, the $0.60 would appear as a separate line-item charge in addition to the general rates.

Q. DO YOU BELIEVE THE ESTABLISHMENT OF AN EMERGENCY FUND IS IN THE BEST INTEREST OF THE COMPANY'S RATE PAYERS?

A. Yes. The establishment of an emergency reserve fund is a commonsensical approach to emergency preparedness and serves both the Company and its rate payers' best interest. Additionally, it is worth noting that had the Company had such an emergency reserve fund in place prior to Hurricane Ida, there would be no need for the Company to petition the Commission for a storm rider for the recovery of costs.

VIII. CONCLUSION

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

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

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

THE BATON ROUGE WATER WORKS COMPANY d/b/a BATON ROUGE WATER COMPANY **DOCKET NO. U-_____**

In re: Application for an Increase and Adjustment in Retail Rates, Request for Interim Rates, Approval for Hurricane Ida Recovery, and Request for Establishment of Emergency Reserve Fund

AFFIDAVIT

STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

I, Roger A. Simmons, being first duly sworn, depose that the Direct Testimony contained in the above captioned matter on behalf of The Baton Rouge Water Works Company d/b/a Baton Rouge Water Company ("Baton Rouge Water Company") is true and correct to the best of my knowledge, information, and belief.

BATON ROUGE WATER COMPANY

Mr. Roger A. Simmons

Subscribed and sworn before me this 15th day of December, 2021.

Notary Public

Kara Kantrow

La Bar: 31042