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*Attorneys for Falls Water Co., Inc.*

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION  
OF FALLS WATER CO., INC. FOR THE  
AUTHORITY TO INCREASE ITS RATES  
AND CHARGES FOR WATER SERVICE  
IN THE STATE OF IDAHO

Case No. FLS-W-23-01

DIRECT TESTIMONY OF JEREMY AIRD

FOR FALLS WATER CO., INC.

1 **Q. Please state, your name, occupation, and business address.**

2 A. My name is Jeremy Aird. I am the Director of Accounting and Finance for NW Natural  
3 Water Company, LLC (“NW Natural Water”). My business address is 250 SW Taylor  
4 Street, Portland OR 97204.

5 **Q. How long have you been with NW Natural Water?**

6 A. I have been with the Company since April 2020.

7 **Q. Please summarize your educational background and qualifications.**

8 A. I have received my Bachelor of Arts degree in Accounting from Southern Oregon  
9 University in 1997. I also completed the Energizing Leadership program at ESADE  
10 Business School (Spain) in 2015.

11 **Q. What experience did you have prior to joining NW Natural Water?**

12 A. My work experience started with two years in public accounting, during which I earned  
13 my CPA license. I then worked for six years with a national automotive group, followed  
14 by 15 years in the renewable energy industry where I held multiple roles of increasing  
15 responsibility and ultimately was promoted to become the Senior Director for the CEO’s  
16 office. I then joined NW Natural Water in 2020. The following table provides additional  
17 details:

Director of Accounting & Finance	Northwest Natural Water	2020-Present
Senior Director, CEO Office	Avangrid Renewables	2019-2020
Managing Director Business Analysis & Planning	Avangrid Renewables	2014-2019
Director Budgeting & Internal Reporting	Iberdrola Ren./ <u>Avangrid Renewables</u>	2012-2014
Manager of Budgeting	Iberdrola Renewables US	2009-2012
Financial Consultant	PPM Energy/ <u>ScottishPower</u>	2006-2009
Corporate Controller, Western Region	Asbury Automotive Group	2003-2005
Director of Operational Reporting	Asbury Automotive Oregon, LLC	1999-2003
Staff Accountant	<u>Maginnis &amp; Carey</u> LLP	1997-1999

1

2 **Q. Briefly describe your responsibilities during your tenure at the Company.**

3 A. I have responsibility for financial accounting and reporting, budgeting, and forecasting  
4 for NW Natural Water. I also provide support in regulatory matters as it pertains to  
5 financial information and regulatory filings.

6 **Q. In connection with the Company’s current application for an increase in rates and  
7 charges, what is the scope of your testimony?**

8 A. My testimony primarily relates to shared services; I will make myself available to support  
9 other financial questions that may arise.

10 **Q. What exhibits are used to support your testimony?**

11 A. The following exhibits accompany my testimony:

12 Exhibit 2 Proforma of Operating Expenses, Column (E) Shared Services Cost.

13 Exhibit No. 2 – G, which provides additional information regarding Column (E).

14 **Q. Please explain, generally, the approach used to allocate costs to Falls Water Co., Inc.  
15 (“Falls Water” or the “Company”).**

16 A. Generally, Falls Water’s parent companies, which includes NW Natural Water, attempt to  
17 directly assign costs to Falls Water and other subsidiaries for which the services are being  
18 performed. Costs that cannot be directly assigned are allocated to the subsidiaries using  
19 the NW Natural Cost Allocation Manual.

1 As shown in Exhibit 2, Column (E) Shared Services Cost Adjustment, and  
2 explained further in Exhibit No. 2 – G, Falls Water is allocated shared services from  
3 Northwest Natural Gas Company dba NW Natural (“NW Natural”) and NW Natural  
4 Water. This reflects the fact that, currently, some shared services—such as corporate  
5 communications, legal, purchasing, and tax—are provided by NW Natural, while others  
6 —such as accounting, insurance, and third-party legal—are provided by NW Natural  
7 Water. We anticipate that, as NW Natural Water acquires additional companies, more  
8 shared services will be provided by NW Natural Water.

9 This is the same allocation methodology that is used with NW Natural Water’s  
10 subsidiaries in Washington and Oregon; the methodology has been approved by both the  
11 Washington Utilities and Transportation Commission and Public Utility Commission of  
12 Oregon in prior proceedings to allocate shared services costs.

13 **Q. Is Falls Water seeking to recover more or less in shared services costs than it**  
14 **actually incurred in 2022?**

15 A. Less. As discussed below, in 2022 NW Natural Water acquired a regulated water and  
16 wastewater system in Yuma, Arizona. This decreased the amount of shared services costs  
17 allocated to Falls Water, and as such the Company is seeking to recover in this rate case  
18 less than the actual costs for shared services that it incurred in 2022.

19 **Q. Has the Company provided information regarding the shared services allocated to**  
20 **Falls Water?**

21 A. Yes. Exhibit No. 2 – G provides additional information related to shared services. This  
22 exhibit demonstrates the components of the shared services that are being allocated to  
23 Falls Water, including the entity whose shared services are being allocated, a description

1 and amount of the cost, and the allocation percentage used. The Company would be  
2 happy to discuss its allocation methodology, and components of the shared services being  
3 allocated, with Staff during the proceeding.

4 **Q. Do allocated shared service costs benefit Falls Water customers?**

5 A. Yes. The services that are allocated to Falls Water include services such as accounting,  
6 corporate communications, human resources, and legal services. These are back-office  
7 functions that every company must provide to continue to serve customers. If Falls  
8 Water's parent companies did not perform these functions, then Falls Water would have  
9 to perform them directly at higher costs. In addition, by participating in shared services,  
10 Falls Water is able to leverage the economies of scale experienced by its parent  
11 companies.

12 For example, Falls Water is seeking to recover less costs in shared services in this  
13 proceeding than its actual shared services costs during 2022. This decrease in shared  
14 services cost is enabled by NW Natural Water's acquisition of a water and wastewater  
15 system in Yuma, Arizona. Through this acquisition, NW Natural Water was able to  
16 allocate its shared services costs over more systems, which reduces the allocation  
17 percentage to be charged to Falls Water.

18 **Q. Does this conclude your direct testimony?**

19 A. Yes.

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

EXHIBIT 2 TO ACCOMPANY THE  
DIRECT TESTIMONY OF JEREMY AIRD

**Falls Water Co., Inc**  
**Exhibit 2 - Proforma Results of Operations**

	(A) Calendar Year January 1, 2022 December 31, 2022	(B) Adjustment for Non-Recurring Items	(C) Labor Costs Adjustment	(D) Miscellaneous Operating Costs Adjustment	(E) Shared Services Costs Adjustment	(F) Depreciation Property Tax Adjustment	(G) Adjusted Totals	(H) Witness
<b>Ordinary Income/Expense</b>								
<b>Income</b>								
1 <b>400 - Operating Revenue</b>								
2         461.1 - Metered Residential	2,356,048						2,356,048	
3         461.2 - Commercial Revenue	120,051						120,051	
4         462 - Fire Protection Revenue	-						-	
5         464 - Other Water Sales Revenue	9,004						9,004	
6         470 - Late Payment Fee Revenues	-						-	
7         471 - Misc Service Revenues	-						-	
8 <b>Total 400 - Operating Revenue</b>	<b>2,485,103</b>	<b>-</b>	<b>-</b>	<b>-</b>			<b>2,485,103</b>	
9 <b>414 - Gain (Loss) on Property</b>	<b>11,939</b>	<b>(11,939)</b>					<b>-</b>	
10 <b>Total Income</b>	<b>2,497,042</b>	<b>(11,939)</b>	<b>-</b>	<b>-</b>			<b>2,485,103</b>	
<b>Expense</b>								
11    601.5 - Labor Field	368,625		44,169				412,794	Scott Bruce
12    601.8 - Labor Office	91,140		1,311				92,451	Scott Bruce
13    601.9 - Admin - Labor	159,857		(40,875)				118,981	Scott Bruce
14    602 - Payroll Expense Contra Account	(57,299)		5,553				(51,745)	Scott Bruce
15    604 - Employee Benefits	212,762		(28,007)				184,755	Scott Bruce
16    610 - Purchased Water	155,098			(11,178)			143,920	Scott Bruce
17    615 - Electrical Power	273,174						277,668	Scott Bruce
18    618 - Chemicals	2,065			9,311			11,375	Scott Bruce
19    620.2 - Source M&S	24,231						24,231	Scott Bruce
20    620.6 - Distribution M&S	16,838						16,838	Scott Bruce
21    620.7 - Postage	30,620			1,325			31,945	Scott Bruce
22    620.8 - Office	39,039						39,039	Scott Bruce
23    620.81 - Telephone Expense	14,076			607			14,683	Scott Bruce
24    620.82 - Bank service charges	39,909			1,261			41,170	Scott Bruce
25    620.83 - Office Utilites Expense	6,044			(1,548)			4,496	Scott Bruce
26    631.1 - Engineering	7,625						7,625	Scott Bruce
27    631.2 - Accounting	3,385			5,585			8,970	Scott Bruce
28    631.3 - Attorney	1,485						1,485	Scott Bruce
29    631.4 - Payroll Services	10,224			5,056			15,280	Scott Bruce
30    634.1 - NWN Shared Services	223,718				(34,156)		189,562	Jeremy Aird
31    635 - Testing	24,135			2,593			26,728	Scott Bruce
32    636.2 - Source Contract Repairs	-						-	Scott Bruce
33    636.3 - Trash	1,059			167			1,226	Scott Bruce
34    636.4 - Outsourced Bad Debt Collection	-						-	Scott Bruce
35    636.6 - Distribution Contract Repairs	2,300			(2,300)			-	Scott Bruce
36    636.7 - Data Processing	97,569			(9,313)			88,257	Scott Bruce
37    636.8 - Contract Service - Consulting	400			(400)			-	Scott Bruce
38    641 - Rental of Property	21,045			(21,045)			-	Scott Bruce
39    642 - Rental of Equipment	-						-	Scott Bruce
40    645 - Lease Rent Exp - Interest	1,021			(120)			901	Scott Bruce
41    646 - Lease Rent Exp - Depreciation	4,705			120			4,825	Scott Bruce
42    650 - Transportation Expense	56,582						56,582	Scott Bruce
43    656 - Insurance Expense	75,885			22,633			98,517	Scott Bruce
44    656.10 - Insurance Contra Acct	(900)						(900)	Scott Bruce
45    656.1 - Workers Compensation Ins	-						-	Scott Bruce
46    660 - Advertising Expense	111						111	Scott Bruce
47    668.1 - Water District Fees	-						-	Scott Bruce
48    666 - Rate Case Amortization	-			184,500			184,500	Adam Rue
49    670 - Bad Debt Expense	13,008						13,008	Scott Bruce
50    675.1 - Training Expenses	4,093						4,093	Scott Bruce
51    675.2 - Dues & Publications	4,719						4,719	Scott Bruce
52    675.4 - IDHW Fee Expense	19,216			767			19,982	Scott Bruce
53    675.9 - 2012 MXU Proj Mtr Reader Lbr	-						-	
<b>Total Expense</b>	<b>1,947,563</b>	<b>-</b>	<b>(17,849)</b>	<b>192,513</b>			<b>2,088,071</b>	

Case No. FLS-W-23-01

J. Aird, Falls Water

Exhibit No. 2 - Column E Only

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**Falls Water Co., Inc**  
**Exhibit 2 - Proforma Results of Operations**

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	Calendar Year January 1, 2022 December 31, 2022	Adjustment for Non-Recurring Items	Labor Costs Adjustment	Miscellaneous Operating Costs Adjustment	Shared Services Costs Adjustment	Depreciation Property Tax Adjustment	Adjusted Totals	Witness
54 <b>Net Ordinary Income</b>	549,479	(11,939)	17,849	(192,513)		-	397,032	
55 <b>Other Income/Expense</b>								
56 <b>Other Income</b>								
57 <b>419 · Interest Earned</b>	165	(165)					-	
58 <b>421 · Non-Utility Income</b>	5,648	(5,648)					-	
59 <b>Total Other Income</b>	5,813	(5,813)	-	-		-	-	
60 <b>Other Expense</b>								
61 <b>403 · Depreciation Expense</b>	340,232					130,718	470,950	
62 <b>408 · Taxes</b>								
63 <b>408.11 · Property Taxes</b>	66,681					(23,469)	43,211	
64 <b>408.12 · Payroll Taxes</b>	52,097		(1,177)				50,920	
65 <b>408.5 · Payroll Taxes - Contra Account</b>	(5,001)						(5,001)	
66 <b>Total 408 · Taxes</b>	113,777	-	(1,177)	-		(23,469)	89,130	
67 <b>Income Taxes</b>	6,048						(99,477)	
68 <b>408.10 · Regulatory Fee</b>	5,147						5,147	
69 <b>426 · Misc. Non-Utility Expenses</b>	1,527	(1,527)					-	
70 <b>426.1 · Donations - Tax Deductible</b>	800	(800)					-	
71 <b>427.3 · Interest Expense</b>	28,417	(28,417)					-	
72 <b>Total Other Expense</b>	495,948	(30,744)	(1,177)	-		107,249	465,750	
73 <b>Net Other Income</b>	(490,135)	24,931	1,177	-		(107,249)	(465,750)	
74 <b>Net Income</b>	<b>59,344</b>	<b>12,992</b>	<b>19,026</b>	<b>(192,513)</b>		<b>(107,249)</b>	<b>(68,718)</b>	

Net before int & Tax	(173,196)
Interest (cost of debt (cap struct) * rate base)	215,661
Net before Tax	(388,857)
Tax	(99,477)



**CONFIDENTIAL**  
**EXHIBIT NO. 2-G TO TESTIMONY OF**  
**JEREMY AIRD**

**FILED CONFIDENTIALLY UNDER**  
**SEPARATE COVER**

CASE No. FLS-W-23-01