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

BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS

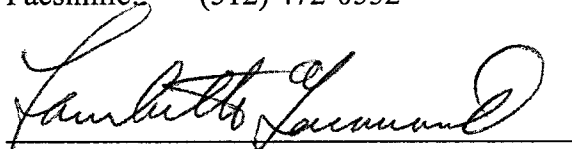
PUBLIC UTILITY COMMISSION
FILING CLERK

MONARCH UTILITIES I, L.P.'S ERRATA NO. 14
TESTIMONY OF GEORGE FREITAG, P.E.

Monarch Utilities I, L.P.'s ("Monarch") files the attached errata to the testimony of George Freitag, P.E. The errata to Mr. Freitag's testimony is attached as Pages 6 and 10, and should be substituted for the testimony included within Monarch's rate filing package. The errata corrects (1) the amounts and percentages for the wastewater revenue increases in the second and third phases on page 6, line 21 and (2) the amount of annual depreciation surplus refund for wastewater on page 10, line 19.

Respectfully submitted,

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LAMBETH TOWNSEND
State Bar No. 20167500

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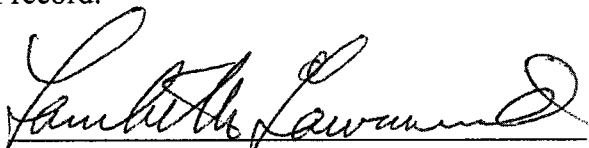
WILLIAM A. FAULK, III
State Bar No. 24075674

ATTORNEYS FOR MONARCH UTILITIES I, LP

202

CERTIFICATE OF SERVICE

I hereby certify that on this 9th day of June, 2016, a true and correct copy of the foregoing document has been sent via facsimile, certified mail, return receipt requested, first class mail, or hand-delivered to all parties of record.


LAMBETH TOWNSEND

1 Q. INsofar AS THIS TESTIMONY IS IN THE NATURE OF OPINION OR
2 JUDGMENT, DOES IT REPRESENT YOUR BEST JUDGMENT?

3 A. Yes, it does.

4 Q. WHAT SCHEDULES IN THE RATE FILING PACKAGE ARE YOU
5 SPONSORING?

6 A. I am sponsoring the following schedules and associated workpapers shown on
7 Attachment GF-1.

8 III. REQUESTED RATES

9 Q. PLEASE DESCRIBE THE AMOUNT AND RATIONALE FOR MONARCH'S
10 PROPOSED PHASE-IN OF NEW RATES.

11 A. Commission rules at 16 Tex. Admin. Code § 24.34(b) (TAC) allow Monarch to
12 request a phased, multi-year approach to setting and implementing rates to eliminate
13 the requirement that a utility file multiple successive rate applications. Avoiding rate
14 shock is a primary goal for phasing rate increases, as well as avoiding extensive costs
15 associated with preparing rate change applications on an annual basis. Commonly
16 known as "gradualism," Monarch remains committed to this goal by proposing a
17 three-year phase-in of its requested rates. For water, Monarch proposes a \$3,213,438
18 revenue increase, or 14.50%, in the first phase; a \$276,966 increase, or 1.09%, in the
19 second phase; and a \$279,989 increase, or 1.09%, in the third phase. For wastewater,
20 Monarch proposes a \$506,973 revenue increase, or 14.50%, in the first phase; a
21 \$88,144 increase, or 2.20%, in the second phase; and a \$90,084 increase, or 2.20%, in
22 the third phase. The underlying rationale for the first year increases is for customers
23 who receive both water and wastewater services to see equal rate increases for the

1 systems located throughout the state, making impractical any analysis based on
2 segregation of customer classes. In addition, customers with 5/8 meters, the smallest
3 meter size Monarch offers, make up 98.8% of its customer base.

4 **Q. IN THE PROPOSED RATE DESIGN, HOW HAS MONARCH CONSIDERED**
5 **CUSTOMERS SUBJECT TO CONTRACT OR AGREEMENT THAT ARE**
6 **NOT IMPACTED BY THE PROPOSED INCREASE?**

7 A. Monarch has ensured in the rate calculations that non-contract customers are not in
8 any way burdened as result of some customers not receiving increases, or receiving
9 lesser increases due to being served under contract. The rate calculations assume that
10 all customers, including contract customers, receive increases, with the result that
11 Monarch shareholders effectively absorb foregone rate increases that would otherwise
12 be paid by contract customers.

13 **Q. HOW HAVE MONARCH'S PROPOSED RATES BEEN AFFECTED BY THE**
14 **PROPOSED THEORETICAL DEPRECIATION RESERVE REFUND?**

15 A. As discussed more fully in the Direct Testimony of Robert Kelly, Monarch recently
16 prepared a theoretical depreciation reserve study as required by the Commission's
17 Rate Filing Package. As a result of that study, Monarch proposes during the three-
18 year phase-in period to equalize the over-depreciation through the rate process in
19 amounts totaling \$937,968 for water and \$114,246 for wastewater.

20 **Q. IS MONARCH ASKING FOR ANY OTHER RATE CHANGES?**

21 A. Yes. We have a Supplemental Emergency Services Rate that is applicable only to
22 water customers that have an auxiliary meter and service line used for internal, non-
23 potable stand-by emergency needs. We have very few customers (currently four) that