

Control Number: 50424



Item Number: 6

Addendum StartPage: 0



**Monarch  
Utilities I, L.P.**

**A SouthWest Water Company**  
RECEIVED

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Customer Service  
866.854.SWWC (7992)

PUBLIC UTILITY COMMISSION  
FILING CLERK

March 10, 2020

Public Utility Commission of Texas Attention: Filing Clerk  
1701 Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

Re: Docket 50424 - Application of Monarch Utilities I L.P. and Goins Utility Service LLC for Sale  
Transfer, or Merger of Facilities and Uncertificated Area in Polk county

Responses to Deficiencies

To the Commission:

Order No. 2 issued in the above referenced docket requires the applicant to supplement the application to cure deficiencies identified by the Public Utility Commission ("Commission") Staff in a memo dated February 10, 2020. The supplemental information must be provided on or before March 10, 2010.

The deficiencies were categorized as Mapping, Service Area, Rates, and Financial. The Applicants' responses are attached.

Please contact me if any additional information is required at this time.

Sincerely,

George Freitag, P.E.  
Texas Regulatory Manager  
SouthWest Water Company  
Monarch Utilities I, L.P.  
(512) 219-2288  
[gfreitag@swwc.com](mailto:gfreitag@swwc.com)

Attachments:

4

**MAPPING DEFICIENCIES**

The requested area in the general location and detailed maps must be revised with accurate labeling. Furthermore, the digital mapping data shows inconsistent boundaries when comparing the water and sewer requested areas. Monarch must also include mapping information for the area to be decertified from LL WSC. The Applicants must supplement their application with:

1. A revised general location map identifying the requested area in reference to the nearest county boundary, city, or town.

**Response:** See Attachments Map-1 Water and Map-1 Sewer for revised general location maps for both the requested areas for water and sewer service. Please note that the requested water and sewer boundaries are different because there are some customers receiving only water or only sewer service.

2. A revised detailed map identifying the requested area in reference to verifiable man-made and natural landmarks, such as roads, rivers, and railroads.

**Response:** See Attachments Map-2 Water and Map-2 Sewer for revised detailed maps.

3. Revised digital mapping data for the requested area with consistent boundary locations, that include both the area requested to be incorporated into Monarch's CCN and the portion to be decertified from LL WSC's CCN, in a shapefile (SHP) format, georeferenced in NAD83 Texas Statewide Mapping System (Meters).

**Response:** Revised digital mapping for both the requested areas and the portion to be decertified is attached in data disks.

4. State the approximate total acreage for the following:
  - a. Portion of the requested area to be decertified from LL WSC's CCN.

**Response:** The area requested to be decertified from Lake Livingston Water and Sewer's CCN Number 11047 is 4.88 acres.

- b. Total acreage of the requested area for sewer CCN amendment.

**Response:** The acreage of the total requested area for sewer service is 23.69 acres.

- c. Total acreage of the requested area for water CCN amendment.

**Response:** The acreage of the total requested area for water service is 17.55 acres.

**SERVICE AREA DEFICIENCIES**

The requested area has existing customers and facilities. Staff requests that the Applicants supplement their application with the following:

1. A detailed map identifying existing water facilities for production and distribution within the boundaries of the requested area;

**Response:** The only available map of the existing water facilities provided by the seller is included as Attachment Service Area 1. After acquisition, Monarch will make a detailed assessment of all facilities and will upgrade system maps and drawings.

2. A detailed map identifying existing sewer facilities for collection and treatment within the boundaries of the requested area; and

**Response:** The only available map of the existing water facilities provided by the seller is included as Attachment Service Area 2. After acquisition Monarch will make a detailed assessment of all facilities and will upgrade system maps and drawings.

3. A detailed map identifying existing water and sewer customers within the boundaries of the requested area.

**Response:** The locations of current water and sewer customers are marked on the facilities maps provided in response to items 1 and 2 above.

4. Additionally, the application states that Monarch had obtained an agreement with LL WSC for the decertification of a portion of their water CCN. Staff requests that the application be supplemented with a copy of this agreement for decertification.

**Response:** The agreement for decertification signed by Lake Livingston WSC is included as Attachment Service Area-4.

**RATES DEFICIENCIES**

The response to question fifteen (15) in the STM application states that Monarch intends to incorporate into their tariff the rates currently used by Goins; however, the rate is not Commission-approved. In the application, Monarch proposed the following rate schedule:

Meter Size	Monthly Minimum Charge	Gallage Charge
Residential/Small Commercial	\$36.50 (includes 1,000 gallons)	\$3.30 per 1,000 gallons
RV Park	\$85.00 all usage	

Commission Staff requests that the Applicants provide documentation that supports that the rate listed above meets the requirements set forth in 16 TAC § 24.43 for rate design.

**Response:**

Goins Utility Service LLC (“Goins”) and Monarch Utilities I L.P. (“Monarch”, together referred to as “the Applicants”) believe Commission Staff’s recommended deficiency is substantive in nature rather than administrative and should not be considered a deficiency for purposes of deeming the application administratively complete; however, should the Commission disagree with this position, the Applicants respond as follows:

As noted in the application, Goins does not currently have, and has never had, a Commission-approved tariff. The issue of the utility charging unapproved rates would have needed to be resolved, even had the Applicants not agreed to the proposed transaction. However, in recognition of the efficiencies gained from addressing the issue in the instant application and the desire of the Applicants to effect the transaction in a timely manner, the Applicants requested that the Commission allow Monarch to continue charging the current rates for the customers to be transferred until such time as a filing to set Monarch’s rates is filed with the Commission.

Following discussion with Commission Staff and review of the Texas Water Code (“TWC”) and Texas Administrative Code (“TAC”), the Applicants hereby amend their original request regarding rates for the acquired customers. Specifically, the Applicants request that the Commission allow Monarch to charge Monarch’s tariffed rates to the customers to be transferred, phased in over a five-year period. This proposal addresses the issue of Goins customers not having tariffed rates, ensures that the customers do not receive preferential rates, alleviates the severity of rate shock that would be experienced by current Goins customers if immediately charged Monarch’s full rates upon transition to Monarch, and complies with the Commission’s stated position advocating for the acquisition of small, nonfunctioning utilities. Additionally, it is within the Commission’s authority to deviate from standard ratemaking protocol for good cause when doing so results in a benefit to the public.<sup>1</sup>

Section 24.43 of the TAC, referenced by Staff in its deficiency recommendation, requires the Commission to set rates that allow a utility to earn a reasonable return and that preserve the financial integrity of the utility. The Applicants’ amended proposal regarding rates is not inconsistent or contrary to this rule. Should it be found to be so, 16 TAC § 24.2(b) allows the Commission to deviate from the rules for good cause.

Additionally, the Applicants note that 16 TAC § 24.363 allows a utility providing services to a

<sup>1</sup> 16 TAC § 24.2(b) provides that the Commission may make exceptions to [chapter 24] for good cause.

nonfunctioning utility to implement temporary rates.

The Applicants' proposal for a five-year rate phase-in contemplates a rate increase occurring each anniversary of the transaction closing date for four consecutive years, with the increases based on set percentages of Monarch's rates at the time of the increase. This ensures that the rate phase-ins track with Monarch's rates, regardless of whether there are rate changes during that time. Additionally, the initial rate adjustment, to occur as of the closing of the transaction, will adjust Goins' usage tier structure to align with those currently approved for Monarch.

% of Monarch's Rate	60%	70%	80%	90%	100%	
<b>Goins (sewer)</b>						
	<u>Current</u>	<u>Close</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4*</u>
Flat	36.5	45.16	52.68	60.21	67.73	75.26
Usage (>0 kgal)	0	1.58	1.85	2.11	2.38	2.64
<b>Goins (water)</b>						
	<u>Current</u>	<u>Close</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4*</u>
Base	36.5	29.58	34.51	39.44	44.37	49.3
Tier 1 (0-1 kgal)	0	3.47	4.05	4.63	5.21	5.79
Tier 2 (1-2 kgal)	3.3	3.47	4.05	4.63	5.21	5.79
Tier 3 (2-10 kgal)	3.3	4.51	5.26	6.02	6.77	7.52
Tier 4 (10-20 kgal)	3.3	5.25	6.13	7	7.88	8.75
Tier 5 (>20 kgal)	3.3	5.66	6.6	7.54	8.49	9.43
Purchased Water Passthrough	0	1.36	1.59	1.82	2.04	2.27
TCJA Credit	0	(1.66)	(1.93)	(2.21)	(2.48)	(2.76)
Avg Bill @ 5 kgal	86.2	102.8	120	137.1	154.3	171.41
Avg Bill @ 8 kgal	96.1	121.1	141.3	161.5	181.7	201.89

\*Current Monarch Rates

The proposed rate phase-in addresses Staff's recommended deficiency and resolves the issues that would otherwise prevent Monarch from furthering the Commission's wishes that nonfunctioning systems be consolidated with existing utilities capable of providing managerial, operational, technical, and financial resources necessary to provide safe, reliable water and wastewater to consumers at fair prices.

**Financial Deficiencies**

Staff also identified the following deficiencies in the application:

1. Complete application question number 14. Debits and credits should equal so that all line items added together equal zero.

**Response:** A completed application question Part 1 Q 14, with supporting asset listing, is provided separately under confidential seal.

2. Complete Appendix B for providing water service to Goins Utility Service LLC's customers.

**Response:** This application is to acquire into Monarch a standalone 36 customer water and sewer utility that is uncertificated and has deficiencies. Monarch currently serves approximately 29,000 water and wastewater customers in Texas and has provided financial documents as part of this application. As described in the response to the question above on rates to be charged, Monarch is requesting that the Commission allow Monarch to charge Monarch's tariffed rates to the customers to be transferred, phased in over a period of five years. As such, Monarch does not believe a completed Appendix B for providing water service specifically to the acquired customers would be meaningful and is requesting that it not be required to submit an Appendix B.

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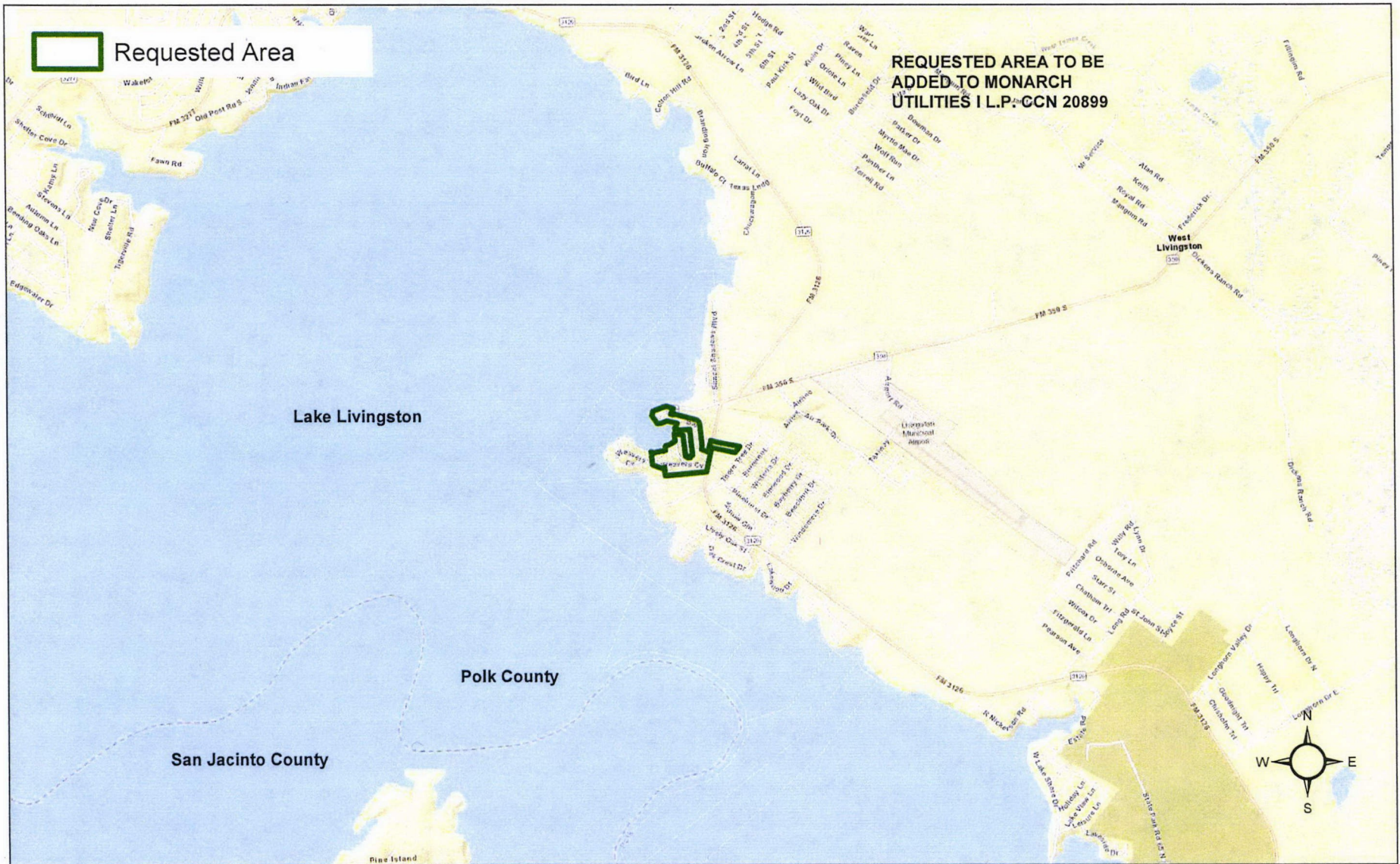
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**Response:** This application is to acquire into Monarch a standalone 36 customer water and sewer utility that is uncertificated and has deficiencies. Monarch currently serves approximately 29,000 water and wastewater customers in Texas and has provided financial documents as part of this application. As described in the response to the question above on rates to be charged, Monarch is requesting that the Commission allow Monarch to charge Monarch's tariffed rates to the customers to be transferred, phased in over a period of five years. As such, Monarch does not believe a completed Appendix B for providing water service specifically to the acquired customers would be meaningful and is requesting that it not be required to submit an Appendix B.

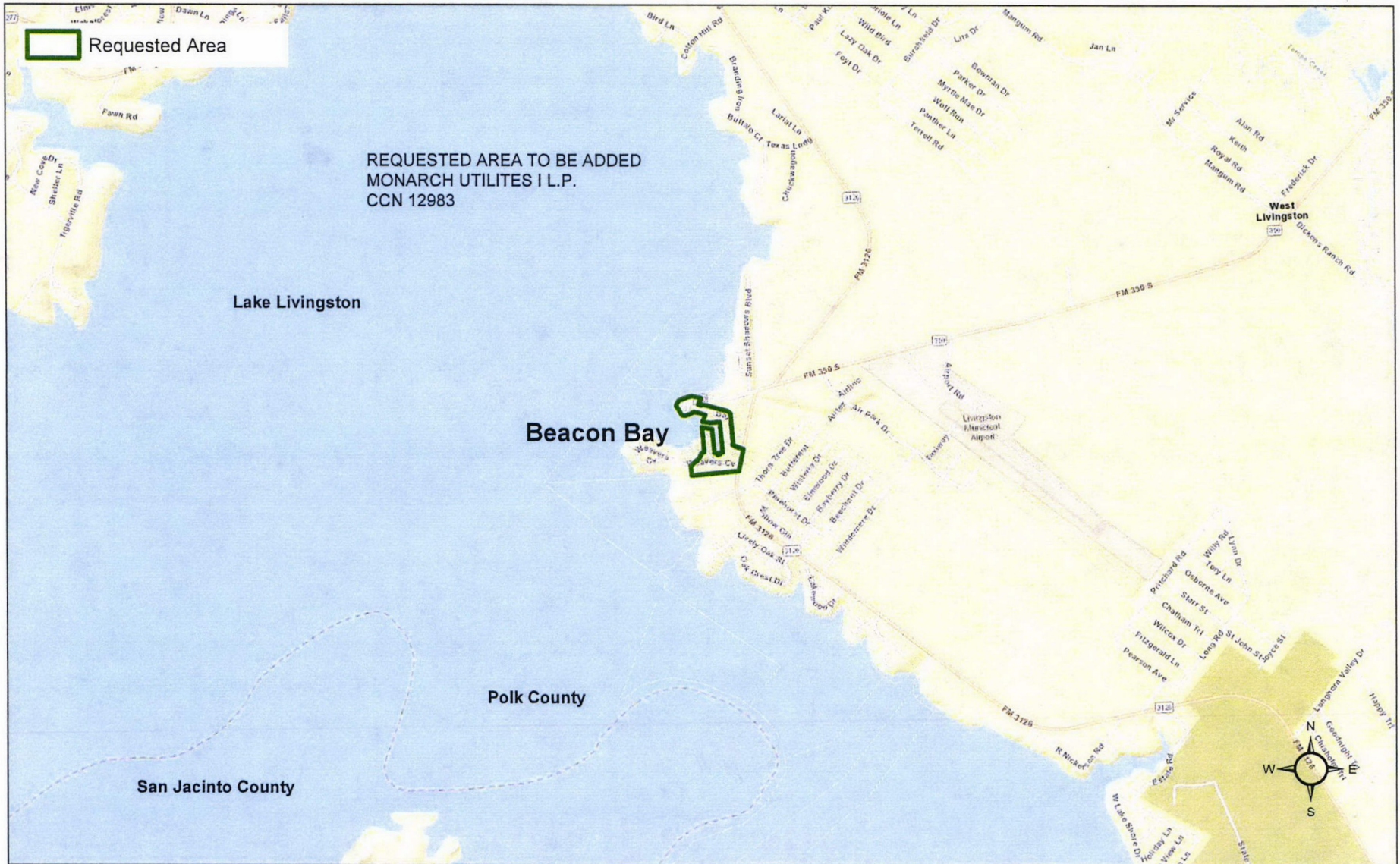
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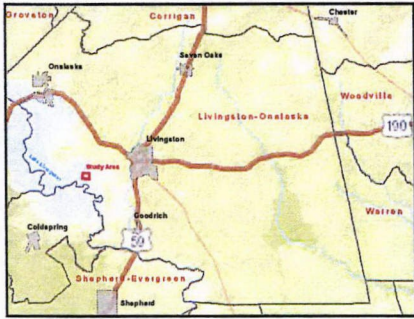
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# Beacon Bay - Sewer



# Beacon Bay - Water



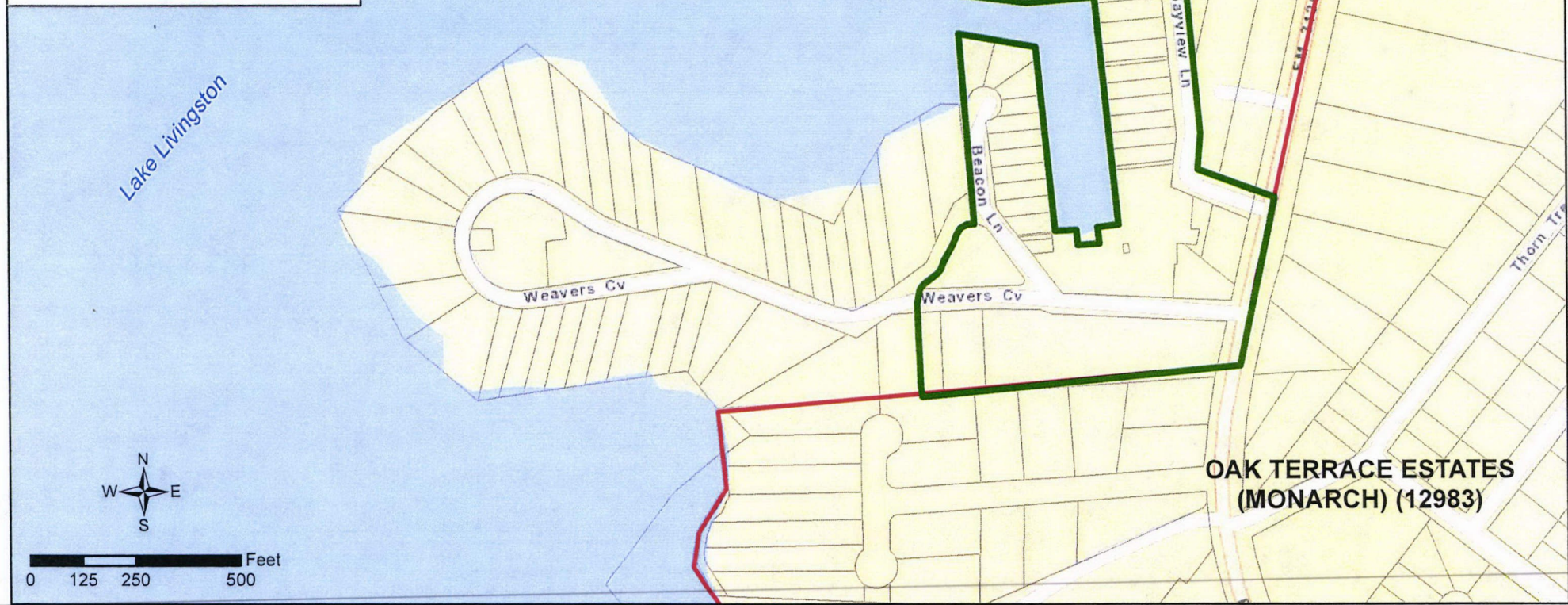


**Monarch  
Utilities I L.P. -  
CCN 12983  
Requested Area**

**Legend**

- Beacon Bay Water
- Oak Terrace Estates

Water Service Area Requested




**OAK TERRACE ESTATES  
(MONARCH) (12983)**



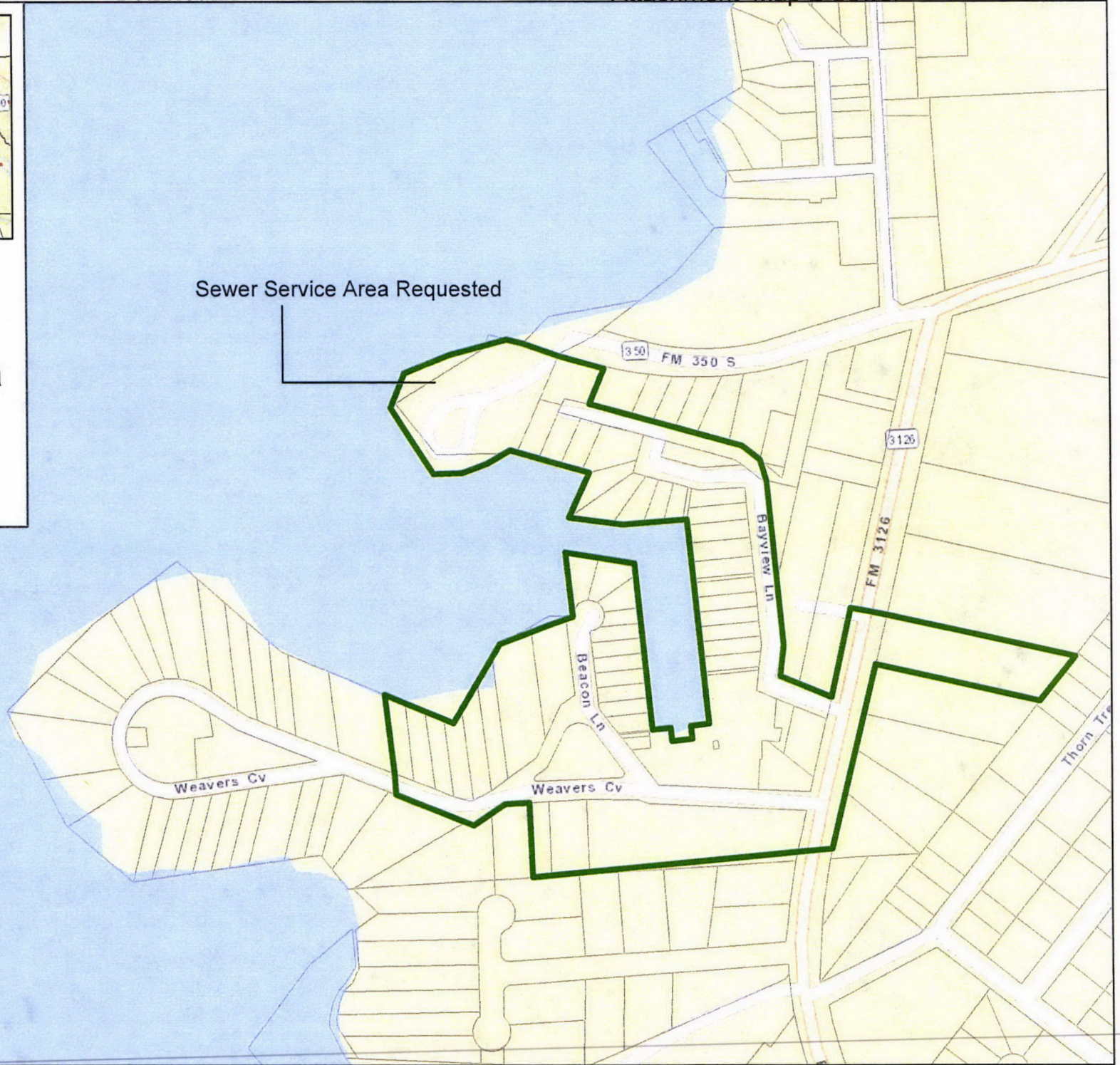


# Monarch Utilities I L.P. Requested Area CCN 20899

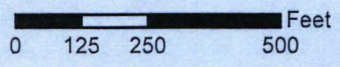
### Legend

 Beacon Bay Sewer

Sewer Service Area Requested



Lake Livingston

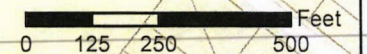
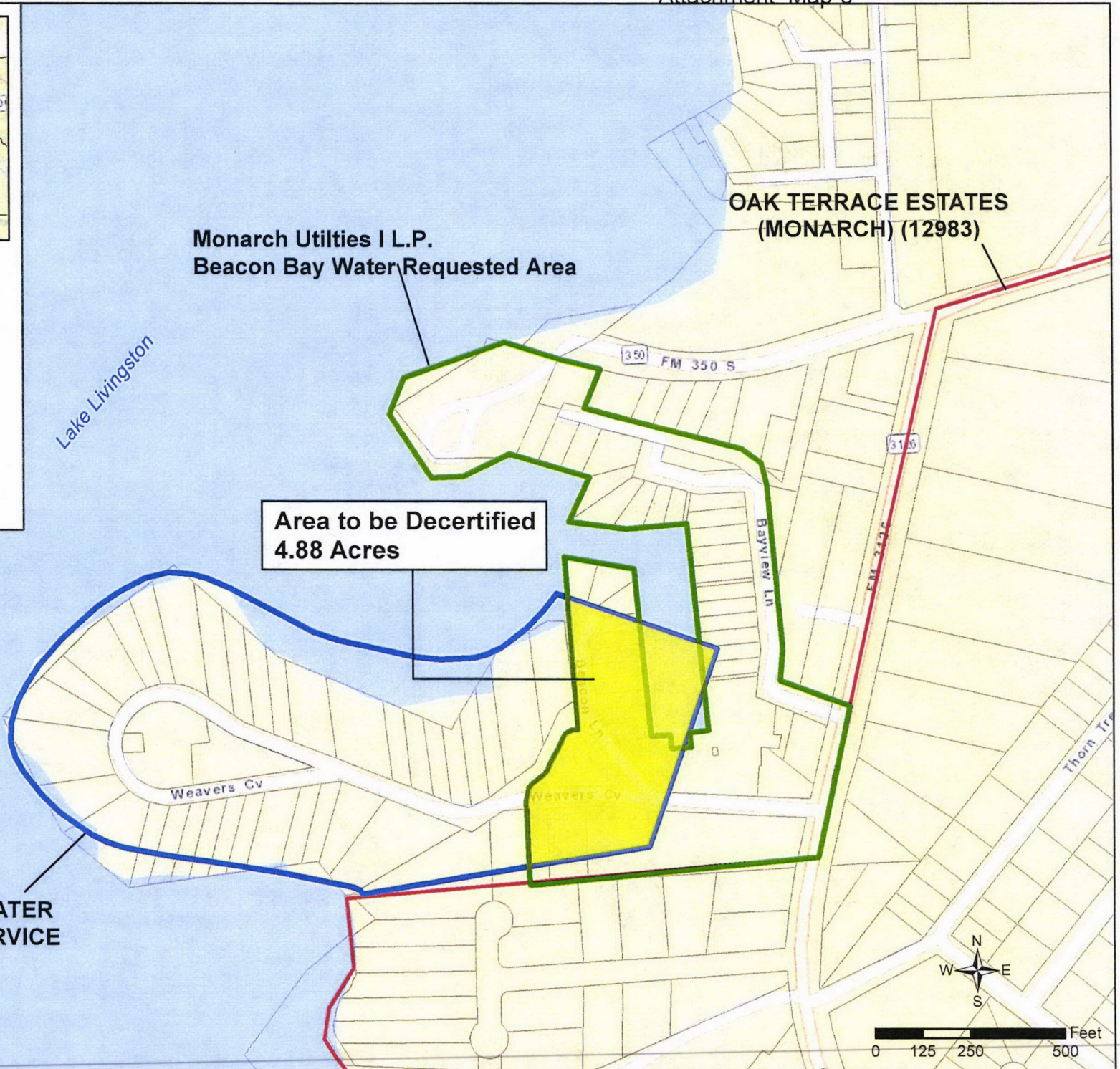




# Requested Area to be Decertified

## Legend

- Area to be Decertified
- Beacon Bay Water
- Lake Livingston Water Supply & Sewer
- Oak Terrace Estates





**Monarch  
Utilities I, L.P.**

A SouthWest Water Company

Customer Service  
866.654.SWWC (7992)

October 8, 2019

Public Utility Commission of Texas  
William B. Travis Bldg.  
1701 N. Congress Avenue  
7<sup>th</sup> Floor  
Austin, TX 78701

Re: Application to Amend CCN  
Lake Livingston Water Supply Corporation  
CCN: 10147  
Monarch Utilities I, L.P.  
CCN 12983

To Whom It May Concern:

Monarch I Utilities, L.P. is in the process of purchasing the Beacon Bay Marina and RV Park ("BB") retail water facilities, which does not have a Certificate of Convenience and Necessity ("CCN"). Lake Livingston Water Supply Corporation has CNN No. 10147 which covers a portion of the BB service area. Monarch will request an amendment to its water CCN to include the portion of the service area as shown in green on the attached map. Lake Livingston Water Supply Corporation agrees to the decertification of the BB area from its CCN so that the area shown in green for BB on the attached Exhibit "A" will become part of the Monarch CCN. Monarch will prepare all documents necessary for the transfer of the BB area.

Please call me if you have any questions.

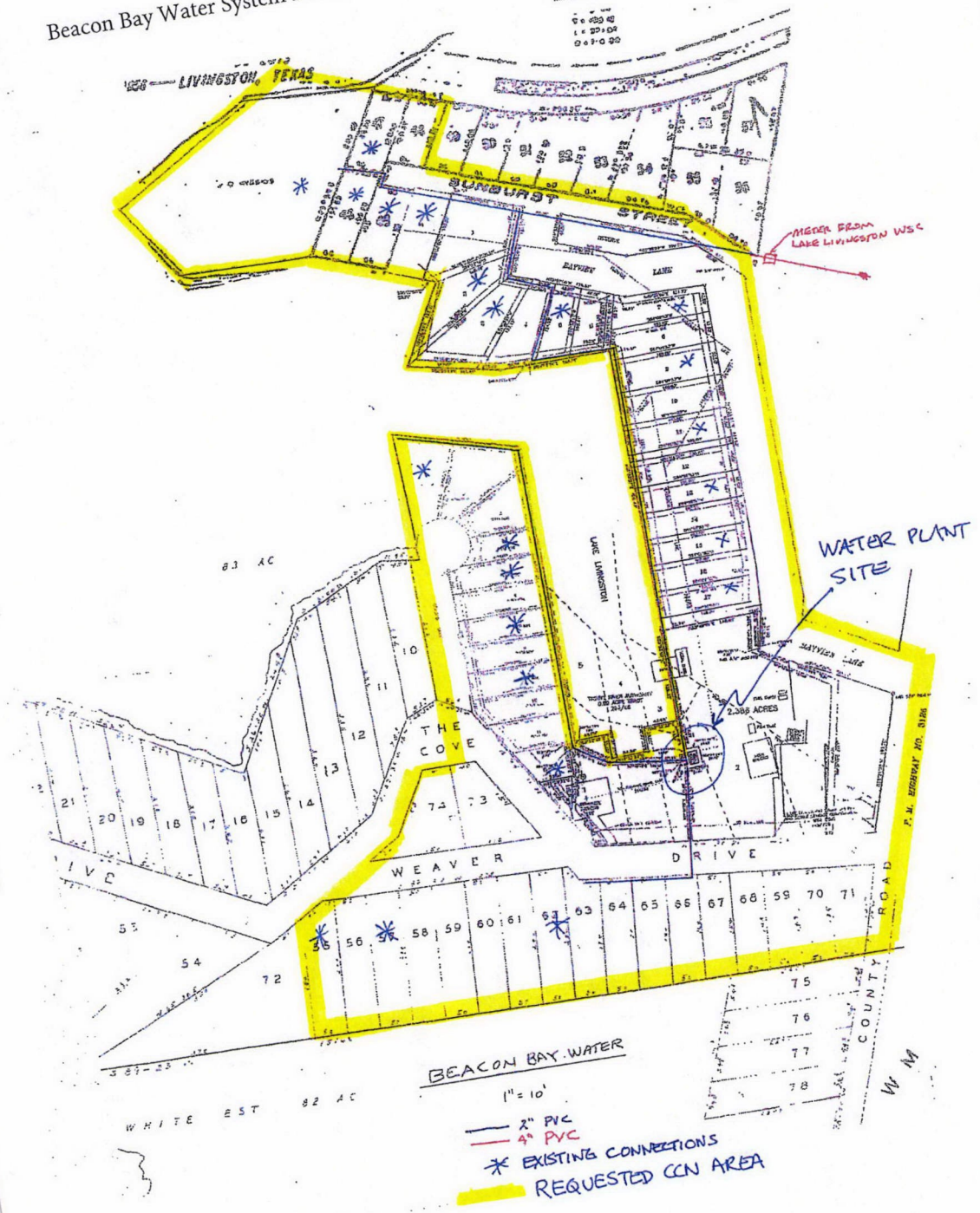
Very truly yours,

John McClellan  
Vice President

Agreed to:  
Livingston Water Supply Corporation

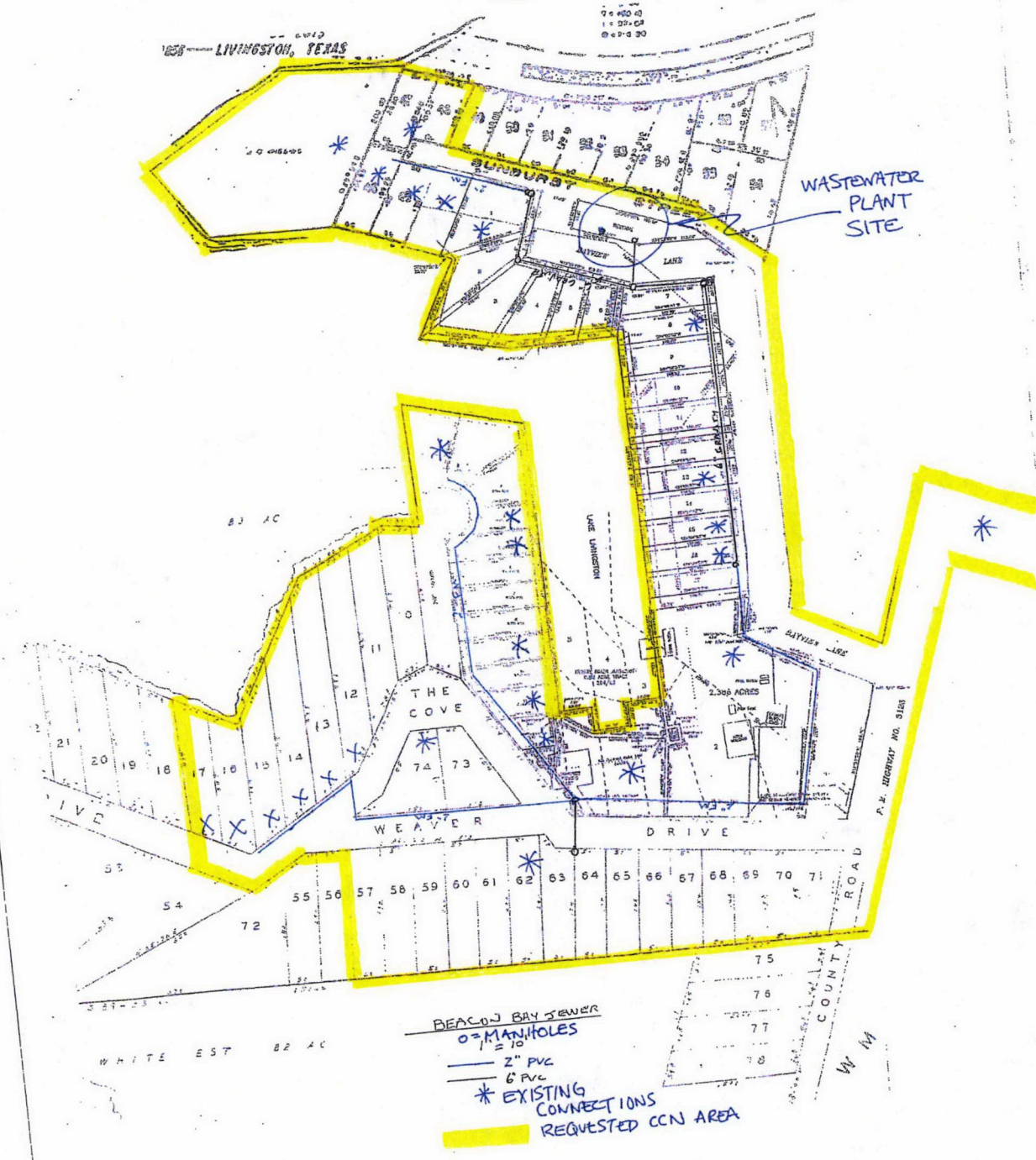
John Sexton, General Manager

10-9-2019  
Date



Docket 50424

Attachment Service Area-2



BEACON BAY SEWER  
○ = MANHOLES  
= 10  
—— 2" PVC  
- - - 6" PVC  
\* EXISTING CONNECTIONS  
REQUESTED CCN AREA

CD ATTACHED

TO VIEW PLEASE CONTACT  
CENTRAL RECORDS  
512-936-7180