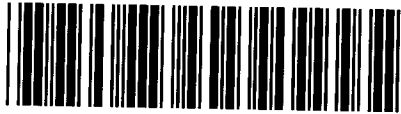


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APPLICATION OF MONARCH
UTILITIES I, L.P. TO CHANGE RATES
FOR WATER AND SEWER SERVICE

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BEFORE THE STATE OFFICE
OF PUBLIC UTILITY COMMISSION
OF FILING CLERK
ADMINISTRATIVE HEARINGS

**MONARCH UTILITIES I, L.P.'S AMENDED RESPONSES TO
COMMISSION STAFF'S SECOND 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 Amended Responses to Public Utility
Commission ("Commission") Staff's Second Requests for Information received March 31, 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.**
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Austin, Texas 78701
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ATTORNEYS FOR MONARCH UTILITIES I, LP



CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of June, 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.



WILLIAM A. FAULK, III



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

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

STAFF RFI 2-19: Please identify any additional contract labor employees or entities who provided Monarch Utilities service in the period used to calculate Monarch Utilities' proposed water and sewer rates, and explain in detail all job functions performed by any contract laborers for Monarch Utilities.

**AMENDED
RESPONSE:**

Monarch has no contract labor employees. There are no additional contract labor entities beyond what was reported in Errata Schedule II-D-4 and Errata WP/II-D-4.

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

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

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

STAFF RFI 2-21: Please provide a copy (hard copy and electronic file, if available) of the general ledger for the test year (July 1, 2014 – June 30, 2015) and the known and measurable changes (July 1, 2015 – June 30, 2016); and a copy of the chart of accounts with account codes or numbers for Monarch Utilities I, L.P.

**AMENDED
RESPONSE:**

Please see the following files:

Confidential Attachment Staff 2-21a - Monarch SAP General Ledger

Attachment Staff 2-21b - Monarch SAP Chart of Accounts

Amended Attachment Staff 2-21c - Known & Measurable

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



Line No	Account No	Description	Schedule Reference	Water (G)	Wastewater (G)	Shared (G)	Finc. Factor (G)	Water (G)	Wastewater (G)	Total Adjustment (G)	Description of Pro-Forma Adjustment (G)
1	400	Operating Revenues		(825,723)	(751,040)		WTR-WW	(825,723)	(751,040)	(1,576,763)	Adjust for sale of Blue Mound
2	400	Operating Revenues		(402,345)			WTR-WW	(402,345)		(402,345)	Adjust for sale of Highway
3	400	Operating Revenues		(1,228,067)	(751,040)		WTR-WW	(1,228,067)	(751,040)	(1,979,107)	
4	601	Salaries and Wages - Employers		(9,286)			WTR-WW	(9,286)		(9,286)	Adjust for sale of Blue Mound
5	610	Purchased Water		(5,370)			WTR-WW	(5,370)		(5,370)	Adjust for sale of Blue Mound
6	615	Purchased Power		(34,108)			WTR-WW	(34,108)		(34,108)	Adjust for sale of Blue Mound
7	620	Materials and Supplies		(6,665)			WTR-WW	(6,665)		(6,665)	Adjust for sale of Blue Mound
8	633	Contractual Services - Legal		(20,809)			WTR-WW	(20,809)		(20,809)	Adjust for sale of Blue Mound
9	635	Contractual Services - Testing		(16,076)			WTR-WW	(16,076)		(16,076)	Adjust for sale of Blue Mound
10	636	Contractual Services - Other		(2,790)			WTR-WW	(2,790)		(2,790)	Adjust for sale of Blue Mound
11	675	Miscellaneous Expenses - Other		(5,904)			WTR-WW	(5,904)		(5,904)	Adjust for sale of Blue Mound
12	701	Salaries and Wages - Employees		(76)			WTR-WW	(76)		(76)	Adjust for sale of Blue Mound
13	710	Purchased Wastewater Treatment			630		WTR-WW		630	630	Adjust for sale of Blue Mound
14	718	Chemicals		(179,141)			WTR-WW	(179,141)		(179,141)	Adjust for sale of Blue Mound
15	720	Materials and Supplies		(1,220)			WTR-WW	(1,220)		(1,220)	Adjust for sale of Blue Mound
16	733	Contractual Services - Legal		(3,305)			WTR-WW	(3,305)		(3,305)	Adjust for sale of Blue Mound
17	775	Miscellaneous Expenses		(8,713)			WTR-WW	(8,713)		(8,713)	Adjust for sale of Blue Mound
18	636	Contractual Services - Other		(630)			WTR-WW	(630)		(630)	Adjust for sale of Blue Mound
19	641	Rental of Building/Real Property			3,750	(90,901)	WTR-WW		3,750	(87,151)	Adjust for increase in PMC audit fees
20	601	Salaries and Wages - Employers		(4,326)			WTR-WW	(4,326)		(4,326)	Adjust for sale of Highway
21	610	Purchased Water		(98,404)			WTR-WW	(98,404)		(98,404)	Adjust for sale of Highway
22	615	Purchased Power		(3,569)			WTR-WW	(3,569)		(3,569)	Adjust for sale of Highway
23	633	Contractual Services - Legal		(10,046)			WTR-WW	(10,046)		(10,046)	Adjust for sale of Highway
24	635	Contractual Services - Testing		(7,633)			WTR-WW	(7,633)		(7,633)	Adjust for sale of Highway
25	636	Contractual Services - Other		(1,979)			WTR-WW	(1,979)		(1,979)	Adjust for sale of Highway
26	675	Miscellaneous Expenses		(7,789)			WTR-WW	(7,789)		(7,789)	Adjust for sale of Highway
27	675	Miscellaneous Expenses		(1,119)			WTR-WW	(1,119)		(1,119)	Adjust for sale of Highway
28	601	Salaries and Wages - Employees		(1,447)			WTR-WW	(1,447)		(1,447)	Adjust for sale of Highway
29	604	Employee Pensions and Benefits		56,124		65,261	WTR-WW	56,124		121,385	Corporate allocation rate adjustment
30	615	Purchased Power		2,971		3,455	WTR-WW	2,971		6,426	Adjust for increase in pavroll expense
31	620	Materials and Supplies		119		138	WTR-WW	119		257	Increase in Office Expenses
32	641	Rental of Building/Real Property					WTR-WW				Increase in Office Expenses
33	675	Miscellaneous Expenses					WTR-WW				Increase in Office Expenses
34	610	Purchased Water		(25,759)			WTR-WW	(25,759)		(25,759)	Weather related adjustments
35	615	Purchased Power		(17,263)			WTR-WW	(17,263)		(17,263)	Weather related adjustments
36	618	Chemicals		(8,716)		(306)	WTR-WW	(8,716)	(43)	(9,159)	Weather related adjustments
37	601	Salaries and Wages - Employees				(44)	WTR-WW		(6)	(6)	Weather related adjustments
38	604	Employee Pensions and Benefits				(44)	WTR-WW		(6)	(6)	Weather related adjustments
39	675	Miscellaneous Expenses				240,592	WTR-WW	206,909	33,683	240,592	Adjust for increase in pavroll expense
40	675	Miscellaneous Expenses				36,349	WTR-WW	31,260	5,089	36,349	Adjust for increase in pavroll expense
41	675	Miscellaneous Expenses		114,814			WTR-WW	114,814		114,814	Change in allocated costs due to Sale of Blue Mound and Midway
42	401	Operating Expenses		(174,322)	(225,455)		WTR-WW	(174,322)	(225,455)	(399,777)	Change in allocated costs due to Sale of Blue Mound and Midway
43	403	Depreciation Expenses		(53,419)	(10,883)	238,294	WTR-WW	47,811	(381,653)	(333,842)	
44	403	Depreciation Expenses		(33,245)			WTR-WW	(33,245)	(10,883)	(44,128)	Adjust for sale of Blue Mound
45	408	Taxes Other Than on Income		162,631	79,132	1,964	WTR-WW	164,320	79,407	243,728	Adjust for depreciation expense to depreciation study
46	408	Taxes Other Than on Income		(40,867)	(132)		WTR-WW	(40,867)	(132)	(41,000)	Adjust for sale of Blue Mound
47	408	Taxes Other Than on Income		(5,444)			WTR-WW	(5,444)		(5,444)	Adjust for sale of Blue Mound
48	409.1	Federal Income Taxes, Utility Operating Income		(456,296)	(127,401)	215	WTR-WW	24,114	36	255	Adjust for increase in pavroll expense
49	409.11	State Income Taxes, Utility Operating Income		(1,000)		24,040	WTR-WW	(456,296)	3,926	28,040	Adjust for increase in pavroll expense
50	414	Gains (Losses) from Disposition of Utility Property		(22)		(10,390)	WTR-WW	(1,000)	(127,401)	(1,000)	Monarch Tax Expense - Federal
51	427	Interest Expense		(38)			WTR-WW	(8,935)	(1,455)	(9,315)	Monarch Tax Expense - State
52		Total Income Statement Pro-Forma Adjustments		626,045	273,922	278,163	WTR-WW	865,265	312,865	1,178,131	Adjust for sale of Blue Mound



Line No.	Account No. (a)	Description (b)	Schedule Reference (c)	Water (d)	Wastewater (e)	Shared (f)	Func. Factor (g)	Water (h)	Wastewater (i)	Total Adjustment (j)	Description of Pro-Forma Adjustment (k)
1		Assets									
2	101	Utility Plant In Service		(2,004,366)	(782,185)	-	WTR-WW	(2,004,366)	(782,185)	(2,786,551)	Adjust for sale of Blue Mound
3	101	Utility Plant In Service		(1,302,743)		-	WTR-WW	(1,302,743)		(1,302,743)	Adjust for sale of Midway
4	105	Construction Work In Progress		(3,985)	(10,846)	-	WTR-WW	(3,985)	(10,846)	(14,831)	Adjust for sale of Blue Mound
5	105	Construction Work In Progress		(3,296)		-	WTR-WW	(3,296)		(3,296)	Adjust for sale of Midway
6	108.1	Accumulated Depreciation of Utility Plant In Service		944,216	261,896	-	WTR-WW	944,216	261,896	1,206,112	Adjust for sale of Blue Mound
7	108.1	Accumulated Depreciation of Utility Plant In Service		666,243		-	WTR-WW	666,243		666,243	Adjust for sale of Midway
8	108.1	Accumulated Depreciation of Utility Plant In Service		2,622,456	290,973	-	WTR-WW	2,622,456	290,973	2,913,429	Retirement loss recapture per depreciation study - test year retirements
9	131.2	Cash in Bank				-					
9	141	Customer Accounts Receivable		(11,610)		-	WTR-WW	(11,610)		(11,610)	Adjust for sale of Midway
10	143	Accumulated Provision for Uncollectible Accounts--Cr		(36,270)		-	WTR-WW	(36,270)		(36,270)	Adjust for sale of Midway
11	151	Plant Material and Supplies		770		-	WTR-WW	770		770	Adjust for sale of Midway
12	162	Prepayments		(164)		-	WTR-WW	(164)		(164)	Adjust for sale of Midway
13	174	Miscellaneous Current and Accrued Assets		(429)		-	WTR-WW	(429)		(429)	Adjust for sale of Midway
14	190.1	Accumulated Deferred Federal Income Taxes		295,000		-	WTR-WW	295,000		295,000	Adjust for sale of Blue Mound
15		Total Assets		1,165,823	(240,162)	(262)	WTR-WW	1,165,598	(240,199)	925,399	Record deferred taxes on Monarch (Partnership)
16		Liabilities & Equity									
17	231	Accounts Payable		8,833		-	WTR-WW	8,833		8,833	Convert capital leases to operating leases
17	235	Customer Deposits		7,980		-	WTR-WW	7,980		7,980	Exclude 50% of 2014 property tax true-up
18	236.11	Accrued Taxes, Taxes, Other Than Income		21,954	152	-	WTR-WW	21,954	152	22,106	Exclude 50% of 2014 property tax true-up
19	236.11	Accrued Taxes, Taxes, Other Than Income		5,130		-	WTR-WW	5,130		5,130	Convert capital leases to operating leases
20	236.12	Accrued Taxes, Income Taxes		18,913		-	WTR-WW	18,913		18,913	Exclude asset retirement obligation (ARO) assets
18	236.12	Accrued Taxes, Income Taxes		27,978		-	WTR-WW	27,978		27,978	Record deferred taxes on Monarch (Partnership)
21	237.2	Accrued Interest on Other Liabilities		35		-	WTR-WW	35		35	Record deferred taxes on Monarch (Partnership)
22	241	Miscellaneous Current and Accrued Liabilities		1,834		-	WTR-WW	1,834		1,834	Record deferred taxes on Monarch (Partnership)
21	253	Other Deferred Liabilities		6,987		-	WTR-WW	6,987		6,987	Record deferred taxes on Monarch (Partnership)
23	282	Accumulated Deferred Income Taxes - Liberalized				(1,077,996)	WTR-WW	(927,077)	(150,919)	(1,077,996)	Record deferred taxes on Monarch (Partnership)
24	283	Accumulated Deferred Income Taxes - Other				146	WTR-WW	126	20	146	Record deferred taxes on Monarch (Partnership)
25	215	Unappropriated Retained Earnings		(1,078,937)	514,121		WTR-WW	87,459	704,000	791,459	Record deferred taxes on Monarch (Partnership)
26	145	Accounts Receivable from Associated Companies		(2,606,767)	(623,635)	1,356,275	WTR-WW	(2,924,159)	(675,308)	(3,599,467)	Net adjustments
27	233	Accounts Payable to Associated Companies		2,420,237	349,528	(369,060)	WTR-WW	2,498,403	362,253	2,860,662	Net adjustments
28		Total Liabilities & Equity		(1,165,823)	240,162	262	WTR-WW	(1,165,598)	240,199	(925,399)	Net adjustments
29		Total Balance Sheet Pro-Forma Adjustments				(0)				(0)	
30											
31											
32											

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PUC DOCKET NO. 45570
SOAH DOCKET NO. 473-16-2873.WS
MONARCH'S AMENDED RESPONSES TO
STAFF'S SECOND REQUESTS FOR INFORMATION

STAFF RFI 2-30: Please provide a list of specific benefits and/or services that Monarch Utilities I, L.P. receives from its affiliated companies in return for the costs allocated and/or direct billed from the affiliate. Please identify the specific costs with the specific benefit or service.

**AMENDED
RESPONSE:**

See Errata Schedule IV-4.1, SWWC Cost Allocation Manual. See June 2, 2016 Errata Workpaper IV-1, Affiliate Expenses by NARUC Account. See Direct Testimony of Robert Kelly, discussion beginning on page 23 and ending on page 27.

Prepared by: Robert Kelly
Sponsored by: Robert Kelly

1

PUC DOCKET NO. 45570
SOAH DOCKET NO. 473-16-2873.WS
MONARCH'S AMENDED RESPONSES TO
STAFF'S SECOND REQUESTS FOR INFORMATION

STAFF RFI 2-31: Please provide the percentage and amount of every expense category allocated and/or direct billed from the affiliated companies that were included in this rate change application.

**AMENDED
RESPONSE:**

For categories and percentages of costs allocated and/or direct billed from affiliates, please Errata Schedules IV-12.1 – Affiliate Multijurisdictional Costs and Errata IV-12.2 – Texas Affiliates and Regions included in the rate filing package.

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

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PUC DOCKET NO. 45570
SOAH DOCKET NO. 473-16-2873.WS
MONARCH'S AMENDED RESPONSES TO
STAFF'S SECOND REQUESTS FOR INFORMATION

STAFF RFI 2-32: Please provide any study or other document showing the basis of allocation and direct billing of costs from the affiliated companies.

**AMENDED
RESPONSE:**

For explanation of allocated costs please see Errata IV-4.1 – Cost Allocation Manual.

Direct costs are those costs applicable to specific operations. Monarch has 77 water and 11 wastewater systems in 23 counties throughout Texas. It is not cost effective to maintain personnel for each of these systems, therefore, SWWC Utilities, Inc. employees may perform tasks in various Monarch facilities. The hourly rate charged is the average employee cost for the position. Rates are reviewed periodically to ensure they remain consistent with employee costs.

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

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PUC DOCKET NO. 45570
SOAH DOCKET NO. 473-16-2873.WS
MONARCH'S AMENDED RESPONSES TO
STAFF'S SECOND REQUESTS FOR INFORMATION

STAFF RFI 2-33: Please provide any study or other document showing that the costs allocated and the percentage of allocation and/or direct billing are reasonable.

**AMENDED
RESPONSE:**

See the following confidential files related to compensation studies:

Confidential Attachment Staff 2-28 2014 SWWC Benchmark Slotting Review

Confidential Attachment Staff 2-28 2015 Benchmark Slotting Review-1st Level Executive

Confidential Attachment Staff 2-28 2015 Benchmark Slotting Review-2nd Level Executive

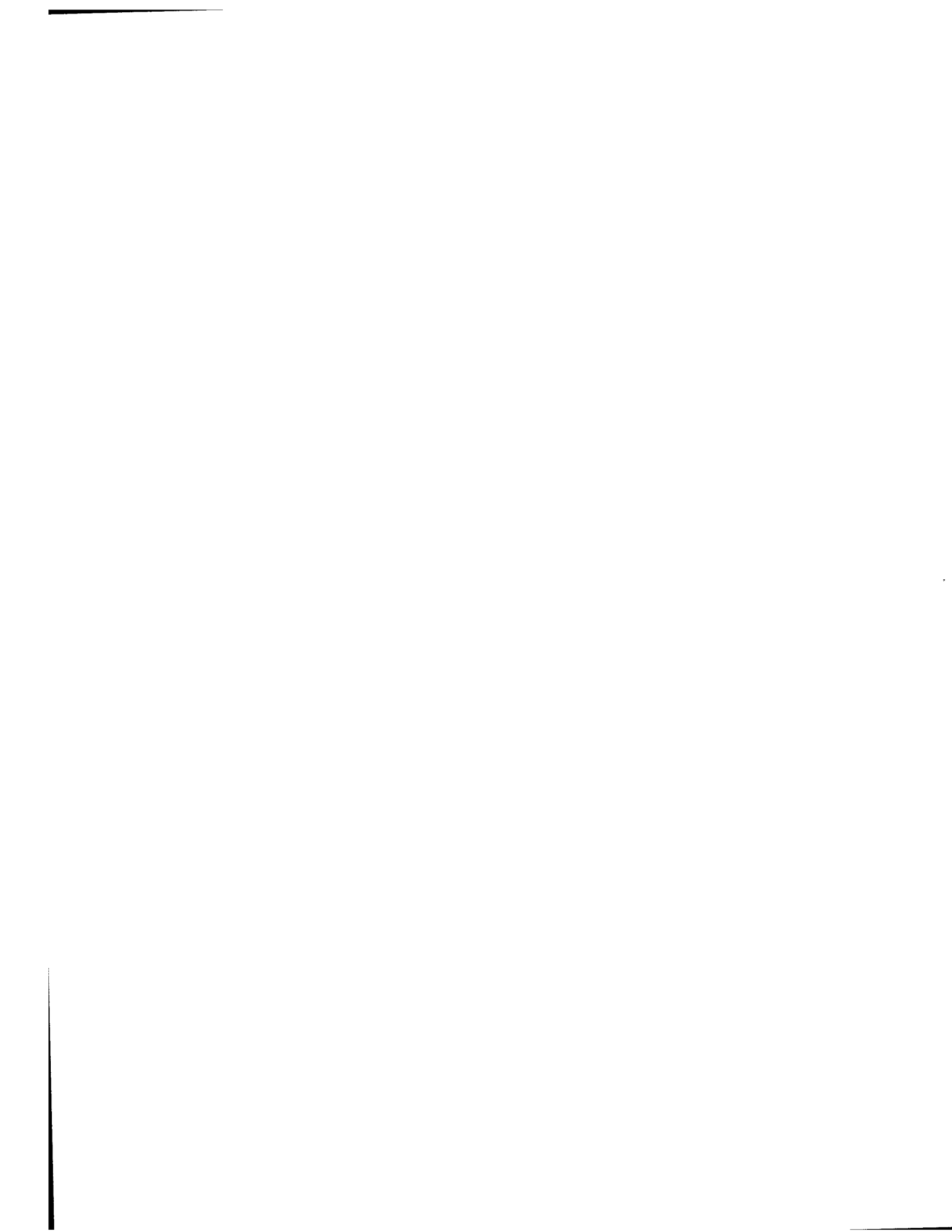
Confidential Attachment Staff 2-28 2015 Benchmark Slotting Review-Managers

See Confidential Attachment Staff 2-28 "Defined Contribution Survey," concerning reasonableness of the defined contribution plan.

See Errata Schedule IV-4.1, SWWC Cost Allocation Manual.

See California Public Utilities Commission Decision 14-12-038, <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M143/K989/143989136.pdf>. See also settlement approved by that decision, <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M143/K987/143987709.pdf>, p. 29-32

Prepared by: Robert Kelly
Sponsored by: As To Excel Files – Charles Profilet
As To All Other Documents – Robert Kelly



PUC DOCKET NO. 45570
SOAH DOCKET NO. 473-16-2873.WS
MONARCH'S AMENDED RESPONSES TO
STAFF'S SECOND REQUESTS FOR INFORMATION

STAFF RFI 2-35: Please provide the allocation schedule of SWWC Utilities, Inc. and Monarch Utilities, Inc.'s cost of service/expenses allocated and/or direct billed to affiliated companies for the test year, but not limited to Monarch Utilities I, L.P. Provide a breakdown of costs distributed to the affiliated companies.

**AMENDED
RESPONSE:**

Please see Errata Schedules IV-8 and IV-9 in the rate filing package.

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



PUC DOCKET NO. 45570
SOAH DOCKET NO. 473-16-2873.WS
MONARCH'S AMENDED RESPONSES TO
STAFF'S SECOND REQUESTS FOR INFORMATION

STAFF RFI 2-36: Please identify all companies to whom SWWC Utilities, Inc. and Monarch Utilities, Inc. allocate or direct bill their costs or expenses.

**AMENDED
RESPONSE:**

Please see Errata Schedule IV-12.2 - Texas Affiliates and Regions for details of all companies to whom SWWC Utilities, Inc. allocates or direct bills costs or expenses. Monarch Utilities, Inc. does not allocate costs or expenses.

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

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PUC DOCKET NO. 45570
SOAH DOCKET NO. 473-16-2873.WS
MONARCH'S AMENDED 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.

**AMENDED
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 Errata WP/II-D-4 Summary of Outside Services Employed for specific examples.

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



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

**MONARCH'S AMENDED 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.

**AMENDED
RESPONSE:**

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

Prepared by: Kent Cauley
Sponsored by: Charles Profflet



DOCKET NO. 45570

CONFIDENTIAL

STYLE: Application Of Monarch Utilities, I, L.P., To Change Rates for Water and Sewer Service

SUBMITTING PARTY: Monarch Utilities I., L.P.

BRIEF DESCRIPTION OF CONTENTS: Confidential Portion of Monarch Utilities I, L.P.'s Amended Responses to Staff's 2nd RFIs

BATE STAMPED PAGE NUMBER RANGE: 1

ENVELOPE # 1

DATE PROVIDED: June 7, 2016

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**PUC DOCKET NO. 45570
MONARCH UTILITIES I, LP.
TO CHANGE RATES FOR
WATER AND SEWER SERVICE**

June 7, 2016

June 7, 2016

**MONARCH UTILITIES I, LP
AMENDED RESPONSES
TO STAFF 2ND RFIS**

