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APPLICATION OF MONARCH § BEFORE THE STATE OFFICE
UTILITIES I, L.P. TO CHANGE RATES § OF
FOR WATER AND SEWER SERVICE § ADMINISTRATIVE HEARINGS

STATE UTILITY COMMISSION
FILING CLERK

MONARCH UTILITIES I, L.P.'S ERRATA NO. 11
TESTIMONY OF CRAIG D. GOTT, P.E.

Monarch Utilities I, L.P.'s ("Monarch") files the attached errata to the testimony of Craig D. Gott, P.E. The errata to Mr. Gott's testimony is attached as Pages 5, 8, and 55, and should be substituted for the testimony included within Monarch's rate filing package. The errata (1) adds a description of Tecon's original cost investment for water utility plant on page 5, lines 13 and 14; (2) adds Tecon's original cost investment in wastewater utility plant on page 5, lines 14-16; (3) corrects testimony on page 8, lines 11 and 12; and (4) corrects the description of NARUC Accounts 340 and 390 Office Furniture and Equipment on page 55, lines 9 and 10.

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

GEORGIA N. CRUMP
State Bar No. 05185500

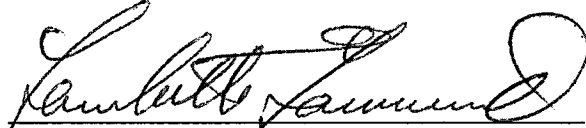
WILLIAM A. FAULK, III
State Bar No. 24075674

ATTORNEYS FOR MONARCH UTILITIES I, LP

205

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 provided testimony for capital spending for the General Rate Case (“GRC”) filed with
2 the California Public Utilities Commission (“CPUC”) in 2011 and 2014.

3 **II. PURPOSE OF TESTIMONY**

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

5 A. The purpose of my testimony is to support the reasonableness and necessity of
6 Monarch’s post October 15, 2002 recorded gross plant additions through June 30,
7 2015 in the amount of \$74.47 million.

8 **Q. WHY DOES YOUR TESTIMONY INCLUDE CAPITAL INVESTMENTS
9 FOR THE PERIOD OF OCTOBER 16, 2002 TO JUNE 30, 2015?**

10 A. In its June 20, 2003 rate order letter in *Tecon Water Company, L.P.; Application Nos.*
11 *33531-R and 33532-R, TCEQ Docket Nos. 2001-1079-UCR and 2001-1080-UCR*, the
12 Texas Commission on Environmental Quality (“TCEQ”) ordered that Tecon’s
13 original cost investment in used and useful water utility plant in service for all of its
14 systems combined as of October 15, 2002 was \$65,990,197, and used and useful
15 wastewater utility plant in service for all of its systems combined as of October 15,
16 2002 was \$9,110,992. This testimony represents Monarch’s (successor to Tecon)
17 subsequent recorded gross plant additions through June 30, 2015 of \$74.47 million.
18 This testimony has been prepared subsequent to the closing of the June 2015
19 accounting period to include all known and measurable capital improvements made to
20 June 30, 2015.

21 **Q. WHAT SCHEDULES IN THE RATE FILING PACKAGE ARE YOU
22 SPONSORING?**

23 A. I am sponsoring the schedules and associated workpapers listed in Attachment
24 CDG-1.

1 lean organization that has very few engineers and administrative staff.
2 The few engineers on staff spend most of their time investigating
3 project sites, developing solutions, coordinating vendors, and
4 inspecting construction. Further, the dispersed geography of
5 Monarch's service areas result in engineers spending many hours a
6 week driving.

7 **Q. HAS MONARCH SEEN A SIGNIFICANT IMPROVEMENT IN QUALITY OF**
8 **SERVICE?**

9 A. Yes. When SouthWest acquired the Monarch assets and took over operations almost
10 every system had some type of existing deficiencies and had been cited by the TCEQ.
11 Shortly after SouthWest acquired the assets, Monarch performed an internal audit of
12 the systems that identified several deficiencies and resulted in Monarch notifying the
13 TCEQ. These deficiencies included inadequate records, inadequate production and
14 storage capacity, security issues, improperly maintaining or operating equipment and
15 facilities, exceeding drinking water MCLs, and not complying with wastewater
16 effluent limits.

17 In an effort to eliminate the potential public health threats and to ensure the
18 appropriate steps were taken to achieve compliance, Monarch entered into 19 agreed
19 orders, five compliance agreements, and two voluntary comprehensive compliance
20 agreements with the TCEQ. The agreed orders set out the process for achieving
21 compliance in 30 specific systems. The five compliance agreements set out the
22 process for achieving compliance in five specific systems. The first voluntary
23 comprehensive compliance agreement addressed the process to achieve compliance in

1 **1. 310 Power Generation Equipment (\$9,240.24)**

2 In 2015, Monarch used this category to purchase four (4) 500 gallon
3 double walled tanks with 12volt pumps for its Tower Terrance, Holiday Villages of
4 Livingston, and Decker Hills wastewater systems.

5 **2. 311 Pumping Equipment (\$956.70)**

6 In 2015, Monarch used this category to purchase a 3.5 engine driven
7 semi-trash pump for its Conroe Operations.

8 **3. 340 & 390 Office Furniture and Equipment (\$205,508.27)**

9 Monarch has used this category to capture costs including office
10 furniture, fixtures, software and other assets throughout the Monarch system.

11 **4. 341 Transportation Equipment (\$2,280.93)**

12 Monarch has used this category to capture the cost of purchasing two
13 trailers to transport equipment required to maintain the wastewater system.

14 **5. 343 Transmission & Distribution Plant - Transmission &**
15 **Distribution Mains (\$2,747.87)**

16 Monarch used this category to record costs for the purchase of a chop
17 saw and horizontal air compressor for its Conroe Operations, and for Water Shop
18 Tools for its Decker Hills operation.

19 **6. 344 Laboratory Equipment (\$6,056.42)**

20 This category was used to record costs for the purchase of ice
21 machines to produce ice that is required to preserve water samples for transportation
22 to the lab for testing.