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CITY OF AUSTIN'S PROOF OF
REFUNDS IN COMPLIANCE WITH
DOCKET NO. 42857

§
§ BEFORE THE PUBLIC UTILITY
§ COMMISSION OF TEXAS
§
JUL 6 PM 2:04
PUBLIC UTILITY COMMISSION
FILING CLERK

RESPONSE TO COMMISSION STAFF'S RECOMMENDATION

The City of Austin ("City") timely files this response to the Commission Staff's ("Staff") Recommendation ("Recommendation"). Staff filed the Recommendation in response to Order No. 4 which directed Staff to confirm whether the City has properly calculated the refunds to each Petitioner¹ for the applicable period.

While City appreciates Staff's acknowledgement that an adjustment for inflow and infiltration ("I&I") is necessary to enable the City to achieve the revenue requirement established by the Public Utility Commission ("PUC") in Docket 42857, the City continues to assert that the 11.7% modification is appropriate, not at 10.5% adjustment.

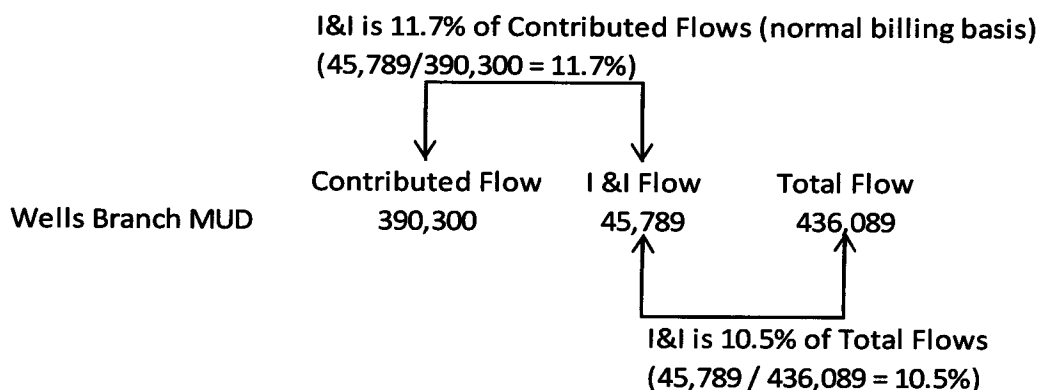
The Commission Staff claims that the City used the approved 2016 interest rate of 0.18% for the entire refund period. While the City used 2016 approved interest rate to calculate interest due for future periods, the beginning refund principal balance, shown on the Rate Refund Payment Schedules on pages 4 through 6 of the City's Proof of Refunds filing, includes accumulated interest calculated using the appropriate PUC approved interest rates for each refund period and the 2016 rate during future repayment periods.

Additionally, the City believes that there are several formula and keypunch errors in the PUC's refund calculations. For these reasons, the City urges the PUC to conclude that the City

¹ Petitioners are North Austin MUD No. 1, Northtown MUD, Travis County Water Control and Improvement District No. 10 and Wells Branch MUD.

has properly calculated the refunds owed to Petitioners and accept the City's proof of refund without any modifications.

As the City has explained, and as the Staff Recommendation calculations confirm, in order for the City to achieve the revenue requirement established by the PUC in Docket No. 42857, certain adjustments for I&I are necessary. However, the correct adjustment is 11.7% of contributed flows, not the Staff-recommended 10.5%. While the estimated I&I flows from Table 27 from Austin Water's 2013 Cost of Service Model do equal 10.5% of Total Flows (contributed flows plus I&I), because contributed flows is a subset of the Total Flows, an adjustment equal to 11.7% of contributed flows is required in order for I&I flows to equal 10.5% of Total Flows as shown in the example table below for Wells Branch MUD.

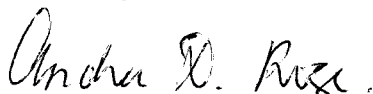


The PUC based its ordered rates on Total Flows, inclusive of I&I flows equal to 11.7% of contributed customer flows. Since the Total Flow amount includes flows not normally billed directly to customers, the PUC calculated rates will not recover the PUC calculated revenue requirement without using the same billing basis (contributed flows plus 11.7% I&I flow adjustment) used by the PUC staff in the PUC rate calculation. Consequently, anything less than an adjustment of 11.7% of contributed flows is insufficient to fully recover the PUC-ordered revenue requirements at the PUC ordered rates.

In addition to Staff's erroneous conclusion about the percentage adjustment for I&I, the Staff Recommendation also contains several apparent formula errors. For example the calculated Total Due amount for Water for each petitioner in the 2017 column seems to exclude the last 5 refund amounts for periods from October 2015 through February 2016. Additionally, the Staff Recommendation contains apparent data entry transposition errors in the flow amounts from April 2014 through January 2015 for the North Austin MUD wastewater refund calculation and a data entry error in the flow amount for December 2015 for the Wells Branch MUD wastewater refund calculation. Each of these errors impacted the Staff Recommended refund amounts.

In order for the City to recover the revenue requirement adopted by the PUC in Docket No. 42857, the City respectfully requests that the Commission affirm that the City has properly calculated the refunds owed to Petitioners and that the Commission deny any relief requested by Petitioners in Petitioners' Response to City's Proof of Refund.

Respectfully submitted,



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**ATTORNEYS FOR THE CITY OF
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served via hand delivery, facsimile, electronic mail, overnight mail, US mail and/or Certified Mail Return Receipt Requested on all parties on this 6th day of July, 2016.

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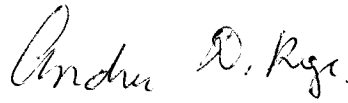
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