BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

)

IN THE MATTER OF THE APPLICATION OF VEOLIA WATER IDAHO, INC. FOR A GENERAL RATE CASE

CASE NO. VEO-W-22-02

REVISED DIRECT TESTIMONY OF MICHAEL ELDRED

IDAHO PUBLIC UTILITIES COMMISSION

MARCH 1, 2023

1	Q. Please state your name and business address for
2	the record.
3	A. My name is Michael Eldred. My business address
4	is 11331 W. Chinden Blvd., Building 8, Suite 201-A, Boise,
5	Idaho 83720.
6	O By whom are you omployed and in what capacity?
7	Q. By whom are you employed and in what capacity:
8	A. I am employed by the Idaho Public Utilities
9	Commission ("Commission") as a Utilities Analyst in the
10	Utilities Division.
11	Q. Please describe your work experience and
12	educational background?
13	A. Please see Exhibit No. 122 that provides a
14	summary of my work ownerionce and education background
15	summary of my work experience and education background.
16	Q. What is the purpose of your testimony in this
17	proceeding?
18	A. The purpose of my testimony is to address the
19	Company's Test Year Revenue at Present Rates and normalized
20	consumption adjustments used to determine (1) the baseline
21	for determining the increase (or decrease) in revenue the
22	Company will earn as regult of this case, and (2) the
23	company will each as result of this case, and (2) the
24	Company's Cost of Service Study ("COSS") used to inform the
25	spread of the Revenue Requirement across the different

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I also provide an assessment of the Load Study conducted in response to Commission Order No. 35030 that was intended to validate whether the Company's customer classes are appropriate to ensure customers are being charged based on the costs that they cause based on their demand and usage patterns. For purposes of my testimony, the terms "usage"

and "consumption" can be used interchangeably and refer to the amount of water purchased by customers from the Company's system.

Test Year Revenue and Weather Normalized Consumption

Q. Please summarize your findings as a result of your review of the Company's Test Year Revenue at Present Rates and Weather Normalized Test Year Consumption.

18 Α. I generally support the Company's methods for 19 determining the Test Year Revenue at Present Rates filed in 20 the Company's Application; however, Staff is proposing to 21 use a 2022 Test Year, January 1, 2022, through December 31, 22 2022, without pro forma adjustments, instead of the 23 Company's proposed Test Year of July 1, 2021, through June 24 30, 2022, with pro forma adjustments through March 31, 25

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1	2023. The rationale for the Test Year change is described
2	in Staff witness English's testimony.
3	The change in the Test Year has the following
4	effects related to my testimony.
5	cricees related to my testimony.
6	1. Test Year Revenue at Present Rates should be
7	increased \$738,348 from \$51,717,859 to
8	\$52,456,207, which is reflected as adjustment No.
9	4 in Revised Exhibit No. 130 of Staff witness
10	Culbertson's testimony;
11	2. Total water consumption for the Test Year should
12	be reduced from 857,424 one hundred cubic feet
13	("CCF") as proposed by the Company to 823,098
14	CCE, and
15	CCF; and
16	3. A downward adjustment of \$8,905 should be applied
17	to power and chemical expense as a result of the
18	reduction in Test Year consumption compared to
19	the Company's Application as reflected as
20	adjustment No. 28 in Revised Exhibit No. 130 of
21	Staff witness Culbertson's testimony
22	Stall withess culbertson s testimony.
23	
24	Q. Does this testimony replace your initial pre-
25	filed testimony?

1 Yes, this updated testimony replaces my initial Α. 2 pre-filed testimony that was filed on February 15, 2023. 3 Why did your initial testimony need to be Ο. 4 updated? 5 My initial testimony provided estimates for the Α. 6 Revenue at Present Rates. Staff did not receive a full 7 response from the Company to Staff Production Request 8 ("PR") No. 163 before my pre-filed testimony was due on 9 10 February 15, 2023. The Company did provide an Interim 11 Response to PR No. 163 that provided enough information to 12 determine estimates for Staff's Revenue at Present Rates in 13 my initial testimony for Staff's 2022 Test Year. On 14 February 21, 2023, the Company provided the Updated 15 Response to PR No. 163 with all the information I needed to 16 perform a full analysis and to update my testimony and 17 18 exhibits associated with the Test Year Revenue and Weather 19 Normalized Consumption Section of my initial testimony. 20 This updated testimony replaces my initial pre-filed 21 testimony. 22 What exhibit supports your testimony on Staff's Ο. 23 recommendation for Revenue at Present Rates? 24 I have included Revised Exhibit No. 123 with 4 Α. 25

1	schedules to support my testimony. Schedule 1 is a summary
2	showing the overall total differences between Staff's final
3	recommended Total Test Year Revenue at Present Rates and
4	the Company's Total Test Year Revenue at Present Rates
5	included in its Application and in Updated Response to PR
6 7	No. 163. Schedule 2 is the Company's Total Test Year
, 8	Revenue at Present Rates included in its Application using
9	the Company's proposed Test Year with pro forma
10	adjustments. Schedule 3 is the Total Test Year Revenue at
11	Present Rates provided in Updated Response to PR No. 163
12	using Staff's 2022 Test Year without pro forma adjustments.
13	Schedule 4 is Staff's final recommended Total Test Year
14	Schedule 4 15 Start 5 final recommended fotal rest rear
15	Revenue at Present Rates using Staff's 2022 Test Year
16	without pro forma adjustments.
17	Q. Please describe how the Company developed its
18	final Test Year Revenue under Present Rates as contained in
19	the Application.
20	A. As discussed earlier, the Company's proposed
21	Total Test Year Revenue at Present Rates is summarized in
22	Company Exhibit 5. Schedule 1. in the Company's
23	
24	Application, which I have included as Revised Exhibit No.
25	123, Schedule 2 of my testimony. It reflects a total

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1	revenue of \$51,717,859 (Column 11), which is comprised of
2	\$50,866,102 of Adjusted Historic Test Year Book Revenue
3	(column 4), and five adjustments increasing the Test Year
4	revenue by a total of \$851,757 (Columns 6-10). To
5	determine the adjustments, the Company was required to
о 7	perform a Bill Analysis of the Test Year revenue, which
8	breaks down the amount of revenue earned through each rate
9	component on customer bills for each customer class. The
10	total of this breakdown (Column 5) is shown to reconcile
11	with the Adjusted Historic Test Year Book Revenue (Column
12	4), validating the Bill Analysis. The adjustments to the
13	Bill Analysis Revenues Historic Test Year Rates (Column 5)
14	broken out in Columns 6 through 10 include the following:
15	1 Adjustment R1 - Annualization of Historic Test
16	Near Greath fan 6246 216 (Gelamm ())
17	Year Growth for \$246,816 (Column 6);
18	2. Adjustment R2 - Customer Growth from 7/1/21-
19	3/31/22 for \$273,782 (Column 7); ¹
20	3.Adjustment R3 - Weather Usage Adjustment for
21	\$(2,691,767) (Column 8);
22	4. Adjustment R4 Eagle Historic Test Year for
24 25	¹ Staff verified the dates on this column are mis-labeled as $7/1/20 - 3/31/21$ and should have contained date range $7/1/21 - 3/31/22$.

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1	\$661,051 (Column 9); and
2	5. Normalization of Phase I Rates for \$2,343,875
3	(Column 10).
4	Q. Can you provide an overview of Staff's proposed
5	changes to the Company's Test Year Revenue at Present
6	Patos2
7	Rates:
8	A. I have included a summary of Staff's <u>final</u> Test
9	Year Revenue at Present Rates, as shown in Revised Exhibit
10	No. 123, Schedule 4 using the same format used by the
11	Company. As mentioned earlier in my testimony, Staff's
12	proposal to the Test Year Revenue under Present Rates is
13	driven by changing to a 2022 Test Year.
14 15	Q. Did the Company provide a Test Year Revenue under
16	Present Rates reflecting Staff's 2022 Test Year?
17	A. Yes, the Company provided a Test Year Revenue
18	under Present Rates reflecting Staff's 2022 Test Year
19	through the Company's Updated Response to Staff PR No. 163.
20	I have included the Company's written response to PR No.
21	163 as Revised Exhibit No. 125 of my testimony. The Test
22	Vear Devenue under Dregent Dates from the Company's Undeted
23	Tear Revenue under Present Rates from the company's opdated
24	Response to PR No. 163 is provided as Revised Exhibit No.
25	123, Schedule 3. I used the Company's Updated Response to

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1	PR No. 163 as the starting point for Staff's <u>final</u> Test
2	Year Revenue at Present Rates, as shown in Revised Exhibit
3	No. 123, Schedule 4.
4	Q. Please describe the Book Values (Columns 2-4) in
5	Staff's proposal as shown in Revised Exhibit No. 123,
6	Schedule 4 and how these values were determined
7	Schedule 4 and now chese values were determined.
8	A. The Booked Values in columns 2 through 4 show
9	actual booked values with removal of unbilled/surcharge
10	amounts for Staff's 2022 Test Year. These values were
11	obtained through the Company's Updated Response to Staff PR
12	No. 163 and match the values seen in Revised Exhibit No.
13	123, Schedule 3 with the exception of the Meter Reading
14	Error Rebills line item.
15	Q. Please explain the Meter Reading Error Rebills
17	line item and why it is necessary.
18	A. The Meter Reading Error Rebills line item
19	represents rebilled revenue that was not included in the
20	2022 mast Mass Decked Malues . The value is this line item
21	2022 Test Year Booked Values. The value in this line item
22	is related to rebilling that occurred after the 2022 test
2.3	year but is a result of inaccurate meter readings that
24	occurred from July 2022 through January 2023. The \$48,606
25	value in this line item represents rebills that occur after

1 the December 31, 2022, cut of date of Staff's Test Year. 2 This value was obtained from the Company's Updated Response 3 to PR No. 163. This line item is necessary because this 4 revenue would have been received during the 2022 test year 5 had the meter reading issue not occurred. Additional 6 information on the meter reading issue is provided in Staff 7 Revised Exhibit No. 125. 8 Please explain what the Bill Analysis Revenues in 9 Q. 10 Column 5 of Staff's proposal represent and how the values 11 were determined. 12 The Bill Analysis Revenues represent consumption Α. 13 analysis and billing determinants at present rates for 14 Staff's Test Year. These values were obtained through the 15 Company's Updated Response to Staff PR No. 163 and match 16 the values seen in Revised Exhibit No. 123, Schedule 3 17 18 except for the Meter Reading Error Rebills line item. The 19 Rebills line item is necessary for the same reasons as 20 explained earlier and make the Bill Analysis Revenue 21 reconcile with the Adjusted Historic Test Year Book Revenue 22 shown in Column 4. 23 Please explain what the Adjustment R1 -Ο. 24 Annualization of Historic Test Year Growth (Column 6) 25

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represents and how your values were determined.

2 The Company's R1 adjustment adjusts for growth of Α. 3 the number of customers during the Test Year. The values 4 for my R1 adjustment were obtained through the Company's 5 Updated Response to Staff PR No. 163 and match the values 6 seen in Revised Exhibit No. 123, Schedule 3. I reviewed 7 the Company's R1 adjustment provided in the Updated 8 Response to PR No. 163 and agree with the final adjustment 9 10 values. I have included the billing determinant 11 calculations based on Staff's 2022 Test Year for the R1 12 adjustment in Revised Exhibit No. 126. The Exhibit follows 13 the same format as Company Exhibit 5, Schedule 4 VWID, and 14 Schedule 4 Eagle Worksheets. 15 Please explain what the Adjustment R2 - Customer Ο. 16 Growth from 7/1/22-3/31/23 (Column 7) represents and how 17 18 your values were determined. 19 The Company's R2 adjustment adjusts customer Α. 20 growth for its pro forma period from July 1, 2022, through 21 March 31, 2023. However, under Staff's proposal, the R2 22 adjustment is not required. Since Staff is using a 2022 23

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Test Year without a pro forma period, an adjustment for pro

forma period customer growth is not needed. The amount of

customer growth that occurred from July 1, 2022, through December 31, 2022, the end of Staff's Test Year, is incorporated in Staff's R1 adjustment, as described above.

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Q. Please explain what the Adjustment R3 - Weather Usage Adjustment (Column 8) represents and how your values were determined.

The R3 adjustment determines how much the 2022 Α. 8 Test Year Revenue needs to be adjusted so that the Revenue 9 10 at Present Rates represents the amount of Revenue the 11 Company would have earned if the Test Year experienced a 12 normal consumption and weather year. To accomplish this, I 13 ran statistical regression analyses using 31 years of 14 available historical consumption and weather data provided 15 by the Company to determine the normalized Use per Customer 16 ("UPC") for Residential and Commercial customers for the 17 18 2022 Test Year. The difference between the normalized UPCs 19 for the 2022 Test Year and actual UPCs for the 2022 Test 20 Year were then multiplied by the number of actual 21 Residential and Commercial customers at the end of the 2022 22 Test Year to determine the total usage adjustment for the 23 two classes. Revised Exhibit No. 126. Using my 24 recommended normalized UPC adjustment of -7.51 CCF for 25

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1 Residential customers and -21.57 CCF for Commercial 2 customers, I estimated the total R3 Weather Usage 3 Adjustment to be (1, 664, 176) using the allocation factors 4 from the Company's Bill Analysis provided in the Company's 5 Updated Response to Staff PR No. 163. 6 Please explain how you developed the recommended Ο. 7 normalized UPCs for the 2022 Test Year. 8 To determine the normalized UPCs for the 2022 9 Α. 10 Test Year, I first compared the Company's normalization 11 regression method to my own regression methods for both 12 Residential and Commercial customers. I used historical 13 actual consumption data included in the Company's 14 Application as well as data provided through the Company's 15 Updated Response to Staff PR No. 163 so that I had actual 16 data throughout the 2022 Test Year. My method summed the 17 18 results of 12 monthly models to determine the normalized 19 annual UPCs instead of using a single annual model used by 20 the Company. I determined that the Company's regression 21 modeling method using the 2022 Test Year resulted in 22 normalized UPC amounts that were within the standard error 23 of the normalized UPCs that I determined through my own 24 models. Based on this finding, I utilized the Company's 25

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1	modeling method with a couple of exceptions.
2	Q. Please explain your exceptions.
3	A. There were two things I did differently. First,
4	I used 31 years of data, from 1992 through 2022, instead of
5	30 years used by the Company, since it was available. The
6	additional data provided an additional degree of freedom
7	additional data provided an additional degree of freedom
8	which generally reduces the amount of error in regression
9	estimates.
10	Second, the Company's regression model in its
11	Application only included actual data through 2021.
12	Because the Company's test year went from July 1, 2021,
13	through June 30, 2022, the Company was effectively making
14 15	predictions 6 months past its actual data set. Using the
16	Company's method on Staff's test year would have resulted
17	in predicting 12 months past the actual data set. Most
18	introductory statistics texts warn against extrapolation,
19	that is, using regression to make predictions beyond the
20	range of the original data set. ² Given that the actual data
21	
22	² See, for example, 1. Pennsylvania State University's
23	Department of Statistics course notes for STAT 100: Statistical Concepts and Reasoning.
24	https://online.stat.psu.edu/stat100/lesson/5/5.5, 2.
25	on Chapter 5 of The Basic Practice of Statistics (6 th ed.). https://www.westga.edu/academics/research/vrc/assets/docs/l

1 was available for the Company's proposed test year as well 2 as for Staff's 2022 Test Year, there is no reason not to 3 include the data in the regression model, thus eliminating 4 this as a source of error. However, I included actual data 5 from 1992 through the 2022 Test Year in the regression 6 model, preventing predictions outside the actual data set 7 eliminating this as a source of error. 8 In the Company's Updated Response to PR No. 163, 9 10 they included actual data from 1993 through 2022 in their 11 regression model but predicted normal consumption for the 12 This approach continues to extrapolate outside year 2023. 13 the actual data set and uses a year that does not match 14 Staff's test year. For these reasons, I did not use the 15 Company's values from the Updated Response to PR No. 163. 16 What inputs and historic data did you and the 17 Ο. 18 Company use in the regression models? 19 Both the Company and I performed our regression Α. 20 analysis utilizing actual customer usage, calendar year, 21 and the Palmer Z index as inputs. Michaelson Direct at 6. 22 23 inear regression notes.pdf. 3. "Making Predictions with 24 Regression Analysis", Statistics By Jim. https://statisticsbyjim.com/regression/predictions-25 regression/.

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1	The Palmer-Z index from the National Oceanographic and
2	Atmospheric Administration ("NOAA") reflects weather
3	conditions that affect water consumption due to irrigation.
4	The index estimates the moisture content of soil during a
5	specified time period and geographic locale relative to the
6	long-term average for that same period and locale. It
, 8	incorporates the cumulative effects of temperature,
9	humidity, precipitation, evapotranspiration, and soil
10	conditions into a single number, serving as a weather
11	variable that drives water consumption. Positive values
12	indicate wetter-than-normal conditions: negative values
13	indicate drive than normal conditions, megacive values
14	Indicate drier-than-normal conditions. The Company uses a
15	7-month Palmer Z index, which is a single composite value
16	for those months when the Company determined that customer
17	irrigation is most likely, from April through October.
18	Q. Are there any improvements that you believe
19	should be incorporated in the Company's models in its next
20	general rate case?
21	A. There are two improvements. First, I advocate
22	either creating 12 monthly models similar to the models I
23	developed and used to compare against the Company's annual
∠4 25	model, or include monthly data and variables in a single
20	

1 regression model. I believe the added resolution of 2 monthly data and variables is better to determine the 3 effects of weather to the amount of water consumption 4 because it more accurately matches the weather conditions 5 in each month to the amount of water consumed in each month 6 over the dataset timeframe. This is especially important 7 because weather conditions can vary widely during the 8 9 course of any given year. 10 Second, I suggest normalizing for economic 11 conditions such as wages, employment rate, and some measure 12 of buying power due to inflation. In any regression model, 13 it is important to identify the statistically significant 14 causal factors that contribute to customer water 15 consumption as the independent variable. Doing so better 16 isolates the effects of weather from other causal factors 17 18 and improves the overall accuracy of the model. 19 I recommend that the Company, Staff, and other 20 interested parties meet prior to the next general rate case 21 to discuss the importance and methods of making these 22 changes in the Company's regression methodology. 23 Please explain what the Adjustment R4 - Eagle 0. 24 Historic Test Year (Column 9) represents and how your 25

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1 values were determined.

2	A. The Company's R4 adjustment makes an adjustment
3	to include revenue for Eagle Water legacy customers as if
4	the Company was providing service from July 1, 2021,
5	through December 31, 2021, even though the Company did not
7	provide service to Eagle Water customers until January 1,
8	2022. This adjustment is required using the Company's July
9	1, 2021, through June 30, 2022, test year to ensure the
10	correct revenue baseline. However, due to Eagle Water
11	customers being included in the Company's system for all of
12	Staff's 2022 Test Year, no R4 adjustment is required.
13	Q. Did you propose an adjustment to the Company's
14	proposed revenue requirement to reflect the reduced
15	proposed revenue requirement to refrect the reduced
16	consumption predicted by your consumption adjustments?
17	A. Yes. I proposed an adjustment to the Company's
18	power and chemicals expenses since these expenses vary in
19	proportion to water consumption. Because total consumption
20	changed using a 2022 Test Year as compared to consumption
21	in the Company's Application, Staff has included an
22	
23	adjustment of $S(8,905)$ in power and chemical expense as
24	reflected in Staff's adjustment No. 28 in Revised Exhibit
25	No. 130 of Staff witness Culbertson's testimony. I used

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1 the same calculation method the Company used to make their 2 own adjustment after normalizing consumption for their 3 proposed Test Year as detailed in Company witness Cary's 4 Adjustment No. 29. 5 Please explain what the Normalization of Phase 1 Ο. 6 Rates (Column 10) represents and how your values were 7 determined. 8 The purpose of the Normalization of Phase I Rates 9 Α. 10 adjusts the Test Year revenue to account for two things: 11 (1) a rate change for Company and non-legacy Eagle Water 12 customers that occurred during the Test Year; and (2) to 13 adjust Test Year revenue for Eagle Water legacy customer 14 rates that went into effect on January 1, 2023. This 15 adjustment is still needed for Staff's 2022 Test Year. The 16 values for my Normalization of Phase 1 Rates were obtained 17 18 through the Company's Updated Response to Staff PR No. 163 19 and match the values seen in Revised Exhibit No. 123, 20 Schedule 3. I reviewed the Company's Normalization of 21 Phase 1 Rates adjustment provided in the Updated Response 22 to PR No. 163 and agree with the final adjustment values. 23 Please summarize your recommendations related to Ο. 24 the Test Year Revenue at Present Rates and Weather 25

1 Normalized Test Year consumption.

2	A. First, I recommend the Commission approve my
3	proposed Test Year Revenue at Present Rates and
4	corresponding adjustments as shown in Revised Exhibit No.
5	123, Schedule 2. Second, I recommend an adjustment of
6 7	\$(8,905) to power and chemical expense as a result of the
8	change in Test Year consumption compared to the Company's
9	Application. Finally, I recommend that the Company, Staff,
10	and other interested parties meet to discuss and agree on
11	improvements to the weather normalization regression
12	methodology before the next general rate case.
13	THE COMPANY'S COST-OF-SERVICE STUDY AND LOAD STUDY
14	
15	Q. What is the purpose of a COSS?
16	A. A COSS allocates the Company's revenue
17	requirement to the Company's rate classes in accordance
18	with the principle of cost causation. The cost causation
19	principle states that costs should be borne by the class
20	that causes them to be incurred. Costs incurred in the
21	service of a single class, or its individual members,
22	
23	I Should be directly assigned to that class: however, because
25	should be directly assigned to that class; nowever, because
24	many of the Company's costs are incurred serving multiple

1 directly assigned. 2 O. Is the formation of customer classes based on 3 principles of cost causation widely used in utility 4 regulation? 5 It is a bedrock principle of utility cost-A. Yes. 6 of-service rate making. One example is described in the 7 Public Utility Regulatory Policy Act of 1978 under Title I, 8 Subtitle B, section 111(d)(1): 9 10 COST OP SERVICE.-In undertaking the consideration 11 and making the determination under section 111 with respect to the standard concerning cost of 12 service established by section 111(d)(1), the costs of providing electric service to each class 13 of electric consumers shall, to the maximum 14 extent practicable, be determined on the basis of methods prescribed by the State regulatory 15 authority (in the case of a State regulated electric utility) or by the electric utility (in 16 the case of a nonregulated electric utility). Such methods shall to the maximum extent 17 practicable-(1) permit identification of differences in cost-18 incurrence, for each such class of electric 19 consumers, attributable to daily and seasonal time of use of service and 20 (2) permit identification of differences in costincurrence attributable to differences in customer 21 demand, and energy components of cost. In prescribing 22 such methods, such State regulatory authority or nonregulated electric utility shall take into account 23 the extent to which total costs to an electric utility are likely to change if-24 (A) additional capacity is added to meet peak demand relative to base demand; and 25 (B) additional kilowatt-hours of electric energy

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1	are delivered to electric consumers.
2	Q. Do the classes used in the Company's COSS
3	correspond to existing rate schedules?
4	A. No. The Company's COSS allocated costs to four
5	
6	nypotnetical rate classes: Residential, Commercial, Public
7	Authority, and Private Fire. None of these classes
8	corresponds to an existing rate schedule.
9	Customers in the study's Residential, Commercial,
10	and Public Authority classifications all take service under
11	Schedule 1, General Metered Service. The study's Private
12	Fire classification corresponds to two different Schedules:
13	(1) Schedule 3, Private Fire Sprinkling Service, and (2)
14	Schedule 4, Private Fire Hydrant service, neither of which
16	are subject to a volumetric charge.
17	Q. What is a load study, and why is it a necessary
18	component of a COSS.
19	A. Because Company infrastructure and equipment must
20	be sized to meet the peak load that will be placed on it,
21	peak load is an important cost driver. A load study should
22	beak ioua io an importante cobe arriver. In foua beauy bhoara
23	identify appropriate classes based on differences of how
24	each class uses the system during peaking events. This
25	information is then used to develop allocators of cost used

1 in the COSS.

2	Q. Did the load study performed by the Company
3	verify the hypothetical rate classes as the appropriate
4	classes based on cost causation principles?
5	A. No, the load study assumed the hypothetical rate
7	classes are the appropriate classes. The load study did
8	not perform a robust analysis to verify that the
9	hypothetical classes or any other potential classes are the
10	appropriate classes. The load study needed to identify
11	potential customer classes based on cost causation
12	principles before collecting data on these potential
13	classes to make meaningful comparisons between the classes.
14 15	Q. Was the Company aware of these needs prior to the
16	load study being conducted?
17	A. Yes. The purpose of determining appropriate
18	classes was identified in the Stipulation authorized in
19	Case No. SUZ-W-20-02 through Commission Order No. 35030.
20	As a result of the Order, Staff and other parties met with
21	the Company about the load study prior to it being
22	conducted. ³ During the meetings, Staff and other parties
23 24	emphasized the need to identify potential classes and how
25	
	3 Meetings with the Company occurred on 5/16/22 and 6/6/22.

1	to design a sampling plan so that the data could be
2	collected to identify what could be appropriate classes
3	based on the costs they cause on the Company's system.
4	Q. What is your position on the Company's load study
5	and its usefulness in the COSS?
6	A. I do not believe the load study was performed in
7	a manner that makes it used and useful to inform the COSS
8	a manner chat makes it used and userul to inform the cost.
9	To make it useful, the load study should have identified
10	the appropriate classes based on data collected during the
11	load study. Because the load study did not identify
12	potential classes prior to data collection, differences in
13	demand and consumption patterns of potential customer
14	classes could not be determined. As a result, the values
15	used from the load study and the results of the COSS are
10 17	not useful.
18	0 What factors should be considered when
10	y. What factors should be considered when
19	determining the data that needs to be collected for the
20	load study?
21	A. Ordinarily, load studies are structured around
22	existing classes: however, as discussed earlier, the
23	
24	Company's current rate schedules do not represent the
25	hypothetical customer classes used in the COSS. It was

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The Company's current division of its consumptive 5 customers into Residential, Public Authority, and 6 Commercial classifications assumes that the customers in 7 each of these divisions have similar consumptive patterns. 8 However, this is unlikely true. For example, Residential 9 10 customers who live in single family dwellings with yards 11 and lawns will consume much more water in the summer than 12 apartment dwellers.

Rather than using the Company's Residential, 14 Public Authority, and Commercial classifications as the 15 basis for the load study, the study should have been 16 conducted using groupings based on meter size, whether 17 18 customers irrigate their property with Company water during 19 the summer months, single family and several different 20 versions of multi-family housing, lot sizes, types of 21 processes and equipment used by commercial and industrial 22 customers, etc. Many of these causal factors that can 23 influence different usage patterns are listed in the 24 Seventh Edition of "Principles of Water Rates, Fees, and 25

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If the load study collected the data based on groupings determined by causal factors common within the Company's service territory, differences in demand and usage patterns between groups could be determined, indicating the need for different customer classes.

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The Company's AMI meters allow the collection of 9 10 useful data to help in the determination of customer 11 classes; however, the implementation of AMI meters across 12 the Company's service territory was incomplete. To ensure 13 sufficient sample size of each potential class that is 14 representative of the population of customers in the 15 Company's service territory, the Company's rollout of AMI 16 meters across their service territory could have been 17 18 altered to collect the necessary data. However, this would 19 have required the identification of potential customer 20 classes needing the additional meters to get a 21 representative sample.

Q. Briefly summarize the method used to determine
the allocation factors used in the Company's COSS.
A. The Company used a similar method and allocation

CASE NO. VEO-W-22-02 ELDRED, M. (Di) 25 03/1/23 STAFF 1 factors that were used in prior rate cases (UWI-W-11-02 and 2 SUZ-W-20-02). 3 Ο. Do you have other concerns with the Company's 4 COSS? 5 Yes, I have two concerns. First, rather than Α. 6 directly assigning costs to customer classes, the Company 7 allocated nearly all costs using factors derived in the 8 2011 rate case, Case No. UWI-W-11-02. 9 10 The purpose of a COSS is to allocate the 11 Company's revenue requirement in accordance with the 12 principles of cost causation: that is, the class that 13 caused a cost to be incurred should pay for the cost. When 14 the customer groups who cause a cost can be clearly 15 identified, then those costs should be directly assigned to 16 that customer's class. For example, instead of directly 17 18 assigning the costs of meters and meter installations, the 19 Company allocated these costs based on 5/8" meter 20 equivalents. 21 The second concern relates to the Company's 22 change in fire demand in the COSS. In the COSS, the 23 Company changed an assumption for total fire demand from a 24 single long duration fire to three shorter duration fires 25

CASE NO. VEO-W-22-02 ELDRED, M. (Di) 26 03/1/23 STAFF 1 without providing the proper justification for the change. 2 The result of this change shows fire protection customers 3 should receive a decrease in rates based of the COSS. Τn 4 the Application, the Company proposed private fire receive 5 no increase and all other customers receive a uniform 6 increase. 7 Staff requested justification for the fire demand 8 change in Staff PR No. 157. Exhibit No. 128. The 9 10 Company's response was not based on any credible evidence

11 to support the time and demand of the three-fire 12 assumption. Due to lack of justification for the 13 assumption change in fire demand and the other issues with 14 the COSS, I do not agree with the Company's proposal of no 16 increase for the private fire rates. I believe the private 17 fire class should receive a uniform increase like all other 18 classes.

Q. What are your recommendations to the Commission regarding cost-of-service?

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A. I have four recommendations based on my review.
First, I recommend that the Company use a uniform
percentage increase across all rate components and customer
classes. Without the establishment of consumptive classes

CASE NO. VEO-W-22-02 ELDRED, M. (Di) 27 03/1/23 STAFF and a valid COSS study, it is impossible to fairly allocate the increase based on traditional cost causation principles.

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Second, I recommend that the Commission disallow 5 the COSS and load study expense included in the rate case 6 because the load study and COSS was not performed in a 7 manner that makes it useful for the purpose of determining 8 rates in the rate case. This is a negative adjustment of 9 10 \$40,817 to the Company's revenue requirement reflected as 11 adjustment No. 24, Column 4, in Exhibit No. 130 of Staff 12 witness Culbertson's testimony.

Third, I recommend the Commission order the 14 Company to conduct a new load study and COSS by the next 15 The load study and the COSS should be conducted rate case. 16 to determine the need for appropriate customer classes that 17 18 are based on traditional regulatory principles of cost 19 causation as outlined in my testimony. Specific to the 20 load study, it should be designed to collect demand and 21 usage pattern data that is representative of potential 22 consumptive customer classes. 23

Finally, I recommend that the Commission order the Company to conduct a workshop with Staff and interested

CASE NO.	VEO-W-22-02	ELDRED,	Μ.	(Di)	28
03/1/23		STAFF			

1	parties to determine how the study should be conducted with
2	the objective that the study meet principles of cost
3	causation as outlined in my testimony prior to the load
4	study being conducted.
5	O Does this conclude your testimony in this
6	
7	proceeding?
8	A. Yes, it does.
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ELDRED, M. (Di) 29 STAFF

CASE NO. VEO-W-22-02 03/1/23

Professional Qualifications Of

Michael Eldred Utilities Analyst II - Engineering Idaho Public Utilities Commission

EDUCATION

Mr. Eldred graduated with honors from Boise State University with a bachelor's degree in Mechanical Engineering in 2014 and a master's degree in Business Administration in 2016. In addition to his formal education, he has attended the Institute of Public Utilities Annual Regulatory Studies Program at Michigan State University, attended Michigan State University's NARUC Utility Rate School, and EUCI Cost of Service and Rate Design Courses.

BUSINESS EXPERIENCE

Mr. Eldred has worked with the Commission as a Utilities Analyst since 2017. He has reviewed and provided recommendations to the Commission in a wide variety of cases due to his extensive knowledge, skills, and abilities. Some examples of cases he has processed include: (1) reviewing and providing recommendations on cost of service studies, consumption normalization, and rate design proposals in general rate cases; (2) conducting analyses and providing

> Revised Exhibit No. 122 Case No. VEO-W-22-02 M. Eldred, Staff 03/01/23 Page 1 of 2

recommendations on electricity and natural gas prices in general rate cases; (3) conducting prudence reviews and providing recommendations on capital investments in general rate cases and * Certificate for Public Convenience and Necessity cases; (4) providing technical advice on integrated resource plans for various utilities; and (5) reviewing and providing recommendations on utilities cost recovery mechanisms.

> Revised Exhibit No. 122 Case No. VEO-W-22-02 M. Eldred, Staff 03/0//23 Page 2 of 2

VEOLIA WATER IDAHO, INC. SUMMARY TABLE OF TEST YEAR REVENUES UNDER PRESENT RATES

	Per Books			Bill Analysis		Adjustment 2				
	Revenues	Removal of	Adjusted	Revenues	Adjustment 1	Customer		Adjustment R4		
	Historic Test	Unbilled,	Historic Test	Historic Test	Annualization	Growth from	Adjustment R3	Eagle Historic	Normalization	Total Test Year
Name of Test Year Revenues	Year Rates	Surcharges &	Year Book	Year Rates	of Historic Test	1/1/23 -	weather usage	Test Year	of Phase 1	Revenue
at Present Rates Total	12/31/2022	Misc	Revenue	(Schedule 3)	Year Growth	3/31/23	adjustment	Normalization	Rates	Present Rates $(11) = (5) + (6)$
										(11) = (3) + (0) + (7) + (8) + (9)
(1)	(2)	(3)	(4) = (2) + (3)	(5)	(6)	(7)	(8)	(9)	(10)	+ (10)
Company's Application Total	49,459,567	1,406,535	50,866,102	50,866,102	264,816	273,782	(2,691,767)	661,051	2,343,875	51,717,859
Company's PR 163 Total	52,379,219	594,543	52,973,762	52,973,762	278,681	-	(2,812,978)	-	819,334	51,258,800
Staff's Final Total	52,427,825	594,543	53,022,368	53,022,368	278,681	-	(1,664,176)	-	819,334	52,456,207
Staff's Final Total	52,427,825	594,543	53,022,368	53,022,368	278,681	-	(1,664,176)	-	819,334	52,456,207
Company's Application Total	49,459,567	1,406,535	50,866,102	50,866,102	264,816	273,782	(2,691,767)	661,051	2,343,875	51,717,859
Difference	2,968,259	(811,993)	2,156,266	2,156,266	13,865	(273,782)	1,027,591	(661,051)	(1,524,541)	738,348
Staff's Final Total	52,427,825	594,543	53.022.368	53.022.368	278.681	-	(1.664.176)	-	819.334	52.456.207
Company's PR 163 Total	52.379.219	594,543	52,973,762	52,973,762	278,681	-	(2.812.978)	-	819,334	51,258,800
Difference	48,606	-	48,606	48,606	-	-	1,148,801	-	-	1,197,407

Revised Exhibit No. 123 Schedule No. 1 Case No. VEO-W-22-02 M. Eldred, Staff 03/01/23 Page 1 of 1

VEOLIA WATER IDAHO, INC. SUMMARY OF HISTORIC TEST YEAR REVENUES UNDER PRESENT RATES AND TEST YEAR REVENUES UNDER PRESENT RATES FOR THE TEST YEAR ENDED MARCH 31, 2023

	Per Books			Bill Analysis		Adjustment 2				
	Revenues	Removal of	Adjusted	Revenues	Adjustment 1	Customer		Adjustment R4		
	Historic Test	Unbilled,	Historic Test	Historic Test	Annualization	Growth from	Adjustment R3	Eagle Historic	Normalization	Total Test Year
	Year Rates	Surcharges &	Year Book	Year Rates	of Historic Test	7/1/20 -	weather usage	Test Year	of Phase 1	Revenue
Customer Classification	6/30/2022	Misc	Revenue	(Schedule 3)	Year Growth	3/31/21	adjustment	Normalization	Rates	Present Rates
										(11) = (5) + (6)
										+ (7) + (8) + (9)
(1)	(2)	(3)	(4) = (2) + (3)	(5)	(6)	(7)	(8)	(9)	(10)	+ (10)
METERED SALES										
Residential	34,692,459	1,819	34,694,278	34,694,278	221,810	166,937	(1,950,911)	417,002	1,590,001	35,139,116
Commercial	14,739,716	2,951	14,742,668	14,742,668	39,154	82,241	(740,856)	232,405	687,111	15,042,723
Public Authority	145,964	3,469	149,433	149,433	(5,150)	1,141	-	3,191	7,081	155,696
Total Metered Sales	49,578,140	8,239	49,586,379	49,586,379	255,813	250,318	(2,691,767)	652,599	2,284,194	50,337,535
UNMETERED SALES										
Private Fire Protection	1,244,103	-	1,244,103	1,244,103	9,003	23,464	-	8,453	59,681	1,344,703
Public Fire Protection	3,465	(3,465)	-	-	-	-	-	-	-	-
Total Unmetered Sales	1,247,567	(3,465)	1,244,103	1,244,103	9,003	23,464	-	8,453	59,681	1,344,703
Total Sales of Water	50,825,707	4,775	50,830,482	50,830,482	264,816	273,782	(2,691,767)	661,051	2,343,875	51,682,239
Other, Surcharge, Unbilled	(1,366,141)	1,401,761	35,620	35,620	-	-	-	-	-	35,620
Total	49,459,567	1,406,535	50,866,102	50,866,102	264,816	273,782	(2,691,767)	661,051	2,343,875	51,717,859

Revised Exhibit No. 123 Schedule No. 2 Case No. VEO-W-22-02 M. Eldred, Staff 03/01/23 Page 1 of 1

VEOLIA WATER IDAHO, INC. SUMMARY OF HISTORIC TEST YEAR REVENUES UNDER PRESENT RATES AND TEST YEAR REVENUES UNDER PRESENT RATES FOR THE TEST YEAR ENDED MARCH 31, 2023

	Per Books			Bill Analysis		Adjustment 2				
	Revenues	Removal of	Adjusted	Revenues	Adjustment 1	Customer		Adjustment R4		
	Historic Test	Unbilled,	Historic Test	Historic Test	Annualization	Growth from	Adjustment R3	Eagle Historic	Normalization	Total Test Year
	Year Rates	Surcharges &	Year Book	Year Rates	of Historic Test	1/1/23 -	weather usage	Test Year	of Phase 1	Revenue
Customer Classification	12/31/2022	Misc	Revenue	(Schedule 3)	Year Growth	3/31/23	adjustment	Normalization	Rates	Present Rates
										(11) = (5) + (6)
										+ (7) + (8) + (9)
(1)	(2)	(3)	(4) = (2) + (3)	(5)	(6)	(7)	(8)	(9)	(10)	+ (10)
METERED SALES										
Residential	36,110,552	(306)	36,110,245	36,110,245	193,453		(2,068,527)	-	538,912	34,774,084
Commercial	15,367,218	(4)	15,367,214	15,367,214	74,074		(744,451)	-	248,083	14,944,920
Public Authority	152,212	3,464	155,675	155,676	(1,112)		-	-	1,887	156,450
Total Metered Sales	51,629,981	3,153	51,633,134	51,633,135	266,416		(2,812,978)	-	788,881	49,875,454
UNMETERED SALES										
Private Fire Protection	1,296,327	-	1,296,327	1,296,327	12,265		-	-	30,453	1,339,046
Public Fire Protection	3,465	(3,465)	-	-	-		-	-	-	-
Total Unmetered Sales	1,299,792	(3,465)	1,296,327	1,296,327	12,265		-	-	30,453	1,339,046
Total Sales of Water	52,929,773	(311)	52,929,462	52,929,462	278,681		(2,812,978)	-	819,334	51,214,500
Other, Surcharge, Unbilled	(550,554)	594,854	44,300	44,300	-		-	-	-	44,300
Total	52,379,219	594,543	52,973,762	52,973,762	278,681		(2,812,978)	-	819,334	51,258,800

Revised Exhibit No. 123 Schedule No. 3 Case No. VEO-W-22-02 M. Eldred, Staff 03/01/23 Page 1 of 1

VEOLIA WATER IDAHO, INC. SUMMARY OF STAFF'S FINAL HISTORIC TEST YEAR REVENUES UNDER PRESENT RATES FOR THE TEST YEAR JANUARY 1, 2022 to DECEMBER 31, 2022

	Per Books			Bill Analysis		Adjustment 2				
	Revenues	Removal of	Adjusted	Revenues	Adjustment 1	Customer		Adjustment R4		
	Historic Test	Unbilled,	Historic Test	Historic Test	Annualization	Growth from	Adjustment R3	Eagle Historic	Normalization	Total Test Year
	Year Rates	Surcharges &	Year Book	Year Rates	of Historic Test	1/1/23 -	weather usage	Test Year	of Phase 1	Revenue
Customer Classification	12/31/2022	Misc	Revenue	(Schedule 3)	Year Growth	3/31/23	adjustment	Normalization	Rates	Present Rates
										(11) = (5) + (6)
										+ (7) + (8) + (9)
(1)	(2)	(3)	(4) = (2) + (3)	(5)	(6)	(7)	(8)	(9)	(10)	+ (10)
METERED SALES										
Residential	36,110,552	(306)	36,110,245	36,110,245	193,453		(1,267,754)	-	538,912	35,574,857
Commercial	15,367,218	(4)	15,367,214	15,367,214	74,074		(396,423)	-	248,083	15,292,948
Public Authority	152,212	3,464	155,675	155,676	(1,112)		-	-	1,887	156,450
Total Metered Sales	51,629,981	3,153	51,633,134	51,633,135	266,416		(1,664,176)	-	788,881	51,024,255
UNMETERED SALES										
Private Fire Protection	1,296,327	-	1,296,327	1,296,327	12,265		-	-	30,453	1,339,046
Public Fire Protection	3,465	(3,465)	-	-	-		-	-	-	-
Total Unmetered Sales	1,299,792	(3,465)	1,296,327	1,296,327	12,265		-	-	30,453	1,339,046
Total Sales of Water	52,929,773	(311)	52,929,462	52,929,462	278,681		(1,664,176)	-	819,334	52,363,301
Other, Surcharge, Unbilled	(550,554)	594,854	44,300	44,300	-		-	-	-	44,300
Meter Reading Error Rebills	48,606		48,606	48,606						48,606
Staff's Final Total	52,427,825	594,543	53,022,368	53,022,368	278,681	-	(1,664,176)	-	819,334	52,456,207

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VEOLIA WATER IDAHO, INC. CASE VEO-W-22-02 SIXTH PRODUCTION REQUEST OF THE COMMISSION STAFF

Preparer/Sponsoring Witness: Cary/Michaelson

REQUEST NO. 163:

Please explain the customer meter mis-read errors that occurred during calendar year

2022. In addition, please provide:

1. The causes of the issue and the Company's corrective actions.

2. The timeframe and specific months that actual consumption data was impacted.

3. Any corrections that need to be made or have already been made to actual consumption data for each month from January 1, 2022, through December 31, 2022.

4. A detailed explanation how the Company determined the amount of the corrections for each month.

5. The Company's final actual customer counts and customer consumption from January

1, 2022, through December 31, 2022, by updating the Company's workpaper file "VEO-

W-22-02 Revenue Exhibits - Workpapers to IPUC STAFF," provided in electronic

format with all formula enabled.

RESPONSE NO. 163:

- Cause of the issue: Inaccurate meter readings were provided by one meter reader for approximately 1,019 customers, or less than 1% of the total customer base. The preliminary number of customers impacted of 1,136 provided informally to Commission Staff was incorrectly totaled due to duplicate account numbers listed in the tracking file.
- Timeframe: The bill periods impacted by inaccurate meter readings span from July 2022 through January 2023.

Revised Exhibit No. 125 Case No. VEO-W-22-02 M. Eldred, Staff 03/01/23 Page 1 of 7 **Background information:** During December 2022 VWID's billing staff began receiving system generated exceptions for potentially problematic meter readings. The pending bills showed an unusually high water usage amount for that (two-month) billing period compared to the customer's prior year usage consumption history for that same period. A pattern with a single Meter Reader became evident as billing staff reviewed these customer accounts and found irregularities in generally consistent and predictable consumption patterns.

All safeguards to ensure meter reading accuracy and validity were in place, including: company vehicle GPS positions, handheld meter reading device locations and distances from last reading, acceptable parameters, average time to read the assigned meter route, and the valid meter reading range (both high and low) based on the customer's prior year consumption. While the facts gathered during the investigation did not reveal whether the employee intentionally falsified meter readings and there was no admission of such, the company has reason to believe that the Meter Reader did not reach each customer's meter (by opening the meter box lid) as they moved through the assigned meter reading route. The Company suspects the Meter Reader misrepresented meter readings as actual that were low enough to avoid triggering the aforementioned acceptable reading safeguards. Due to the number of delayed exceptions triggered and erratic consumption generated from one Meter Reader's work, it is the Company's belief that this individual was misrepresenting meter readings which were the basis for customer bills and this required correction. Under-reported consumption from inaccurate meter readings required rebilling for approximately 1,019 customers, to reallocate actual consumption to the appropriate periods and true up under-reported water usage.

> Revised Exhibit No. 125 Case No. VEO-W-22-02 M. Eldred, Staff 03/01/23 Page 2 of 7

Rebilling is a necessary step in order for customer usage history to be accurately reflected for billing purposes, including for customers who use budget billing level-pay options based on their 12 months of consumption history, as well as for customers who have their sewer bills based on their wintertime water usage. Rebills are generally done for one prior billing period, however in this instance it was necessary to rebill customers for up to 3 billing periods. That determination was made based on the billing staff's careful review of the customer's usage history which indicated that this "mis-read" issue was not a system error and not isolated to just one period but also that prior meter readings by the same Meter Reader were suspect as well even though they fell within acceptable system parameters. These inaccurate readings did not trigger an exception at that time and were billed as actual readings on customer bills.

Corrective actions: The initial step in addressing meter read exceptions includes verifying the meter reading by field customer service staff and conducting a leak check if warranted. After the meter reading is verified as actual with no indication of constant usage which would indicate a leak, billing staff perform an in-depth review of the customer's account to address the cause of the error, and determine whether a cancelrebill is warranted. Based on a careful review of the customer's consumption history and relying on their expertise, when billing staff determine a rebill is necessary, they cancel the pending and prior bills(s) and rebill actual usage based on best available information.

Customer service representatives then contacted the affected customer by phone as the rebillings are generated, rather than relying on the normally mailed customer letter to inform customers of the extraordinary situation, to answer any questions and advise

> Revised Exhibit No. 125 Case No. VEO-W-22-02 M. Eldred, Staff 03/01/23 Page 3 of 7

that they should expect to see cancel/rebills on their next bill. Customers may request a payment plan to extend the period they have to pay their bill.

Even though the rebilling(s) represent actual usage for each customer, the company uses its discretion to provide an appropriate credit to customers with outstanding concerns when they contact the company or Commission, if they are burdened financially, unduly inconvenienced, or face hardship as a result. The Company's customer service staff work with customers to find an agreeable solution.

The meter reader responsible for the abnormally large number of mis-read meter readings was placed on unpaid suspension during the investigation and was separated from the company following completion of the investigation on January 20, 2023.

3. Corrections made to consumption data by month: Verified meter readings for actual meter reads were completed as of January 24, 2023. Rebillings due to this abnormality in mis-read meter readings have been processed starting November 29, 2022, with the majority completed in January 2023, and a few remaining rebills completed in February 2023. Consumption billed by month for system reports are not retroactively restated. Any consumption and the amount billed difference between prior bills that are subsequently canceled and rebilled, are reflected in the month when the rebilling takes place. Even though consumption was "reallocated" to the other billing periods, the subsequent meter reading and rebilled total captures a true-up of under-reported consumption and potentially "new" consumption for the current billed period. Bills for bi-monthly billed customers reflect consumption over a two-month period. The consumption reported for December 2022 will include rebilled consumption for prior bills that span as far back as July 2022 in this instance. The canceled and rebilled amounts below reflect 100 cubic

Revised Exhibit No. 125 Case No. VEO-W-22-02 M. Eldred, Staff 03/01/23 Page 4 of 7 feet (CCF) consumption as well as the total amount billed, which includes: consumptive fees, meter fees, franchise taxes, safe drinking water fees, surcharges, etc. There are no retroactive adjustments made to prior month-end consumption or revenue reports. However based on the company's analysis the rebilling which took place and based on available data for 994 rebilled customers resulted in the approximate impact per TABLE 1 below:

		Rebilled				
		CCF's				
	Canceled	(with	Cancele		CCF	Billed \$
TABLE 1	Bills	Consumptio	d Bills	Rebilled	Differenc	Differenc
Bill Date (Start - End)	CCF's	n True-up)	Total	Total	e	e
July - September 2022	-1,206	5,222	-\$4,332	\$12,681	4,016	\$8,348
August - October 2022	-12,582	58,147	-\$39,454	\$131,592	45,565	\$92,138
September - November						
2022	-5,837	25,586	-\$23,044	\$58,371	19,749	\$35,327
October - December 2022	-6,505	1,599	-\$12,641	\$4,695	-4,906	-\$7,947
November - January 2023	-8,149	1,877	-\$16,692	\$6,332	-6,272	-\$10,360
TOTAL	-34,279	92,431	-\$96,163	\$213,670	58,152	\$117,507
Billed by December 2022						
Revenue Cutoff Date	-14,643	48,724	-\$40,663	\$110,756	34,081	\$70,093
Billed after December						
2022 Revenue Cutoff Date	-19,636	43,707	-\$55,501	\$102,914	24,071	\$47,414
TOTAL	-34,279	92,431	-\$96,163	\$213,670	58,152	\$117,507

The difference in the count of rebilled accounts of 1,019 compared to the data that calculated the impact of above for 994 accounts, is due to incorrect account numbers reflected in the tracking file of 1,019 accounts, and data query limitations. To adjust for the discrepancy in number of accounts tracked as rebilled versus the available data to calculate the impact, a gross-up of 1,019 divided by 994 accounts or 1.02515% is applied and reflected in TABLE 2 Grossed-up below:

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		Rebilled				
	Canceled	(with	Cancele		CCF	Billed \$
TABLE 2 Grossed-up	Bills	Consumptio	d Bills	Rebilled	Differenc	Differenc
Bill Date (Start - End)	CCF's	n True-up)	Total	Total	e	e
July - September 2022	-1,236	5,353	-\$4,441	\$12,999	4,117	\$8,558
August - October 2022	-12,898	59,609	-\$40,447	\$134,902	46,711	\$94,455
September - November						
2022	-5,984	26,230	-\$23,623	\$59,839	20,246	\$36,216
October - December 2022	-6,669	1,639	-\$12,959	\$4,813	-5,029	-\$8,147
November - January 2023	-8,354	1,924	-\$17,111	\$6,491	-6,430	-\$10,620
TOTAL	-35,141	94,756	-\$98,582	\$219,044	59,615	\$120,462
Billed by December 2022						
Revenue Cutoff Date	-15,011	49,949	-\$41,685	\$113,541	34,938	\$71,856
Billed after December						
2022 Revenue Cutoff Date	-20,130	44,806	-\$56,897	\$105,503	24,676	\$48,606
TOTAL	-35,141	94,756	-\$98,582	\$219,044	59,615	\$120,462

Of the 2022 under-reported consumption and revenue plus any "new" usage, 34,938 CCF of the 59,615 CCF total difference is reflected in year 2022 revenue and consumption total, while the remainder was rebilled and reflected in year 2023.

4. Explanation for amount of correction: The amount of correction for each rebilling (two month) period is based on the customer's unique consumption history. Billing staff compare the customer's consumption to the three-year average consumption for the same time period. During this review they must factor in several variables including: seasonality, number of billing days in the cycle, historical averages for the same time period in previous years, how much historical data exists for the current customer and prior customer of record, is the meter manually read or is an automated meter, previous reads in the read history, regular reads, estimated reads, and verified reads.

Revised Exhibit No. 125 Case No. VEO-W-22-02 M. Eldred, Staff 03/01/23 Page 6 of 7 If there are anomalies in the customer's usage history i.e., unusually high or low consumption for a particular period and unexplained or uncharacteristic changes in consumption trends from one bill period to the next, billing staff may exclude those outliers from the standard three-year average on which the reallocation of usage is based. If billing staff determine that the customer's usage history indicates that more than just one bill period reflected incorrect consumption based on inaccurate meter readings (such as in this instance) they will analyze and re-allocate customer usage for up to three billing periods, according to Commission rules.

5. Actual customer counts and customer consumption: In response to staff's request, please see the attachment which is an update to the Company Revenue schedules incorporating the final actual customer counts and customer consumption from January 1, 2022, through December 31, 2022. Please note the attached does not necessarily represent the Company's rebuttal position in this case.

VEOLIA WATER IDAHO, INC. SUMMARY OF BILLING DETERMINANTS FOR REVENUE ADJUSTMENTS - VWID SYSTEM

ADJUSTMENT R1: ANNUALIZATION OF HISTORIC TEST YEAR GROWTH

						Average Usage	Historic TY Annualization
	Number of	Customers		1/2 of	Number of Bi-	per Bill	Adjustment
	12/31/2021	12/31/2022	Gain/Loss	Growth	Monthly Bills	CCF	CCF
Residential	88,250	89,153	903	452	2,709	22.98	62,251
Commercial	9,543	9,666	123	62	369	113.45	41,863
Public Authority	55	56	1	1	3	88.83	266
Private Fire	2,314	2,355	41	21	123	0.00	-

ADJUSTMENT R2: WEIGHTED CUSTOMER GROWTH THROUGH 3/31/2023

	Number of	Customers		Number of Bi-	Average Usage per Bill	Test Year Growth Adjustment
	12/31/2022	3/31/2023	Gain/Loss	Monthly Bills	CCF	CCF
	Adjustment N	Not Included	in Staff's Prop	oosal		
Residential	0	0	0	-	22.98	-
Commercial	0	0	0	-	113.45	-
Public Authority	0	0	0	-	88.83	-
Private Fire	0	0	0	-	0	-

ADJUSTMENT R3: WEATHER USAGE ADJUSTMENT

	Test Year No. Customers 12/31/2022	Adjustment per Customer CCF	Test Year Weather Adjustment CCF
Residential	89,153	-7.51	(669,466)
Commercial	9,666	-21.57	(208,522)

TOTAL OF PRO-FORMA ADJUSTMENTS (R1 + R2 + R3)

	Test Year	Total Pro-
	No.	Forma
	Customers	Adjustment
	12/31/2022	CCF
Residential	89,153	(607,215)
Commercial	9,666	(166,659)
Public Authority	56	266
Fire	2,355	-
		(773,608)

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VEOLIA WATER IDAHO, INC. SUMMARY OF BILLING DETERMINANTS FOR REVENUE ADJUSTMENTS - EAGLE

ADJUSTMENT R1: ANNUALIZATION OF HISTORIC TEST YEAR GROWTH

	Growth					Historic TY		
		(use Av					Annualization	
	Number of	Customers		Gain/Loss	Number of	per Bill	Adjustment	
	1/31/2022	12/31/2022	Gain/Loss	Amount)	Monthly Bills	CCF	CCF	
Res - New	3,574	3,647	73	37	438	11.49	5,032	
Comm - Existing	502	458	-44	-22	(264)	56.72	(14,975)	
PA - Existing	11	6	-5	-3	(30)	44.41	(1,332)	
Pr Fire - New	98	104	6	3	36	0.00	-	

ADJUSTMENT R2: WEIGHTED CUSTOMER GROWTH THROUGH 3/31/2023

	Number of	Customers		1	lumber of	Average Usage per Bill	Test Year Growth Adjustment
	12/31/2022	3/31/2023	Gain/Loss	Μ	onthly Bills	CCF	CCF
	Adjustment I	Not Included	in Staff's Prop	osal			
Res - New	0	0	0		-	11.49	-
Comm - New	0	0	0		-	56.72	-
Public Authority	0	0	0		-	44.41	-
Pr Fire - New	0	0	0		-	0	-

ADJUSTMENT R3: WEATHER USAGE ADJUSTMENT

	Test Year		Test Year	
	No.	Adjustment per	Weather	
	Customers	Customer	Adjustment	
	12/31/2022	CCF	CCF	
Res - Existing	3,574	-7.51	(26,838)	
Res - New	73	-7.51	(548)	
Comm - Existing	502	-21.57	(10,829)	
Comm - New	0	-21.57	-	

ADJUSTMENT R4: ANNUALIZATION OF HISTORIC TEST YEAR EXISTING CUSTOMERS

				Test Year
Number of		Number of	Average Usage	Annualization
Customers		Monthly Bills	per Bill	Adjustment
1/31/2022	2	(1/2 Year)	CCF	CCF
Adjustment	t Not Included in Staff's Proposal			
Res - Existing		-	11.49	-
Comm - Existing		-	56.72	-
PA - Existing		-	44.41	-
Priv Fire - Existing		-	-	-

TOTAL OF TEST YEAR ADJUSTMENTS (R1 + R2 + R3 + R4)

	Test Year			
	No.	Total Test Yea		
	Customers	Adjustment		
	12/31/2022	CCF		
Residential	3,647	(22,354)		
Commercial	458	(25,805)		
Public Authority	6	(1,332)		
Private Fire	104			

(49,491)

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Customer Classification

The emerging aspect to be addressed in this section is prompted in large part by the greater ability to disaggregate traditional customer classes with better technology that yields greater data resolution to recognize diversities in traditional classifications. On the wastewater side, this may also involve recognition of the resource recovery value of contributed water streams.

Utilities of the future are not limited to reliance on customer classes of the past. Though traditional customer classes have enabled defensible and equitable cost allocations, it may be possible to create more precise groupings of customers for rate-making purposes as new information and billing system capabilities evolve. The dramatic increase in consumption and other customer data (made available, for example, by AMI systems) will empower some utilities to explore a variety of customer class refinements:

- Variability in demand patterns within the residential customer class is often not recognized in customer billing systems. It may be desirable to distinguish between single-family and several different versions of multifamily housing, and perhaps between different single-family housing units to reflect different peak and average demand characteristics or other water usage determinants (e.g., lot sizes, plumbing fixture units).
- Commercial, industrial, wholesale, and contract customers exhibit significant diversity in consumption patterns. Water uses reflect needs ranging from that of the proverbial dress shop to a water theme park. Irrigation is a key differentiator, as it is in residential classes, and equally relevant to cost allocations. The ability to better track individual customers' usage characteristics may reveal obvious clustering that suggests new customer classifications or confirms similarities within a utility's existing classes.
- Nontraditional customer classification could be structured to address other customer characteristics beyond those related to metered consumption. In some cases, customer classes could reflect potential demand, or even desired levels of demand, as refinements or extensions to more common demand concepts. In cases of extreme conservation objectives, some utilities might consider differentiation to reflect the uses to which water is applied, or usage levels determined to be "excessive" given local supply and cost considerations. Equity and cost allocation issues remain, but improvements in the breadth, quality, and ability to analyze information are stimulating new conversations and examinations.
- Utilities could have the potential to identify certain selected affordability criteria and create an explicit affordability-related class. Challenges and risks associated with affordability programs are identified in chapter V.4, but for purposes of this section, if rates are to be a part of a utility's affordability strategy, customer classifications informed by better information on household demographic characteristics could be leveraged.

RATE DESIGN

The "art" of rate-making tends to be seen through the development of structures of rates and charges that provide for adequate revenue recovery and best meet competing pricing objectives. The technological innovations and changing perspectives previously noted both affect the balancing of objectives and afford new opportunities to send more effective price signals to customers.

> Exhibit No. 127 Case No. VEO-W-22-02 M. Eldred, Staff 03/01/23

VEOLIA WATER IDAHO, INC. CASE VEO-W-22-02 FIFTH PRODUCTION REQUEST OF THE COMMISSION STAFF

Preparer/Sponsoring Witness:

Bui

REQUEST NO. 157:

In Bui's Direct Testimony, page 9, Bui states: "The COSS based total fire demand on 1 4-hour, 4,500 gallons per minute (gpm) fire, 1 4-hour, 4,000 gpm fire, and 1 2-hour 1,500 gpm fire. This is a change from a total system demand for a 10-hour, 10,000 gpm fire." Please respond to the following:

- a. Please explain why this change was made and provide justification for the change.
- b. Please explain why private fire protection customers were not included in the Load Study.

RESPONSE NO. 157:

- a. Based on the updated cost of service analysis, it was deemed that fire demands should reflect the actual fire demands that can occur throughout the service area. The service area has designated fire flow requirements based on the type of customers served. Based on these requirements, three (3) fires occurring simultaneously were selected as the appropriate fire flow demand for fire protection. The three fires consist of one 4-hour, 4,500 gpm fire, one 4-hour, 4,000 gpm fire, and one 2-hour 1,500 gpm fire. Prior filings used a 10-hour, 10,000 gpm fire, which when applied in the cost-of-service analysis means a single fire that lasts 10 hours and required 10,000 gpm of fire flow. It was Black & Veatch's opinion that in reality, the system would not see such an occurrence, but could experience 3 simultaneous fires.
- b. Private fire customers were not included in the Load Study as these customers do not consume water in a similar manner as other customers. Private fire consumption only occurs during fire events; therefore, consumption data is inconsistent to determine peaking factors.

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