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Addendum StartPage: 0

SOAH DOCKET NO. 473-16-2873.WS
PUC DOCKET NO. 45570

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APPLICATION OF MONARCH §
UTILITIES I, L.P. TO CHANGE §
RATES FOR WATER AND SEWER §
SERVICE §

PUBLIC UTILITY COMMISSION
PUBLIC UTILITY COMMISSION
OF TEXAS

**OFFICE OF PUBLIC UTILITY COUNSEL'S
FIRST REQUEST FOR INFORMATION TO
MONARCH UTILITIES I, L.P.**

The Office of Public Utility Counsel (OPUC) files and submits this First Request for Information to Monarch Utilities I, L.P. (Monarch) in the captioned proceeding.

Under Commission Procedural Rules 22.141-.145, 16 Tex. Admin. Code Ch. 22, OPUC requests that Monarch, as defined herein, provide the following information and answer the following questions under oath. Please answer the questions and sub-questions in the order in which they are listed and in sufficient detail to provide a complete and accurate answer to the question.

Definitions

As used in this introduction and in these questions,

- (1) "Monarch", the "Company", and "Applicant" refer to Monarch I, L.P. and its affiliates;
- (2) "You", "yours" and "your" refer to Monarch I, L.P. (as defined above), including its directors, officers, employees, consultants, agents, and attorneys.
- (3) "Document" and "documents" mean any written, recorded, filmed, or graphic matter, whether produced, reproduced, or on paper, cards, tapes, film, electronic facsimile, computer storage device or any other media, including, but not limited to, electronic mail (e-

mail), memoranda, notes, analyses, minutes, records, photographs, correspondence, telegrams, diaries, bookkeeping entries, financial statements, tax returns, checks, check stubs, reports, studies, charts, graphs, statements, notebooks, handwritten notes, applications, contracts, agreements, books, pamphlets, periodicals, appointment calendars, records and recordings of oral conversations, work papers, observations, commercial practice manuals, reports and summaries of interviews, reports of consultants, appraisals, forecasts, tape recordings, or any form of recording that is capable of being transcribed into written form.

Instructions

1. The Definitions, Instructions, and Claim of Privilege set out in this Request for Information apply to these questions.
2. In answering these questions, furnish all information that is available to you, including information in the possession of your agents, employees, and representatives, all others from whom you may freely obtain it, and your attorneys and their investigators.
3. Please answer each question based upon your knowledge, information, or belief, and any answer that is based upon information or belief should state that it is given on that basis.
4. If you have possession, custody, or control (as defined by Tex. R. Civ. P. 192.7(b)) of the originals of these documents requested, please produce the originals or a complete copy of the originals and all copies that are different in any way from the original, whether by interlineation, receipt stamp, or notation.
5. If you do not have possession, custody, or control of the originals of the documents requested, please produce copies of the documents, however made, in your possession, custody, or control. If any document requested is not in your possession or subject to your

control, please explain why not, and give the present location and custodian of any copy or summary of the document.

6. If any question appears confusing, please request clarification from the undersigned counsel.
7. In providing your responses, please start each response on a separate page and type, at the top of the page, the question that is being answered.
8. As part of the response to each question, please state, at the bottom of the answer, the name and job position of each person who participated in any way, other than providing clerical assistance, in the preparing of the answer. If the question has sub-parts, please identify the person or persons by sub-part. Please also state the name of the witness in this docket who will sponsor the answer to the question and who can vouch for the truth of the answer. If the question has sub-parts, please identify the witness or witnesses by sub-part.
9. Rather than waiting to provide all of the responses at the same time, please provide individual responses as each becomes available.
10. These questions are continuing in nature. If there is a change in circumstances or facts or if you receive or generate additional information that changes your answer between the time of your original response and the time of the hearings, then you should submit, under oath, a supplemental response to your earlier answer.
11. If you consider any question to be unduly burdensome, or if the response would require the production of a voluminous amount of material, please call the undersigned counsel as soon as possible in order to discuss the situation and to try to resolve the problem. Likewise, if you object to any of the questions on the grounds that the question seeks

confidential information, or on any other grounds, please call the undersigned counsel as soon as possible.

12. If the response to any question is voluminous, please provide separately an index to the materials contained in the response.
13. If the information requested is included in previously furnished exhibits, workpapers, or responses to other discovery inquiries or otherwise, in hard copy or electronic format, please furnish specific references thereto, including Bates Stamp page citations and detailed cross-references.
14. To the extent that a question asks for the production of copyrighted material, it is sufficient to provide a listing of such material, indicating the title, publisher, author, edition, and page references relied on or otherwise relevant to the question.

Claim of Privilege

If any document is withheld under any claim of privilege, please furnish a list identifying each document for which a privilege is claimed, together with the following information: date, sender, recipients, recipients of copies, subject matter of the document, and the basis upon which such privilege is claimed.

SOAH Docket No. 473-16-2873.WS
PUC Docket No. 45570
OPUC's First Request For Information To
Monarch I, L.P.

- 1-1. Provide a copy of the preliminary rules referred to by Ms. Bordelon-Taylor on page 5 of her direct testimony that were used as the guide to develop the rate filing package.
- 1-2. Provide a copy of the contract for audit services with Price Waterhouse Coopers referred to in Ms. Bordelon-Taylor's direct testimony of page 7.
- 1-3. Provide a schedule that shows each of the base payroll increases by employee during the test year. Also include any incentive pay awarded to each employee during the test year.
- 1-4. Provide the date on which merit salary /wage increases are awarded each year. Include in your response any changes that have been made to this timeframe within the last three years.
- 1-5. Provide copies of any documents, emails, corporate minutes, presentations, etc. that include discussion of the amount of merit salary/wage increases that were awarded during the test year and for each of the past three years.
- 1-6. Provide copies of the last two actuarial studies for qualified pension benefits, non-qualified pension benefits (if provided), OPEBs, and deferred compensation, (if provided).
- 1-7. Provide a listing of all allocation factors used for each shared service provided to Texas operations for the test year and for the previous period before the changes were made as referred to by Ms. Bordelon-Taylor on page 7 of her direct testimony. Be sure to provide the underlying computation of each of the allocation factors in both periods.
- 1-8. Provide copies of all workpapers used to compute the imputed ADIT of \$1.7 million at the Monarch level.
- 1-9. Provide the total long-term incentive expense included in the test year by each employee receiving such incentive pay. Be sure to identify those that are direct employees are those that are shared service employees. For the shared service employees, include the shared services cost center in which the employee is located and the allocation factor used to allocate to Texas operations. Also include the total amount that is charged to expense and the amount that is charged to capital in the filing.
- 1-10. Provide the total short-term incentive expense included in the test year by each employee receiving such incentive pay. Be sure to identify those that are direct employees are those that are shared service employees. For the shared service employees, include the shared services cost center in which the employee is located and the allocation factor

SOAH Docket No. 473-16-2873.WS
PUC Docket No. 45570
OPUC's First Request For Information To
Monarch I, L.P.

used to allocate to Texas operations. Also include the total amount that is charged to expense and the amount that is charged to capital in the filing.

- 1-11. Provide copies of any documents, emails, corporate minutes, presentations, etc. related to the discussions and decisions made with respect to the short-term and long-term incentive pay awards for the test year and the prior period awards. To the extent there are any financial or other metrics that are used to determine the level of short-term or long-term incentives provide the metrics used and the actual results for these measures that were used to determine the amount of STI and LTIP included in the test year.
- 1-12. Provide the target STI and LTIP percentage by position for each of the employee positions where STI and/or LTIP awards are included directly or allocated to the filing. Be sure to identify any changes in these target percentages by position for each of the last three years.
- 1-13. Provide copies of the compensation studies used to determine the base payroll and incentive compensation for direct employees and for shared serviced employees. If the studies will be considered voluminous, provide a listing of the studies from which to select copies.
- 1-14. Provide the monthly number of employees for Monarch Texas operations for each month subsequent to the test year end through the most recent information available.
- 1-15. Provide the monthly number of employees for each of the shared services cost centers where costs are allocated to this filing for each month subsequent to the test year end through the most recent information available.
- 1-16. Provide a detailed listing of all costs allocated to this filing from each shared service cost center. Be sure to include not only the cost center name and number, but also the entity in which the cost center is included.
- 1-17. Provide a detailed chart of accounts that includes the number and names for all accounts, subaccounts, cost centers, and company identifiers.
- 1-18. Provide an explanation concerning the increase in the test year capitalization percentages for both the directly employee costs and the shared services employee costs when compared to prior years. Be sure to identify any changes in capitalization policies and dates implemented. Also include major projects that may have been the reasoning for the increase.

SOAH Docket No. 473-16-2873.WS
PUC Docket No. 45570
OPUC's First Request For Information To
Monarch I, L.P.

- 1-19. Provide a detailed explanation of the Bonus Expense – Other amount of \$21,371.49 shown on WP II-D-9.1.a.8. What does this amount relate to and how was it computed as a “Sum of Normalized”? Also provide an explanation as to why the adjusted amount for this account’s expense is significantly greater than the prior years’ amounts provided.
- 1-20. Admit or deny that the Bonus Expense – Other amount of \$21,371.49 shown on WP II-D-9.1.a.8 is in addition to any STI pay awarded during the test year. If admitted, provide the amount given in these types of bonuses for the last three years period. If denied, provide an explanation as to why it is booked into this account.
- 1-21. Provide an explanation as to why incentive compensation expense shown on WP II-D-9.1.a.8 is over four times the incentive compensation expense reported in either of the two prior years provided. Please include an explanation of any changes that were made to the incentive plans in effect during the prior periods as compared to the current plan, changes, changes in eligible employees, changes in target percentages, or any other change that would explain the increase.
- 1-22. Provide copies of any analyses conducted with respect to the decision to change to a new insurance carrier in January 2015. What are the expected cost savings to the company related to this change? Are these savings reflected in the second half of the test year or normalized for the entire test year? If only included in the second half, provide the normalized savings for the change in the insurance carrier.
- 1-23. Referencing the testimony of Craig Gott, Page 5 (Bates Stamp 130), Lines 10-13, please provide a copy of the referenced rate order letter in Docket Nos. 2001-1079-UCR and 2001-1080-UCR.
- 1-24. Referencing the testimony of Craig Gott, Page 55 (Bates Stamp 180), Lines 8-11, please provide a line-item description and associated cost of each item of capital investment which encompass the conference room rehabilitation at Holiday Villages.
- 1-25. Referencing the testimony of Carmelitha Bordelon-Taylor, Page 9, Lines 1-6, Please explain and provide supporting workpapers regarding Monarch’s determination that meter equivalents as of December 31, 2014 are the most equitable form of allocating costs within the filing. Further, please explain the cost causal link between meter equivalents and the incurrence of costs for which this factor is used to allocate.
- 1-26. Please provide any Cost Allocation Manuals used by Southwest Water and/or its affiliates which identify and discuss the allocation of costs.

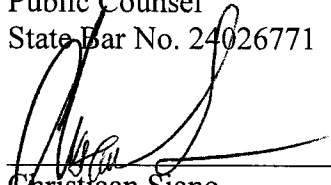
SOAH Docket No. 473-16-2873.WS
PUC Docket No. 45570
OPUC's First Request For Information To
Monarch I, L.P.

- 1-27. Referencing the testimony of Carmelitha Bordelon-Taylor, Page 9, Lines 17-21, for each adjustment made to Test Year per books expense to remove, recast, or reinstate expenses, please provide a summary schedule stating the reason for said adjustment and the amount, by NARUC account, of the adjustment.

Dated: April 1, 2016

Respectfully submitted,

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CERTIFICATE OF SERVICE

SOAH Docket No. 473-16-2873.WS
PUC Docket No. 45570

I certify that today, April 1, 2016, a true copy of the Office of Public Utility Counsel's First Request for Information to Monarch I, L.P. was served on all parties of record via United States First-Class Mail, hand-delivery or facsimile.



Christiaan Siano