

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

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

STAFF RFI 2-50: Identify any costs, by NARUC account, related to any litigation involving the applicant or its affiliates that is included in any cost category in the test year. Also identify where the cost is included in the application, and the exact nature of the litigation.

RESPONSE: The following costs related to litigation involving Monarch and its affiliates were recorded in the test year:

- NARUC account 633: \$228.00 related to CCN decertification.
- NARUC account 675/775: \$3,888.98 related to a CCN dispute and litigation over a contract by a former affiliate utility to provide utility service.

The costs in NARUC accounts 675/775 are total costs recorded at affiliates and a portion of these costs were allocated to Monarch based on the cost allocation manual.

Prepared by: Kent Cauley
Sponsored by: Carmelitha Bordelon-Taylor

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

STAFF RFI 2-51: **Is Monarch requesting recovery of any social dues or charitable contributions in its application? If so, identify and quantify these amounts and indicate where these amounts are presented within the application.**

RESPONSE: As shown on Schedules II-D-3.2 and II-D-3.6 in the rate filing package, Monarch has not requested the recovery of costs for charitable contributions or dues for social organizations in its application.

Prepared by: Bruce Connolly
Sponsored by: Carmelitha Bordelon-Taylor

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

STAFF RFI 2-52: What is Monarch's current materiality threshold for accounting purposes? Please provide the calculation.

RESPONSE: Monarch does not prescribe and has not calculated a materiality threshold for accounting purposes. The accounting records are maintained and transactions are recorded based on the accounting principles generally accepted in the United States of America and NARUC.

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

STAFF RFI 2-53: **Has Monarch experienced any reductions in work force since the end of the test year or does the applicant anticipate any reductions in force in 2016? If yes, please describe and quantify.**

RESPONSE: Monarch has not experienced any reductions in work force since the end of the test year and does not anticipate any reductions in force during 2016.

Prepared by: Edward Taussig
Sponsored by: Carmelitha Bordelon-Taylor

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

STAFF RFI 2-54: Does Monarch's requested cost of service include any amounts for moving allowances, signing bonuses, or severance packages? If so, please specify by type, amount, NARUC account, and whether the amounts were directly incurred or allocated from an affiliate.

RESPONSE: Moving allowances and signing bonuses were removed from Monarch's requested cost of service. Severance expense charges to Monarch directly and affiliates were included. See Confidential Attachment Staff 2-54 for detailed information.

Prepared by: Edward Taussig
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MONARCH'S RESPONSES TO STAFF'S SECOND REQUESTS FOR INFORMATION

STAFF RFI 2-55: Please provide a historical level of outside services expense for the years 2012, 2013, and 2014 by NARUC account.

RESPONSE: Please see Attachment Staff 2-55.

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Sponsored by: Carmelitha Bordelon-Taylor

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

STAFF RFI 2-56: Please list each instance of two or more vendors providing the same or similar services to Monarch? If any instances exist, please detail why two or more vendors were used.

RESPONSE: Monarch has 77 water and 11 wastewater systems in 23 counties throughout Texas. The vast majority of these systems are located outside of city limits; therefore, Monarch works diligently to find qualified vendors. Many of the vendors are sole proprietors, in only one geographic area, which requires Monarch to locate and hire multiple suppliers for similar services. Also, there are vendors specialized in certain functions or regions that requires the employment of more than one vendor for a similar service.

Examples: legal, lab services, telecom, purchased water and wastewater, electric, mowing, consulting, permitting, hauling and disposal, security alarm service, banking, recruiting, pre-employment medical, network data circuitry, mobile device expense, telecom – voice line, temporary labor, drug testing, and janitorial. See WP/II-D-4 Summary of Outside Services Employed for specific examples.

Prepared by: Edward Taussig
Sponsored by: Carmelitha Bordelon-Taylor

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

STAFF RFI 2-57: Do any of the outside services represent legislative advocacy expenses? If so, please detail.

RESPONSE: No expenses for legislative advocacy were included in Monarch's application, whether in Outside Services or any other account.

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Sponsored by: Carmelitha Bordelon-Taylor

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

STAFF RFI 2-58: Do any of the outside services relate to rate case expenses? If yes, provide the total amount and supporting details.

RESPONSE: There are no rate case expenses included in outside services expenses.

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

STAFF RFI 2-59: Does Monarch's requested cost of service include amounts for executive perquisites such as luxury automobiles, financial planning and tax gross-ups? If so, please provide an explanation of the types of perquisites included, a copy of Monarch's policies regarding the payment of such perquisites, and the amount of such payments included in the cost of service by NARUC account. Indicate which amounts are directly incurred by Monarch and which amounts are allocated.

RESPONSE: Monarch has very limited automobile related executive perquisites included in cost of service. See Confidential Attachment Staff 2-59.

Prepared by: Kent Cauley
Sponsored by: Charles Profilet

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

STAFF RFI 2-61: Provide the contractual changes or other written authorization documenting any payroll increase for bargaining employees included in the application.

RESPONSE: SouthWest Water Company does not have any bargaining employees.

Prepared by: Edward Taussig
Sponsored by: Carmelitha Bordelon-Taylor

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

STAFF RFI 2-62: For any ad valorem taxes paid to states other than Texas included in the application, please provide a description of the basis for which each state's property taxes are paid.

RESPONSE: No ad valorem taxes paid to states other than Texas are included in the application.

Prepared by: Carmelitha Bordelon-Taylor
Sponsored by: Carmelitha Bordelon-Taylor

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

STAFF RFI 2-64: Provide the amount of Texas and other states' property taxes that were expensed and the amount capitalized for the test year, calendar years 2013, 2014 and 2015.

RESPONSE: Monarch's property taxes:

- Capitalized amount: of Texas and other states': None for all the years
- Expensed amount: of other states': None for all the years
- Expensed amount: of Texas:
 - ❖ Test Year \$554,741
 - ❖ FY2015 \$551,541
 - ❖ FY2014 \$563,662
 - ❖ FY2013 \$436,827

Prepared by: Tina Vu
Sponsored by: Carmelitha Bordelon-Taylor

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

STAFF RFI 2-65: If payments for ad valorem taxes were made to other states subsequent to the test year, please provide the amount by state and indicate the payment date.

RESPONSE: No ad valorem tax payments made to other states were included in Monarch subsequent to the test year.

Prepared by: Carmelitha Bordelon-Taylor
Sponsored by: Carmelitha Bordelon-Taylor

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

STAFF RFI 2-66: Is CWIP subject to ad valorem tax? If so, please discuss whether the taxes are expensed or capitalized.

RESPONSE: CWIP was not subject to ad valorem tax.

Prepared by: Kent Cauley
Sponsored by: Carmelitha Bordelon-Taylor

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

STAFF RFI 2-67: Does Monarch pay taxes on plant leased to others? If so, is Monarch reimbursed for these taxes?

RESPONSE: Monarch has no plant leased to others.

Prepared by: Carmelitha Bordelon-Taylor
Sponsored by: Craig Gott

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

STAFF RFI 2-68: **Is there any expense or capitalized item included in the application that has previously been deemed imprudent by the Commission or the TCEQ? If so, please identify the amount, NARUC account number, and where in the application the amount is included.**

RESPONSE: There are no expenses or capitalized items included in the application that have previously been deemed imprudent by the Commission or the TCEQ.

Prepared by: Patricia DeMay
Sponsored by: Carmelitha Bordelon-Taylor

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

STAFF RFI 2-69: Does Monarch's request for ad valorem taxes include taxes on property which is not used and useful in providing utility service? If so, please identify the amount of taxes and the associated plant balance.

RESPONSE: No.

Prepared by: Carmelitha Bordelon-Taylor
Sponsored by: Carmelitha Bordelon-Taylor

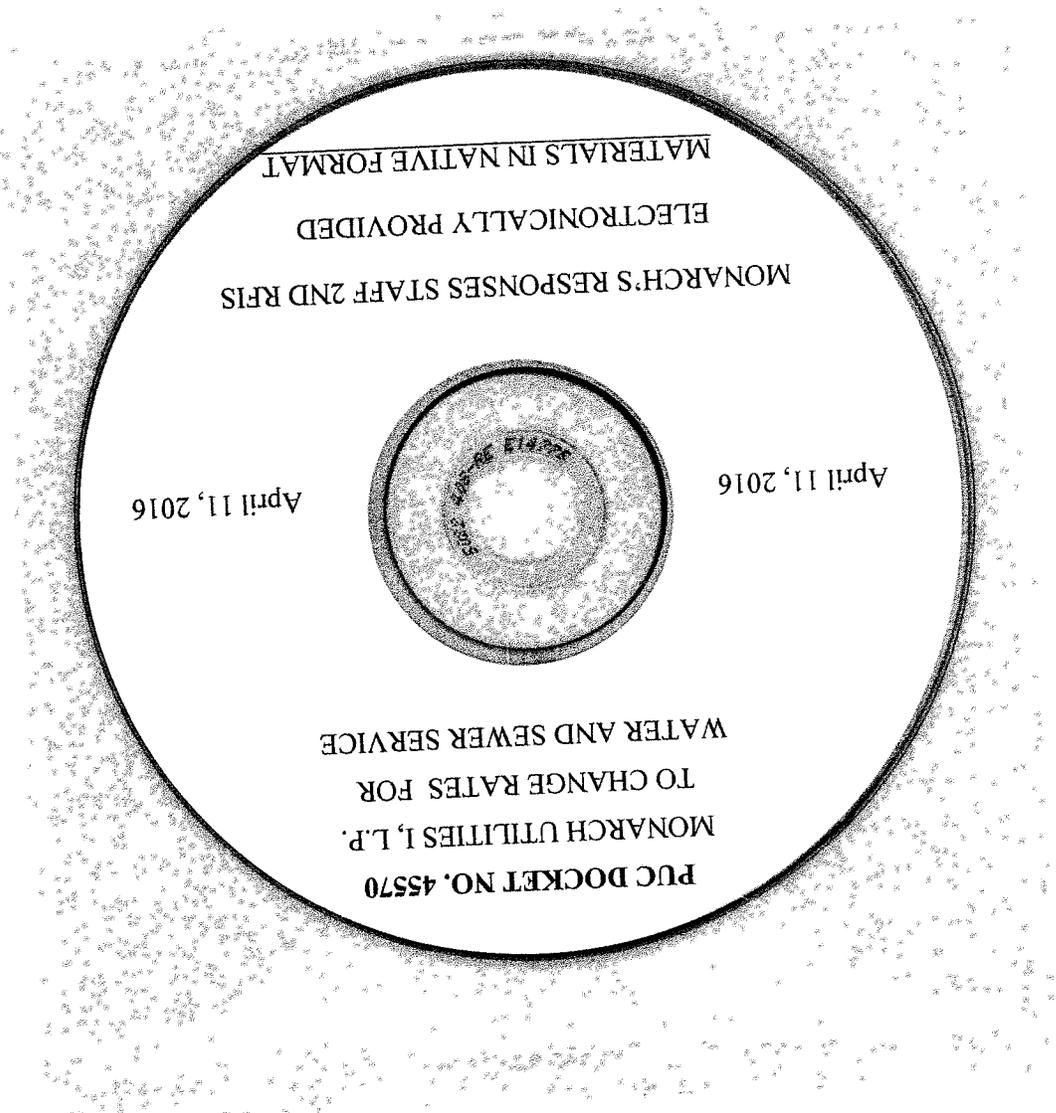
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MONARCH'S RESPONSES TO STAFF'S SECOND REQUESTS FOR INFORMATION

STAFF RFI 2-70: Please provide a copy of any form supporting state taxes other than ad valorem taxes paid and/or included in the test year.

RESPONSE: See Attachment Staff 2-70 for support of state unemployment taxes, state gross receipt taxes and TCEQ assessment which were included in the test year. State unemployment taxes are paid and filed for a group of affiliated companies. The amounts paid for Monarch is a component of the total amount paid in the supporting documentation.

Prepared by: Kent Cauley and Carmelitha Bordelon-Taylor
Sponsored by: Carmelitha Bordelon-Taylor



MATERIALS IN NATIVE FORMAT

ELECTRONICALLY PROVIDED

MONARCH'S RESPONSES STAFF 2ND RFS

April 11, 2016

April 11, 2016

WATER AND SEWER SERVICE

TO CHANGE RATES FOR

MONARCH UTILITIES I, L.P.

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