



Control Number: 49189



Item Number: 94

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October 4, 2019

**VIA HAND-DELIVERY**

The Honorable Christiaan Siano  
The Honorable JoAnne Summerhays  
Administrative Law Judges  
State Office of Administrative Hearings  
ATTN: CENTRAL RECORDS  
Public Utility Commission of Texas  
1701 N. Congress Ave.  
Austin, TX 78711-3326

Re: *Application of the City of Austin d/b/a Austin Water for Authority to Change  
Water and Wastewater Rates*, SOAH Docket No. 473-19-6297.WS,  
PUC Docket No. 49189

Dear Judge Siano and Judge Summerhays:

The City of Austin d/b/a Austin Water (Austin Water or AW) has identified errata to its direct testimony and schedules filed in this docket.

Below is a listing of the changes to direct testimony:

**Direct Testimony of David Anders**

Insert new page 17.

**Direct Testimony of Joseph H. Gonzales**

Insert new pages 47, 50-53.

Below is an explanation of the changes to the schedules:

**Transmission and Distribution Definition**

During the course of responding 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) RFI No. 4-3, Austin Water discovered that the cost of service model submitted with the original Application for Docket No. 49189<sup>1</sup> included an incorrect classification of transmission mains as 16" and greater.

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<sup>1</sup> Application of the City of Austin d/b/a Austin Water for Authority to Change Water and Wastewater Rates (Apr. 15, 2019) (Application).

Austin Water has provided a listing of distribution and transmission assets including diameter, feet, miles, and the inch-feet calculation. These lists include transmission as 24" or greater, and distribution as smaller than 24". These tables have been updated for 2018 and are included in AW's Response to Districts' RFI Nos. 4-7 and 4-8. The resulting transmission percentage is 33.52% and the distribution percentage is 66.48%. The errata adjusts the cost of service models to ensure the proper percentages resulting from the updated inch-feet analysis are used to allocate costs.

### **Contributed Capital**

In its Application in this proceeding, Austin Water incorrectly included contributed capital asset line items which impacted the allocation of debt service to customers. These contributed capital asset line items are shown in the water cost of service model on Tab 72, Table 72-2. In the attached file: AW Water COS Model Docket 49189 Errata Filing, the contributed capital asset line items show \$0 in the line item. The remaining tables on Tab 72 have been adjusted accordingly to not include contributed capital impacting the allocations. The attached file: 2018 Fixed Assets Pivot Table Contributed Assets Removed, provides the asset listing with the contributed assets removed from the pivot table tab. Additionally, the transmission and distribution allocations contained in the table have been overridden in the AW Water COS Model, Tab 72, to reflect the proper allocation using the corrected inch-foot percentages.

### **IT Application**

In responding to Public Utility Commission (Commission) Staff's RFI No. 6-10, Austin Water discovered that the allocation for IT Applications was inadvertently allocated to transmission and distribution. This cost is located in the water cost of service model on Tab 29, Table 29-1, Line 44 under the Pipeline Operations heading. The functional allocation of this line item showing transmission and distribution is located in the water cost of service model on Tab 30, Table 30-2, Line 80. The class code description of this line item is Administrative, and the cost center is Support Services. This line item was not intended to be allocated to transmission and distribution. This line item was inadvertently added to a Pipeline Operations area when it should have been in the Support Services area.

In the attached file: AW Water COS Model Docket 49189 Errata Filing, Austin Water has corrected the location and allocations of the IT Applications line item. On Tab 29, the IT Applications line item cost has been moved from Pipeline Operations heading to Line 80 under the Support Services heading. The previous location on Line 44 under the Pipeline Operations heading has been revised to indicate Unused. On Tab 30, the IT Applications line item is on Line 116 under the Support Services heading and has been allocated based on the indirect allocation to all functions, consistent with other Support Services line items.

### **Impacts of Errata on Revenue Requirements and Rates for the Districts**

Austin Water has made the errata changes to the revised cost of service rate model. The net impact of these changes is to reduce the Austin Water's wholesale rate increase request from \$4,308,399 to \$3,179,475. The attached file: AW Water COS Model Docket 49189 Errata Filing, has been modified as described, above, and new water rates have been calculated for the

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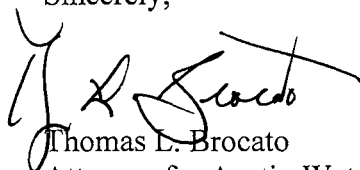
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Districts. Below, is a table which provides the net impacts of the errata changes to the total revenue requirements, fixed and volume revenue, and volumetric rates per 1,000 gallons.

	North Austin MUD	Northtown MUD	Travis County WCID #10	Wells Branch MUD	Total
<b>Total Revenue Requirements</b>					
<b>Original Filing</b>	\$1,692,591	\$1,382,989	\$4,527,698	\$2,331,182	\$9,934,459
<b>Total Revenue Requirements</b>					
<b>Errata Filing</b>	\$1,509,578	\$1,242,738	\$3,983,157	\$2,071,914	\$8,807,386
<b>Variance</b>	(\$183,013)	(\$140,251)	(\$544,541)	(\$259,268)	(\$1,127,073)
<b>Total Revised Revenue from Water and Wastewater Rates:</b>					
<b>Fixed</b>	\$169,957	\$136,150	\$440,339	\$233,482	\$979,927
<b>Volumetric</b>	\$1,337,775	\$1,105,977	\$3,542,606	\$1,839,250	\$7,825,609
<b>Total</b>	\$1,507,732	\$1,242,127	\$3,982,945	\$2,072,732	\$8,805,536
<b>Rates:</b>					
<b>Original Volume Rate (\$ / 1,000 gals.)</b>	\$4.62	\$4.22	\$4.86	\$4.31	
<b>Revised Volume Rate (\$ / 1,000 gals.)</b>	\$4.10	\$3.79	\$4.28	\$3.82	

Austin Water has informed the Districts and Commission Staff of these errata and is providing them with copies of the changes.

Sincerely,



Thomas L. Brocato  
Attorney for Austin Water

TLB:jmc  
0749\16\7915665

Enclosures

cc: All Parties of Record

1 VII. OVERVIEW OF AW WHOLESALE REVENUE REQUIREMENT  
2 INCREASE; DRIVERS FOR INCREASE

3 Q. WHAT WHOLESALE RATE INCREASE DOES AW SEEK IN THIS CASE?

4 A. AW conducted a lengthy consultative and public process to consider AW's wholesale  
5 rates—the Wholesale Involvement Committee (WIC) and Public Involvement  
6 Committee (PIC) process I describe in Section IX of my testimony. In Section X of  
7 this testimony, I more fully describe the process used to develop new wholesale and  
8 retail water rates.

9 Based upon a test year concluding on September 30, 2018, AW seeks an annual  
10 revenue requirement associated with water service to the Petitioners of ~~\$10,030,804~~  
11 This equates to a water rate increase of ~~\$3,786,241~~ **\$2,657,317** **\$8,901,881**

12 Using the same test year, AW has a quantified a wastewater revenue  
13 requirement of \$4,516,231, resulting in a wastewater rate increase of \$522,158. On a  
14 combined water and wastewater basis, AW seeks an annual revenue requirement of  
15 ~~\$14,547,035~~, resulting in a combined increase of ~~\$4,308,399~~ **\$3,179,475**.  
**\$13,418,112**

16 Q. IS THERE ANY IMPORTANT CONTEXT TO BE KEPT IN MIND WHEN  
17 REVIEWING THIS INCREASE?

18 A. Yes. Apart from the technical merits of AW's COS Study as explained by AW's  
19 witnesses, it is important to remember that in Docket No. 48257, AW was denied its  
20 proposed rate increase in its entirety. AW was, in fact, required to set rates for the  
21 Petitioners at levels which were below rates in 2012 prior to AW's rate increase request  
22 which was challenged. As the Commission is aware, Docket No. 42857 concluded in  
23 2016, and was based on a budgeted test year for 2013. Subsequent to the conclusion  
24 of that case, AW has not increased its rate for these customers. Now, after more than

Table 4

Test Year Consumption/Flow Values (1,000 gallons)		
Customer	Test Year Water Consumption	Test Year Wastewater Flows
North Austin MUD	326,506	235,434
Northtown MUD	291,779	246,080
Water District 10	827,353	N/A
Wells Branch MUD	481,286	385,428

**E. Customer Class Revenue Requirements**

Q. WHAT ARE THE REVENUE REQUIREMENTS FOR THE FOUR WHOLESALE CUSTOMERS IMPACTED BY THIS FILING?

A. Customer class revenue requirements for the four wholesale customers impacted by this filing are shown in Table 5 below:

Table 5

Adjusted Test Year Revenue Requirements			
Customer	Water Revenue Requirements	Wastewater Revenue Requirements	Total Revenue Requirements
North Austin MUD	<del>\$1,524,057</del> \$1,708,916	\$1,226,475	<del>\$2,750,532</del> \$2,935,391
Northtown MUD	<del>\$1,256,716</del> \$1,397,578	\$1,281,932	<del>\$2,538,648</del> \$2,679,510
Water District 10	<del>\$4,024,313</del> \$4,569,066	N/A	<del>\$4,024,313</del> \$4,569,066
Wells Branch MUD	<del>\$2,094,795</del> \$2,355,245	\$2,007,825	<del>\$4,104,620</del> \$4,363,070

charges, for the three wholesale wastewater Petitioners, A W has proposed that the fixed charge be reduced to \$10.30 to be consistent with the retail fixed account charge.

**Q. WHAT ARE THE PROPOSED RATES FOR THE PETITIONERS?**

A. The following tables provide existing and proposed water and wastewater service rates for the Petitioners.

North Austin MUD #1			
Current Rates: PUC Ordered Water Rates (Effective February 1, 2016)		Proposed Water Rates (Effective November 1, 2019)	
Meter Equivalent Charge: including 0 gallons		Meter Equivalent Charge: including 0 gallons	
Meter Size	Rate	Meter Size	Rate
5/8	\$0.00	5/8	\$7.25
3/4	\$0.00	3/4	<del>\$10.00</del> \$10.40
1	\$0.00	1	<del>\$12.00</del> \$13.30
1 1/2	\$0.00	1 1/2	<del>\$14.00</del> \$15.20
2	\$0.00	2	<del>\$22.70</del> \$24.80
3	\$0.00	3	<del>\$29.30</del> \$72.80
4	\$0.00	4	<del>\$45.00</del> \$120.90
6	\$0.00	5	<del>\$222.70</del> \$245.90
8	\$0.00	8	<del>\$443.60</del> \$467.00
10	\$0.00	10	<del>\$699.20</del> \$736.20
12	\$0.00	12	<del>\$918.30</del> \$966.90
Fixed Minimum Charge: Additional fixed charge		Fixed Minimum Charge: Additional fixed charge	
Monthly Charge:	\$16,652.00	Monthly Charge:	\$11,000
Volumetric Charge		Volumetric Charge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$2.75	All Volumes	<del>\$4.62</del> \$4.10
Water Revenue Stability Reserve Fund Surcharge		Water Revenue Stability Reserve Fund Surcharge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$0.00	All Volumes	\$0.05
Current Rates: PUC Ordered Wastewater Rates (Effective February 1, 2016)		Proposed Wastewater Rates (Effective November 1, 2019)	
Customer Charge: including 0 gallons		Customer Charge: including 0 gallons	
Monthly Charge	\$51.00	Monthly Charge	\$10.30
Volumetric Charge		Volumetric Charge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$4.23	All Volumes	\$5.21

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Northtown MUD			
Current Rates: PUC Ordered Water Rates (Effective February 1, 2016)		Proposed Water Rates (Effective November 1, 2019)	
Meter Equivalent Charge: including 0 gallons		Meter Equivalent Charge: including 0 gallons	
Meter Size	Rate	Meter Size	Rate
5/8	\$0.00	5/8	\$7.25
3/4	\$0.00	3/4	<del>\$10.80</del> \$10.40
1	\$0.00	1	<del>\$12.80</del> \$19.30
1 1/2	\$0.00	1 1/2	<del>\$14.60</del> \$15.20
2	\$0.00	2	<del>\$23.70</del> 24.80
3	\$0.00	3	<del>\$69.30</del> 72.80
4	\$0.00	4	<del>\$115.00</del> 120.90
6	\$0.00	6	<del>\$233.70</del> \$245.90
8	\$0.00	8	<del>\$443.60</del> \$467.00
10	\$0.00	10	<del>\$699.20</del> \$736.20
12	\$0.00	12	<del>\$918.30</del> \$966.90
Fixed Minimum Charge: Additional fixed charge		Fixed Minimum Charge: Additional fixed charge	
Monthly Charge:	\$12,304.00	Monthly Charge:	\$8,500
Volumetric Charge		Volumetric Charge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$2.59	All Volumes	<del>\$4.22</del> \$3.79
Water Revenue Stability Reserve Fund Surcharge		Water Revenue Stability Reserve Fund Surcharge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$0.00	All Volumes	\$0.05
Current Rates: PUC Ordered Wastewater Rates (Effective February 1, 2016)		Proposed Wastewater Rates (Effective November 1, 2019)	
Customer Charge: including 0 gallons		Customer Charge: including 0 gallons	
Monthly Charge	\$60.00	Monthly Charge	\$10.30
Volumetric Charge		Volumetric Charge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$4.15	All Volumes	\$5.21

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Travis County WCID #10			
Current Rates: PUC Ordered Water Rates (Effective February 1, 2016)		Proposed Water Rates (Effective November 1, 2019)	
Meter Equivalent Charge: including 0 gallons		Meter Equivalent Charge: including 0 gallons	
Meter Size	Rate	Meter Size	Rate
5/8	\$0.00	5/8	\$7.25
3/4	\$0.00	3/4	<del>\$10.00</del> \$10.40
1	\$0.00	1	<del>\$12.00</del> \$13.30
1 1/2	\$0.00	1 1/2	<del>\$14.00</del> \$15.20
2	\$0.00	2	<del>\$23.70</del> \$24.80
3	\$0.00	3	<del>\$69.30</del> \$72.80
4	\$0.00	4	<del>\$115.00</del> \$120.90
6	\$0.00	6	<del>\$233.70</del> \$245.90
8	\$0.00	8	<del>\$443.60</del> \$467.00
10	\$0.00	10	<del>\$699.20</del> \$736.20
12	\$0.00	12	<del>\$918.30</del> \$966.90
Fixed Minimum Charge: Additional fixed charge		Fixed Minimum Charge: Additional fixed charge	
Monthly Charge:	\$38,611.00	Monthly Charge:	\$40,000
Volumetric Charge		Volumetric Charge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$2.75	All Volumes	<del>\$4.86</del> \$4.28
Water Revenue Stability Reserve Fund Surcharge		Water Revenue Stability Reserve Fund Surcharge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$0.00	All Volumes	\$0.05

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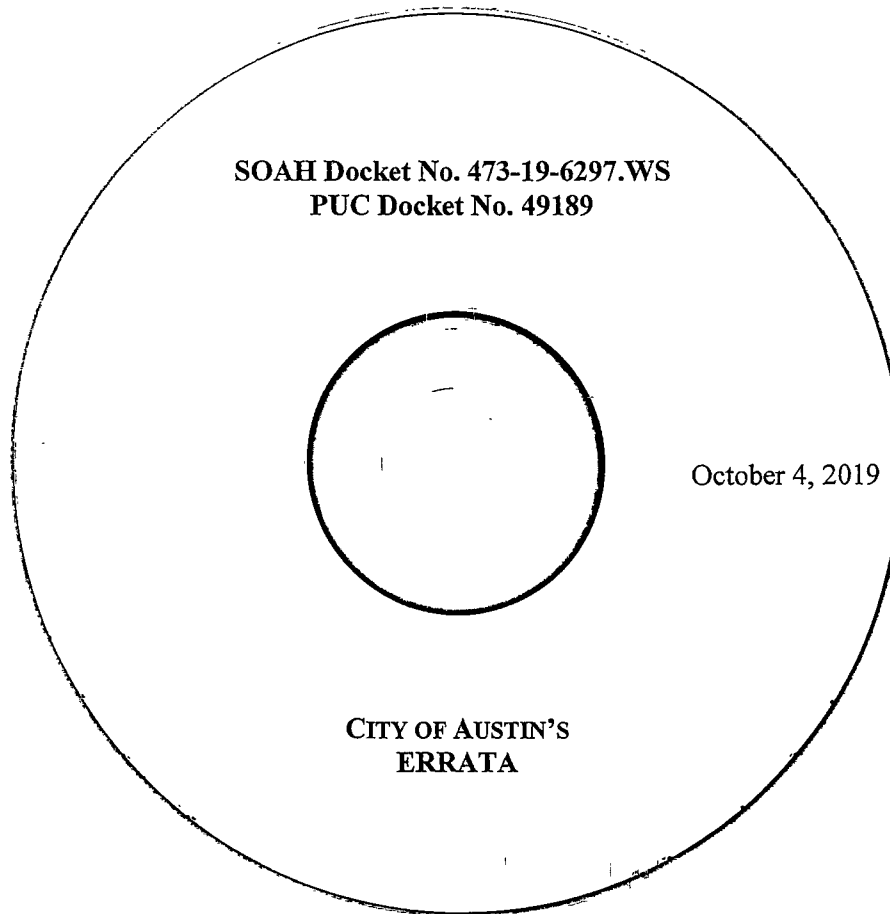
Wells Branch MUD			
Current Rates: PUC Ordered Water Rates (Effective February 1, 2016)		Proposed Water Rates (Effective November 1, 2019)	
Meter Equivalent Charge: including 0 gallons		Meter Equivalent Charge: including 0 gallons	
Meter Size	Rate	Meter Size	Rate
5/8	\$0.00	5/8	\$7.25
3/4	\$0.00	3/4	<del>\$10.00</del> \$10.40
1	\$0.00	1	<del>\$12.80</del> \$13.30
1 1/2	\$0.00	1 1/2	<del>\$14.80</del> \$15.20
2	\$0.00	2	<del>\$23.70</del> \$24.80
3	\$0.00	3	<del>\$69.30</del> \$72.80
4	\$0.00	4	<del>\$115.00</del> \$120.90
6	\$0.00	6	<del>\$233.70</del> \$245.90
8	\$0.00	8	<del>\$443.60</del> \$467.00
10	\$0.00	10	<del>\$699.20</del> \$736.20
12	\$0.00	12	<del>\$918.30</del> \$966.90
Fixed Minimum Charge: Additional fixed charge		Fixed Minimum Charge: Additional fixed charge	
Monthly Charge:	\$21,133.00	Monthly Charge:	\$19,000
Volumetric Charge		Volumetric Charge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$2.60	All Volumes	<del>\$4.31</del> \$3.82
Water Revenue Stability Reserve Fund Surcharge		Water Revenue Stability Reserve Fund Surcharge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$0.00	All Volumes	\$0.05
Current Rates: PUC Ordered Wastewater Rates (Effective February 1, 2016)		Proposed Wastewater Rates (Effective November 1, 2019)	
Customer Charge: including 0 gallons		Customer Charge: including 0 gallons	
Monthly Charge	\$51.00	Monthly Charge	\$10.30
Volumetric Charge		Volumetric Charge	
Volume	Charge (Per 1,000 Gallons)	Volume	Charge (Per 1,000 Gallons)
All Volumes	\$4.14	All Volumes	\$5.21

## VII. CASH ACCOUNTING

Q. DOES THE PROPOSED REVENUE REQUIREMENT INCLUDE ANY AMOUNTS RELATED TO DEFERRED BALANCE SHEET ITEMS?

A. No. AW's balance sheet, which is prepared in accordance with Generally Accepted Accounting Principles (GAAP), contains certain deferred items shown in Schedule

ERRATA PROVIDED ON CD



 2018 Fixed Assets Pivot Table Contributed Assets Removed.xlsm

 AW Water COS Model Docket 49189 Errata Filing.xlsm