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Addendum StartPage: 0

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

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

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PUBLIC UTILITY COMMISSION
BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS

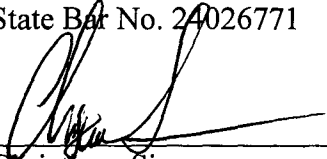
**OFFICE OF PUBLIC UTILITY COUNSEL'S
RESPONSE TO MONARCH UTILITIES I, L.P.'S
FIRST REQUEST FOR INFORMATION**

The Office of Public Utility Counsel stipulates that the following response to the request for information may be treated by all parties as if the answers were filed under oath.

Dated: August 31, 2016

Respectfully submitted,

Tonya Baer
Public Counsel
State Bar No. 24026771



Christiaan Siano
Assistant Public Counsel
State Bar No. 24051335

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294

CERTIFICATE OF SERVICE
SOAH Docket No. 473-16-2873.WS
PUC Docket No. 45570

I hereby certify that today, August 31, 2016, a true copy of the Office of Public Utility Counsel's Response to Monarch Utilities I, LP's First Request for Information was served on all parties of record via hand delivery, facsimile, or United States First-Class Mail.



Christian Siano

SOAH DOCKET 473-16-2873.WS
PUC DOCKET NO. 45570
OPUC's Response to Monarch Utilities I, LP's
First Request for Information

QUESTION NO. MONARCH 1-1:

Provide detailed calculations that establish the net benefit to Monarch customers due to the avoidance of an estimated \$1.6 million in capital improvements, associated with the Blue Mound system, which Mr. Ekrut references on page 25 of his testimony.

RESPONSE:

The avoidance of an estimated \$1.6 million in capital improvements is testified to by Monarch Witness Mr. Kelly. Mr. Ekrut has performed no calculations which establish the net benefit of this amount to customers remaining on the system after the divestiture of the Blue Mound and Midway systems.

Prepared By: Chris Ekrut
Sponsored By: Chris Ekrut

SOAH DOCKET 473-16-2873.WS
PUC DOCKET NO. 45570
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First Request for Information

QUESTION NO. MONARCH 1-2:

Provide the basis for Mr. Ekrut's conclusion that the "impact negates some of the benefit received from Monarch's avoidance of future capital investment" when discussing per-unit cost of service to Monarch customers remaining after the Blue Mound and Midway transactions; on page 25 of his testimony.

RESPONSE:

By avoiding the referenced future capital investment, Monarch has avoided increasing its per unit cost of service to customers. However, at the same time, the divestiture of the Blue Mound and Midway systems has also reduced the units (e.g., billing determinants) over which to spread its existing cost of providing service thereby increasing the per unit cost of service. An existing customer remaining on the system after divestiture will not see an increase in the unit cost of service for future capital investment on the systems that have been sold, but will see an increase due to the reduction in billing determinants. As such, the benefit of the cost avoidance is partially offset.

Prepared By: Chris Ekrut
Sponsored By: Chris Ekrut

SOAH DOCKET 473-16-2873.WS
PUC DOCKET NO. 45570
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QUESTION NO. MONARCH 1-3:

Provide the basis for Mr. Ekrut's statement that "[t]ypically, corporate cost allocation is a multi-step process" on page 47 of his testimony, including but not limited to all legal precedent and utility ratemaking treatises.

RESPONSE:

Cost allocation as a process is discussed both within the AWWA M1 Manual as well as within the Commission's Class A Water and Sewer Utility Rate Filing Package.

Within the AWWA M1 Manual, cost allocation is discussed both in the context of allocation of costs to customers as well as within the context of determining indirect, or overhead, costs. The later discussion is applicable to corporate cost allocation. In its discussion of determining indirect costs, the AWWA M1 Manual cites multiple cost allocation methodologies, including the Cross Allocation Approach as well as the Step Double-Down Allocation Approach, both methods of which involve multiple process steps.

Specific to the Commission's Rate Filing Package, Paragraph 9 under General Instructions discusses the separation of costs between water and sewer through direct assignment as the first step in this process. If direct assignment is not possible, then the second step in the process is to allocate cost. Both directly assigned and allocated costs are to be shown by "functional division and by the affiliate passing the cost to the applicant."

The multi-step process of cost allocation is further discussed at the beginning of Section IV: Affiliate and Shared Cost Data wherein the applicant is requested to "provide affiliated and shared cost information as a whole for all jurisdictions for multi-jurisdictional entities, then allocation to Texas, then to affiliates, regions, or other organization splits, then separated by water and sewer, if applicable." As discussed in this section, there would be three steps to the cost allocation process: 1. Allocation to Texas; 2. Allocation to affiliates, regions, or other organizational splits; 3. Allocation between water and sewer.

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SOAH DOCKET 473-16-2873.WS
PUC DOCKET NO. 45570
OPUC's Response to Monarch Utilities I, LP's
First Request for Information

QUESTION NO. MONARCH 1-4:

Provide a copy of the direct testimony of Mr. Ekrut in Texas Commission on Environmental Quality ("TCEQ") Docket No. 2009-0505-UCR.

RESPONSE:

See Attached CD.

Prepared By: Chris Ekrut
Sponsored By: Chris Ekrut

SOAH DOCKET 473-16-2873.WS
PUC DOCKET NO. 45570
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First Request for Information

QUESTION NO. MONARCH 1-5:

Identify the party and witness who Mr. Ekrut aided in preparing testimony for in the contested cases, in which he participated but did not submit testimony, listed in Attachment CDE-A of his testimony.

RESPONSE:

Proceeding: SOAH Docket Nos. 582-02-1652, 582-03-1820, 582-03-1821, & 582-03-1824 – Applications of McKinney, Melissa, and Anna and North Collin Water Supply Corporation to Amend CCN Nos. 10194, 11482, 12976, 11035 and Sewer CCN No. 20898 and of the City of Melissa to Obtain a Sewer CCN in Collin County

Party Assisted: Cities of McKinney, Melissa, and Anna

Witness: Mr. Jack E Stowe, Jr.

Proceeding: SOAH Docket No. 582-06-1366, Woodcreek Ratepayers Coalition Petition to Appeal the City of Woodcreek's Decision to Establish Water and Sewer Rates Charged by Aqua Utilities

Party Assisted: Woodcreek Ratepayers Coalition

Witness: Mr. Jack E. Stowe, Jr.

Proceeding: SOAH Docket No. 582-06-2023, Application of the Town of Lindsay to Amend Water and Sewer Certificates of Convenience and Necessity Nos. 13025 and 20927

Party Assisted: Town of Lindsay

Witness: Mr. Jack E. Stowe, Jr.

Proceeding: SOAH Docket No. 582-07-2049, Petition of BHP Water Supply Corporation Appealing the Wholesale Water Rate Increase of Royse City, Texas and Request for Interim Rates

Party Assisted: City of Royse City

Witness: Mr. Jack E. Stowe, Jr.

SOAH DOCKET 473-16-2873.WS
PUC DOCKET NO. 45570
OPUC's Response to Monarch Utilities I, LP's
First Request for Information

Proceeding: SOAH Docket No. 582-08-1318, Application of Mustang Special Utility District to Decertify a Portion of Sewer Certificate of Convenience and Necessity No. 20867 From AquaSource Development, Inc. DBA Aqua Texas Inc., and to Amend Sewer CCN No. 20930 In Denton County, Texas

Party Assisted: Mustang Special Utility District

Witness: Mr. Jack E. Stowe, Jr.

Proceeding: SOAH Docket No. 582-08-0698, Application of Double Diamond Utilities Company to Change its Water Tariff

Party Assisted: Double Diamond Utilities, Inc.

Witness: Mr. Chris Ekrut

Proceeding: SOAH Docket No. 582-08-1341, Application of Monarch Utilities I, L.P., to Change Water and Sewer Rates and Tariffs

Party Assisted: Cities of Blue Mound, Kyle, and Buda

Witness: Mr. Jack E. Stowe, Jr.

Proceeding: SOAH Docket No. 582-08-2580, Appeal by Midway Water Utilities, Inc. CCN No. 11571, From the Ratemaking Actions of the City of Oak Point

Party Assisted: City of Oak Point

Witness: Mr. Jack E. Stowe, Jr.

Proceeding: SOAH Docket No. 582-09-6112, Application of Double Diamond Utilities Company, Inc. to Change its Sewer Tariff

Party Assisted: Double Diamond Utilities, Inc.

Witness: Mr. Chris Ekrut

Proceeding: SOAH Docket No. 582-12-5332, Application of Upper Trinity Regional Water District for Water Use Permit No. 5821

Party Assisted: Upper Trinity Regional Water District

Witness: Mr. Jack E. Stowe, Jr.

SOAH DOCKET 473-16-2873.WS
PUC DOCKET NO. 45570
OPUC's Response to Monarch Utilities I, LP's
First Request for Information

Proceeding: SOAH Docket No. 582-14-2854, Petition of Fort Belknap Water Supply Corporation and Graham East Water Supply Corporation to Appeal the Wholesale Water Rate increased imposed by the City of Graham

Party Assisted: City of Graham

Witness: Mr. Chris Ekrut

Proceeding: SOAH Docket No. 473-15-037, Application of Double Diamond Utilities Co. for a Water and Sewer Rate / Tariff Change (37752-R and 37753-R)

Party Assisted: Double Diamond Utilities, Inc.

Witness: Mr. Chris Ekrut

Prepared By: Chris Ekrut

Sponsored By: Chris Ekrut

SOAH DOCKET 473-16-2873.WS
PUC DOCKET NO. 45570
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First Request for Information

QUESTION NO. MONARCH 1-6:

Admit or deny that Monarch's current water rate structure tiers are a result of the settlement reached by Monarch in Commission Docket No. 42802.

RESPONSE:

Admit

Prepared By: Chris Ekrut
Sponsored By: Chris Ekrut

SOAH DOCKET 473-16-2873.WS
PUC DOCKET NO. 45570
OPUC's Response to Monarch Utilities I, LP's
First Request for Information

QUESTION NO. MONARCH 1-7:

Admit or deny that Monarch's current sewer base and volumetric charges are a result of the settlement reached by Monarch in Commission Docket No. 42802.

RESPONSE:

Admit

Prepared By: Chris Ekrut
Sponsored By: Chris Ekrut