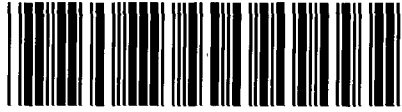


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APPLICATION OF MONARCH § BEFORE THE STATE OFFICE
UTILITIES I, L.P. TO CHANGE RATES. § OF
FOR WATER AND SEWER SERVICE § ADMINISTRATIVE HEARINGS

REBUTTAL TESTIMONY

OF

GARY ROSE

ON BEHALF OF

MONARCH UTILITIES I, L.P.

AUGUST 31, 2016

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**REBUTTAL TESTIMONY OF
GARY ROSE**

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- GR-2R List of Certain Active Assets Constructed by ECO Resources

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

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

**REBUTTAL TESTIMONY OF
GARY ROSE**

1

I. INTRODUCTION

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Gary Rose. My business address is 1620 Grand Avenue Parkway, Suite
4 140, Pflugerville, Texas 78660.

5 **Q. DID YOU FILE DIRECT TESTIMONY IN THIS CASE?**

6 A. Yes I did.

7 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.**

8 A. I will address some of the issues raised by Public Utility Commission (Commission)
9 Staff witness Ms. Heidi Graham regarding some of Monarch's assets being classified
10 as used and useful.

11 **II. ASSETS BEING USED IN PROVIDING SERVICE TO CUSTOMERS**

12 **Q. MS. HEIDI GRAHAM TESTIFIED THAT CERTAIN ASSETS LISTED IN**
13 **MONARCH'S RESPONSE TO STAFF RFI 10-1(A) THAT WERE ALSO**
14 **INCLUDED IN MONARCH'S INVESTED CAPITAL SHOULD BE FULLY**
15 **RETIRED, AND HAVE THEIR USED AND USEFUL PERCENTAGE**
16 **REDUCED TO ZERO. DO YOU AGREE?**

17 A. No. Assets that Ms. Graham erroneously identified as retired items are still actively
18 being used to provide service to Monarch's customers. In many cases, the assets have

1 years or even decades remaining of expected economic life. Support that these assets
2 are in service and used and useful is provided in the direct testimony of Mr. Bret
3 Fenner.

4 I have reviewed the list of assets that Ms. Graham erroneously claims to have
5 been retired and have specifically confirmed that the assets with original cost above
6 \$100,000, which total \$10,338,509 of original cost, are all actively used in the
7 provision of service to Monarch's customers today. I have extracted those assets
8 from Ms. Graham's Attachment HG-4 to create Attachment GR-1R. Based on that
9 list of assets, I conclude, as did Mr. Fenner, that the remaining assets that Ms.
10 Graham has disallowed as being retired are in fact used and useful in providing
11 service to customers today.

12 **Q. MS. HEIDI GRAHAM TESTIFIED THAT ASSETS CONSTRUCTED BY ECO**
13 **RESOURCES (ECO), MONARCH'S AFFILIATE, SHOULD NOT BE**
14 **INCLUDED IN THE ORIGINAL COST OF MONARCH'S WATER AND**
15 **SEWER PLANT. DO YOU AGREE?**

16 A. No. The assets constructed by ECO were placed in service, continue to serve
17 Monarch customers, and will do so for many years to come. Examples of the assets
18 constructed by ECO include new wastewater treatment plants in Cherokee Shores and
19 Lake Medina Shores, surface water treatment plants in Oak Trail Shores and
20 Carolynn Estates, new wells in multiple systems, an elevated storage tank in Plum
21 Creek, ground storage tanks in multiple systems, pressure tanks in multiple systems,
22 pump stations, water mains, sewer mains, pumps and motors, water interconnects,
23 emergency power generators, and a Reverse Osmosis water treatment plant in River

1 Oaks Ranch. The direct testimony of Mr. Bret Fenner establishes that these assets are
2 in service and used and useful in providing service to Monarch's customers.

3 I have reviewed the list of assets that Ms. Graham erroneously claims should
4 be disallowed because they were designed and built by ECO Resources. I have
5 extracted from Ms. Graham's Attachment HG-4 a list of those assets with an original
6 cost of more than \$100,000, which total \$16,176,883 of original cost, to create
7 Attachment GR-2R. All of the assets listed in Attachment GR-2R are actively used in
8 providing service to Monarch's customers today. Based on that list of assets, I
9 conclude, as did Mr. Fenner, that the remaining assets constructed by ECO Resources
10 are used and useful in providing service to customers today.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 **A. Yes.**

Attachment GR-1R

List of Certain Active Assets Erroneously Disallowed as Retired

Cost Center	Cost Center Description	Description	Capitalized on (Acquired Date)	Claimed Economic Life	Monarch Total (Claimed Orig. Cost)	% Used & Useful	Staff Verified Original Cost	Staff Verified Economic Life	Actual Depreciation Life	Annual Depreciation	In Service
30200054	Oak Trail ShoresWtrOperations	Distribution System	6/30/1970	85	\$190,628.18	0%	\$0	85	45.00	\$0	Yes
30200086	Western Hills HarborWtrOperations	Distribution System	6/30/1970	85	\$168,467.55	0%	\$0	85	45.00	\$0	Yes
30200061	Plum Creek Ops Wtr	Distribution System	6/30/1974	85	\$596,267.01	0%	\$0	85	41.00	\$0	Yes
30200044	IvanhoeWtrOperations	Distribution System	6/30/1978	85	\$165,943.57	0%	\$0	85	37.00	\$0	Yes
30200025	Decker HillsWtrOperations	Distribution System	6/30/1982	85	\$362,840.04	0%	\$0	85	33.00	\$0	Yes
30200044	IvanhoeWtrOperations	Distribution System	6/30/1982	85	\$133,625.70	0%	\$0	85	33.00	\$0	Yes
30200080	Tower TerraceWtrOperations	Distribution System	6/30/1982	85	\$296,072.41	0%	\$0	85	33.00	\$0	Yes
30200030	Governor's PointWtrOperations	Distribution System	6/30/1985	85	\$177,317.66	0%	\$0	85	30.00	\$0	Yes
30200067	River Oaks Ranch Ops Wtr	Distribution System	6/30/1987	85	\$329,382.68	0%	\$0	85	28.00	\$0	Yes
30200034	Harbor PointWWOperations	Collection sewers - force	6/30/1991	65	\$256,878.87	0%	\$0	65	24.00	\$0	Yes
30200033	Harbor PointWtrOperations	Distribution System	6/30/1991	85	\$133,968.32	0%	\$0	85	24.00	\$0	Yes
30200026	Decker HillsWWOperations	Extended Aeration Plant	6/30/1991	25	\$221,601.10	0%	\$0	25	24.00	\$0	Yes
30200064	RaywoodWtrOperations	Distribution System	6/30/1992	85	\$192,785.93	0%	\$0	85	23.00	\$0	Yes
30200036	Highsaw WaterWtrOperations	Distribution System	6/30/1998	85	\$639,288.86	0%	\$0	85	17.00	\$0	Yes
30200040	Holiday Villages of Livingston WtrOps	Distribution System	6/30/1999	85	\$125,244.00	0%	\$0	85	16.00	\$0	Yes
30200027	Denton Creek EstatesWtrOperations	Distribution System	6/30/1999	46	\$111,866.09	0%	\$0	46	16.00	\$0	Yes
30200014	Pinnacle Club WW Operations	Well No. 2 485' 8 5/8 inch;TECON inch SEWER TRTMT PLANT	7/14/2004	25	\$155,984.86	0%	\$0	25	10.96	\$0	Yes
30200017	Cherokee ShoresWWOperations	New Plant - WWTP-WWTP	12/31/2005	35	\$608,686.86	0%	\$0	35	9.49	\$0	Yes
30200026	Decker HillsWWOperations	Plant upgrade-S1	12/31/2005	35	\$186,317.67	0%	\$0	35	9.49	\$0	Yes
30200067	River Oaks Ranch Ops Wtr	Well - Water Plant (R/O)-U1	12/31/2005	46	\$216,256.51	0%	\$0	46	9.49	\$0	Yes
30200028	Falcon Crest AdditionWtrOperations	NEW WELL-INDISTRICT FCAD WELL #3	5/31/2006	46	\$658,161.30	0%	\$0	46	9.08	\$0	Yes
30200054	Oak Trail ShoresWtrOperations	OTSH PLANT MODIFICATIONS YARD PIPING-	8/1/2007	33	\$438,786.22	0%	\$0	33	7.91	\$0	Yes
30200046	Lake Medina Shores WW Ops	Waste Water Treatment Plant	6/30/2008	35	\$498,053.95	0%	\$0	35	7.00	\$0	Yes
30200054	Oak Trail ShoresWtrOperations	Reverse Osmosis Plant	1/2/2009	33	\$1,743,851.31	0%	\$0	33	6.49	\$0	Yes
30200004	Beachwood EstatesWWOperations	BDES WWTP Concrete Tankage-	8/1/2009	35	\$319,433.03	0%	\$0	35	5.91	\$0	Yes
30200081	Tower TerraceWWOperations	TRTE WWTP Sewage Treatment Plant-	10/1/2009	35	\$212,996.65	0%	\$0	35	5.74	\$0	Yes
30200004	Beachwood EstatesWWOperations	Beachwood Clarifier 1	11/1/2011	25	\$315,667.58	0%	\$0	25	3.66	\$0	Yes
30200004	Beachwood EstatesWWOperations	Beachwood Clarifier 2	11/1/2011	25	\$308,583.89	0%	\$0	25	3.66	\$0	Yes
30200016	Cherokee ShoresWtrOperations	Cherokee Shores Clarifier 2	12/1/2011	25	\$373,551.04	0%	\$0	25	3.58	\$0	Yes

List of Certain Active Assets Constructed by ECO Resources

Cost Center	Cost Center Description	Description	Capitalized on (Acquired Date)	Claimed Economic Life	Monarch Total (Claimed Orig. Cost)	% Used & Useful	Staff Verified Original Cost	In Service
30200038	Holiday Villages of ForkWtrOperations	2nd Well-	12/31/2005	46	\$282,330.95	0%	\$0	Yes
30200080	Tower TerraceWtrOperations	Drill Well-Well No. 1	12/31/2005	46	\$244,603.65	0%	\$0	Yes
30200011	Callendar LakeWtrOperations	Ground Storage Tank	12/31/2005	50	\$178,532.01	0%	\$0	Yes
30200054	Oak Trail ShoresWtrOperations	Intall Gravity Filter-	12/31/2005	33	\$120,923.61	0%	\$0	Yes
30200017	Cherokee ShoresWWOperations	Line Extensions-	12/31/2005	65	\$124,392.27	0%	\$0	Yes
30200031	Granbury AcresWtrOperations	Pump station-	12/31/2005	33	\$112,199.52	0%	\$0	Yes
30200059	Pine Trail ShoresWtrOperations	Rehab Water Well-capital repair-	12/31/2005	46	\$181,924.35	0%	\$0	Yes
30200044	IvanhoeWtrOperations	Water line extension-	12/31/2005	85	\$108,903.28	0%	\$0	Yes
30200088	WestsideWtrOperations	Water line extensions-	12/31/2005	85	\$112,177.72	0%	\$0	Yes
30200061	Plum Creek Ops Wtr	Well-W4	12/31/2005	46	\$507,239.45	0%	\$0	Yes
30200044	IvanhoeWtrOperations	Ground Storage Tank	3/31/2006	50	\$390,380.45	0%	\$0	Yes
30200013	Carolynn EstatesWtrOperations	WATER TREATMENT PLANT/CLARIFIER WORK-	3/31/2006	33	\$423,523.66	0%	\$0	Yes
30200039	Holiday Villages of ForkWWOperations	SEWER MAINS-INDISTRICT HVOF	5/31/2006	65	\$167,883.24	0%	\$0	Yes
30200041	Holiday Villages of Livingston WWOps	SEWER MAINS-INDISTRICT HVOL	5/31/2006	65	\$146,806.90	0%	\$0	Yes
30200044	IvanhoeWtrOperations	WATER ELECTRICAL-WATER PLANT	5/31/2006	15	\$141,981.64	0%	\$0	Yes
30200038	Holiday Villages of ForkWtrOperations	WATER MAINS-INDISTRICT HVOF	5/31/2006	85	\$167,883.25	0%	\$0	Yes
30200040	Holiday Villages of Livingston WtrOps	WATER MAINS-INDISTRICT HVOL	5/31/2006	85	\$146,806.91	0%	\$0	Yes
30200045	Lake Medina Shores Wtr Ops	WATERLINE WORK (LMSH TO HVOM)-INDISTRICT LMSH	5/31/2006	85	\$313,225.52	0%	\$0	Yes
30200013	Carolynn EstatesWtrOperations	NEW WATER TREATMENT PLANT-CNES U1	6/30/2006	33	\$698,986.68	0%	\$0	Yes
30200013	Carolynn EstatesWtrOperations	6 LINE EXTENSION inch-125045 97	9/30/2006	85	\$125,045.97	0%	\$0	Yes
30200013	Carolynn EstatesWtrOperations	6 LINE EXTENSION inch-189295 54	9/30/2006	85	\$189,295.54	0%	\$0	Yes
30200051	Metroplex HomesteadsWtrOperations	Ground Storage Tank - Improvement	12/31/2006	50	\$268,736.83	0%	\$0	Yes
30200061	Plum Creek Ops Wtr	16 WATER LINE inch-PLUM CREEK PUMP STNS 3 & 4	3/31/2007	85	\$135,435.86	0%	\$0	Yes
30200045	Lake Medina Shores Wtr Ops	PUMP STATION-HV PUMP STATION	3/31/2007	33	\$369,174.60	0%	\$0	Yes
30200068	Rocky Point EstatesWtrOperations	WATERLINE INTERCONNECT-ROCKY PNT ESTATES	3/31/2007	85	\$179,027.25	0%	\$0	Yes
30200061	Plum Creek Ops Wtr	WELL MODIFICATIONS-PLUM CREEK WELLS 1-3	3/31/2007	46	\$410,255.48	0%	\$0	Yes
30200061	Plum Creek Ops Wtr	16 WATER MAIN inch-PLUM CREEK NORTH	6/30/2007	85	\$560,391.65	0%	\$0	Yes
30200061	Plum Creek Ops Wtr	16 WATER MAIN inch-PLUM CREEK SOUTH	6/30/2007	85	\$481,679.49	0%	\$0	Yes
30200061	Plum Creek Ops Wtr	Ground Storage Tank	6/30/2007	50	\$203,946.95	0%	\$0	Yes
30200061	Plum Creek Ops Wtr	PUMP STATION-PLUM CREEK	6/30/2007	33	\$519,922.68	0%	\$0	Yes
30200061	Plum Creek Ops Wtr	PUMPS-PLUM CREEK	6/30/2007	15	\$196,765.87	0%	\$0	Yes
30200045	Lake Medina Shores Wtr Ops	REPLACE WELL PUMP-LAKE MEDINA	6/30/2007	15	\$103,235.79	0%	\$0	Yes
30200046	Lake Medina Shores WW Ops	SEWER LINES-HV MEDINA	6/30/2007	65	\$156,754.91	0%	\$0	Yes
30200013	Carolynn EstatesWtrOperations	WATER LINES-HIDDEN HILLS	6/30/2007	85	\$246,020.32	0%	\$0	Yes
30200045	Lake Medina Shores Wtr Ops	WATER LINES-HV MEDINA	6/30/2007	85	\$156,754.91	0%	\$0	Yes
30200013	Carolynn EstatesWtrOperations	GENERATOR-CAROLYN ESTATES	7/31/2007	15	\$145,538.68	0%	\$0	Yes
30200013	Carolynn EstatesWtrOperations	LOWER CLARIFIER-CAROLYN ESTATES	7/31/2007	15	\$104,272.34	0%	\$0	Yes
30200054	Oak Trail ShoresWtrOperations	OTSH PLANT MODIFICATIONS ELECTRICAL/CONTROLS-	8/1/2007	15	\$138,409.65	0%	\$0	Yes
30200054	Oak Trail ShoresWtrOperations	OTSH PLANT MODIFICATIONS FILTER MODIFICATIONS-	8/1/2007	15	\$213,361.33	0%	\$0	Yes
30200054	Oak Trail ShoresWtrOperations	OTSH PLANT MODIFICATIONS RO SUPPLY TANK-	8/1/2007	15	\$1,137,444.23	0%	\$0	Yes
30200054	Oak Trail ShoresWtrOperations	OTSH PLANT MODIFICATIONS NEW CLARIFIER-	8/1/2007	50	\$166,272.47	0%	\$0	Yes
30200054	Oak Trail ShoresWtrOperations	OTSH PLANT MODIFICATIONS WATER SAVER-	8/1/2007	33	\$695,882.26	0%	\$0	Yes
30200054	Oak Trail ShoresWtrOperations	Plant Modifications 125000 Gallon Ground Storage T	8/1/2007	50	\$249,250.85	0%	\$0	Yes
30200025	Decker HillsWtrOperations	GENERATOR-DECKER HILLS	9/30/2007	15	\$114,576.83	0%	\$0	Yes

List of Certain Active Assets Constructed by ECO Resources

Cost Center	Cost Center Description	Description	Capitalized on (Acquired Date)	Claimed Economic Life	Monarch Total (Claimed Orig. Cost)	% Used & Useful	Staff Verified Original Cost	In Service
30200061	Plum Creek Ops Wtr	RELOCATE WATER LINE-DRY HOLE	9/30/2007	85	\$135,853.46	0%	\$0	Yes
30200047	Lakeway Harbor Wtr Operations	GENERATOR-LAKEWAY HARBOR	10/31/2007	15	\$103,857.34	0%	\$0	Yes
30200077	Tanglewood Wtr Operations	LINE RELOCATION-HIGHWAY 289 RELOCATION	12/31/2007	85	\$121,431.34	0%	\$0	Yes
30200054	Oak Trail Shores Wtr Operations	3 AUXILIARY GENERATORS (MAIN PLANT; INTAKE; PUMP STN	6/30/2008	15	\$395,478.83	0%	\$0	Yes
30200036	Highsaw Water Wtr Operations	AUXILIARY GENERATOR-HAWR-HAWR	6/30/2008	15	\$106,556.60	0%	\$0	Yes
30200045	Lake Medina Shores Wtr Ops	AUXILIARY GENERATOR-HVOM-HVOM	6/30/2008	15	\$116,348.45	0%	\$0	Yes
30200086	Western Hills Harbor Wtr Operations	AUXILIARY GENERATOR-WHHR-WHHR	6/30/2008	15	\$107,562.96	0%	\$0	Yes
30200061	Plum Creek Ops Wtr	BONITA VISTA 8 inch WATER LINE-PMCK-PMCK	6/30/2008	85	\$248,716.95	0%	\$0	Yes
30200088	Westside Wtr Operations	CABOT ESTATES WATER LINE EXTENSION-WSDE-WSDE	6/30/2008	85	\$203,310.12	0%	\$0	Yes
30200077	Tanglewood Wtr Operations	Ground Storage Tank/ Tanglewood	6/30/2008	50	\$159,611.14	0%	\$0	Yes
30200023	Crowley Wtr Operations	INTERCONNECT CROW/BLUEGRASS-CROW-CROW	6/30/2008	85	\$108,642.46	0%	\$0	Yes
30200051	Metroplex Homesteads Wtr Operations	INTERCONNECT-MXHS-MXHS	6/30/2008	85	\$139,319.06	0%	\$0	Yes
30200016	Cherokee Shores Wtr Operations	MODIFY PLANT-CESH-CESH	6/30/2008	33	\$104,669.93	0%	\$0	Yes
30200067	River Oaks Ranch Ops Wtr	Reverse Osmosis UNIT-2nd TRAIN-RORH	6/30/2008	33	\$163,963.39	0%	\$0	Yes
30200013	Carolynn Estates Wtr Operations	Steel Line Replacement from Clarifier to Filter	6/30/2008	33	\$139,305.96	0%	\$0	Yes
30200077	Tanglewood Wtr Operations	WATER LINE EXTENSION-TGWD-TGWD	6/30/2008	85	\$123,247.81	0%	\$0	Yes
30200061	Plum Creek Ops Wtr	WATER LINE TO PLANTS 1&2-PMCK-PMCK	6/30/2008	85	\$321,277.57	0%	\$0	Yes
30200061	Plum Creek Ops Wtr	PMCK EST EST-	8/1/2008	50	\$1,199,852.72	0%	\$0	Yes
30200061	Plum Creek Ops Wtr	WELL LEVEL MONITOR-DRYHOE ROAD (W4)	8/31/2008	15	\$123,080.09	0%	\$0	Yes
30200076	Sundance Wtr Operations	SUNDANCE WATERLINE WATERLINE-	10/1/2008	85	\$216,639.74	0%	\$0	Yes