

Control Number: 50944



Item Number: 445

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# OPEN MEETING COVER SHEET

## COMMISSIONER MEMORANDUM

**MEETING DATE:** September 24, 2020

**DATE DELIVERED:** September 23, 2020

**AGENDA ITEM NO.:** 6

**CAPTION:** Docket No. 50944 - Application of Monarch Utilities I, L.P. For Authority to Change Rates

**DESCRIPTION:** Chairman Walker and Commissioner Botkin Memorandums

**Distribution List:**

Commissioner Offices email group  
Division Directors email group  
Commission Advising email group  
Docket Management email group  
OPD Support Staff email group  
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**DeAnn T. Walker**  
Chairman

**Arthur C. D'Andrea**  
Commissioner

**Shelly Botkin**  
Commissioner

**John Paul Urban**  
Executive Director



**Greg Abbott**  
Governor

## *Public Utility Commission of Texas*

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TO: Chairman DeAnn T. Walker  
Commissioner Arthur C. D'Andrea  
Commissioner Shelly Botkin

All Parties of Record (*via electronic transmission*)

FROM: Austin Spraez  
Commission Advising

RE: *Application of Monarch Utilities I, L.P. for Authority to Change Rates*, Docket  
No. 50944, September 24, 2020 Open Meeting, Item No. 6.

DATE: September 23, 2020

Please find enclosed memoranda by Chairman Walker and Commissioner Botkin regarding the above-referenced docket.

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# *Public Utility Commission of Texas*

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## **Commissioner Memorandum**

**TO:** Commissioner Arthur C. D'Andrea  
Commissioner Shelly Botkin

**FROM:** Chairman DeAnn T. Walker 

**DATE:** September 23, 2020

**RE:** September 24, 2020 Open Meeting – Item No. 6  
Docket No. 50944 – *Application of Monarch Utilities I, L.P. for Authority to Change Rates*

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The Commission should adopt the draft preliminary order with the following change: it should add Monarch's request for a system-improvement-charge mechanism in its tariffs as an issue not to be addressed.

During the 2019 legislative session, Texas Water Code (TWC) § 13.183 was amended to allow for certain alternative ratemaking methodologies, including the adoption of system improvement charges. The Commission opened Project No. 50322, *Alternative Ratemaking Mechanisms for Water and Sewer Utilities*, to address such mechanisms, but at this time there has not been a proposal for publication of the draft rule. I believe that the mechanisms for a system improvement charge should be determined in a rulemaking proceeding. This will allow the Commission to receive input from all interested persons, whether they are customers or large or small utilities. Receiving broad-based input from all potentially interested parties is necessary to develop an appropriate rule.

In my opinion, all utilities should follow a single set of rules to implement a system improvement charge, instead of each utility having a separate mechanism. Therefore, I do not believe that the terms of a system improvement charge should be developed in a single utility's rate case. It would not be a good use of resources to litigate the terms of a system improvement charge for Monarch in this docket. Instead, the Commission should address the issue through the pending rulemaking project. In fact, Monarch states that it is not requesting adoption of an actual system improvement charge but merely approval of a mechanism in its tariffs that will allow future requests. Thus, Monarch's request to implement a mechanism for its system improvement charge in its tariffs is premature.

Finally, the Commission should delegate to the Office of Policy and Docket Management staff the authority to modify the order to conform to the *Citation and Style Guide for the Public Utility Commission of Texas* and to make other non-substantive changes to the order for such matters as capitalization, spelling, grammar, punctuation, style, correction of numbering, and readability.

I look forward to discussing this matter with you at the open meeting.

# *Public Utility Commission of Texas*

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## **Commissioner Memorandum**

**TO:** Chairman DeAnn T. Walker  
Commissioner Arthur C. D'Andrea

**FROM:** Commissioner Shelly Botkin

**DATE:** September 23, 2020

**RE:** September 24, 2020 Open Meeting – Item No. 6  
Docket No. 50944 – *Application of Monarch Utilities I, L.P. for Authority to Change Rates*

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In this proceeding, Monarch requested the addition of a system improvement charge mechanism its water and sewer tariffs.<sup>1</sup> Monarch clarified that it is not requesting adoption of a system improvement charge amount, but rather the approval of a mechanism so that it can request a system improvement charge at a later date.<sup>2</sup> This is the first request by a water or sewer utility for a system improvement charge mechanism.

On December 6, 2019, the Commission opened Project No. 50322, *Alternative Mechanisms for Water and Sewer Utilities*, to address the recent amendments to TWC § 13.183. At this time a proposal for publication of a draft rule addressing system improvement charges has not yet been filed; but, it is my understanding that a strawman rule is in the process of being drafted.

For your consideration and input, I propose that the Commission ask for briefing from the parties on the following threshold policy or legal issue:

1. Is it appropriate for the Commission to consider Monarch's request for the addition of a system improvement mechanism to both its water and sewer tariffs in this proceeding, prior to the Commission's adoption of a rule that addresses system improvement charges?

If the Commission agrees with this approach it could adopt the preliminary order now, order the parties to brief the issues, and adopt a supplemental preliminary order following briefing, or it could wait and issue the preliminary order following briefing from the parties.

I look forward to discussing this matter with you at the open meeting.

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<sup>1</sup> Application at 000006.

<sup>2</sup> *Id.* at 000089.