

Control Number: 45570



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

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APPLICATION OF MONARCH  
UTILITIES I, LP FOR AUTHORITY TO  
CHANGE RATES

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§

STATE UTILITY COMMISSION  
STATE OFFICE OF  
FILING CLERK

ADMINISTRATIVE HEARINGS

**COMMISSION STAFF'S FIFTH REQUEST  
FOR INFORMATION TO MONARCH UTILITIES I, LP  
STAFF NOS. 5-1 THROUGH NO. 5-30**

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 Fifth 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

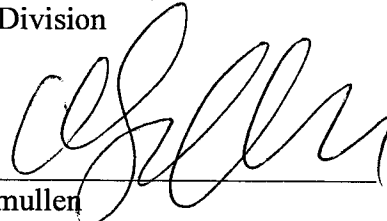
113

Date: April 11, 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  
aj.smullen@puc.texas.gov

Sam Chang  
State Bar No. 24078333  
Attorney, Legal Division  
sam.chang@puc.texas.gov

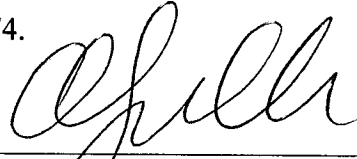
Public Utility Commission of Texas  
1701 N. Congress Avenue  
Austin, Texas 78712-3326  
(512) 936-7289  
(512) 936-7268 (facsimile)  
sam.chang@puc.texas.gov

*Commission Staff of the Public Utility  
Commission of Texas*

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**CERTIFICATE OF SERVICE**

I certify that a copy of this document was served on all parties of record on April 11, 2016 in accordance with 16 Tex. Admin. Code § 22.74.



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AJ Smullen

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**COMMISSION STAFF'S FIFTH REQUEST  
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STAFF NOS. 5-1 THROUGH NO. 5-30**

**INSTRUCTIONS**

1. Monarch Utilities' responses to Staff's 5th 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 5th 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 5th 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 5th RFI shall be Bates labeled.

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**COMMISSION STAFF'S FIFTH REQUEST  
FOR INFORMATION TO MONARCH UTILITIES I, LP  
STAFF NOS. 5-1 THROUGH NO. 5-30**

**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.

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**COMMISSION STAFF'S FIFTH REQUEST  
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STAFF NOS. 5-1 THROUGH NO. 5-30**

- STAFF 5-1            In reference to the Corporate Cost Allocation Manual, page 1000, Vol 4 of 5, please provide the Direct Operating Expense, Payroll, and End of Year Gross Plant for the year 2013, 2014, and 2015 for the following companies and systems, and any other systems for whom the parent company/Southwest Water Company ("Parent/SouthWest") allocate its costs:
1. Suburban Water Systems;
  2. Texas Utilities – list utility systems and the corresponding information for each system (e.g. Monarch Utilities I, L.P., Windermere, etc.); and
  3. Southeast Utilities – list all systems and the corresponding information for each system
- STAFF 5-2            In reference to WP/ II-A.3.6 – Prepayments, Witness: Carmelita Bordelon-Taylor, please provide copy of subsidiary ledgers with company account numbers for the prepayments, copy of invoices/receipts supporting the prepayments, explain briefly the nature of these accounts, and how many years or months were these amortized and the amount of monthly amortization, as follows:
1. TCEQ Water System/Assessment Fees;
  2. NAWC dues;
  3. Barton Springs – Water Use Fees;
  4. Brazos River Authority; and
  5. Barton Springs – Water Transport Fees
- STAFF 5-3            In reference to WP/II-B-8 – Prepayments, please identify the account, account page, and line number in the rate application in which the amortization of the prepayments (expense) and the unamortized balance of prepayments (asset) are included.
- STAFF 5-4            Please provide an explanation as to why each cost/expense allocated to Monarch Utilities I, L.P. from Parent/SouthWest, SWWC Utilities, and/or any other affiliates are reasonable and necessary to provide service to the ratepayers. Please identify the costs discussed by NARUC/company account.



STAFF 5-5 Please provide list of businesses affiliated with Parent/SouthWest other than SWWC Utilities, Suburban Water Systems and Monarch and an explanation of the type of business.

STAFF 5-6 Please provide the Organizational Chart for the Parent/SouthWest.

STAFF 5-7 Please provide the number of full-time and part-time employees that worked for the Parent/SouthWest for the test year.

STAFF 5-8 Please provide a list of all employees who received salaries, bonuses, allowances, benefits and other remuneration that were included in the cost of service allocated, direct billed, or otherwise charged from Parent/SouthWest. Please provide the following information:

- a) Name;
- b) Position and detailed job description;
- c) Date hired and date of termination, if applicable;
- d) Rate per month or per hour; and
- e) Total number of hours and percentage of time worked per week for you and total number of hours and percentage of time worked per week for any of your affiliated companies.
- f) The application schedule, line number, NARUC/company account name, and number in which each expense is included.

STAFF 5-9 Please provide copy of general ledger for the pa Parent/SouthWest for the test year ending June 30, 2015.

STAFF 5-10 In reference to WP/ IV-2, Adjusted Affiliated Expenses – Parent, please provide a detailed schedule of expenses incurred by the Parent/SouthWest and invoices/receipts supporting each expense over \$5,000 for the test year ending June 30, 2015, as follows:

- |   |                         |
|---|-------------------------|
| 1) Travel and Entertainment of                                  | \$ 181,683;             |
| 2) Insurance Expense of   | \$ 134,741;             |
| 3) Lease Expenses of<br>(adjustments);                          | \$ 351,595 + \$52,297   |
| 4) Professional Fees of   | \$ 880,964;             |
| 5) General and Administrative Expenses of<br>(adjustments); and | \$1,688,614 + \$345,928 |
| 6) Other Operating Expenses                                     | \$73,896                |

STAFF 5-11 For the years 2014 and 2015, please provide copies of the complete audited financial statements including auditor's reports and all notes for Parent/SouthWest. If audited financial statements are not available, provide the unaudited financial statements.

- STAFF 5-12 Please provide the 2015 Corporate Allocation Factor (CAF) for Parent/SouthWest and all related calculations. If 2015 CAF is not available, please provide the most recent financial information used to calculate the CAF.
- STAFF 5-13 Please reconcile the difference between the **payroll recorded 2012 and salaries and wages –employees 1/1/2012-12/31/2012**, as follows: In reference Cost Allocation Manual, Vol. 4 of 5 of the application, Bates p. 1000, **Payroll Recorded 2012 of \$5,364,056** and in reference: WP II D-1.1 Historical and Per Book Test Year O&M Expense, Witness: Carmelitha Bordelon-Taylor, **Salaries and Wages – Employees 1/1/2012-12/31/2012 of \$2,869,944.**
- STAFF 5-14 Reference direct testimony of Mr. Robert Kelly:
- Please provide list of shareholders and/or owners of the applicant who benefited from the gain from Blue Mound asset sale of \$3,843,970 and Midway asset sale of \$917,017. Please provide the amount of gain allocated to each shareholder; and
  - Please provide all the accounting journal entries made to record the sale of Blue Mound and Midway and identify what entity(s) recorded the entry.
- STAFF 5-15 Please identify/provide list of all assets and costs of service incurred by the Cities of Buda, Ivanhoe, and Kyle that were included in this rate change application.
- STAFF 5-16 Please indicate what operating costs or other costs, by dollar amount and NARUC/company account number were reduced by the applicant due to the sale of Blue Mound and Midway assets and related certificate of convenience and necessity.
- STAFF 5-17 Confirm or deny that the gain on the sale of Blue Mound and Midway assets only benefited shareholders. In answering this question, please provide a detailed explanation.
- STAFF 5-18 Please explain how, if at all, the sale of Blue Mound and Midway assets benefited the remaining customers of the applicant.
- STAFF 5-19 Please explain why the sale of Blue Mound and Midway assets should not be shared with the customers of the applicant.
- STAFF 5-20 Please provide the amount of the 1% Regulator Assessment Fee (RAF) paid to TCEQ for 2012, 2013, 2014, and 2015. Please identify to which account in the rate change application is the RAF classified or recorded.

- STAFF 5-21 Please provide the dollar amount of any costs that are included in any pass-through provision of the applicant's approved and proposed tariff that are also included in the applicant's cost of service.
- STAFF 5-22 Please provide one sample bill for each system included in this rate change application.
- STAFF 5-23 Please identify which of the water and/or sewer utility systems that each pass-through provision on the applicant's approved and proposed tariff. Please provide also the name of the entity whose expenses are included in the pass-through provision and the dollar amount per 1,000 gallons that is currently charged to the applicant's customers for each pass-through provision in the approved and proposed tariff.
- STAFF 5-24 Please provide a copy of the contract with PriceWaterhouseCoopers, LLP; schedule of payments made for 2014 and 2015; copies of invoices/receipts of all payments made; and identify the specific locations in the rate change application of each expense for which PriceWaterhouseCoopers, LLP payments are claimed in the cost of service.
- STAFF 5-25 Reference WP/II-D-4 (SH) - Summary of Outside Services Employed, please provide brief explanation of the expense, copies of contracts, and invoices/receipts for the following expense/accounts:
1. Cybersource – Bank Charges of \$129,293;
  2. Cybersourcesource – Bank Charges of \$11,091; and
  3. Resource Staffing Houston Inc. – Temporary Labor of \$128,750.
- STAFF 5-26 Reference WP-D-1.1 – Historical and Per Book Test Year O & M Expenses, please provide the calculation of Bad Debts Expense of \$334,142 and the basis for any estimates. If some of these amounts are bad debts written off, please provide list of customers, amount, and brief explanation for the write-off. Also, please provide the accounting journal entries made with the corresponding amounts to record these bad debts expenses accounts.
- STAFF 5-27 Please provide a copy of the aging of receivables for the test year and the corresponding year prior to the test year.
- STAFF 5-28 Please provide copies of invoices/receipts and schedule of all federal and state taxes paid for years 2013, 2014, and 2015.
- STAFF 5-29 In reference II-A-1, please provide copies of invoices/receipts and schedule of all Taxes Other than Federal Income Tax claimed in this application for water and sewer in the amount of \$956,862.

STAFF 5-30

In reference II-A-1, please provide a schedule or breakdown of the Miscellaneous Expenses claimed in this rate application amounting to \$267,014.