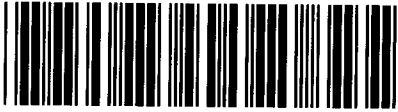


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APPLICATION OF MONARCH
UTILITIES I, L.P. TO CHANGE RATES
FOR WATER AND SEWER SERVICE

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BEFORE THE STATE OFFICE
OF PUBLIC UTILITIES
ADMINISTRATIVE HEARINGS

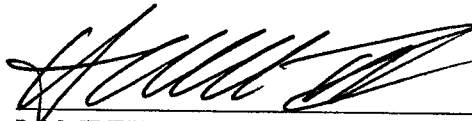
**MONARCH UTILITIES I, L.P.'S RESPONSES TO
COMMISSION STAFF'S ELEVENTH REQUEST FOR INFORMATION**

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 Responses to Public Utility Commission ("Commission") Staff's Eleventh Requests for Information received July 8, 2016. This response is timely filed. This response may be treated by all parties as if it were filed under oath.

Respectfully submitted,

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ROCHELLE & TOWNSEND, P.C.**
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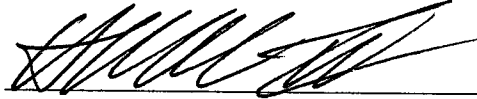
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ATTORNEYS FOR MONARCH UTILITIES I, LP

CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of July, 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

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

STAFF RFI 11-1: For Account 331.40 Water Lines, provide more detailed information.

- a. How were the Transmission and Distribution mains constructed?**
- b. What is the current condition of the water lines?**
- c. Once water lines are retired, are they abandoned in place or is there an actual removal cost?**
- d. What is the basis for selecting a -30% future net salvage?**

RESPONSE:

- a. The company's Water Mains were constructed using standard water plant construction methods and procedures. The size and types of materials used for the actual construction varied depending upon the types and quantities of customers being served. A general discussion of the types of mains included in the Mains Property Account 331.40-Water Lines is contained on page 4-14 of the depreciation study report, contained in Schedule II-E-1.4 (W).
- b. The current condition of the water lines are generally consistent with the age and type of installed water mains. The company routinely monitors, repairs, and replaces mains, as required to keep the property in used and useful condition.
- c. The type of end of life activity is dependent on the circumstance surrounding the particular property item. Various mains are abandoned in place, while other components of the property class are, by necessity, physically removed.

Even though the more appropriate term for the cost associated with retiring property is cost to retire as opposed to cost of removal, there are physical removal activities that are required upon property retirement. That is, numerous disconnections are routinely required to be effected within the operating plant plus space may be required to enable the placement of new facilities (where the present plant currently exists, etc.). Given that this activity occurs at the end of life, many years after the original installation, the cost relationship between the original installed cost and the much higher labor cost at end of life directly contributes to the referenced -30% future net salvage level.

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

- d. Please see Table 6 within Section 2, as well as Section 4, of the filed depreciation study report, contained in Schedule II-E-1.4 (W).

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

STAFF RFI 11-2: **For Account 304.20 Pumping Structures & Improvements, provide more detailed information. What is your basis for the cost of removal of -10%?**

RESPONSE: Please see Table 6 within Section 2 of the filed depreciation study report, contained in Schedule II-E-1.4 (W). In fact the estimate of future net salvage is quite modest given that the property is unique, specialized, and located on property, which if continued to be used for water service, will require the structure to be physically removed at the end of its life (many years into the future) at far higher labor cost that existed at the time of original construction.

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Sponsored by: Earl Robinson

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

STAFF RFI 11-3: For Account 307.20 Wells and Springs, provide a more detailed analysis of the selection of -25% for cost of removal. Once the Wells are retired, are they abandoned in place or is there an actual removal cost?

RESPONSE: Retired water wells are abandoned in-place. The major cost to retire a well is the labor and material required to plug the spring with an approved sealant system. Minor costs associated with plugging a well are cutting and removing several linear feet of surface casing and pouring a seal cap.

The Texas Department of Licensing and Regulation (TDLR), as well as the local governing groundwater district, have specific requirements related to the necessary activities in the decommissioning/retirement (plug) of Water Wells. The typical steps performed by a licensed driller to plug water wells include, but are not limited to, the following:

Step 1. Determine the size of the water well to calculate the amount of approved materials needed for plugging.

Step 2. Remove debris from well to warrant complete filling of the space.

Step 3. Disinfect the well to ensure organisms are not sealed in the subject aquifer.

Step 4. Remove surface casing per the governing groundwater authority specification to eliminate route for contaminants to reach the subject aquifer.

Step 5. Fill the water well with approved plugging materials. The exact procedure for plugging is dependent upon well construction, depth, diameter, aquifer type, and level of protection required by the governing agency.

The actual cost(s) of plugging water wells is dependent upon location, approved materials procurement, water well configuration, and special requirements dictated by the governing authority.

Prepared by: Earl Robinson
Sponsored by: Earl Robinson

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

STAFF RFI 11-4: For Account 360.20 Sewer Lines, provide more detailed information.

- a. How were the Sewer Mains constructed?**
- b. What is the current condition of the sewer lines?**
- c. Once the sewer lines are retired, are they abandoned in place or is there an actual removal cost?**
- d. What is the basis for selecting a -5% future net salvage?**

RESPONSE:

- a. The company's sewer mains were constructed using standard plant construction methods and procedures. The size and types of materials used for the actual construction varied depending upon the types and quantities of customers being served. A general discussion of the types of sewer mains included in the Mains Property Account 360.20-Sewer Lines is contained on page 4-4 of the depreciation study report, contained in Schedule II-E-1.4 (S).
- b. The current condition of the sewer lines are generally consistent with the age and type of installed mains. The company routinely monitors, repairs, and replaces sewer mains, as required to keep the property in used and useful condition.
- c. The type of end of life activity is dependent on the circumstance surrounding the particular property item. Various sewer mains are abandoned in place, while other components of the property class are, by necessity, physically removed.

Even though the more appropriate term for the cost associated with retiring property is cost to retire as opposed to cost of removal, there are physical removal activities that are required upon property retirement. That is, numerous disconnections are routinely required to be effected within the operating plant plus space may be required to enable the placement of new facilities (where the present plant currently exists, etc.). Given that this activity occurs at the end of life, many years after the original installation, the cost relationship between the original installed cost and the much higher labor cost at end of life directly contributes to the referenced -5% future net salvage level.

- d. Please see Table 6 within Section 2, as well as Section 4, of the filed depreciation study report, contained in Schedule II-E-1.4 (S).

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

STAFF RFI 11-5: Explain the origin of information from industry studies.

- a. **What resource was used to find this information?**
- b. **Why were those particular companies selected within the water industry?**
- c. **How are these companies similar to Monarch Utilities?**

RESPONSE:

- a. The referenced industry data is from known investor owned water companies for which AUS Consultants has performed comprehensive depreciation studies over an extended period of years. Most of these companies, contained in the referenced industry data, (Table 6 in Section 2 of the depreciation report, contained in Schedule II-E-1.4 (W)), are located within the Midwest and Western part of the US. In general, the companies typically are ground water source based companies with modest sized plant facilities as opposed to surface water entities, such as would be the case with large municipal systems that routinely have far larger sized transmission and distribution systems.
- b. See item a.
- c. See item a.

Prepared by: Earl Robinson
Sponsored by: Earl Robinson