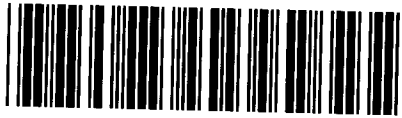




Control Number: 45570



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Addendum StartPage: 0

SOAH DOCKET NO. 473-16-2873 WS
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APPLICATION OF MONARCH §
UTILITIES I, LP FOR AUTHORITY TO §
CHANGE RATES §

STATE OFFICE OF
PUBLIC UTILITY COMMISSION
FILING CLERK
ADMINISTRATIVE HEARINGS

**COMMISSION STAFF'S THIRD REQUEST
FOR INFORMATION TO MONARCH UTILITIES I, LP
STAFF NOS. 3-1 THROUGH NO. 3-17**

To: Monarch Utilities I, LP, through its counsel of record, Lambeth Townsend, Georgia N. Crump, and William A. Faulk, III, Lloyd, Gosselink, Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701

Pursuant to 16 Tex. Admin. Code § 22.144, Commission Staff of the Public Utility Commission of Texas requests that Monarch Utilities I, LP provide responses and produce documents in response to Staff's Third Request for Information.

Provide an original and three (3) copies of your responses to:

Public Utility Commission of Texas
Attention: Filing Clerk
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78712-3326

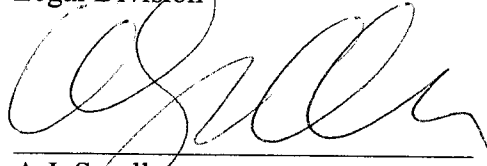
107

Date: April 7, 2016

Respectfully Submitted,

Margaret Uhlig Pemberton
Division Director
Legal Division

Stephen Mack
Managing Attorney
Legal Division



A.J. Smullen
State Bar No. 24083881
Attorney, Legal Division
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Public Utility Commission of Texas
1701 N. Congress Avenue
Austin, Texas 78712-3326
(512) 936-7289
(512) 936-7268 (facsimile)
sam.chang@puc.texas.gov

*Commission Staff of the Public Utility
Commission of Texas*

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

CERTIFICATE OF SERVICE

I certify that a copy of this document was served on all parties of record on April 7, 2016
in accordance with 16 Tex. Admin. Code § 22.74.



AJ Smullen

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

**COMMISSION STAFF'S THIRD REQUEST
FOR INFORMATION TO MONARCH UTILITIES I, LP
STAFF NOS. 3-1 THROUGH NO. 3-17**

INSTRUCTIONS

1. Monarch Utilities' responses to Staff's 3rd RFI shall be provided within the time limit provided by the presiding officer or, if the presiding officer has not provided a time limit, within twenty (20) days.
2. Monarch Utilities' responses to Staff's 3rd RFI shall be in sufficient detail to fully present all of the relevant facts.
3. Each response must be made under oath and identify the person that prepared the response or the person under whose direct supervision the response was prepared. Additionally, each response must also identify the sponsoring witness, if any.
4. Copy the specific question or document request immediately above each response. With respect to the production of documents, indicate the specific document request(s) to which the documents are being produced.
5. Monarch Utilities has a continuing duty to supplement its responses to Staff's 3rd RFI if it acquires information upon the basis of which it knows or should know that the response was incorrect or incomplete when made or though correct or complete when made, is materially incorrect or incomplete. Monarch Utilities shall amend its prior response within five (5) working days of acquiring the information.
6. If any responsive Document, Electronically Stored Information, or tangible item is withheld under any claim of privilege, provide a privilege log identifying each Document for which a privilege is claimed, together with the following information:
 - a. Date of the Document was created;
 - b. Subject matter of the Document; and
 - c. The basis upon which such privilege is claimed.
7. Electronically Stored Information and Documents in an electronic format shall be produced with metadata intact.
8. If the response to any request is voluminous, provide a detailed index of the voluminous material and the means by which Staff may obtain the voluminous material.
9. Words used in the plural shall also be taken to mean and include the singular. Words used in the singular shall also be taken to mean and include the plural.

10. The present tense shall be construed to include the past tense, and the past tense shall be construed to include the present tense.
11. The terms “and” and “or” shall be construed as either conjunctive or conjunctive as necessary to make the request inclusive rather than exclusive
12. Documents produced in response to Staff’s 3rd RFI shall be Bates labeled.

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

**COMMISSION STAFF'S THIRD REQUEST
FOR INFORMATION TO MONARCH UTILITIES I, LP
STAFF NOS. 3-1 THROUGH NO. 3-17**

DEFINITIONS

1. "Monarch Utilities" means Monarch Utilities I, LP and any entity or person acting or purporting to act on its behalf, including without limitation, attorneys, agents, advisors, investigators, representatives, employees, independent contractors, or other persons.
2. "Commission" means the Public Utility Commission of Texas.
3. "Document" is used in its broadest sense to include, by way of illustration and not limitation, all written or graphic matter of every kind and description, whether printed, produced, or reproduced by any process (visually, magnetically, mechanically, electronically, or by hand); whether a final draft, initial draft, original copy, or reproduction; whether claimed as privileged or otherwise excludable from discovery; and whether or not in your actual or constructive possession, custody, or control. The term includes any written, recorded, or graphic matter, however produced or reproduced, including but not limited to Electronically Stored Information, correspondence, e-mails, telegrams, contracts, agreements, notes in any form, memoranda, reports, invoices, ledgers, spreadsheets, data, models, diaries, compilations, voice recording tapes, microfilms, pictures, computer media, workpapers, calendars, minutes of meetings or other writings or graphic matter, including copies containing marginal notes or variations of any of the foregoing, now or previously in your possession.
4. "Electronically Stored Information" means data that is created, altered, communicated, and stored in digital form.
5. "NARUC" means the National Association of Regulatory Commissioners.

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

**COMMISSION STAFF'S THIRD REQUEST
FOR INFORMATION TO MONARCH UTILITIES I, LP
STAFF NOS. 3-1 THROUGH NO. 3-17**

- Staff 3-1 Provide the actual requirements and sources of capital for the most recent fiscal year.
- Staff 3-2 Reference Schedule II-B, Rate Base Summary, Line No. 14, Other Rate Base Items (\$6,051,205). Provide the source(s) of capital used to finance this item.
- Staff 3-3 Reference Schedule II-B, Rate Base Summary, Line No. 16, Accumulated Deferred Income Taxes (\$1,751,440). Provide the source of capital used to finance this item.
- Staff 3-4 Reference Schedule II-B, Rate Base Summary, Line 19, Total Rate Base \$78,867,407, and Schedule II-C-1(2), Rate of Return Method – Actual Capital Structure, Line 3, Total \$85,894,674. Provide a reconciliation for the difference.
- Staff 3-5 Reference Schedule II-C-1(2) Rate of Return Method – Actual Capital Structure, Line 2, Long-term Debt \$25,625,704; and Schedule II-C-4, Long-Term Debt. Explain why the long-term debt prior to the adjustment of net proceeds for recognition of issuance costs was used in the capital structure with the cost rate after adjusted for net proceeds for recognition of issuance costs.
- Staff 3-6 Reference the Direct Testimony of Paul R. Moul, page 16, footnote number 2. Provide any document reviewed or relied on by Mr. Moul to support this statement.
- Staff 3-7 Reference the Direct Testimony of Paul R. Moul, page 20, lines 6-12. Provide the capital structures for the Water Group for the year ending June 30, 2015.
- Staff 3-8 Reference the Direct Testimony of Paul R. Moul, page 31, lines 13-18. Provide the following:
- a. An explanation on how one company can have several capital structures on which to measure risk; and
 - b. The capital structure rating agencies use to determine a credit rating.
- Staff 3-9 Reference the Direct Testimony of Paul R. Moul, page 32, lines 10-14. Provide the following:
- a. Provide a list of Pennsylvania Public Utility Commission proceedings in which Mr. Moul proposed a leverage adjustment;

- b. For each proceeding identified above in which Mr. Moul proposed a leverage adjustment, please state whether the Pennsylvania Public Utility Commission adopted Mr. Moul's proposal; and
- c. A list of testimonies where Mr. Moul used a leverage adjustment to lower the cost of equity when the market value capitalization was less than the book value capitalization.

- Staff 3-10 Reference the Direct Testimony of Paul R. Moul, page 46, lines 3 through 18. For each publication referenced, admit or deny that the publication is specific to the utility industry.
- Staff 3-11 Is it Mr. Moul's opinion that the regulated utility industry faces the same amount of risk as unregulated businesses?
- Staff 3-12 Reference Schedule PRM-13. Provide this schedule using the most recent, up-to-date Value Line information.
- Staff 3-13 Reference the Direct Testimony of Paul R. Moul, page 49, lines 2-5. Explain how using year-end values cause the rate of return to be lower than using average book value.
- Staff 3-14 Reference the Direct Testimony of Paul R. Moul, page 49, lines 5-6. Provide all documentation supporting this statement.
- Staff 3-15 Reference the Direct Testimony of Paul R. Moul, page 50, lines 1-11. Provide the following:
- a. The reasoning for using 20% as the cut off for a high return;
 - b. The reasoning for using 8% as the cut off for a low return; and
 - c. Any documents in Monarch's or Mr. Moul's possession showing the average state commission-granted return on common equity during any of the last 5 years for any utility and specify the commission and the industry.
- Staff 3-16 Reference Schedule PRM-9, M&M formula. Provide the following:
- a. Explanation how "ku" is solved for prior to the execution of the formula. (Line 1 has the term "ku" solved without executing the formula); and
 - b. Provide this formula with all the "ku" terms on one side of the equal sign.
- Staff 3-17 Provide the connection count for each meter size for each public water system and wastewater system affected by the rate increase in Docket 45570. Provide your response in Excel format.