



Control Number: 49189



Item Number: 149

Addendum StartPage: 0

RECEIVED
SOAH DOCKET NO. 473-19-6297.WS

PUC DOCKET NO. 19018925 PM 1:36

APPLICATION OF THE CITY OF
AUSTIN DBA AUSTIN WATER FOR
AUTHORITY TO CHANGE WATER
AND WASTEWATER RATES

§
§
§
§

BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS

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

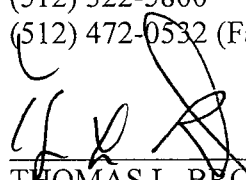
To: Public Utility Commission of Texas (Commission), by and through its attorney of record,
Eleanor D'Ambrosio, Legal Division, 1701 N. Congress Avenue, Austin, Texas 78701.

The City of Austin (City) doing business as Austin Water (Austin Water or AW) files its Responses to Public Utility Commission Staff's Ninth Request for Information (RFI) to Austin Water received on October 7, 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
(512) 322-5800
(512) 472-0532 (Fax)



THOMAS L. BROCATO
tbrocato@lglawfirm.com
State Bar No. 03039030

W. PATRICK DINNIN
pdinnin@lglawfirm.com
State Bar No. 24097603

ATTORNEYS FOR CITY OF AUSTIN

149

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served by email on October 25, 2019, to the parties of record.



THOMAS L. BROCATO

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI**

STAFF 9-1 Please provide a transmission and distribution map for AW's water and wastewater service area. Identify each pressure plane within the service area and indicate which public water system or wastewater plant serves the identified pressure plane.

RESPONSE: Please see attached water and wastewater system reference maps. As shown, the water transmission and distribution systems are an integrated system. The water system pressure planes are delineated by color. No single major water treatment plant exclusively serves a pressure plane due to the system's interconnectedness and redundancy. Each water plant delivers water into the connected system. If a plant were to be capacity restricted, the other plants could supplement supply into the integrated system to maintain service. For the wastewater system, the plant areas are delineated by color, primarily the Walnut Creek and South Austin Region Wastewater Treatment Plants (WWTPs).

Distribution and collection maps showing over 6,000 miles of water and wastewater lines are too detailed at this scale and become illegible.

Please see AW Staff 9-1, Attachment Nos. 1 and 2.

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

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI**

STAFF 9-2 Please provide most recent Fitch Water and Sewer Medians report.

RESPONSE: See attachment AW Staff 9-2, Attachment No. 1 for the 2019 Fitch Water and Sewer Medians report.

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

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI

STAFF 9-3 In how many of the last 5 years has AW needed to use its Revenue Stability Reserve Fund to cover shortfalls in revenues?

RESPONSE: AW has not requested the use of the Water Revenue Stability Reserve Fund in the last five years. As discussed in the Direct Testimony of Joseph Gonzales, pages 18-20, bates page numbers 88-90, the Water Revenue Stability Reserve Fund was created in February 2013 and reached the target level of 120 days of water operating requirements in FY 2018. One of the established policies for this fund is that the Water Revenue Stability Reserve Fund shall only be used to offset a current year water service revenue shortfall where actual water service revenue is less than budgeted levels by 10 percent or greater. Since target levels were reached, AW has not had a shortage in revenues to trigger the use of the Water Revenue Stability Reserve Fund.

Please refer to AW Staff 9-3, Attachment No. 1, pages 500-501, for the financial policies regarding the Water Revenue Stability Reserve Fund.

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

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI

STAFF 9-4 Please identify when AW anticipates that the Revenue Stability Reserve Fund to be fully funded and explain how that conclusion was reached.

RESPONSE: Pursuant to the City's FY2018-2019 Financial Policies, Paragraph 16, pages 500-501, a Water Revenue Stability Reserve Fund, "shall be created and established for the purpose of offsetting current year water service revenue shortfalls below budgeted revenue levels. The target funding level for the Reserve Fund is 120 days of the budgeted water operating requirements of Austin Water...."

The Water Revenue Stability Reserve Fund reached 120 days of the budgeted water operating requirements in FY2018. The calculation of how that conclusion was reached is shown below:

Total Days Cash= [(Water Rev. Stab. Res. Fund Cash Balance/Total Water Operating Requirements) x 365 days]

As of September 30, 2019, the Water Revenue Stability Reserve Fund was at 125 days of the budgeted water operating requirements.

125 days (rounded) = (47,602,571/139,241,736) x 365 days]

Please refer to AW Staff 9-3, Attachment No. 1, pages 500-501, for the financial policies regarding the Water Revenue Stability Reserve Fund.

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

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI**

STAFF 9-5 Please provide the amount of administrative expense claimed in the test year related to SWAP.

RESPONSE: The administrative expense claimed in the test year related to SWAP are mostly comprised of agent fees, Letter of Credit (LOC) fees, Remarketing fees, and annual surveillance fees.

Water: \$329,085.94 and Wastewater: \$139,425.86.

Please see attachment AW Staff 9-5, Attachment No. 1 for more detail.

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

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI

STAFF 9-6 Please provide AW's requested total system amounts for the water reclamation system by G/L account, and indicate each amount as capital, direct O&M (see, e.g., Anders DT at 35), or reclamation system O&M. Please also provide the amounts proposed to be included in the revenue requirements used to set charges for wholesale petitioners.

RESPONSE: See attachment AW Staff 9-6, Attachment No.1 for the FY2018 water reclamation system O&M G/L account information. These are O&M expenses within the Reclaimed Water Fund; they are not part of the Cost of Service (COS) model. The amount included in the COS model is the \$4,000,000 Transfer to the Reclaimed Water Fund.

The amounts proposed for inclusion in the revenue requirements used to set charges for wholesale petitioners are the following:

Combined Water & Wastewater	North Austin MUD	Northtown MUD	WCID #10	Wells Branch MUD
	\$18,022	\$15,444	\$46,356	\$25,466

Prepared by: Songli Floyd
Sponsored by: David Anders and Joseph Gonzales

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI**

STAFF 9-7 Please provide AW's requested total system amounts for the Govalle wastewater treatment plant by G/L account. Please also provide the amounts proposed to be included in the revenue requirements used to set charges for wholesale petitioners.

RESPONSE: See AW 2-4, Attachment 1 for Austin Water's requested total system amounts for the Govalle Wastewater Treatment Plant.

The amounts proposed for inclusion in the revenue requirements used to set charges for wholesale petitioners are the following:

Combined Water & Wastewater	North Austin MUD	Northtown MUD	WCID #10	Wells Branch MUD
	\$1,419	\$1,483	\$0	\$2,323

Prepared by: Songli Floyd
Sponsored by: David Anders and Joseph Gonzales

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI

STAFF 9-8 Please provide by G/L account AW's Test Year costs incurred to provide revenue stability fund services to its customers.

RESPONSE: Refer to Tab 106, Vol Rev@New RF Surcharge, Table 106-1, in the "AW Water COS Model Docket 49189 Errata Filing" showing the calculation of revenue at \$0.05/1,000 gallons.¹

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

¹ City of Austin d/b/a Austin Water's Errata (Oct. 4, 2019) (AW Errata).

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI**

STAFF 9-9 What would it cost AW to have its staff trained somewhere other than Govalle? Please explain and provide any supporting documentation.

RESPONSE: AW has not done a cost study to determine how much it would cost to have AW's staff trained somewhere other than Govalle WWTP, since the Govalle WWTP serves as training location for AW's pipeline and treatment staff. As mentioned in David Anders Direct Testimony on page 37, bates page number 51, "[t]his training includes classroom instruction, confined space training, respiratory training, and other training needs." The Govalle WWTP is equipped with what is needed for training, as an example, it contains a manhole and tunnels in which confined space training occurs. Govalle WWTP provides for real world scenarios for confined spaces training that employees will experience in the field. This provides for the opportunity for hands on training in the same environment in which the employees will work. The utility does not have another location for training that would provide this kind of real world training opportunities due to the nature of the equipment and environment. If an employee's job is to go into a manhole, it is important to have a real-world training and not just a simulation of the training.

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

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI**

STAFF 9-10 Please provide by G/L account AW's requested total system amounts for general funds transfers where some portion of the system-wide total in that account is allocated to the wholesale customer districts under AW's requested cost allocations. Please also provide the amounts proposed to be included in the revenue requirements used to set charges for wholesale petitioners.

RESPONSE: Austin Water does not include a General Fund Transfer, the direct transfer to the City of a percentage of revenue, within the water and wastewater cost of service models. The General Fund Transfer is a coverage related transfer; therefore, Austin Water only considers the allocated debt service coverage revenue requirement for each customer class.

Prepared by: Songli Floyd
Sponsored by: David Anders and Joseph Gonzales

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI

STAFF 9-11 Please refer to AW's response to Staff 6-13. AW indicates that it has included in the wholesale revenue requirement in this case amounts associated with General Fund administrative support, including City Clerk, Mayor & Council, Management Services, Communication & Public Information, Law, Human Resources, City Auditor, Financial Services, Building Services, Small & Minority Business, Contract Management, Office of Real Estate, and Government Relations. Please identify all the requested total system amounts by G/L account, and please also provide the amounts proposed to be included in the revenue requirements used to set charges for wholesale petitioners. How is the inclusion of these amounts consistent with AW witness Anders' representation in his direct testimony that the general fund transfer has been excluded from the requested wholesale revenue requirements? Please explain.

RESPONSE: The City's administrative support transfer is not part of the General Fund Transfer, which is based on a transfer of 8.2% of total revenue. The G and the administrative support transfer are two separate items. When Austin Water pays the administrative support transfer, it's paying for its share of City support services received. All departments within the City are allocated a portion of the services received based on appropriate allocation methodologies for each service. The inclusion of these amounts is consistent with David Anders' Direct Testimony that the General Fund Transfer has been excluded because this is not General Fund Transfer. The Adjusted Test Year amount for Water is \$7,277,235 and Wastewater is \$5,922,484 which is included in G/L account 9999, account number 6242.

The amounts proposed for inclusion in the revenue requirements used to set charges for wholesale petitioners are the following:

Combined Water & Wastewater	North Austin MUD	Northtown MUD	WCID #10	Wells Branch MUD
	\$63,388	\$60,080	\$84,335	\$96,427

Prepared by: Songli Floyd
Sponsored by: David Anders and Joseph Gonzales

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI**

STAFF 9-12 Please refer to AW's response to Staff 6-13. Please provide a detailed description of what services the emergency operations center provides for AW's customers. Please identify which services of the emergency operations center are received by retail customers and which services (if any) are received by wholesale customers. Please also provide by G/L account the amounts proposed to be included in the revenue requirements used to set charges for wholesale petitioners.

RESPONSE: The Combined Transportation, Emergency and Communication Center (CTECC) program provides support for the operations of shared critical emergency communications and transportation management for City departments and regional partners to improve emergency response coordination and cooperation. As stated in response to Staff RFI No. 6-13, "[t]his is a shared cost allocated to all customers and is a cost of providing service to all of our customers."² The Adjusted Test Year amount for Water and Wastewater is \$6,295 each, which is included in G/L account 9999, account number 6234.

The amounts proposed to be included in the revenue requirements used to set charges for wholesale petitioners are the following:

Combined Water & Wastewater	North Austin MUD	Northtown MUD	WCID #10	Wells Branch MUD
Totals	\$61	\$59	\$73	\$94

Prepared by: Songli Floyd
Sponsored by: David Anders and Joseph Gonzales

² City of Austin d/b/a Austin Water's Response to Commission Staff's Sixth Request for Information at 15 (Oct. 4, 2019) (AW's Response to Staff's 6th RFI).

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI**

STAFF 9-13 Please identify the allocation methodologies proposed by AW for the allocation of “meter shop” costs to the Districts in this case and explain how it is consistent with cost causation.

RESPONSE: The Meter Shop cost allocation is based on the number of meters and the services related to the functions performed, such as maintenance, repair, replacements, and accuracy testing of the meters. These services are included only for the wholesale master meters. AW does not service the retail meters within the Districts’ service area. Districts pay a small portion of meter costs due to their small number of meters.

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

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI**

STAFF 9-14 Please refer to AW's response to Staff 6-13. Please provide a detailed description of what services the Communications Technology Management Department provides for AW's customers. Please identify which of the Department's services are received by retail customers and which services (if any) are received by wholesale customers. Please also provide by G/L account the amounts proposed to be included in the revenue requirements used to set charges for wholesale petitioners.

RESPONSE: The Communications and Technology Management (CTM) Department provides information technology (IT) services to City departments and regional partners, including application delivery, web and mobile technologies, data center computers, reliable infrastructure, storage, technical support, project management, and secure, interoperable communication systems. As stated in response to Staff RFI No. 6-13, "[t]hese are shared costs allocated to all customers and is a cost of providing service to all of our customers."³ The Adjusted Test Year amount for Water is \$2,415,274 and Wastewater is \$2,394,314, which is included in G/L account 9999, account number 6240.

The amounts proposed to be included in the revenue requirements used to set charges for wholesale petitioners are the following:

Combined Water & Wastewater	North Austin MUD	Northtown MUD	WCID #10	Wells Branch MUD
Totals	\$23,397	\$22,405	\$27,991	\$35,864

Prepared by: Songli Floyd
Sponsored by: David Anders and Joseph Gonzales

³ *Id.*

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI**

STAFF 9-15 Please refer to AW's response to Staff 6-13, at Liability Reserve. Please explain how the following description, provided by AW in its response, is relevant (if at all) to wholesale services to the Districts: "This requirement is AW's allocation to fund the Liability Reserve Fund which is responsible for paying claims and losses related to third party – liability for bodily injury and property damage, including contractual and professional liability." How can a wholesale customer who connects to AW on a closed loop at transmission pipe diameter 24" + suffer "bodily injury or property damage" as a result of services received from AW? Please explain. Please also provide by G/L account the amounts proposed to be included in the revenue requirements used to set charges for wholesale petitioners.

RESPONSE: The Liability Reserve Fund was established by the City in FY 1985 in response to nationwide problems associated with obtaining liability insurance. Liability insurance is to protect the purchaser ("the insured") from the risks of liabilities imposed by lawsuits and similar claims.

Liability Reserve is a self-insured program that includes losses and claims related to liability for bodily injury, property damage, professional liability, and certain employment liability. Premiums are charged to other City funds each year based on historical costs. Third-party claims activities are also reported directly in the Austin Energy, Austin Water Utility, and Airport Enterprise funds.

The Liability Reserve Fund revenue is comprised of transfers from the General Fund and other operating funds. Transfers from each operating fund are based on the fund's claims history. In FY 2017, Austin Energy, Austin Water, and Airport Enterprise started budgeting for lawsuits and claims within their own operating funds, instead of relying on the general Liability Reserve Fund.

Austin Water does not include the Liability Reserve Fund within the water and wastewater cost of service models.

Prepared by: Songli Floyd
Sponsored by: David Anders and Joseph Gonzales

**SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189**

**AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI**

STAFF 9-16 Please refer to AW's response to Staff 6-13, at Transfer to Economic Development. Please explain. Please provide by G/L account the amounts proposed to be included in the revenue requirements used to set charges for wholesale petitioners.

RESPONSE: The Transfer to Economic Development is assigned to retail only. See the response to Staff RFI No. 6-15 for explanations on how the Economic Development Fund is necessary for the provision of water and wastewater service. The Adjusted Test Year amount for Water is \$2,046,374 and Wastewater is \$1,762,508, which is included in G/L account 9999, account number 9845.

Prepared by: Songli Floyd
Sponsored by: David Anders and Joseph Gonzales

SOAH DOCKET NO. 473-19-6297.WS
PUC DOCKET NO. 49189

AUSTIN WATER'S RESPONSE TO
COMMISSION STAFF'S NINTH RFI

STAFF 9-17 Please refer to AW's response to Staff 6-13, at Transfer to Reclaimed Water Fund. Please explain. Please provide by G/L account the amounts proposed to be included in the revenue requirements used to set charges for wholesale petitioners.

RESPONSE: As stated in response to Staff RFI No. 6-13, "[t]hese are shared costs allocated to all customers and is a cost of providing service to all of our customers." ⁴ The Adjusted Test Year amount for Water is \$4,000,000, which is included in G/L account 9999, account number 9739.

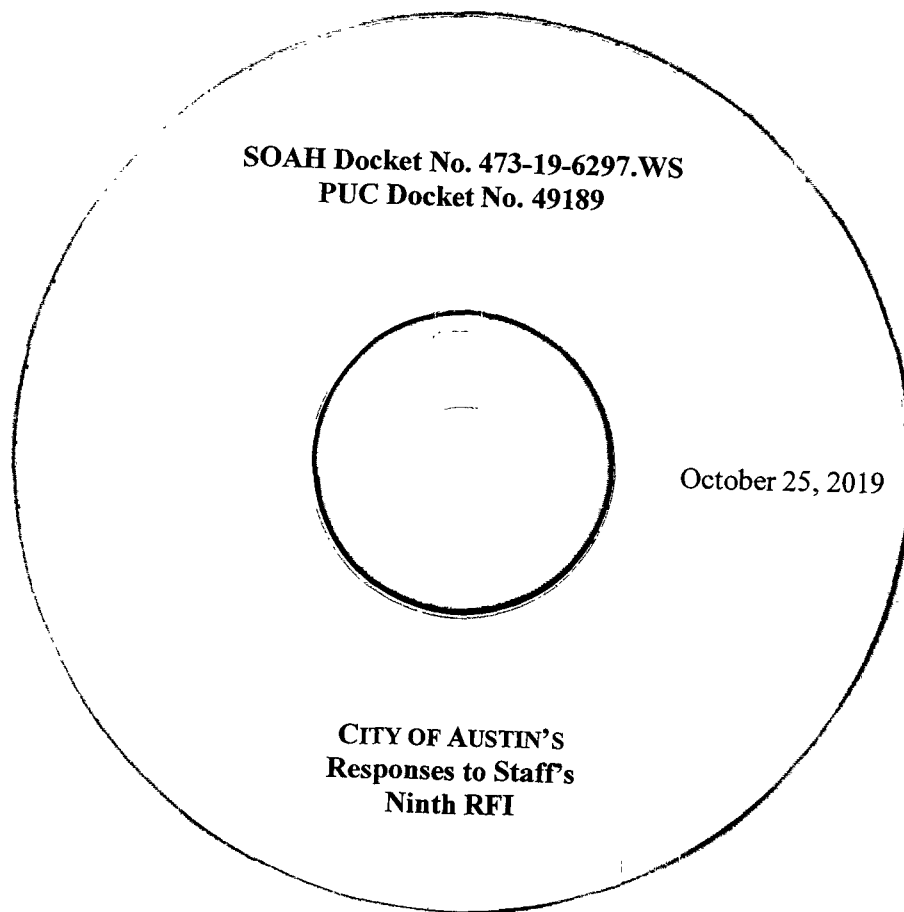
The amounts proposed to be included in the revenue requirements used to set charges for wholesale petitioners are the following:

Combined Water & Wastewater	North Austin MUD	Northtown MUD	WCID #10	Wells Branch MUD
Totals	\$18,022	\$15,444	\$46,356	\$25,466

Prepared by: Songli Floyd
Sponsored by: David Anders and Joseph Gonzales

⁴ *Id.*

ATTACHMENTS PROVIDED CD



- AW Staff RFI 9-1, Attachment No. 1 - AW MajorFacilities W Oct2019
- AW STaff RFI 9-1, Attachment No. 2 - AW MajorFacilities WW May2019
- AW Staff RFI 9-2, Attachment No. 1 - Fitch 2019 Water and Sewer Medians
- AW Staff RFI 9-3, Attachment No. 1 - FY19 AW ApprovedBudget Pages 500-501
- AW Staff RFI 9-5, Attachment No. 1 - WWW Admin Fees - FY18
- AW Staff RFI 9-6, Attachment No.1 - Reclaim O&M expenses