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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. VEO-W-22-02
OF VEOLIA WATER IDAHO, INC. FOR)
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR WATER SERVICE IN)
THE STATE OF IDAHO)
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)
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)

REBUTTAL TESTIMONY OF TIMOTHY MICHAELSON FOR

VEOLIA WATER IDAHO, INC.

MARCH 8, 2023

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

2 A. My name is Timothy Michaelson, Sr. Director – Regulatory Business, and my business
3 address is 461 From Rd, Suite 400, Paramus, New Jersey 07652.

4 **Q. Are you the same Timothy Michaelson that filed direct testimony in this**
5 **proceeding?**

6 A. Yes.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. The purpose of my rebuttal testimony is to address adjustments related to revenue
9 projections, particularly those related to weather normalization proposed by Staff Witness
10 Eldred and Micron Witness Gorman.

11 **Q. Please summarize Staff’s revenue normalization adjustments**

12 A. Staff Witness Eldred started with the Company’s updated Exhibit 5, Schedule 2 which
13 was provided in the Company’s response to Staff’s Production Request No. 163. The
14 Exhibit was updated for actual revenue and consumption data through December 31,
15 2022 (Staff’s updated Historic Test Year). Per books, revenue totaled \$52,379,219.
16 After removing Unbilled, Surcharges and Miscellaneous revenues, and accounting for the
17 billing error amounting to \$48,606, described in the Company’s response to Production
18 Request No. 163, Mr. Eldred’s Adjusted Historic Test Year Book Revenue totaled
19 \$53,022,368. From that point Staff Witness Eldred applies 3 adjustments: (1) Historic
20 Test Year growth of \$278,681, which matches the Company’s adjustment;
21 (2) normalization of Phase I rates of \$819,334 which matches the Company’s adjustment;
22 and (3) a weather usage adjustment of (\$1,664,176), which is different than the
23 Company’s Rebuttal amount of (\$2,812,978).

1 **Q. What is your understanding of how Staff Witness Eldred calculate his weather**
2 **normalization adjustment?**

3 A. Mr. Eldred used the same methodology as the Company with two exceptions. First, he
4 used 31 years of data instead of 30 utilized by the Company. Second, he summed the
5 results of 12-monthly models to determine the normalized annual use per customer.

6 **Q. Please explain the source of the methodology and how it was applied.**

7 A. As indicated in my Direct Testimony, I replicated the methodology I used in Veolia
8 Water Idaho, Inc's. (F/K/A/ SUEZ Water Idaho, Inc. ("Company")) prior rate case (SUZ-
9 W-20-02) which, in turn, was based upon the methodology communicated to us by Staff
10 from the previous rate case filing. That methodology ultimately resulted in billing
11 determinants that were adopted in the March 17, 2021 Stipulation and Settlement (item
12 #8, page 3) and approved in the April 30, 2021 Order No. 35030. I believe that the same
13 methodology used in the prior case should be used in this case.

14 In my Direct Testimony, the normalization was performed based upon 29
15 calendar years plus the Historic Test Year ending June 30, 2022. In the update requested
16 by Staff and provided in response to PR No. 163, information for the 12 months ended
17 12/31/2022 was available, and the calculations were changed to reflect that additional 6-
18 month period. In both the initial filing and the last rate case, the normalizing amount
19 utilized an average of the 30 year Palmer Z factors. The updated calculation provided in
20 response to PR No. 163 followed that same method.

21 **Q. Did Staff Witness Eldred make any recommendations regarding the calculation of**
22 **weather normalization to be used for future cases?**

1 A. Yes. He recommended that the Company, Staff, and other interested parties meet prior to
2 the next general rate case to discuss the importance and methods of making changes to
3 the Company's regression analysis.

4 **Q. What are the Company's thoughts on this recommendation?**

5 A. The Company has continually demonstrated its willingness to meet with Staff and other
6 interested stakeholders to discuss such complex technical issues in the past and is
7 certainly willing to do so in the future to attempt to arrive at an agreeable weather
8 normalization approach based upon relevant information. However, to change
9 methodologies at this point, especially since the Company, Staff and other parties have
10 not had the chance to discuss this very technical and complex issue, is unwarranted in my
11 opinion.

12 **Q. Did Staff Witness Eldred make any other observations on the Company's**
13 **calculation of weather normalization?**

14 A. Yes. On page 14 of his Revised Direct Testimony, he indicates that in its Updated
15 Response to PR No. 163 the Company predicted normal consumption for the year 2023.

16 **Q. Do you agree with his observation?**

17 A. No. The Company's calculation utilizes the 30-year average Palmer Z amount (0.18) to
18 arrive at a 2022 predicted consumption of 94.02. This predicted amount is subtracted
19 from the actual 2022 residential consumption of 103.13 to arrive at the (9.12 thousand
20 gallon adjustment), which is the basis for the Company's weather normalization
21 adjustment of (\$2,812,978) mentioned above.

1 **Q. Please summarize Micron’s revenue normalization adjustments**

2 A. Micron’s Witness Michael Gorman calculates his weather normalization using a 15-year
3 historic period. He calculates a simple average decline in residential usage over that
4 period to be (1.7%). He then applies the (1.7%) to the Company’s actual usage per
5 customer at the Historic Test Year of 105,479 gallons to arrive at his projected usage per
6 customer of 103,686 gallons. He also speculates that it is reasonable to expect that the
7 declining use per customer trend will moderate going forward compared to the 30-year
8 trend as the population of residential customers’ water appliances and conservation
9 practices are updated to reflect more efficient water appliances and customer
10 consumption behavior.

11 **Q. Do you agree with Mr. Gorman’s use of a 15-year period as a factor in determining**
12 **a normalized level of consumption?**

13 A. No. Utilizing additional periods generally reduces the amount of error in regression
14 estimates (as Staff Witness Eldred points out in his Testimony). As mentioned earlier, 30
15 years was the period used and adopted in the Company’s last case and I believe it should
16 remain consistent for this case.

17 **Q. Do you agree with Mr. Gorman’s forecasting methodology?**

18 A. No. Regression forecasts are generally considered superior to simple average trends
19 because averaging does not minimize prediction error while regression analysis is
20 considered a more efficient and unbiased predictor of outcome especially if there is a
21 high correlation to a relevant measure like Palmer-Z.

22 **Q. Do you agree with Mr. Gorman’s contention that the declining use per customer will**
23 **moderate moving forward compared to the 30-year trend?**

1 A. Mr. Gorman offers no statistical evidence that customers' use of water efficient
2 appliances and conservation practices has reached a saturation point at this time, nor does
3 he acknowledge that technology affecting the efficiency of water using appliances
4 continues to improve resulting in even greater savings. Finally, the Company believes
5 that there are still many gains to make regarding conservation as the public becomes even
6 more aware and engaged in these efforts.

7 **Q. Are you providing any Rebuttal Exhibits?**

8 A. Yes. I am providing updates to the following Schedules that accompanied the
9 Company's response to Staff Production Request #163:

- 10 • Exhibit No. 17 - Schedule 2 – Summary of Historic Test Year and Test
11 Year Revenues at Present Rates
- 12 • Exhibit No 17 - Schedule 4 – VWID System – Summary of Billing
13 Determinants for customer growth through March 2023
- 14 • Exhibit No 17 - Schedule 4 – Eagle – Summary of Billing Determinants
15 for customer growth through March 2023
- 16 • Exhibit No 17 – Schedule 4B – VWID System – Application of Present
17 Rates for customer growth through March 2023
- 18 • Exhibit No 17 – Schedule 4B – Eagle New – Application of Present Rates
19 for customer growth through March 2023.

20 With the exception of the adjustments calculated in the Exhibits listed above, the
21 Company's Rebuttal matches Staff's Test Year Revenues at present rates.

22 **Q. Does this conclude your Rebuttal Testimony at this time?**

23 A. Yes.