



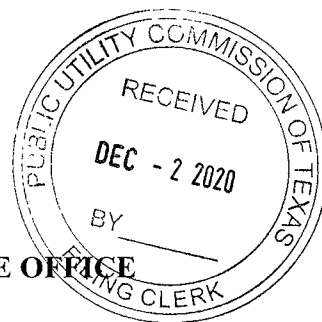
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Item Number: 595

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SOAH DOCKET NO. 473-20-4709.WS
PUC DOCKET NO. 50944



APPLICATION OF MONARCH § BEFORE THE STATE OFFICE
UTILITIES I, L.P. TO CHANGE RATES § OF
FOR WATER AND SEWER SERVICE § ADMINISTRATIVE HEARINGS

ERRATA TO THE DIRECT TESTIMONY OF ADRIAN NARVAEZ

COMES NOW the Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and files the attached Errata to the Direct Testimony of Adrian Narvaez. In support thereof, Staff shows the following:

Staff files the following Errata to the Direct Testimony of Adrian Narvaez, originally filed on October 27, 2020. The errata incorporates changes made in the Errata to the Direct Testimony of Heidi Graham, filed December 1, 2020 as well as the Errata to the Direct Testimony of Debi Loockerman and Supplemental Direct Testimony of Debi Loockerman, filed December 2, 2020.

The errata contains the attached changes and an attached clean copy.

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Rachelle Nicolette Robles
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CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record on December 2, 2020 in accordance with the Order Suspending Rules, issued in Project No. 50664.

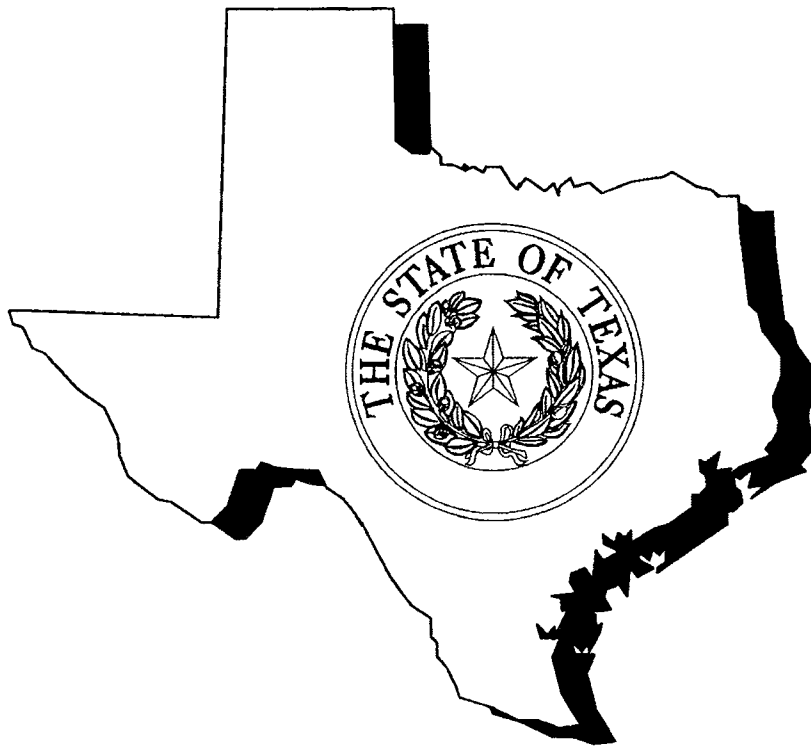
/s/Rashmin J. Asher
Rashmin J. Asher

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APPLICATION OF MONARCH
UTILITIES I, L.P. FOR AUTHORITY TO
CHANGE RATES

§
§
§

BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS



ERRATA TO THE DIRECT TESTIMONY OF ADRIAN NARVAEZ
RATE REGULATION DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS
DECEMBER 2, 2020

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ATTACHMENTS

Attachment AN-1 Regulatory Resumé of Adrian Narvaez
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1 **I. PROFESSIONAL QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. Adrian Narvaez, Public Utility Commission of Texas (Commission), 1701 N. Congress
4 Avenue, Austin, TX 78711-3326.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by the Commission as a Rate Analyst in the Tariff and Rate Analysis
8 Section of the Rate Regulation Division.

9
10 **Q. What are your responsibilities as a Rate Analyst for the Commission?**

11 A. My principal responsibility is analyzing utility filings on matters relating to rate design and
12 cost allocation. My responsibilities include analyzing electric industry regulatory policy,
13 reviewing tariffs to determine compliance with Commission requirements, and preparing
14 and presenting testimony as an expert witness on cost allocation and rate design issues in
15 contested proceedings before the Commission and the State Office of Administrative
16 Hearings (SOAH).

17
18 **Q. Please state your educational background and professional experience.**

19 A. Attachment AN-1 contains a summary of my regulatory experience and educational
20 background.

21
22 **Q. Have you previously filed testimony before the Commission?**

23 A. Yes. Attachment AN-1 contains a listing of direct testimony I have filed recently at the
24 Commission.

25

1 **II. PURPOSE AND SCOPE OF TESTIMONY**

2 **Q. What is the purpose of your testimony in this proceeding?**

3 A. My testimony regarding Monarch Utilities I L.P.'s (Monarch) application will address cost
4 allocation and rate design issues. My testimony will address, in whole or in part, the
5 following issues from the Commission's Preliminary Order issued on September 24, 2020:

- 6 • Issue No. 11. What is the appropriate portion of this revenue requirement that
7 should be used to design the utility's water rates?
- 8 • Issue No. 12. What is the appropriate portion of this revenue requirement that
9 should be used to design the utility's sewer rates?
- 10 • Issue No. 13. What is the utility's cost of service for providing water service based
11 on its test year?
- 12 • Issue No. 14. What is the utility's cost of service for providing sewer service based
13 on its test year?
- 14 • Issue No. 44. Has each component of cost of service been properly assigned or
15 allocated between water and sewer services?
- 16 • Issue No. 45. What is the appropriate allocation of costs and revenues among the
17 utility's rate classes for water service and for sewer service?
- 18 • Issue No. 46. What is the appropriate rate design for water service and for sewer
19 service for each rate class consistent with 16 TAC § 24.43?
- 20 • Issue No. 50. What are the just and reasonable rates for water service and for sewer
21 service that are sufficient, equitable, and consistent in application to each customer
22 class and that are not unreasonably preferential, prejudicial, or discriminatory under
23 TWC §§ 13.182 and 13.187(h) and 16 TAC § 24.35(d)? Do these rates recover the
24 utility's revenue requirement for each type of service?
- 25 • Issue No. 51. Are the proposed phased-in rates reasonable and appropriate? 16 TAC
26 § 24.75(b).

1 **Q. Please describe your role in this proceeding.**

2 A. I reviewed Monarch's application for issues associated with allocation of costs and the
3 calculation of rates.
4

5 **III. SUMMARY OF RECOMMENDATIONS**

6 **Q. What is your recommendation?**

7 A. I recommend that:

8 • Monarch's meter equivalent functionalization factor be based on meter equivalents as
9 of December 31, 2019.

10 • The Commission reject Monarch's proposal to functionalize federal income tax, Ad
11 valorem tax, state gross receipts, and margins tax based on meter equivalents.

12 • Federal income tax attributable to each function should be determined using the actual
13 return on rate base calculated for each function.

14 • Ad valorem tax be functionalized based on net plant in service.

15 • State gross receipts and margins tax be functionalized based on total proposed revenue.

16 • Monarch be required to directly assign all non-administrative labor to the water or
17 wastewater function in their next base rate case.
18

19 **Q. What material did you use to prepare your testimony?**

20 A. In preparation for my testimony, I reviewed the application submitted by Monarch to the
21 Commission, the testimony of Monarch witnesses, certain discovery responses, and
22 testimony filed by other Staff witnesses in this case.
23

24 **IV. FUNCTIONAL ALLOCATION**

25 **Q. What is functionalization?**

26 A. Functionalization is the allocation of a utility's total cost of service into Monarch's two
27 business functions, water and wastewater.
28

1 **Q. Why is it necessary to functionalize Monarchs revenue requirement?**

2 A. All the components in Monarch's total revenue requirement need to be properly
3 functionalized into the water and wastewater functions in order to properly determine the
4 separate costs of service for water service and for wastewater service. This is necessary in
5 order to calculate just and reasonable rates that reasonably reflect the cost of providing
6 water or wastewater service.
7

8 **Q. How did Monarch functionalize the various components of its revenue requirement
9 into the water and wastewater functions?**

10 A. Most of Monarch's invested capital and operations and maintenance expenses (O&M) were
11 directly assigned to water or wastewater. Shared plant, Shared O&M expenses, and other
12 components of Monarch's revenue requirement were functionalized based on meter
13 equivalents.
14

15 **Q. What was Monarch' rationale for functionalizing shared costs based on meter
16 equivalents?**

17 A. In his direct testimony, Edward Taussig presents the Company's rationale for the
18 functionalization of shared costs. Mr. Taussig stated:

19 The shared costs were functionalized for water and wastewater
20 operations by using meter equivalents. ...Monarch has determined
21 that meter equivalents as of December 31, 2018—which are based
22 on representative delivery capacity of the meters as of that date—
23 are the most equitable and administratively efficient form of
24 distributing shared costs in this filing. This functionalization is used
25 wherever costs are shared between water and wastewater.¹

26

¹ Application at 000467, Direct Testimony of Edward Taussig at 9 (Jul. 15, 2020).

1 **Q. Do agree with Monarch’s functionalization proposal?**

2 A. While I do agree with Monarch’s proposal to directly assign all costs that can be directly
3 assigned to water and wastewater, I do not believe that Monarch’s functionalization of
4 common costs is just and reasonable.
5

6 **Q. What are the problems with Monarch’s functionalization of common costs?**

7 A. There are two main problems with Monarch’s functionalization of common costs. First,
8 Monarch did not use the appropriate meter equivalent data when deriving their proposed
9 meter equivalent functionalization factor. Monarch’s proposed factors are based on meter
10 equivalents as of December 31, 2018 instead of using the meter equivalents as of the end
11 of the test year in this proceeding, which is December 31, 2019. Secondly, it is not
12 reasonable to use a single functionalization factor to functionalize various different costs
13 when there are other more cost-based functionalization factors that can be applied to
14 specific costs.
15

16 **A. METER EQUIVALENT DATA**

17 **Q. According to Monarch, why is the use of meter equivalencies as of December 31, 2018**
18 **“more equitable and administratively efficient” than the use of meter equivalencies**
19 **as of December 31, 2019?**

20 A. In response to the Office of Public Utility Council’s (OPUC) First Request for Information,
21 Mr. Taussig stated that “[a]s a practical matter, for management and reporting purposes,
22 Monarch records its costs throughout the year and needs to use established allocation
23 factors. Using end-of-year allocation factors would simply not allow Monarch to record
24 costs throughout the year and operate or manage its business effectively.”²
25

² Monarch Utilities I L.P.’s Response to OPUC’s First Request for Information at 26 (Sep. 28, 2020).

1 **Q. Do you agree with Monarch’s rationale for using meter equivalencies as of December**
2 **31, 2018?**

3 A. No. The purpose of a functional cost of service model is not to reflect a Utility’s
4 management and reporting practices. A Functional Cost of Service Model is meant to
5 discern the actual cost of providing service for each specific business function within a
6 utility for ratemaking purposes, not for operational purposes. In order to discern the actual
7 cost of providing service for each business function, each specific component of a Utility’s
8 cost of service that cannot be directly assigned should be functionalized using
9 functionalization factors that accurately reflect that which causes the utility to incur that
10 specific cost. In order to achieve this, functionalization data should be based on the
11 appropriate test-year data.
12

13 **Q. Why should Monarch’s meter equivalent functionalization factor be based on meter**
14 **equivalents as of December 31, 2019 instead of December 31, 2018?**

15 A. It is a common ratemaking practice to use the end-of-test-year number of meters or meter
16 equivalents when using a meter-based allocation factor. End-of-test-year meter equivalents
17 are more representative of the meter equivalents you can expect going forward for both
18 water and wastewater compared to the outdated December 31, 2018 values. If meter
19 equivalents as of December 31, 2018 were to be used to functionalize common costs in this
20 case, Monarch would be relying on meter counts that are nearly two years old to allocate
21 2019 test-year costs.
22

23 **Q. What is your recommendation?**

24 A. I recommend that Monarch’s meter equivalent functionalization factor be based on meter
25 equivalencies as of December 31, 2019, consistent with standard Commission ratemaking
26 practice.
27

1 **B. OTHER FUNCTIONALIZATION FACTORS**

2 **Q. Is it reasonable to allocate all costs that cannot be directly assigned based on meter**
3 **equivalents?**

4 A. No. As stated above, in order to discern the actual cost of providing service for each
5 business function, each specific component of a Utility’s cost of service that cannot be
6 directly assigned should be functionalized using functionalization factors that accurately
7 reflect the cost-driver for that specific component. Meter equivalents are not the main cost
8 driver for all components of Monarch’s cost of service.
9

10 **Q. What are some components of Monarch’s cost of service are not primarily driven by**
11 **meter equivalents?**

12 A. Federal income tax, Ad valorem tax, margins tax, and gross receipts are not driven by the
13 number of meter equivalents. Since meter equivalents do not directly affect the amount of
14 federal income taxes and other taxes that Monarch incurs, functionalizing these
15 components using meter equivalents would be inconsistent with cost causation principles.
16 Consequently, they should not be functionalized based on meter equivalents, as Monarch
17 proposes.
18

19 **Q. How should federal income taxes be functionalized?**

20 A. Federal income tax is primarily caused by the Company’s return on rate base. However,
21 when calculating the federal income tax attributable to each function, Monarch did not use
22 the return on rate base that was calculated for each function within the functional cost of
23 service model. Instead, the return on rate base was reallocated among the functions using
24 the meter equivalent functionalization factor. There is no justification for reallocating the
25 return on rate base since the functional cost of service model already provides the rate base
26 and return on rate base attributable to each function. Reallocating the return on rate base
27 distorts the return on rate base attributable to each function. In doing so, it distorts the

1 federal income tax that is calculated for each function. Specifically, Monarch’s approach
2 shifts \$57,835 from water to wastewater based on Monarch’s request. For this reason, the
3 federal income tax attributable to each function should be derived using the actual return
4 on rate base calculated for each function.
5

6 **Q. How should Ad valorem tax be functionalized?**

7 A. Ad valorem tax is primarily driven by the value of Monarch’s invested capital. The
8 functional cost of service model provides the value of Monarch’s invested capital
9 attributable to each function in the form of net plant in service. For this reason, net plant in
10 service is the most cost-based method of functionalizing Ad valorem tax, and is the method
11 typically used in Commission ratemaking.³
12

13 **Q. How should margins tax and gross receipts tax be functionalized?**

14 A. Margins tax and gross receipts tax are taxes that are primarily driven by Monarch’s
15 revenues. Meter equivalents have no bearing whatsoever in the calculation of margins tax
16 or gross receipts tax. The standard basis approved by the Commission for allocating
17 revenue-related taxes is utility revenues.⁴ The revenue requirement calculated for each
18 function in this case is the most reasonable estimate of the revenues Monarch will be
19 collecting going forward. For this reason, margins tax and gross receipts tax should be
20 calculated based on the revenue requirement calculated for each function, consistent with
21 standard Commission ratemaking practice.
22

³ See, for example, *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449, Commission Number Run – Based on December 14, 2017 Open Meeting at File “46449 Swepco Number Run CCOSS Model” at Worksheet Jurisdictional & Functional (Dec. 20, 2017).

⁴ See, for example, *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 40443, Order on Rehearing at Findings of Fact 277-278 (Mar. 6, 2014). Although the findings of fact refer to the class allocation of gross receipts tax, the same logic applies to the functional allocation of gross receipts tax.

1 **C. LABOR FUNCTIONALIZATION FACTOR**

2 **Q. Are there other components of Monarch’s cost of service that are not driven by meter**
3 **equivalents?**

4 A. Yes. Monarch’s investment in shared plant is not driven by meter equivalents. Similarly,
5 Monarch’s administrative and general (A&G) expenses and payroll-related taxes are not
6 primarily driven by meter equivalents.

8 **Q. What is the “shared plant” in Monarch’s rate base?**

9 A. According to Monarch’s response to Staff’s Fourth Request for Information, shared plant
10 includes:

11 [P]lant items assigned to Monarch’s specific Administrative or Field
12 Operations cost centers and are used for daily operations of both
13 water and wastewater facilities. These items include office furniture
14 and fixtures, office computers, software, meter reading equipment,
15 trucks, heavy equipment, tools, and light machinery. It also includes
16 some acquired CIAC related amounts that were assigned to the
17 Administrative cost center.⁵

18 The invested capital that Monarch labeled as shared plant is commonly referred as general
19 plant.

21 **Q. Should general plant be functionalized based on meter equivalents?**

22 A. No. Monarch’s proposal to use meter equivalents is inconsistent with Commission
23 precedent and cost causation. In Docket No. 15638, the Commission found that it was
24 reasonable to use a labor-based functional allocator for general plant. In the order in that
25 case, the Commission stated:

26 the ALJ, because she did not properly apply applicable law,
27 Commission rules, or Commission policies; the applicable
28 Commission policy, as reflected in the rate-filing instructions, is that

⁵ Monarch Utilities I L.P.’s Response to Commission Staff’s Fourth Request for Information at 8 (Oct. 8, 2020).

1 a labor allocator (the TPIC allocator) should be used to functionalize
2 general plant costs where direct assignment of costs is not possible.⁶

3 As indicated above, the Commission has found that a labor allocator is appropriate for
4 functionalizing General Plant. Since general plant is used by a utility's employees, it is
5 reasonable to expect that a utility's investments in general plant would vary somewhat in
6 proportion to its labor expenses. In Docket No. 43695, the Commission found that general
7 plant costs are driven largely by the needs of employees. In the Order on Rehearing in that
8 docket, the Commission stated:

9 266. It is reasonable to allocate General and Intangible Plant (G&I
10 Plant) costs among classes primarily on the basis of Salaries and
11 Wages Excluding Administrative & General (SALWAGXAG).

12 267. The use of a labor allocator, such as SALWAGXAG, is
13 consistent with cost-causation principles because G&I Plant costs
14 are driven largely by the needs of employees.

15 268. The National Association of Regulatory Utility Commissioners
16 Cost Allocation Manual contemplates the use of a labor allocator for
17 G&I Plant costs.

18 270. Because G&I Plant is driven primarily by labor, SPS
19 appropriately used the SALWAGXAG allocator to allocate those
20 costs among the classes.⁷

21 In contrast, it is unreasonable to expect that a utility's investments in general plant would
22 vary in proportion to meter equivalents. Functionalizing general plant based on labor
23 expenses is reasonable and consistent with both Commission precedent and cost causation.
24

⁶ Texas Utilities Electric Company Filing in Compliance with SUBST. R. 23.67, Docket No. 15638, Order at 2 (Aug. 20, 1997).

⁷ *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 43695, Order on Rehearing at Findings of Fact 266-268 & 270 (Feb 23, 2016).

1 **Q. Should A&G expenses and payroll-related Taxes be functionalized based on meter**
2 **equivalents?**

3 A. No. Similarly, as general plant, these expenses vary primarily in proportion to labor
4 expenses. Therefore, A&G expenses should be functionalized based on labor expenses.
5

6 **Q. How are labor based functionalization factors usually calculated?**

7 A. Labor expenses can be divided into two broad categories; O&M-related labor and A&G
8 labor. O&M labor is usually directly assigned to the various business functions. The
9 directly assigned O&M labor is then used to derive a functionalization factor based on
10 labor expenses excluding A&G. This functionalization factor is then used to functionalize
11 A&G labor.
12

13 **Q. Did Monarch provide functionalization factors based on labor expenses?**

14 A. No. In response to Staff's fourth request for information, Monarch stated that it does not
15 keep complete records of labor expenses spent for each function.⁸
16

17 **Q. Is it possible to functionalize general plant and A&G expenses using labor expenses**
18 **in this proceeding?**

19 A. No. It is not possible to derive a labor functionalization factor without the functionalization
20 data needed to derive the labor functionalization factor.
21

22 **Q. What is your recommendation regarding the labor functionalization factor?**

23 A. I recommend that the Commission order Monarch to provide a functionalization factor
24 based on labor expenses in Monarch's next base rate case. Requiring Monarch to provide
25 a labor functionalization factor in its next base rate case will allow general plant and
26 A&G expenses to be functionalized in a more cost-based manner going forward. This in
27 turn, would result in more cost-based water and wastewater rates.

⁸ Monarch Utilities I L P.'s Response to Staff's Fourth Request for Information at 4, (Oct. 8, 2020).

1 **V. STAFF'S RECOMMENDED RATES**

2 **Q. What is Staff's recommended revenue requirement for water and wastewater?**

3 A. After incorporating all of staff's adjustments to Monarch's request, Staff's functional cost
4 of service results in a ~~\$32,101,183~~ \$31,476,460 revenue requirement for water and a
5 ~~\$4,789,576~~ \$4,728,333 revenue requirement for wastewater.
6

7 **Q. Did you calculate Staff-adjusted water and wastewater rates?**

8 A. Yes. The Staff adjusted water and wastewater rates consistent with Staff's recommended
9 revenue requirement for water and Staff's recommended revenue requirement for
10 wastewater can be found in Attachment AN-3.
11

12 **Q. Do you recommend an adjustment to Monarch's phase-in proposal?**

13 A. Yes. Monarch proposes a phase-in rate increase where most systems would experience an
14 approximately 10% increase per phase until arriving at the proposed consolidated rates.⁹
15 However, Monarch proposes to maintain the previously approved base rate increases from
16 Docket No. 47736 for the Water Services and Diamond systems for September 2020 and
17 September 2021.¹⁰ I recommend that the Commission reject Monarch's proposal to
18 maintain the previous Commission approved base rate increases.
19

20 **Q. Does the Commission's rules address the issue of utilities with existing phase-in rates**
21 **requesting a rate change?**

22 A. Yes. 16 TAC § 24.75(b)(6) states:

23 A utility that requests and receives a phased or multi-step rate
24 increase cannot apply for another rate increase during the period of
25 the phase-in rate intervals unless:

⁹ Application at 000109, Direct Testimony of George Freitag at 15 (Jul. 15, 2020).

¹⁰ *Id.* at 16.

1 (A) the utility can prove financial hardship; or

2 (B) the utility is willing to void the next steps of the phase-
3 in rate structure and undergo a full cost of service analysis.

4 Monarch chose to undergo a full cost of service analysis in this proceeding. For this reason,
5 they should forgo the next steps of the previously approved phase-in rates.
6

7 **Q. Did Monarch demonstrate financial hardship in this proceeding?**

8 A. No. The Staff-adjusted cost of service study results in a total company cost of service of
9 ~~\$36,890,759~~ \$36,204,792. This is ~~only marginally higher~~ slightly lower than test-year
10 present revenues for Monarch, which were \$36,458,335.¹¹
11

12 **Q. Would certain customers be negatively affected by maintaining the previous**
13 **Commission approved base rate increases for September 2020 and September 2021?**

14 A. Yes. If the Commission adopts this aspect of Monarch's phase-in proposal, customers in
15 the Dimond system would experience a substantial increase in September 2021 due to
16 increases to the fixed charge that are significantly above the consolidated fixed charges
17 that are likely to be approved in this Docket. Subsequently, these charges would then
18 decrease substantially in August 2022 once the consolidated rates from this proceeding are
19 implemented. In other words, rates for the Diamond system maintained on the path
20 approved in the previous case would be moving away from the consolidated cost-based
21 rates established in this case and would only move towards the consolidated cost-based
22 rates until August 2022. Such a result would be discriminatory for customers within the
23 Diamond system, in addition to creating unnecessary rate volatility.
24

25 **Q. What is your recommendation regarding Monarch's phase-in proposal?**

26 A. While I do not oppose Monarch's overall phase-in proposal, I recommend that the
27 Commission rejects Monarch's proposal to maintain the previous Commission approved

¹¹ Application at 001413, Direct Testimony of George Freitag, WP III.7 Revenues (Jul 15, 2020).

1 base rate increases for September 2020 and September 2021. Instead, the phase-in proposal
2 in this proceeding should replace the previously-approved phase-in, and the existing rates
3 should move towards the consolidated rates approved in this docket.
4

5 **VI. CONCLUSION**

6 **Q. Are there any additional adjustments to the Monarch's filed case that may be**
7 **reasonable?**

8 A. Yes. The recommendations above are based on my review of Monarch's application and
9 the recommended adjustments of other Staff witnesses provided to me as of this date. I do
10 not intend to imply that additional adjustments to Monarch's filed case are not appropriate
11 and should not be made.
12

13 **Q. If you do not address an issue or position in your testimony, should that be interpreted**
14 **as Staff supporting Monarch's position on that issue?**

15 A. No. The fact that I do not address an issue in my testimony should not be construed as
16 agreeing, endorsing, or consenting to any position taken by Monarch.
17

18 **Q. Does this conclude your direct testimony?**

19 A. Yes.

Adrian Narvaez Canto

Public Utility Commission of Texas
1701 North Congress Avenue
Austin, TX 78711-3326

REGULATORY EXPERIENCE

Rate Analyst, Tariff and Rate Analysis Section

Public Utility Commission of Texas Rate Regulation Division

Employed: June 2015 to present.

Duties: Perform analysis of tariff filings, cost allocation, and rate design. Review tariffs of regulated utilities to determine compliance with Commission requirements. Analyze cost allocation studies and rate design issues for regulated electric and water utilities. Analyze policy issues associated with the regulation of the utility industry. Work on or lead teams in contested cases, reports, the development of market rules, and research concerning pricing and related issues. Prepare and present testimony as an expert witness on rate and related issues in docketed proceedings before the Commission and the State Office of Administrative Hearings.

EDUCATION:

2014 The University of Texas at Austin, Austin, TX
Bachelor of Arts in Economics and French

List of Testimony Filed at the Public Utility Commission of Texas:

Docket No. 45712 - *Application of Southwestern Electric Power Company for Approval of a Distribution Cost Recovery Factor*, May 4, 2016.

Docket No. 45787 – *Application of AEP Texas Central Company for Approval of a Distribution Cost Recovery Factor*, May 23, 2016.

Docket No. 45788 - *Application of AEP Texas North Company for Approval of a Distribution Cost Recovery Factor*, May 23, 2016.

Docket No. 46357 - *Application of Entergy Texas for Approval to Amend its Transmission Cost Recovery Factor*, December 6, 2016.

Docket No. 46449 - *Application of Southwestern Electric Power Company for Authority to Change Rates*, May 2, 2017.

Docket No. 47235 - *Oncor Electric Delivery Company LLC's Application for 2018 Energy Efficiency Cost Recovery Factor*, July 20, 2017

Docket No. 47527 - *Application of Southwestern Public Service Company for Authority to Change Rates, Revenue Requirement Direct Testimony*, May 2, 2018.

Docket No. 47527 - *Application of Southwestern Public Service Company for Authority to Change Rates, Cost Allocation and Rate Design Direct Testimony*, May 2, 2018.

Docket No. 47527 - *Application of Southwestern Public Service Company for Authority to Change Rates, Cost Allocation and Rate Design Cross-Rebuttal testimony*, May 22, 2018.

Docket No. 48231 – *Application of Oncor Electric Delivery Company for a Distribution Cost Recovery Factor*, May 24, 2018.

Docket No. 48401- *Application of Texas-New Mexico Power Company for Authority to Change Rates, Direct Testimony*, August 20, 2018.

Docket No. 48401- *Application of Texas-New Mexico Power Company for Authority to Change Rates, Cross-Rebuttal testimony*, August 28, 2018.

Docket No. 48325 - *Application of Oncor Electric Delivery Company LLC for Authority to Decrease Rates Based on the Tax Cuts and Jobs Act of 2017*, September 11, 2018.

Docket No. 48325 - *Review of Rate Case Expenses Incurred by Southwestern Electric Power Company and Municipalities in Docket No. 46449*, December 14, 2018.

Docket No. 49057 - *Application of Entergy Texas for Approval of Transmission Cost Recovery Factor*, March 25, 2019.

Docket No. 49427 – *Application of Oncor Electric Delivery Company to Amend its Distribution Cost Recovery Factor*, May 30, 2019.

Docket No. 49494 - *Application of AEP Texas Inc. for Authority to Change Rates, Direct Testimony*, August 1, 2019.

Docket No. 49494 - *Application of AEP Texas Inc. for Authority to Change Rates, Cross-Rebuttal Testimony*, August 13, 2019.

Docket No. 50200 - *Application of Undine Texas, LLC and Undine Environmental, LLC for Authority to Change Rates*, June 10, 2020.

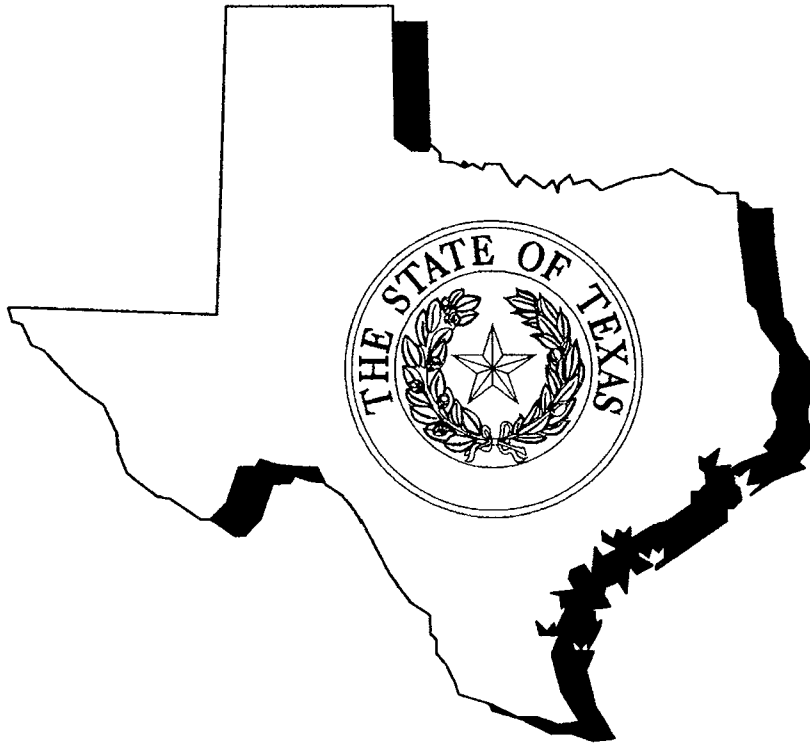
Docket No. 49923 - *Application of Corix Utilities (Texas) Inc. to Implement Federal Tax Reduction Credit Riders*, July 31, 2020.

SOAH DOCKET NO. 473-20-4709.WS
PUC DOCKET NO. 50944

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ERRATA TO THE DIRECT TESTIMONY OF ADRIAN NARVAEZ
RATE REGULATION DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS
DECEMBER 2, 2020

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ATTACHMENTS

Attachment AN-1	Regulatory Resumé of Adrian Narvaez
Attachment AN-2	Functional Cost of Service Summary
Attachment AN-3	Staff's Recommended Rates

1 **I. PROFESSIONAL QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. Adrian Narvaez, Public Utility Commission of Texas (Commission), 1701 N. Congress
4 Avenue, Austin, TX 78711-3326.

5
6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by the Commission as a Rate Analyst in the Tariff and Rate Analysis
8 Section of the Rate Regulation Division.

9
10 **Q. What are your responsibilities as a Rate Analyst for the Commission?**

11 A. My principal responsibility is analyzing utility filings on matters relating to rate design and
12 cost allocation. My responsibilities include analyzing electric industry regulatory policy,
13 reviewing tariffs to determine compliance with Commission requirements, and preparing
14 and presenting testimony as an expert witness on cost allocation and rate design issues in
15 contested proceedings before the Commission and the State Office of Administrative
16 Hearings (SOAH).

17
18 **Q. Please state your educational background and professional experience.**

19 A. Attachment AN-1 contains a summary of my regulatory experience and educational
20 background.

21
22 **Q. Have you previously filed testimony before the Commission?**

23 A. Yes. Attachment AN-1 contains a listing of direct testimony I have filed recently at the
24 Commission.

25

1 **II. PURPOSE AND SCOPE OF TESTIMONY**

2 **Q. What is the purpose of your testimony in this proceeding?**

3 A. My testimony regarding Monarch Utilities I L.P.'s (Monarch) application will address cost
4 allocation and rate design issues. My testimony will address, in whole or in part, the
5 following issues from the Commission's Preliminary Order issued on September 24, 2020:

- 6 • Issue No. 11. What is the appropriate portion of this revenue requirement that
7 should be used to design the utility's water rates?
- 8 • Issue No. 12. What is the appropriate portion of this revenue requirement that
9 should be used to design the utility's sewer rates?
- 10 • Issue No. 13. What is the utility's cost of service for providing water service based
11 on its test year?
- 12 • Issue No. 14. What is the utility's cost of service for providing sewer service based
13 on its test year?
- 14 • Issue No. 44. Has each component of cost of service been properly assigned or
15 allocated between water and sewer services?
- 16 • Issue No. 45. What is the appropriate allocation of costs and revenues among the
17 utility's rate classes for water service and for sewer service?
- 18 • Issue No. 46. What is the appropriate rate design for water service and for sewer
19 service for each rate class consistent with 16 TAC § 24.43?
- 20 • Issue No. 50. What are the just and reasonable rates for water service and for sewer
21 service that are sufficient, equitable, and consistent in application to each customer
22 class and that are not unreasonably preferential, prejudicial, or discriminatory under
23 TWC §§ 13.182 and 13.187(h) and 16 TAC § 24.35(d)? Do these rates recover the
24 utility's revenue requirement for each type of service?
- 25 • Issue No. 51. Are the proposed phased-in rates reasonable and appropriate? 16 TAC
26 § 24.75(b).

1 **Q. Please describe your role in this proceeding.**

2 A. I reviewed Monarch's application for issues associated with allocation of costs and the
3 calculation of rates.

4
5 **III. SUMMARY OF RECOMMENDATIONS**

6 **Q. What is your recommendation?**

7 A. I recommend that:

- 8 • Monarch's meter equivalent functionalization factor be based on meter equivalents as
9 of December 31, 2019.
- 10 • The Commission reject Monarch's proposal to functionalize federal income tax, Ad
11 valorem tax, state gross receipts, and margins tax based on meter equivalents.
- 12 • Federal income tax attributable to each function should be determined using the actual
13 return on rate base calculated for each function.
- 14 • Ad valorem tax be functionalized based on net plant in service.
- 15 • State gross receipts and margins tax be functionalized based on total proposed revenue.
- 16 • Monarch be required to directly assign all non-administrative labor to the water or
17 wastewater function in their next base rate case.

18
19 **Q. What material did you use to prepare your testimony?**

20 A. In preparation for my testimony, I reviewed the application submitted by Monarch to the
21 Commission, the testimony of Monarch witnesses, certain discovery responses, and
22 testimony filed by other Staff witnesses in this case.

23
24 **IV. FUNCTIONAL ALLOCATION**

25 **Q. What is functionalization?**

26 A. Functionalization is the allocation of a utility's total cost of service into Monarch's two
27 business functions, water and wastewater.

28

1 **Q. Why is it necessary to functionalize Monarchs revenue requirement?**

2 A. All the components in Monarch’s total revenue requirement need to be properly
3 functionalized into the water and wastewater functions in order to properly determine the
4 separate costs of service for water service and for wastewater service. This is necessary in
5 order to calculate just and reasonable rates that reasonably reflect the cost of providing
6 water or wastewater service.
7

8 **Q. How did Monarch functionalize the various components of its revenue requirement
9 into the water and wastewater functions?**

10 A. Most of Monarch’s invested capital and operations and maintenance expenses (O&M) were
11 directly assigned to water or wastewater. Shared plant, Shared O&M expenses, and other
12 components of Monarch’s revenue requirement were functionalized based on meter
13 equivalents.
14

15 **Q. What was Monarch’ rationale for functionalizing shared costs based on meter
16 equivalents?**

17 A. In his direct testimony, Edward Taussig presents the Company’s rationale for the
18 functionalization of shared costs. Mr. Taussig stated:

19 The shared costs were functionalized for water and wastewater
20 operations by using meter equivalents. ...Monarch has determined
21 that meter equivalents as of December 31, 2018—which are based
22 on representative delivery capacity of the meters as of that date—
23 are the most equitable and administratively efficient form of
24 distributing shared costs in this filing. This functionalization is used
25 wherever costs are shared between water and wastewater.¹

26

¹ Application at 000467, Direct Testimony of Edward Taussig at 9 (Jul. 15, 2020).

1 **Q. Do agree with Monarch’s functionalization proposal?**

2 A. While I do agree with Monarch’s proposal to directly assign all costs that can be directly
3 assigned to water and wastewater, I do not believe that Monarch’s functionalization of
4 common costs is just and reasonable.
5

6 **Q. What are the problems with Monarch’s functionalization of common costs?**

7 A. There are two main problems with Monarch’s functionalization of common costs. First,
8 Monarch did not use the appropriate meter equivalent data when deriving their proposed
9 meter equivalent functionalization factor. Monarch’s proposed factors are based on meter
10 equivalents as of December 31, 2018 instead of using the meter equivalents as of the end
11 of the test year in this proceeding, which is December 31, 2019. Secondly, it is not
12 reasonable to use a single functionalization factor to functionalize various different costs
13 when there are other more cost-based functionalization factors that can be applied to
14 specific costs.
15

16 **A. METER EQUIVALENT DATA**

17 **Q. According to Monarch, why is the use of meter equivalencies as of December 31, 2018**
18 **“more equitable and administratively efficient” than the use of meter equivalencies**
19 **as of December 31, 2019?**

20 A. In response to the Office of Public Utility Council’s (OPUC) First Request for Information,
21 Mr. Taussig stated that “[a]s a practical matter, for management and reporting purposes,
22 Monarch records its costs throughout the year and needs to use established allocation
23 factors. Using end-of-year allocation factors would simply not allow Monarch to record
24 costs throughout the year and operate or manage its business effectively.”²
25

² Monarch Utilities I L.P.’s Response to OPUC’s First Request for Information at 26 (Sep. 28, 2020).

1 **Q. Do you agree with Monarch's rationale for using meter equivalencies as of December**
2 **31, 2018?**

3 A. No. The purpose of a functional cost of service model is not to reflect a Utility's
4 management and reporting practices. A Functional Cost of Service Model is meant to
5 discern the actual cost of providing service for each specific business function within a
6 utility for ratemaking purposes, not for operational purposes. In order to discern the actual
7 cost of providing service for each business function, each specific component of a Utility's
8 cost of service that cannot be directly assigned should be functionalized using
9 functionalization factors that accurately reflect that which causes the utility to incur that
10 specific cost. In order to achieve this, functionalization data should be based on the
11 appropriate test-year data.
12

13 **Q. Why should Monarch's meter equivalent functionalization factor be based on meter**
14 **equivalents as of December 31, 2019 instead of December 31, 2018?**

15 A. It is a common ratemaking practice to use the end-of-test-year number of meters or meter
16 equivalents when using a meter-based allocation factor. End-of-test-year meter equivalents
17 are more representative of the meter equivalents you can expect going forward for both
18 water and wastewater compared to the outdated December 31, 2018 values. If meter
19 equivalents as of December 31, 2018 were to be used to functionalize common costs in this
20 case, Monarch would be relying on meter counts that are nearly two years old to allocate
21 2019 test-year costs.
22

23 **Q. What is your recommendation?**

24 A. I recommend that Monarch's meter equivalent functionalization factor be based on meter
25 equivalencies as of December 31, 2019, consistent with standard Commission ratemaking
26 practice.
27

1 **B. OTHER FUNCTIONALIZATION FACTORS**

2 **Q. Is it reasonable to allocate all costs that cannot be directly assigned based on meter**
3 **equivalents?**

4 A. No. As stated above, in order to discern the actual cost of providing service for each
5 business function, each specific component of a Utility's cost of service that cannot be
6 directly assigned should be functionalized using functionalization factors that accurately
7 reflect the cost-driver for that specific component. Meter equivalents are not the main cost
8 driver for all components of Monarch's cost of service.
9

10 **Q. What are some components of Monarch's cost of service are not primarily driven by**
11 **meter equivalents?**

12 A. Federal income tax, Ad valorem tax, margins tax, and gross receipts are not driven by the
13 number of meter equivalents. Since meter equivalents do not directly affect the amount of
14 federal income taxes and other taxes that Monarch incurs, functionalizing these
15 components using meter equivalents would be inconsistent with cost causation principles.
16 Consequently, they should not be functionalized based on meter equivalents, as Monarch
17 proposes.
18

19 **Q. How should federal income taxes be functionalized?**

20 A. Federal income tax is primarily caused by the Company's return on rate base. However,
21 when calculating the federal income tax attributable to each function, Monarch did not use
22 the return on rate base that was calculated for each function within the functional cost of
23 service model. Instead, the return on rate base was reallocated among the functions using
24 the meter equivalent functionalization factor. There is no justification for reallocating the
25 return on rate base since the functional cost of service model already provides the rate base
26 and return on rate base attributable to each function. Reallocating the return on rate base
27 distorts the return on rate base attributable to each function. In doing so, it distorts the

1 federal income tax that is calculated for each function. Specifically, Monarch’s approach
2 shifts \$57,835 from water to wastewater based on Monarch’s request. For this reason, the
3 federal income tax attributable to each function should be derived using the actual return
4 on rate base calculated for each function.
5

6 **Q. How should Ad valorem tax be functionalized?**

7 A. Ad valorem tax is primarily driven by the value of Monarch’s invested capital. The
8 functional cost of service model provides the value of Monarch’s invested capital
9 attributable to each function in the form of net plant in service. For this reason, net plant in
10 service is the most cost-based method of functionalizing Ad valorem tax, and is the method
11 typically used in Commission ratemaking.³
12

13 **Q. How should margins tax and gross receipts tax be functionalized?**

14 A. Margins tax and gross receipts tax are taxes that are primarily driven by Monarch’s
15 revenues. Meter equivalents have no bearing whatsoever in the calculation of margins tax
16 or gross receipts tax. The standard basis approved by the Commission for allocating
17 revenue-related taxes is utility revenues.⁴ The revenue requirement calculated for each
18 function in this case is the most reasonable estimate of the revenues Monarch will be
19 collecting going forward. For this reason, margins tax and gross receipts tax should be
20 calculated based on the revenue requirement calculated for each function, consistent with
21 standard Commission ratemaking practice.
22

³ See, for example, *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449, Commission Number Run – Based on December 14, 2017 Open Meeting at File “46449 Swepco Number Run CCOSS Model” at Worksheet Jurisdictional & Functional (Dec. 20, 2017).

⁴ See, for example, *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 40443, Order on Rehearing at Findings of Fact 277-278 (Mar. 6, 2014). Although the findings of fact refer to the class allocation of gross receipts tax, the same logic applies to the functional allocation of gross receipts tax.

1 **C. LABOR FUNCTIONALIZATION FACTOR**

2 **Q. Are there other components of Monarch’s cost of service that are not driven by meter**
3 **equivalents?**

4 A. Yes. Monarch’s investment in shared plant is not driven by meter equivalents. Similarly,
5 Monarch’s administrative and general (A&G) expenses and payroll-related taxes are not
6 primarily driven by meter equivalents.

8 **Q. What is the “shared plant” in Monarch’s rate base?**

9 A. According to Monarch’s response to Staff’s Fourth Request for Information, shared plant
10 includes:

11 [P]lant items assigned to Monarch’s specific Administrative or Field
12 Operations cost centers and are used for daily operations of both
13 water and wastewater facilities. These items include office furniture
14 and fixtures, office computers, software, meter reading equipment,
15 trucks, heavy equipment, tools, and light machinery. It also includes
16 some acquired CIAC related amounts that were assigned to the
17 Administrative cost center.⁵

18 The invested capital that Monarch labeled as shared plant is commonly referred as general
19 plant.

21 **Q. Should general plant be functionalized based on meter equivalents?**

22 A. No. Monarch’s proposal to use meter equivalents is inconsistent with Commission
23 precedent and cost causation. In Docket No. 15638, the Commission found that it was
24 reasonable to use a labor-based functional allocator for general plant. In the order in that
25 case, the Commission stated:

26 the ALJ, because she did not properly apply applicable law,
27 Commission rules, or Commission policies; the applicable
28 Commission policy, as reflected in the rate-filing instructions, is that

⁵ Monarch Utilities I.L.P.’s Response to Commission Staff’s Fourth Request for Information at 8 (Oct. 8, 2020).

1 a labor allocator (the TPIC allocator) should be used to functionalize
2 general plant costs where direct assignment of costs is not possible.⁶

3 As indicated above, the Commission has found that a labor allocator is appropriate for
4 functionalizing General Plant. Since general plant is used by a utility's employees, it is
5 reasonable to expect that a utility's investments in general plant would vary somewhat in
6 proportion to its labor expenses. In Docket No. 43695, the Commission found that general
7 plant costs are driven largely by the needs of employees. In the Order on Rehearing in that
8 docket, the Commission stated:

9 266. It is reasonable to allocate General and Intangible Plant (G&I
10 Plant) costs among classes primarily on the basis of Salaries and
11 Wages Excluding Administrative & General (SALWAGXAG).

12 267. The use of a labor allocator, such as SALWAGXAG, is
13 consistent with cost-causation principles because G&I Plant costs
14 are driven largely by the needs of employees.

15 268. The National Association of Regulatory Utility Commissioners
16 Cost Allocation Manual contemplates the use of a labor allocator for
17 G&I Plant costs.

18 270. Because G&I Plant is driven primarily by labor, SPS
19 appropriately used the SALWAGXAG allocator to allocate those
20 costs among the classes.⁷

21 In contrast, it is unreasonable to expect that a utility's investments in general plant would
22 vary in proportion to meter equivalents. Functionalizing general plant based on labor
23 expenses is reasonable and consistent with both Commission precedent and cost causation.
24

⁶ Texas Utilities Electric Company Filing in Compliance with SUBST. R. 23.67, Docket No. 15638, Order at 2 (Aug. 20, 1997)

⁷ *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 43695, Order on Rehearing at Findings of Fact 266-268 & 270 (Feb. 23, 2016).

1 **Q. Should A&G expenses and payroll-related Taxes be functionalized based on meter**
2 **equivalents?**

3 A. No. Similarly, as general plant, these expenses vary primarily in proportion to labor
4 expenses. Therefore, A&G expenses should be functionalized based on labor expenses.
5

6 **Q. How are labor based functionalization factors usually calculated?**

7 A. Labor expenses can be divided into two broad categories; O&M-related labor and A&G
8 labor. O&M labor is usually directly assigned to the various business functions. The
9 directly assigned O&M labor is then used to derive a functionalization factor based on
10 labor expenses excluding A&G. This functionalization factor is then used to functionalize
11 A&G labor.
12

13 **Q. Did Monarch provide functionalization factors based on labor expenses?**

14 A. No. In response to Staff's fourth request for information, Monarch stated that it does not
15 keep complete records of labor expenses spent for each function.⁸
16

17 **Q. Is it possible to functionalize general plant and A&G expenses using labor expenses**
18 **in this proceeding?**

19 A. No. It is not possible to derive a labor functionalization factor without the functionalization
20 data needed to derive the labor functionalization factor.
21

22 **Q. What is your recommendation regarding the labor functionalization factor?**

23 A. I recommend that the Commission order Monarch to provide a functionalization factor
24 based on labor expenses in Monarch's next base rate case. Requiring Monarch to provide
25 a labor functionalization factor in its next base rate case will allow general plant and
26 A&G expenses to be functionalized in a more cost-based manner going forward. This in
27 turn, would result in more cost-based water and wastewater rates.

⁸ Monarch Utilities I L.P.'s Response to Staff's Fourth Request for Information at 4, (Oct. 8, 2020).

1 **V. STAFF'S RECOMMENDED RATES**

2 **Q. What is Staff's recommended revenue requirement for water and wastewater?**

3 A. After incorporating all of staff's adjustments to Monarch's request, Staff's functional cost
4 of service results in a ~~\$32,101,183~~ \$31,476,460 revenue requirement for water and a
5 ~~\$4,789,576~~ \$4,728,333 revenue requirement for wastewater.
6

7 **Q. Did you calculate Staff-adjusted water and wastewater rates?**

8 A. Yes. The Staff adjusted water and wastewater rates consistent with Staff's recommended
9 revenue requirement for water and Staff's recommended revenue requirement for
10 wastewater can be found in Attachment AN-3.
11

12 **Q. Do you recommend an adjustment to Monarch's phase-in proposal?**

13 A. Yes. Monarch proposes a phase-in rate increase where most systems would experience an
14 approximately 10% increase per phase until arriving at the proposed consolidated rates.⁹
15 However, Monarch proposes to maintain the previously approved base rate increases from
16 Docket No. 47736 for the Water Services and Diamond systems for September 2020 and
17 September 2021.¹⁰ I recommend that the Commission reject Monarch's proposal to
18 maintain the previous Commission approved base rate increases.
19

20 **Q. Does the Commission's rules address the issue of utilities with existing phase-in rates
21 requesting a rate change?**

22 A. Yes. 16 TAC § 24.75(b)(6) states:

23 A utility that requests and receives a phased or multi-step rate
24 increase cannot apply for another rate increase during the period of
25 the phase-in rate intervals unless:

⁹ Application at 000109, Direct Testimony of George Freitag at 15 (Jul. 15, 2020).

¹⁰ *Id.* at 16.

1 (A) the utility can prove financial hardship; or

2 (B) the utility is willing to void the next steps of the phase-
3 in rate structure and undergo a full cost of service analysis.

4 Monarch chose to undergo a full cost of service analysis in this proceeding. For this reason,
5 they should forgo the next steps of the previously approved phase-in rates.
6

7 **Q. Did Monarch demonstrate financial hardship in this proceeding?**

8 A. No. The Staff-adjusted cost of service study results in a total company cost of service of
9 \$36,890,759 \$36,204,792. This is ~~only marginally higher~~ slightly lower than test-year
10 present revenues for Monarch, which were \$36,458,335.¹¹
11

12 **Q. Would certain customers be negatively affected by maintaining the previous
13 Commission approved base rate increases for September 2020 and September 2021?**

14 A. Yes. If the Commission adopts this aspect of Monarch's phase-in proposal, customers in
15 the Dimond system would experience a substantial increase in September 2021 due to
16 increases to the fixed charge that are significantly above the consolidated fixed charges
17 that are likely to be approved in this Docket. Subsequently, these charges would then
18 decrease substantially in August 2022 once the consolidated rates from this proceeding are
19 implemented. In other words, rates for the Diamond system maintained on the path
20 approved in the previous case would be moving away from the consolidated cost-based
21 rates established in this case and would only move towards the consolidated cost-based
22 rates until August 2022. Such a result would be discriminatory for customers within the
23 Diamond system, in addition to creating unnecessary rate volatility.
24

25 **Q. What is your recommendation regarding Monarch's phase-in proposal?**

26 A. While I do not oppose Monarch's overall phase-in proposal, I recommend that the
27 Commission rejects Monarch's proposal to maintain the previous Commission approved

¹¹ Application at 001413, Direct Testimony of George Freitag, WP III.7 Revenues (Jul. 15, 2020).

1 base rate increases for September 2020 and September 2021. Instead, the phase-in proposal
2 in this proceeding should replace the previously-approved phase-in, and the existing rates
3 should move towards the consolidated rates approved in this docket.
4

5 **VI. CONCLUSION**

6 **Q. Are there any additional adjustments to the Monarch's filed case that may be**
7 **reasonable?**

8 A. Yes. The recommendations above are based on my review of Monarch's application and
9 the recommended adjustments of other Staff witnesses provided to me as of this date. I do
10 not intend to imply that additional adjustments to Monarch's filed case are not appropriate
11 and should not be made.
12

13 **Q. If you do not address an issue or position in your testimony, should that be interpreted**
14 **as Staff supporting Monarch's position on that issue?**

15 A. No. The fact that I do not address an issue in my testimony should not be construed as
16 agreeing, endorsing, or consenting to any position taken by Monarch.
17

18 **Q. Does this conclude your direct testimony?**

19 A. Yes.

Adrian Narvaez Canto

Public Utility Commission of Texas
1701 North Congress Avenue
Austin, TX 78711-3326

REGULATORY EXPERIENCE

Rate Analyst, Tariff and Rate Analysis Section

Public Utility Commission of Texas Rate Regulation Division

Employed: June 2015 to present.

Duties: Perform analysis of tariff filings, cost allocation, and rate design. Review tariffs of regulated utilities to determine compliance with Commission requirements. Analyze cost allocation studies and rate design issues for regulated electric and water utilities. Analyze policy issues associated with the regulation of the utility industry. Work on or lead teams in contested cases, reports, the development of market rules, and research concerning pricing and related issues. Prepare and present testimony as an expert witness on rate and related issues in docketed proceedings before the Commission and the State Office of Administrative Hearings.

EDUCATION:

2014 The University of Texas at Austin, Austin, TX
Bachelor of Arts in Economics and French

List of Testimony Filed at the Public Utility Commission of Texas:

Docket No. 45712 - *Application of Southwestern Electric Power Company for Approval of a Distribution Cost Recovery Factor*, May 4, 2016.

Docket No. 45787 – *Application of AEP Texas Central Company for Approval of a Distribution Cost Recovery Factor*, May 23, 2016.

Docket No. 45788 - *Application of AEP Texas North Company for Approval of a Distribution Cost Recovery Factor*, May 23, 2016.

Docket No. 46357 - *Application of Entergy Texas for Approval to Amend its Transmission Cost Recovery Factor*, December 6, 2016.

Docket No. 46449 - *Application of Southwestern Electric Power Company for Authority to Change Rates*, May 2, 2017.

Docket No. 47235 - *Oncor Electric Delivery Company LLC's Application for 2018 Energy Efficiency Cost Recovery Factor*, July 20, 2017

Docket No. 47527 - *Application of Southwestern Public Service Company for Authority to Change Rates*, Revenue Requirement Direct Testimony, May 2, 2018.

Docket No. 47527 - *Application of Southwestern Public Service Company for Authority to Change Rates*, Cost Allocation and Rate Design Direct Testimony, May 2, 2018.

Docket No. 47527 - *Application of Southwestern Public Service Company for Authority to Change Rates*, Cost Allocation and Rate Design Cross-Rebuttal testimony, May 22, 2018.

Docket No. 48231 – *Application of Oncor Electric Delivery Company for a Distribution Cost Recovery Factor*, May 24, 2018.

Docket No. 48401- *Application of Texas-New Mexico Power Company for Authority to Change Rates*, Direct Testimony, August 20, 2018.

Docket No. 48401- *Application of Texas-New Mexico Power Company for Authority to Change Rates*, Cross-Rebuttal testimony, August 28, 2018.

Docket No. 48325 - *Application of Oncor Electric Delivery Company LLC for Authority to Decrease Rates Based on the Tax Cuts and Jobs Act of 2017*, September 11, 2018.

Docket No. 48325 - *Review of Rate Case Expenses Incurred by Southwestern Electric Power Company and Municipalities in Docket No. 46449*, December 14, 2018.

Docket No. 49057 - *Application of Entergy Texas for Approval of Transmission Cost Recovery Factor*, March 25, 2019.

Docket No. 49427 – *Application of Oncor Electric Delivery Company to Amend its Distribution Cost Recovery Factor*, May 30, 2019.

Docket No. 49494 - *Application of AEP Texas Inc. for Authority to Change Rates*, Direct Testimony, August 1, 2019.

Docket No. 49494 - *Application of AEP Texas Inc. for Authority to Change Rates*, Cross-Rebuttal Testimony, August 13, 2019.

Docket No. 50200 - *Application of Undine Texas, LLC and Undine Environmental, LLC for Authority to Change Rates*, June 10, 2020.

Docket No. 49923 - *Application of Corix Utilities (Texas) Inc. to Implement Federal Tax Reduction Credit Riders*, July 31, 2020.

**PUBLIC UTILITY COMMISSION OF TEXAS
APPLICATION OF MONARCH UTILITIES I L.P.
FOR AUTHORITY TO CHANGE RATES
PUC DOCKET NO. 50944
FUNCTIONAL COST OF SERVICE SUMMARY**

Errata
Attachment AN-2
Page 1 of 1

DESCRIPTION	TOTAL COMPANY			FUNCTIONAL SPLIT		
	TOTAL COMPANY REQUESTED AMOUNT	STAFF ADJUSTMENT	ADJUSTED TOTAL COMPANY	WATER	WASTE WATER	TOTAL
SUMMARY						
RETURN ON RATE BASE	8,748,014	(1,380,603)	7,367,412	6,354,740	1,012,672	7,367,412
O&M	24,635,379	(3,418,850)	21,216,529	18,515,628	2,700,902	21,216,529
DEPRECIATION EXPENSE	4,927,504	376,009	5,303,514	4,597,309	706,205	5,303,514
OTHER TAXES	1,864,674	(188,732)	1,675,942	1,458,676	217,265	1,675,942
FEDERAL INCOME TAX	1,541,681	(581,358)	960,323	828,362	131,961	960,323
OTHER EXPENSES	(222,313)	0	(222,313)	(188,178)	(34,135)	(222,313)
GROSS UP FOR REVENUE INCREASE	60,031	(60,031)	0	0	0	0
TOTAL UNADJUSTED COST OF SERVICE	41,554,970	(5,253,564)	36,301,406	31,566,537	4,734,869	36,301,406
OTHER REVENUES	(96,614)	0	(96,614)	(90,078)	(6,536)	(96,614)
TOTAL REVENUE REQUIREMENT	41,458,356	(5,253,564)	36,204,792	31,476,460	4,728,333	36,204,792

**PUBLIC UTILITY COMMISSION OF TEXAS
APPLICATION OF MONARCH UTILITIES L.P.
FOR AUTHORITY TO CHANGE RATES
PUC DOCKET NO 58944
STAFF PROPOSED CONSOLIDATED RATES**

Errata
Attachment AN-3
Page 1 of 2

Revenue Requirement (per Attachment AN-2)
Test Year Misc Revenues (per Sched II-G-1 h)
Contract Revenues (per Sched II-G-1.2)
Revenues to Recover from Base Rates

Water	Wastewater
\$31,476,460	\$4,728,333
\$1,687,508	\$284,594
\$70,765	\$71,702
\$29,718,187	\$4,372,037

% of Revenues to be Recovered from Service Charge
Amount of Revenues to be Recovered from Service Charge

58.34%	89.92%
\$17,337,590	\$3,931,335

% of Revenues to be Recovered from Gallonage Charge
Amount of Revenues to be Recovered from Gallonage Charge

41.66%	10.08%
\$12,380,597	\$440,701

Water Base Charge

Line No	Description	Amount
1	Fixed Revenue	\$17,337,590
	Test Year Meter	
2	Equivalencies	30,990.50
3	Billing Cycles per Year	12
4	Base Rate	46.62

Customer Meters	No	Multiplier	Conn Equiv	Base Rate	Base Rate Revenue
Number of 5 8x3/4" connections	29,740	1.00	29,740.00	\$ 46.62	\$ 1,386,478.80
Number of 3 4" connections	67	1.50	100.50	\$ 69.93	\$ 4,685.31
Number of 1" connections	168	2.50	420.00	\$ 116.55	\$ 19,580.40
Number of 1-1/2" connections	31	5.00	155.00	\$ 233.10	\$ 7,226.10
Number of 2" connections	30	8.00	240.00	\$ 372.96	\$ 11,188.80
Number of 3" connections	5	15.00	75.00	\$ 699.30	\$ 3,496.50
Number of 4" connections	2	25.00	50.00	\$ 1,165.50	\$ 2,331.00
Number of 6" connections	1	50.00	50.00	\$ 2,331.00	\$ 2,331.00
Number of 8" connections	2	80.00	160.00	\$ 3,729.60	\$ 7,459.20
Number of 10" connections	0	115.00	0.00	\$ 5,361.30	\$ -
Number of 12" connections	0	215.00	0.00	\$ 10,023.30	\$ -
	30,046.00		30,990.50		\$ 17,337,325.32

Water Gallonage Charge

Tiers	Gallonage Rates	Gallons billed by Tier	Volumetric Revenue
0-1 kgal	6.25	68,928	\$ 470.800
1-2 kgal	6.25	519,064	\$ 3,244.150
2-6 kgal	7.70	149,536	\$ 1,151.427
6-10 kgal	7.70	645,321	\$ 4,968.972
10-12 kgal	8.73	14,230	\$ 124.228
12-20 kgal	8.73	118,814	\$ 1,037.246
20-22 kgal	9.30	4,307	\$ 40.613
>22 kgal	9.30	149,950	\$ 1,394.535
		1,670,210	\$ 12,391,971

Total Water Revenue to be Collected
\$ 29,729,296

**PUBLIC UTILITY COMMISSION OF TEXAS
APPLICATION OF MONARCH UTILITIES L.P.
FOR AUTHORITY TO CHANGE RATES
PUC DOCKET NO 58944
STAFF PROPOSED CONSOLIDATED RATES**

Errata
Attachment AN-3
Page 2 of 2

Revenue Requirement (per Attachment AN-2)
Test Year Misc Revenues (per Sched II-G-1 h)
Contract Revenues (per Sched II-G-1.2)
Revenues to Recover from Base Rates

Water	Wastewater
\$31,476,460	\$4,728,333
\$1,687,508	\$284,594
\$70,765	\$71,702
\$29,718,187	\$4,372,037

% of Revenues to be Recovered from Service Charge
Amount of Revenues to be Recovered from Service Charge

58.34%	89.92%
\$17,337,590	\$3,931,335

% of Revenues to be Recovered from Gallonage Charge
Amount of Revenues to be Recovered from Gallonage Charge

41.66%	10.08%
\$12,380,597	\$440,701

Water Base Charge

Line No	Description	Amount
1	Fixed Revenue	\$3,931,335
	Test Year Meter	
2	Equivalencies	4,503.50
3	Billing Cycles per Year	12
4	Base Rate	72.75

Customer Meters	No	Multiplier	Conn Equiv	Base Rate	Base Rate Revenue
Number of 5 8x3/4" connections	4,332	1.00	4,332.00	\$ 72.75	\$ 315,153.00
Number of 3 4" connections	7	1.50	10.50	\$ 109.13	\$ 763.88
Number of 1" connections	14	2.50	35.00	\$ 181.88	\$ 2,546.25
Number of 1-1/2" connections	9	5.00	45.00	\$ 363.75	\$ 3,273.75
Number of 2" connections	2	8.00	16.00	\$ 582.00	\$ 1,164.00
Number of 3" connections	1	15.00	15.00	\$ 1,091.25	\$ 1,091.25
Number of 4" connections	2	25.00	50.00	\$ 1,818.75	\$ 3,637.50
Number of 6" connections	0	50.00	0.00	\$ 3,637.50	\$ -
Number of 8" connections	0	80.00	0.00	\$ 5,820.00	\$ -
Number of 10" connections	0	115.00	0.00	\$ 8,366.25	\$ -
Number of 12" connections	0	215.00	0.00	\$ 10,023.30	\$ -
	4,367.00		4,503.50		\$ 3,931,555.50

Water Gallonage Charge

Tiers	Gallonage Rates	Gallons billed by Tier	Volumetric Revenue
All		2.54	173,289
			\$ 440.154
			\$ 440.154

Total WW Revenue to be Collected
\$ 4,371,710