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August 9, 2017

VIA HAND DELIVERY

Kenneth W. Anderson, Jr., Commissioner
Brandy Marty Marquez, Commissioner
Irene Montelongo, Director, Docket Management
Public Utility Commission of Texas
ATTN: CENTRAL RECORDS
1701 N. Congress Avenue, Room 8-100
Austin, Texas 78701

Re: PUC Docket No. 45570; SOAH Docket No. 473-16-2873; *Application of Monarch Utilities I, LP for Authority to Change Rates*

Dear Commissioners and Judge Montelongo:

In response to the August 8, 2017 memorandum from Judge Montelongo, attached is a clean copy of Attachment C, with edits to the 13th bullet in response to Judge Montelongo's memorandum. Public Utility Commission ("Commission") Staff and the Office of Public Utility Counsel ("OPUC") have been made aware of this clarifying edit, and have no objections to the proposed language. Monarch Utilities I, LP ("Monarch") respectfully requests that this updated Attachment C be substituted for the original Attachment C included in the Commission Advising and Docket Management's ("CADM") July 19, 2017 Proposed Order.

Judge Montelongo's memorandum also addressed the parties requested revisions to Finding of Fact No. 49. The parties acknowledge that Finding of Fact No. 49 and Finding of Fact No. 50 include the majority of the language the Parties had initially proposed, but CADM's Proposed Order deleted language describing the three schedules included in Attachment B. Included in the Joint Proposed Final Order presented by the Parties was a description of Attachment B to the Stipulation, which consists of three schedules, titled Invested Capital, Accumulated Depreciation Detail, and Adjusted Assets, respectively, all totaling roughly 300 pages. The Parties elected not to, nor do they currently, propose that the entirety of Attachment B to the Stipulation be included in the Commission's Final Order. The Parties' proposed revision to Finding of Fact No. 49 provides more detail in the Final Order that will aid the

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Commission and parties in future rate proceedings. Additionally, the component pieces described in the chart proposed by the Parties highlight the critical aspects of the settlement, and are necessary to show the relevance of the journal entries included in Finding of Fact No. 51 in CADM's Proposed Order. Therefore, the Parties re-urge that the following changes be made to Finding of Fact No. 49 in the Proposed Order, and upon consideration, be adopted by the Commission in its Final Order:
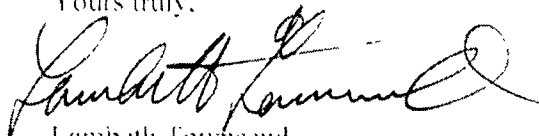
> 49. The signatories agree that approval of total invested capital (rate base) as of June 30, 2015, in the amount of $82,005,713 is reasonable and in the public interest. Monarch's rate base including $87,209,033 of net plant, is reasonable and in the public interest, delineated in more detail in Attachment B to the agreement, consists of the following.

Original Cost of Utility Plant	$	128,166,141
Accumulated Depreciation	$	(40,957,108)
Net Plant	$	87,209,033
Other Rate Base Items		
Working Cash Allowance	$	437,580
Other Prepayments	$	58,199
Materials and Supplies	$	352,108
Customers Deposits	$	(576,101)
Contributions in Aid of Construction	$	(4,907,869)
Customer Advances for Construction	$	(567,237)
Total Other Rate Base Items	$	(5,203,320)
Total Invested Capital	$	82,005,713

> The signatories further agree to the depreciation rates set out in the depreciation schedule, which are to be consistently applied as described in Attachment B to the agreement. Monarch will use those rates for both regulatory accounting and other regulatory purposes unless the rates are altered by a subsequent order. No specified return on equity is needed or authorized as a result of this proceeding.

The Parties respectfully request you consider adopting these changes at the Commission's Open Meeting on August 17, 2017. Monarch looks forward to the resolution of this matter.

Yours truly,

Lambeth Townsend
Attorney for Monarch Utilities I, LP

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Corrected Attachment C
MONARCH GAIN ON SALE REFUND

- Monarch shall refund $1,500,000 to retail customers over one year beginning no later than 45 days from the entry of the Commission's Order
- For the purpose of calculating the refund amount, there are 22,762 water customers and 3,650 sewer customers, for a total of 26,412 customers
- The refund amount is $4.73 per month and will be credited to customer bills
- Water only customers will be credited $4.73 per month
- Sewer only customers will be credited $4.73 per month
- Water and sewer customers will be credited $9.46 per month
- The credit will be identified on the bills as "Gain on Sale Refund" and a bill message on the first bill will describe the refund process
- For customers with active accounts on the date of the Commission's Order, bill credits will begin no later than 45 days after the Commission's Order
- Refunds will continue for twelve consecutive months
- At the end of the refund period, the amount refunded to customers shall be reported to the Commission
- A final true-up refund credit (or charge, if the refund exceeds $1,500,000) will be made based on the total amount refunded
- The true up payment on the gain on sale refund (or charge) will be 90 days from the customer's last refund. Monarch will need 30 days for the bill to be past the delinquent due date, then 30 days for accounting to finalize the amount refunded, and then 30 days to program the refund (or charge)
- A new customer account, opened after the date of the Commission's Order, must be active to receive the refund credit
- Refund credits will end when a customer moves out from the system
- All retail customers, except those within the city limits of the City of Buda, City of Ivanhoe, and City of Kyle, are eligible to receive the refund
- Monarch may, at its sole discretion, pay any remaining refund balance at any time before the end of the one year period