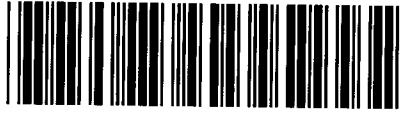


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APPLICATION OF MONARCH § BEFORE THE STATE PUBLIC UTILITY COMMISSION
UTILITIES I, L.P. TO CHANGE RATES § OF FILING CLERK
FOR WATER AND SEWER SERVICE § ADMINISTRATIVE HEARINGS

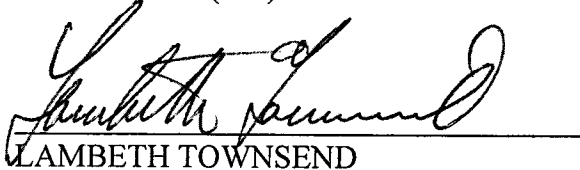
**MONARCH UTILITIES I, L.P.'S RESPONSES TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

To: Commission Staff, by and through its attorney of record, Sam Chang, Public Utility Commission of Texas, Legal Division, 1701 North Congress Avenue, Austin, Texas 78711-3326.

Monarch Utilities I, L.P. ("Monarch") files its Responses to Public Utility Commission ("Commission") Staff's Requests for Information received March 28, 2016. This response is timely filed. This response may be treated by all parties as if it were filed under oath.

Respectfully submitted,

**LLOYD, GOSSELINK,
ROCHELLE & TOWNSEND, P.C.**
816 Congress Avenue, Suite 1900.
Austin, Texas 78701
Telephone: (512) 322-5800
Facsimile: (512) 472-0532



LAMBETH TOWNSEND
State Bar No. 20167500
ltownsend@lglawfirm.com

GEORGIA N. CRUMP
State Bar No. 05185500
gcrump@lglawfirm.com

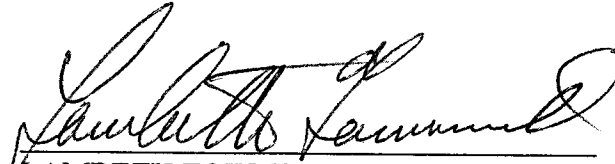
WILLIAM A. FAULK, III
State Bar No. 24075674
cfaulk@lglawfirm.com

ATTORNEYS FOR MONARCH UTILITIES I, LP

108

CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of April, 2016, a true and correct copy of the foregoing document has been hand-delivered., sent via facsimile, e-mail, or first class mail to all parties of record.


LAMBETH TOWNSEND

**PUC DOCKET NO. 45570
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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

STAFF RFI 1-1: **Provide a copy of all Documents, workpapers, and electronic files used to develop the recommended:**

- a. average service lives,**
- b. survivor curves,**
- c. net salvage rates,**
- d. annual average service lives,**
- e. annual survivor curves,**
- f. annual net salvage rates, and**
- g. annual depreciation accrual rates**

proposed by Monarch Utilities.

RESPONSE: Please see the accompanying "Attachment Staff RFI 1-1" for the requested information.

Prepared by: Earl M. Robinson, AUS Consultants
Sponsored by: Earl M. Robinson, AUS Consultants

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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

- STAFF RFI 1-2:** **Provide the following data in electronic and hard copy format:**
- a. Annual additions, retirements, adjustments and ending plant balances by depreciable plant account.**
 - b. Annual retirements by vintage year by depreciable plant account.**
 - c. Annual gross salvage, cost of removal, reimbursements, and annual adjustment to gross salvage and cost of removal by depreciable plant account.**

RESPONSE: a & b. Please see the accompanying "Attachment Staff RFI 1-2" for the requested information.

 c. On pages 1-7 to 1-8 plus 3-16 to 3-17 of Monarch's Water depreciation study report and pages 1-6 to 1-7 plus 3-16 to 3-17 of Monarch's Wastewater depreciation study report, filed as Schedules II-E-1.4(W) and II-E-1.4(S), a discussion outlines the necessity for the inclusion of net salvage percent to be included in depreciation rates. In Section 3 of the study reports, it is specifically stated that the Company's historical records to date, have not captured the cost in a manner that they could be analyzed and identified, so estimates of future net salvage amounts were estimated based upon general industry data.

Prepared by: Earl M. Robinson, AUS Consultants
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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

STAFF RFI 1-3: **With regard to the retirement rate method to determine the survivor curve and average service life for a plant account:**

- a. **State whether any statistical goodness of fit statistics were calculated and reviewed, or if the curve fitting was based on visual curve fitting.**
- b. **Provide statistics or other data showing the goodness of fit for the survivor curves and average service lives determined using the retirement rate method.**
- c. **Provide observed life table and the company proposed curve parameter data and graph for all accounts for which the company used actuarial method of life analysis. Provide data in Microsoft Excel or in a format ready to be used in Excel.**

RESPONSE:

- a. Yes. Goodness of fits are calculated internal within the AUS depreciation model and viewed in real time computer analysis, as opposed to being printed for distribution in the course of completing the comprehensive depreciation life analysis. The goodness of fit statistics while viewed in real time, are not really available to be printed and distributed. Likewise, visual curve fitting of the Observed Life Tables are completed and graphs are included in Section 5 of the depreciation study reports.
- b. See item (a).
- c. This information is prepared within the depreciation software model in formatted output reports and are not available in Excel worksheet or other addressable form.

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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

STAFF RFI 1-4: **Provide copies of all industry depreciation studies and/or surveys and depreciation studies for other companies that were relied upon in developing the proposed depreciation rates.**

RESPONSE: Please see Table 6 (Section 2) of the water and wastewater depreciation study reports for the requested information, filed as Schedules II-E-1.4(W) and II-E-1.4(S).

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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

STAFF RFI 1-5: **Provide a Microsoft Excel spread sheet showing Monarch Utilities' currently approved average service lives, survivor curves, net salvage values, and depreciation rates by plant account.**

RESPONSE: Please see Table 5 and Table 1 of the applicable depreciation study reports for the requested data, filed as Schedules II-E-1.4(W) and II-E-1.4(S). This information is prepared within the depreciation software model in formatted output reports and is not available in Excel worksheet or other addressable form.

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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

STAFF RFI 1-6: **Provide a calculation of the remaining life depreciation rate and accrual using the current survivor curves, average service lives and net salvage values for each account. Provide a computer output for each account in a table format.**

RESPONSE: The current depreciation parameters are not being proposed as a basis of the proposed depreciation rates.

The Average Remaining Life (ARL) and Accrual using the depreciation parameters underlying the proposed depreciation rates are contained on Table 5, Table 2 by recovery component, and on Table 1 of Section 2 of the applicable depreciation study report, filed as Schedules II-E-1.4(W) and II-E-1.4(S). The corresponding detailed calculations by account and vintage are contained within Section 6 of each of the applicable depreciation study reports.

Prepared by: Earl M. Robinson, AUS Consultants
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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

STAFF RFI 1-7: Provide a copy of the software program used in developing the depreciation study. Provide all Documents that explain how to use the software program.

RESPONSE: Per discussions with Commission Staff this request has been withdrawn.

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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

STAFF RFI 1-8: **Provide a detailed analysis of historical gross salvage data, including the cost of removal, three-year overlapping average net salvage value, the overall average net salvage value, and the most recent five-year average net salvage value for each account. Also, provide in Microsoft Excel format, for each NARUC account category, the corresponding gross salvage and cost of removal amounts for all vintage years and the amount of retired as used in Monarch Utilities' actuarial analysis.**

RESPONSE: Please see provided response to Staff RFI No 1-2(c).

Prepared by: Earl M. Robinson, AUS Consultants
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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

STAFF RFI 1-9: **Provide a table showing the following, for each account category for the study year:**

- a. Original plant investment,**
- b. Book reserve,**
- c. Proposed average service life,**
- d. Proposed survivor curve as applicable,**
- e. Proposed net salvage value,**
- f. Proposed composite remaining life,**
- g. Proposed remaining life depreciation rate,**
- h. Proposed annual depreciation accrual,**
- i. Current depreciation rate, and**
- j. Current annual depreciation accrual.**

RESPONSE: Please see the requested items contained within the water and wastewater depreciation reports at the following locations, filed as Schedules II-E-1.4(W) and II-E-1.4(S).

- a. Section 2, Table 3
- b. Section 2, Table 4
- c. Section 2, Table 5
- d. Section 2, Table 5
- e. Section 2, Table 5
- f. Section 2, Table 5
- g. Section 2, Table 1
- h. Section 2, Table 1
- i. Section 2, Table 1
- j. Section 2, Table 1

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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

STAFF RFI 1-10: **Provide workpapers, charts, and graph plots generated in conducting actuarial analysis for the selected curves for the accounts that had aged data. The data table shall include the actual proportion surviving of the aged data and the Iowa curve percent surviving information.**

RESPONSE: Please see data files provided in response to Staff RFI No 1-2 for the underlying source data. Section 5 of the depreciation study reports, filed as Schedules II-E-1.4(W) and II-E-1.4(S), contains the charts and underlying schedules developing the proposed depreciation parameters. The development of the average remaining lives were based upon the Broad Group Procedure using the Company vintage level surviving plant in service. Under the Broad Group Procedure, the proportion surviving of each curve, life, and age is developed within process and is the result of the percent surviving at each age as a percent of average service life. The Company's provided depreciation studies "are not based upon the vintage group approach", an approach that could/would have varying proportion surviving amounts at each age, dependent upon the level of variation between actual historical experience versus amounts generated via the use of the estimated Iowa Curve and average service life under the Broad Group Procedure. The Company does not, and few in the industry do, have sufficient detailed data to complete detailed vintage group depreciation calculations.

Prepared by: Earl M. Robinson, AUS Consultants
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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

STAFF RFI 1-11: **Explain how the remaining life calculations were performed in the model used in the study. Provide a copy of the computer program used in calculating the remaining life.**

RESPONSE: Please see Attachment Staff 1-11, which shows the results of the ARL calculations based upon a representative Iowa 10-R3 life and curve inclusive of the formulas used in performing the calculations.

 Please see response to Staff RFI No 1-7 regarding the requested software program.

Prepared by: Earl M. Robinson, AUS Consultants
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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

STAFF RFI 1-12: **Provide a copy of calculations used to determine the existing and proposed composite depreciation rates and accruals.**

RESPONSE: Please see the Tables, referenced in response to Staff RFI No. 1-2, that calculate the current implicit annual depreciation rates for each property group. Tables 2 and 1 of Section 1 of the water and wastewater depreciation study reports, filed as Schedules II-E-1.4(W) and II-E-1.4(S), contain the calculations of the proposed composite depreciation rates and accruals.

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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

STAFF RFI 1-13: **Provide a spreadsheet that lists the currently approved average service lives, survivor curves, net salvage values, and depreciation rates by plant account for plant-in-service.**

RESPONSE: Please see Table 5, and accompanying supporting data within the Company's depreciation reports, filed as Schedules II-E-1.4(W) and II-E-1.4(S), plus the Excel depreciation tables provided in Attachment Staff 1-1 for the requested information.

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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

STAFF RFI 1-14: **Provide the end-of-year 2014 book reserve balances and the end-of-year 2014 plant balances by plant account.**

RESPONSE: Please see Tables 3 and 4 of Section 2 of the applicable depreciation reports, filed as Schedules II-E-1.4(W) and II-E-1.4(S), for the requested information.

Prepared by: Earl M. Robinson, AUS Consultants
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MONARCH'S RESPONSES TO STAFF'S FIRST REQUESTS FOR INFORMATION

STAFF RFI 1-15: Provide salvage data that includes annual gross salvage and cost of removal per account, and associated annual retirement data.

RESPONSE: Please see the response to Staff RFI No. 1-2 for a discussion of the Company's net salvage and related data.

Prepared by: Earl M. Robinson, AUS Consultants
Sponsored by: Earl M. Robinson, AUS Consultants

**ATTACHMENT
STAFF RFI
1-1**

