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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

REBUTTAL TESTIMONY OF MICHAEL WILSON

FOR VEOLIA WATER IDAHO, INC.

MARCH 8, 2023

1 **Q. Are you the same Michael Wilson who provided direct testimony in this case?**

2 A. Yes.

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

4 A. I will address several adjustments proposed by the Idaho Public Utilities Commission
5 Staff (“Staff”) regarding operating costs that are discussed in my testimony including:
6 Advertising expense, Vehicle Allocation expense, Employee 401(k) and payroll taxes.

7 **Q. Have you prepared any exhibits to support your rebuttal testimony?**

8 A. Yes. Rebuttal Exhibits:

- 9
- 10 • Exhibit 20 Schedule 1 - Operating Expense Summary
 - 11 ○ Adjustment 6 - Employee 401(k)
 - 12 ○ Adjustment 7 - Other Employee Benefit-Tuition Account
 - 13 ○ Adjustment 16 - Vehicle Allocation, Attachment A
 - 14 ○ Adjustment 18 - Advertising, Attachment A (CCR Invoice)
 - 15 • Exhibit 20 Schedule 3
 - 16 ○ Adjustment 2 - FICA

17 **Q. Please summarize the recommendations made by Staff to the Company’s Operating Expenses that were discussed in your testimony.**

18 A. Staff Witness Johnson recommended the following adjustments to Operating Expenses,
19 which were discussed in my Direct Testimony:

- 20
- 21 • Adjustment 11 employee 401(k) matching contributions is a flow through from Staff’s adjusted payroll expense.
 - 22 • Adjustment 12 Other Employee Benefits – Tuition proposes an adjustment to use Test
23 Year End December 31, 2022 actuals.

- 1 • Adjustment 14 Payroll tax is a flow through from Staff's adjusted payroll expense.
- 2 • Adjustment 16 reduces Vehicle Allocation by removing the 2023 Mechanic wage
- 3 increase, eliminates lease costs for 22 new vehicles, removes 5.5% projected growth in
- 4 fuel consumption, prices fuel at a more current cost, and eliminates a 3% inflation
- 5 adjustment to materials and maintenance. Adjustment 18 eliminates the advertising
- 6 expense for printing the Consumer Confidence Report (CCR).

7 Payroll

8 **Q. Do you agree with Staff Witness Johnson's proposed adjustments to employee**
9 **401(k) Match, Other Employee Benefit-Tuition Account, and payroll taxes- FICA,**
10 **FUI, and SUI?**

11 A. Not entirely. Staff's proposal uses actual 401(k) Match expenses incurred in 2022. The
12 401(k) amount should be based on the Company's rebuttal gross payroll amount, less
13 incentives. The Company's rebuttal position for 401(k) expense is \$455,428, a reduction
14 of \$139 per Exhibit 20 Schedule 1 Adjustment 6 – Employee 401(k). Likewise, Payroll
15 taxes- FICA, FUI, and SUI calculations should be based on the Company's rebuttal
16 amount for Test Year gross payroll of \$11,554,333. The Company's rebuttal position for
17 FICA is \$869,430. FUI and SUI remain unchanged as filed.

18 The Company can accept Staff's proposed December 2022 actual amount for
19 Company's Other Employee Benefit-Tuition Account.

20 Advertising Expenses

21 **Q. Do you agree with Staff Witness Johnson's proposal to eliminate estimated printing**
22 **costs for the Consumer Confidence Report (CCR)?**

1 A. No. The Company's rebuttal position for Test Year advertising expense is \$248,647,
2 which reflects \$20,965 of additional CCR printing costs per Exhibit 20 Schedule 1
3 Adjustment 18 Attachment A (CCR Invoice). The February 28, 2023 CCR invoice
4 reflects a total of \$50,965 for printing costs, including sales tax, provided by the vendor
5 based on 100,000 printed customer notices. The increase in costs is due to inflationary
6 increases to paper material costs and the service to manage the printing and delivery to
7 the post office. See testimony by Company Witness Cary on the postage costs related to
8 the CCR.

9 **Q. Please discuss why the Company proposes to mail the Consumer Confidence Report**
10 **(CCR) when it may be provided to customers electronically?**

11 A. The Company strongly believes the CCR is an important document for customers to
12 review and to understand what is in their water, what tests are performed and those test
13 results. The Idaho Department of Environmental Quality and the Environmental
14 Protection Agency require customers be notified when their annual CCR is available.
15 However, less than 0.1% of customers clicked to the Idaho CCR web page the previous
16 two years using only an electronic notification. The Company's position is this important
17 and regulatory required information should be mailed to all customers. The Company
18 will continue to provide notification via our Facebook and Twitter pages, a digital banner
19 ad on IdahoStatesman.com with a link to a sponsored news article about the CCR, and a
20 bill message for customers who receive their statement on paper or electronically. All
21 forms of notification let customers know how to find the CCR on our website; however,
22 the printed mailer is the version the Company feels is the most effective.

Vehicle Allocation

1
2 **Q. Do you agree with Staff Witness Johnson’s adjustments to pro forma vehicle**
3 **expense (Vehicle Allocation)?**

4 A. No. Staff Witness Johnson’s first adjustment removes the 2023 pay increase for the
5 Company’s mechanic. The mechanic is a union position and thus covered by the current
6 Collective Bargaining Agreement between the Company and Union that is effective until
7 March 31, 2024. In the current agreement, the mechanic base hourly wage is set to
8 increase by 2.75% on April 1, 2023 and thus should be included as filed.

9 Staff Witness Johnson’s second adjustment removes the pro forma lease expense
10 of \$198,000 associated with 22 new vehicles included in the Company’s case. These
11 new vehicle leases are to replace old vehicles with expired leases. Since the Staff’s
12 onsite audit in January of 2023, the Company has received 15 of the new leased vehicles
13 sourced through our lease provider, Element Fleet. See Exhibit 20 Schedule 1
14 Adjustment 16 – Vehicle Allocation, Attachment A, Page 1. Additionally, our mechanic
15 has worked with the local Kendall Ford of Meridian dealership to secure the other 7 new
16 leased vehicles. Four of those vehicles have arrived, and the other three are confirmed by
17 the dealership to arrive in mid-April. See Exhibit 20 Schedule 1 Adjustment 16 – Vehicle
18 Allocation, Attachment A, Pages 2-5. It is the Company’s position to include the
19 \$198,000 for these 22 new leases as filed.

20 Staff Witness Johnson’s third adjustment reduced fuel costs by revising both the
21 combined average price for regular and diesel and the total pro forma gallons of fuel
22 consumed. The as filed AAA price for fuel on September 1, 2022 was revised by Staff
23 Witness Johnson to the price as of January 30, 2023. Given the volatility in fuel prices,

1 the Company proposes to use an updated average price of regular fuel of \$3.792 and
2 \$4.513 for diesel fuel as of March 6, 2023 per AAA “Boise City” prices.

|  Boise City | | | | |
|--|---------|---------|---------|---------|
| | Regular | Mid | Premium | Diesel |
| Current Avg. | \$3.792 | \$3.953 | \$4.168 | \$4.513 |
| Yesterday Avg. | \$3.796 | \$3.966 | \$4.160 | \$4.526 |
| Week Ago Avg. | \$3.806 | \$3.952 | \$4.152 | \$4.604 |
| Month Ago Avg. | \$3.760 | \$3.901 | \$4.107 | \$4.702 |
| Year Ago Avg. | \$4.050 | \$4.135 | \$4.349 | \$4.510 |

3
4 With regards to pro forma gallons of fuel consumed, Staff Witness Johnson
5 proposed to remove the 5.5% estimated increase from the historical test year which
6 resulted in 69,756 gallons compared to the as filed historic test year of 73,593 total
7 gallons. The Company proposes to use actual fuel consumed for the 12-month period
8 ending February 28, 2023 per Exhibit 20 Schedule 1 Adjustment 16 – Vehicle Allocation,
9 Attachment A, Page 6. The volume of all grades of regular fuel consumed during that
10 period is 56,254 gallons. This volume priced at the AAA average price of \$3.792 for
11 regular is \$213,315. The volume of diesel fuel consumed for the same period was 17,169
12 gallons. This volume priced at the AAA average price of \$4.513 for diesel is \$77,484.
13 Total rebuttal fuel cost is \$290,799 on 73,423 gallons which is a reduction of \$60,691
14 from the as filed amount.

15 Lastly, Staff Witness Johnson proposes to eliminate the 3% inflation rate applied
16 to the historical test year materials and maintenance costs stating, “Commission and Staff
17 have historically opposed inflation adjustments because they are not known and

1 measurable". While projecting inflation may be difficult, the impact of inflation during
2 2022 was known and measurable as 2022 year-end material and maintenance costs
3 totaled \$258,557. This is an increase of \$42,487 over the as-filed historic test year
4 amount of \$216,070 which included the 3% inflation projection. The Company does not
5 propose to increase vehicle expense by the actual 2022 year-end amount but stands by its
6 as filed position of \$216,070 which includes a 3% inflation increase compared to the
7 6.2% year-over-year 12-month percent change in CPI-U, December 2022 for all items in
8 the West. See Exhibit 20 Schedule 1 Adjustment 16 – Vehicle Allocation, Attachment A,
9 Page 8.

10 **Q. Please summarize the Company's rebuttal position on vehicle expense.**

11 A. The Company's rebuttal position on total vehicle expense is \$991,007, a reduction of
12 \$34,343 from the as filed amount of \$1,025,350.

13 **Q. Does this conclude your rebuttal testimony?**

14 A. Yes.