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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

Case No. SUZ-W-20-02

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

DIRECT TESTIMONY OF MOHAMMED ZERHOUNI

SEPTEMBER 2020

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

2 A. My name is Mohammed G. Zerhouni. Since December 2018, I have been
3 the Controller & Chief Accounting Officer at SUEZ Water Management &
4 Services Company with the overall responsibility of the company's financial
5 accounting records of the regulated companies. I am authorized to testify on
6 behalf of SUEZ Water Idaho Inc. ("SWID") in this case. My business address
7 is SUEZ Water Management & Services, 461 From Road, Suite 400,
8 Paramus, NJ 07652.

9 **Q. Please summarize your educational background and professional**
10 **experience.**

11 A. I received a Bachelor Degree in Accounting and a Master of Business
12 Administration from Franklin University. I am a Certified Public Accountant
13 and member of the American Institute of Certified Public Accountants. I have
14 over twenty years' experience in accounting and auditing regulated utilities,
15 publicly traded companies, and private companies. I also taught as an
16 Adjunct Faculty for several years accounting courses at Franklin University.
17 This is my first time testifying in front of this commission on accounting
18 matters.

19 **Q. What is the purpose of your testimony?**

20 A. The purpose of my testimony is to support the request of SWID to reflect the
21 updated presentation of the additional debt costs in Exhibit No. 10, Schedule
22 4 to address the technical accounting implications of the historical
23 presentation of these costs.

1 **Q. What is the current presentation of the additional debt costs?**

2 A. The additional debt costs included in Exhibit No. 10, Schedule 4 are currently
3 presented as regulatory assets in the accounting records of SUEZ Water
4 Resources LLC ("SWR"), the parent company of SWID. The current
5 accounting presentation reflects the economics of the historic ratemaking
6 process, which provides recovery of the prudently incurred costs related to
7 the debt component of SWR's capital structure. Amortization of the debt
8 costs are included in the monthly interest allocation made from SWR to its
9 utility subsidiaries. It is my understanding the interest rate utilized in
10 conjunction with SWR capital structure represents the basis to set rates in
11 each of SWR's utility subsidiaries and have historically and are currently
12 included in the utility's cost of service as indicated in Exhibit No.10, Schedule
13 4.

14 **Q. What is the technical accounting issue of the current presentation of
15 the additional debt costs?**

16 A. Generally accepted accounting principles ("GAAP") require the reporting
17 entity to meet three specified criteria in order to apply regulatory accounting
18 guidance. First, rates are established by an independent regulator, second,
19 rates are designed to recover costs of service, third, rates designed to
20 recover costs can be charged to and collected from customers. SWR is a
21 limited liability company and the parent company of SUEZ's utility regulated
22 and non-regulated subsidiaries in the United States of America. As such, it
23 is not specifically regulated by an independent third party regulator; and the

1 costs for its services are not recovered “directly” from ratepayers. Therefore,
2 from a technical GAAP accounting perspective rather than an economic
3 perspective, SWR should not apply regulatory accounting in its standalone
4 accounting records, and, as a result, should not continue to record these
5 additional debt costs as a regulatory asset for GAAP accounting.

6 **Q. What is the source of the additional debt costs?**

7 A. The additional debt costs represent the remaining amortization of debt costs
8 on debt not immediately refinanced with the same lender or has different
9 cash flows of the existing debt.

10 **Q. What is the impact to the ratepayers of the proposed presentation of**
11 **debt costs?**

12 A. The proposed presentation of debt costs is not expected to have an impact
13 on the ratepayers. For ratemaking purposes, these costs have always been
14 included as a component of the interest expense and will continue to be
15 included as described above in SWID and other SWR’s utility subsidiaries
16 rate case filings in the same manner. The proposed presentation of debt
17 costs will allow SWR and its utility subsidiaries, including SWID, to address
18 the technical accounting issue of presenting these costs within the regulated
19 utility deferred debits instead of within SWR standalone accounting records.

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

21 A. Yes, it does.