

Control Number: 49189



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Addendum StartPage: 0

SOAH DOCKET NO. 473-19-6297.WS

PUC DOCKET NO. 49189

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

**CITY OF AUSTIN D/B/A AUSTIN WATER'S
RESPONSE TO DISTRICTS'
TWELFTH REQUEST FOR INFORMATION**

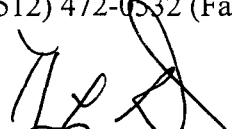
To: North Austin Municipal Utility District No. 1, Northtown Municipal Utility District, Travis County Water Control and Improvement District No. 10 and Wells Branch Municipal Utility District, by and through their Attorneys of record, Randall B. Wilburn, Gilbert Wilburn, PLLC, 7000 North MoPac Blvd., Suite 200, Austin, Texas 78731 and John Carlton, 4301 Westbank Drive, Suite B-130, Austin, Texas 78746.

The City of Austin (City) doing business as Austin Water (Austin Water or AW) files its Responses to North Austin Municipal Utility District No. 1, Northtown Municipal Utility District, Travis County Water Control and Improvement District No. 10, and Wells Branch Municipal Utility District's (collectively Districts) Twelfth Request for Information (RFI) to Austin Water received on October 25, 2019. Pursuant to SOAH Order No. 9,¹ this response is timely filed. Pursuant to 16 Tex. Admin. Code § 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.**

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¹ SOAH Order No. 9 Memorializing Second Prehearing Conference; Adopting Second Revised Procedural Schedule at 2 (Oct. 23, 2019).

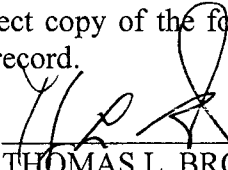
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ATTORNEYS FOR CITY OF AUSTIN

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served by email on October 29, 2019, to the parties of record.



THOMAS L. BROCATO

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AUSTIN WATER'S RESPONSE TO DISTRICTS' 12th RFI

DISTRICTS 12-1: Please identify and describe the substance of all conversations between you and Commission Staff regarding the AW Water COS Model Docket 49189 Errata filing.

RESPONSE: On Tuesday, October 8, 2019, representatives of Austin Water held a conference call with the Public Utility Commission (Commission) Staff regarding Austin Water's water cost of service (COS) model errata filing.² This conference call provided Commission Staff with the opportunity to question AW staff on the details of the Errata and the model changes that were completed to implement the revised methodologies. There were three Errata issues that were discussed, as referenced in AW's Errata. These issues and the related discussions with Staff are detailed below:

Transmission and Distribution Definition:

During the conference call, Austin Water and Commission Staff had the file "AW Water COS Model Docket 49189 Errata Filing" available for review. The parties both navigated to Tab 72, "Assets to Func," within the model. AW explained the changes to Table 72-1, highlighted line items for transmission mains and distribution mains. Also, the parties discussed the new table to the right of Table 72-1, named "Transmission and Distribution – Revised Percent Analysis." This table provides the calculation of the revised amounts inserted into Table 72-1 for transmission mains and distribution mains. The inch-foot calculation provides the appropriate percentages of transmission and distribution based on the schedules provided in AW's responses to Districts' RFI Nos. 4-7 and 4-8. These schedules provide the percentages of transmission and distribution based on the inch-foot analysis, assuming transmission mains are lines 24" or greater and distribution mains are less than 24". The revised transmission and distribution percentages were used to restate the transmission and distribution total net book values to the values calculated under the inch-foot analysis percentages. These new amounts in Table 72-1 adjust the allocations throughout the model. The impact to the total revenue requirements of the Districts was also included in the new Transmission and Distribution – Revised Percent Analysis table. The requirements from Austin Water's Application³ were compared to the resulting requirements identified in Tab 115 of the model.

Contributed Capital:

Austin Water and Commission Staff also discussed the changes made to contributed capital line items in Table 72-2. The contributed capital line items should not have been included in Table 72-2 which is used to determine allocations for debt service. Table 72-2 detail is linked from the file 2018 Fixed Assets Pivot Table Contributed Assets Removed.xlsx. All contributed capital line items were zeroed out in this file. Therefore, Table 72-2 does not include any contributed capital.

² City of Austin d/b/a Austin Water's Errata (Oct. 4, 2019) (Errata).

³ Application of the City of Austin d/b/a Austin Water for Authority to Change Water and Wastewater Rates (Apr. 15, 2019) (Application).

SOAH DOCKET NO. 473-19-6297.WS
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AUSTIN WATER'S RESPONSE TO DISTRICTS' 12th RFI

IT Application Line Item:

Austin Water and Commission Staff also discussed the changes related to the IT Application line item in Tab 29, Table 29-1. In Austin Water's Application, IT Application line item was included in the file AW Water COS Model Docket 49189 Errata Filing.xlsx at Table 29-1, Line 44. This issue was identified in Commission Staff's RFI No. 6-10 where Staff asked how the IT Application line item was allocated to transmission and distribution. During the preparation of the response to this discovery question, Austin Water determined the allocation of the line "IT Application" was incorrect. The discussion with Commission Staff centered around how Austin Water fixed this Errata issue. In Table 29-1, Austin Water moved IT Application from Line 44 to Line 80. These two line items were highlighted in AW Water COS Model Docket 49189 Errata Filing.xlsx. IT Application costs should not have been allocated to transmission and distribution, but should have been allocated indirectly to all functions, similar to all other support services. This change can also be tracked to Tab 30, "O&M to Functions," Table 30-2, Lines 80 and 116. IT Applications were on Line 80 in Austin Water's original COS model. IT Applications are on Line 116 in the Errata COS model. These line items are also highlighted in this table.

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

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AUSTIN WATER'S RESPONSE TO DISTRICTS' 12th RFI

DISTRICTS 12-2: Please identify and produce all documents provided by you to Commission Staff regarding the AW Water COS Model Docket 49189 Errata from the AW Water COS Model Docket 49189.

RESPONSE: Austin Water did not provide any additional documents to Commission Staff other than the native files provided in the Errata.

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AUSTIN WATER'S RESPONSE TO DISTRICTS' 12th RFI

DISTRICTS 12-3: Since Mr. Brocato's October 4, 2019, letter does not mention a change to the monthly fixed water charge due to the errata filing, it appears that AWU did not change its proposed fixed monthly water charge for the four districts from its initial Rate Application. However, AWU's proposed fixed charges on Schedule I – Notice of Intent to Change Rates multiplied by 12 months do not equal the Fixed portion of the "Total Revised Revenue from Water and Wastewater Rates" on Mr. Brocato's October 4, 2019, letter:

District	Schedule I Proposed Fixed Charge	Fixed Charge Multiplied by 12 Months	Fixed Revenue per Mr. Brocato's Letter	Variance
	(a)	(b)=(a) x 12	(c)	(d)=(c)-(b)
North Austin	\$15,428.90	185,146.80	169,957.00	(15,189.80)
Northtown	\$12,627.60	151,531.20	136,150.00	(15,381.20)
Water District 10	\$42,084.90	505,018.80	440,339.00	(64,679.80)
Wells Branch	\$21,333.90	256,006.80	233,482.00	(22,524.80)
Total		1,097,703.60	979,928.00	(117,775.60)

Please explain the variances in Column (d).

RESPONSE: While Mr. Brocato's October 4, 2019 letter does not specifically mention that the Errata changes included a fixed revenue change, it is Austin Water's intent to reduce the fixed revenue in the Errata to maintain a level of 11% fixed revenue for the Districts. As the total requirements for each of the Districts were reduced by the Errata changes, the fixed charges had to change or the resulting fixed charges would have been higher than the goal of 11%.

The fixed revenue provided in Mr. Brocato's letter is the correct fixed revenue for the Districts. These levels can be found in AW Water COS Model Docket 49189 Errata Filing.xlsx, on Tab 111, "Rev Reconciliation," Table 111-1, Column I, Rows 132, 135, 153 and 156.

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AUSTIN WATER'S RESPONSE TO DISTRICTS' 12th RFI

DISTRICTS 12-4: Referring to Mr. Brocato's October 4, 2019, letter, please explain why AWU is requesting water revenues of \$2,072,732 from Wells Branch MUD that exceed AWU's proposed Water Cost of Service of \$2,071,914 from Wells Branch MUD.

RESPONSE: The requested water revenue of \$2,072,732 from Wells Branch MUD exceeds the requested total allocated revenue requirements by \$818.00. This is a result of the water COS model rounding up on the rate calculated for Wells Branch MUD. The intention of Austin Water would be to round down on any rate for wholesale customers, therefore their total revenue from rates would be slightly less than their allocated COS. Any final agreed upon rates from this proceeding would adjust Wells Branch MUD's rate accordingly.

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AUSTIN WATER'S RESPONSE TO DISTRICTS' 12th RFI

DISTRICTS 12-5: On "Tab 83. Cap Costs NRR to Functions" in AW Water COS Model Docket 49189 Errata Filing.xlsx, Table 83-1 shows the allocation of Capital Non-Rate Revenues to functional Categories. Although the top of the schedule says that capital cost non-rate revenues are allocated based on the "% from O&M NRR", and the heading says, "Net Book Value," the Capital Cost NRR are actually functionalized based on Gross Book Value (a.k.a. Original Cost). Gross Book Value was not updated in AWU's errata filing to reflect the revised Transmission/Distribution allocation; only Net Book Value was updated.

- a. Does AWU plan to file another errata to apply the revised Transmission/Distribution allocation to the Original Cost of Assets so the revised Original Cost allocation will flow through to the Capital Cost NRR functionalization?
- b. If not, please explain the rationale behind functionalizing Capital Cost NRR based on Original Cost values that are incorrect.

RESPONSE:

- a) It is correct that Table 83-1 allocates the capital non-rate revenue based upon the gross book value percentages in Table 72-1, Column E, instead of net book value in Column G. Austin Water does not plan to file another Errata to change this at this time. However, Austin Water does plan to address this issue in its rebuttal testimony as an agreed upon adjustment.
- b) Austin Water plans to agree to this change and address it in its rebuttal testimony.

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