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APPLICATION OF THE CITY OF § BEFORE THE STATE OFFICE  
AUSTIN DBA AUSTIN WATER FOR §  
AUTHORITY TO CHANGE WATER § OF  
AND WASTEWATER RATES § ADMINISTRATIVE HEARINGS

**CITY OF AUSTIN D/B/A AUSTIN WATER'S  
RESPONSE TO COMMISSION STAFF'S  
EIGHTH REQUEST FOR INFORMATION**

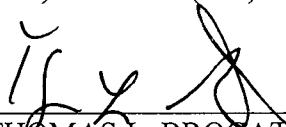
To: Public Utility Commission of Texas (Commission), by and through its attorney of record,  
Eleanor D'Ambrosio, Legal Division, 1701 N. Congress Avenue, Austin, Texas 78701.

The City of Austin (City) doing business as Austin Water (Austin Water or AW) files its Responses to Public Utility Commission Staff's Eighth Request for Information (RFI) to Austin Water received on September 23, 2019. This response is timely filed. Pursuant to 16 Tex. Admin. Code (TAC) § 22.144(c)(2)(F), Austin Water agrees and stipulates that all parties may treat the responses as if the answers were filed under oath.

Respectfully submitted,

**LLOYD GOSSELINK ROCHELLE  
& TOWNSEND, P.C.**

816 Congress Avenue, Suite 1900  
Austin, Texas 78701  
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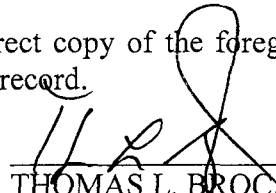
  
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ATTORNEYS FOR CITY OF AUSTIN

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing document was served by email on October 11, 2019, to the parties of record.



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THOMAS L. BROCATO

**SOAH DOCKET NO. 473-19-6297.WS  
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**AUSTIN WATER'S RESPONSE TO  
COMMISSION STAFF'S EIGHTH RFI**

**Staff 8-1** In its water COS study, please explain why AW assigns customer service functional costs to the “joint” cost pool as opposed to the “retail only” cost pool. What customer services does AW provide to wholesale customers, if any?

**RESPONSE:** Customer service costs are allocated to retail customers and wholesale customers. The customer service costs that are allocated to AW as part of the Utility Customer Services Office (Tab 29, Cell J117) include bill production, document retention, meter reads, and meter tampering issues. These customer services are provided to all customers.

Prepared by: Robert Rowan  
Sponsored by: David Anders and Joseph Gonzales

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**AUSTIN WATER'S RESPONSE TO  
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**Staff 8-2**      What is the “small calls” functional category in the water COS study, and why is this assigned to the “joint” cost pool as opposed to “retail only”? Please explain.

**RESPONSE:** Small calls are assigned to all customers since they are initial-response calls for leak inspections and minor leak repairs, including small meter exchanges. These services are provided to wholesale customers when there are leaks in mains or meters that are serving wholesale customers.

Prepared by:              Robert Rowan  
Sponsored by:          David Anders and Joseph Gonzales

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**Staff 8-3**      With respect to the “meters and services” functional category in the water COS study, what methodology does AW follow to ensure that retail metering and services costs are not assigned to wholesale customers? Please explain.

**RESPONSE:** Austin Water has a retail monthly meter equivalent minimum charge and a wholesale monthly meter equivalent minimum charge. Since these monthly minimum meter charges are separated between retail and wholesale, these service costs are applied to the appropriate cost pools. Tab 31, Table 31-1, “Summary Allocation of Functionalized O&M to Cost Pools,” shows that “Retail Meter & Services” are allocated 100% to retail only and “Meters and Services” are allocated to retail and wholesale (Joint).

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Sponsored by:          David Anders and Joseph Gonzales

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**Staff 8-4** Please refer to worksheet "31" to the water COS study, at functional allocation of joint cost pool in Microsoft Excel rows 41 – 68 (i.e., Table 31-2). Why are distribution mains in MS Excel row 51 re-assigned 100% to the "transmission mains" function in column I? Please explain.

**RESPONSE:** Distribution Mains in Table 31-2, Row 51 could have been allocated directly to Distribution Mains, although it indicates Transmission Mains. However, this has no impact because table 31-2 is Joint costs pool, and Distribution Mains is a retail only cost. Table 31-1, Distribution Mains assigns 100% to retail only. Distribution Mains are not allocated to wholesale customers.

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**Staff 8-5** Please refer to worksheets “30” and “31” to the water COS study, at Table 31-2. Why have a functional re-assignment of costs accomplished in worksheet 31? Why not have one consistent definition of functions, rather than an initial functionalization to one set of functions in worksheet 30; and then, a re-functionalization to a different set of functions in worksheet 31 (e.g., costs in “treatment average day,” “pump stations power,” and “small calls” functions from sheet 30 re-assigned to a “chemicals & power” function in worksheet 31)? Please explain.

**RESPONSE:** The functionalization in Tab 30 is necessary to provide indications of appropriate allocations. The cost pool determination in Tab 31 provides for allocation to Joint, retail only, and other cost pools to determine the appropriate class responsibility. The functionalization in Tab 30 flows to the cost pool determination in Tab 31, and ultimately flows to customer classes within this linear cost of service (COS) model.

Prepared by: Robert Rowan  
Sponsored by: David Anders and Joseph Gonzales



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**AUSTIN WATER'S RESPONSE TO  
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**Staff 8-6** Please refer to worksheet "59" to the water COS study. What is the purpose of this worksheet? What do the line items "Transfer to Defeasance" and "Capital Recovery Fee Transfer in" signify? What effect do the allocations of these amounts in worksheets 60 – 70 (including associated adjustments) have on AW's requested revenue requirements for the Districts, if any? How do these items represent costs of providing water and wastewater services to the Districts, if at all?

**RESPONSE:** The line items "Transfer to Defeasance" and "Capital Recovery Fee Transfer in" net to zero, as shown in Cell F52 of the water COS model worksheet "59." The purpose of the worksheet "59" is to display revenue allocated cost, if there is any. There is a zero-net effect for these allocations, as this represents a "transfer in" for the Capital Recovery Fee dollars used as a "transfer out" for Debt Defeasance. All Capital Recovery Fee collections are restricted by Texas statute to be used for debt. Austin Water uses Capital Recovery Fees for debt defeasance.

Prepared by: Christina Romero  
Sponsored by: David Anders and Joseph Gonzales

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**Staff 8-7**      Please refer to worksheet "29" in the water COS study. What level of O&M costs does AW request to be included in total system O&M costs in this proceeding? Is it Microsoft Excel column J totaling 132,706,200, or that amount less the adjustments of 4,026,346 shown in column K, resulting in adjusted total O&M costs of 128,679,854?

**RESPONSE:** Austin Water is requesting \$132,706,200 in Operations and Maintenance (O&M) costs. The adjustments totaling \$4,026,346, shown in Column K, are included in the request of \$132,706,200, shown in Column J. This adjustment Column K represents the adjustments that Austin Water has agreed to not allocate to wholesale customers. Tab 39, Column K, allocates the \$4,026,346 to all customer classes, with wholesale being allocated \$48,674 in Cell K80. In Tab 46, Cell E159, the \$48,674 is adjusted to reduce the costs to wholesale, and allocated only to retail.

Prepared by:            Robert Rowan  
Sponsored by:        David Anders and Joseph Gonzales

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**AUSTIN WATER'S RESPONSE TO  
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**Staff 8-8** Please refer to the testimony of AW witness Gonzalez at 46.

“Q. WHAT CONSUMPTION VALUES DID AW USE IN THE COST ALLOCATION AND RATE SETTING PROCESS? A. AW used actual test year consumption and flow values for all customer classes, to allocate costs and develop the proposed rates for the four wholesale customers impacted by this rate filing.”

On worksheet 23 of the water COS model, however, usage information is averaged over 3 years, and it appears that the allocation information used to clarify cost of service is based on the 3-year-average information. Please clarify if the usage-based allocation data used in the water COS study is 3-year-average, or Test Year only. Please also clarify if the class usage data applied to unit costs to calculate class revenue requirements and rate design is test year only, or three-year-average.

**RESPONSE:** Tab 23 uses a 3-year average to determine the peaking factor for each customer class. Cost allocations using consumption are based on actual usage of the test year, as shown on Tab 25.

Prepared by: Robert Rowan  
Sponsored by: David Anders and Joseph Gonzales