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

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**BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS**



**TESTIMONY OF ANNA GIVENS
IN SUPPORT OF STIPULATION
RATE REGULATION DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS
JULY 16, 2021**

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ATTACHMENTS

AG-1 List of Previously Filed Testimony

1 **I. STATEMENT OF QUALIFICATIONS**

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

3 A. My name is Anna Givens. My business address is 1701 N. Congress Avenue, Austin,
4 Texas.

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

6 A. I am employed by the Public Utility Commission of Texas (Commission) as Director of
7 Financial Review in the Rate Regulation Division.

8 **Q. What are your principal responsibilities at the Commission?**

9 A. My responsibilities include testifying as an expert witness on accounting matters in rate
10 cases and other applications filed with the Commission and participating in the overall
11 examination, review, and analysis of such applications.

12 **Q. Please describe your professional and educational background.**

13 A. In 1991, I received a Bachelor of Business Administration degree in Accounting from the
14 University of Texas. I am a Certified Public Accountant licensed to practice in the State
15 of Texas.

16 From November 1991 to June 1992, I was employed by McLane Corporation as an
17 Accounts Payable Auditor. From June 1992 to October 1996, I was a Securities Analyst
18 for the State Securities Board. In October of 1996, I began employment with the Public
19 Utility Commission of Texas. Since that time, I have reviewed numerous utility filings
20 and have attended a variety of utility-related seminars.

21 **Q. Have you previously filed testimony in regulatory proceedings before the Public
22 Utility Commission of Texas?**

23 A. Yes, please see Attachment AG-1 for a list of previously filed testimony.
24

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

2 **Q. What is the purpose of your testimony in this proceeding, Docket No. 50944,**
3 ***Application of Monarch Utilities I L.P. for Authority to Change Rates?***

4 A. The purpose of my testimony is to support the Unanimous Stipulation and Settlement
5 Agreement (Stipulation) reached in this proceeding by Monarch Utilities I L.P.
6 (Monarch), the Staff of the Public Utility Commission of Texas (Staff), Office of Public
7 Utility Counsel (OPUC), and Kathy Nielsen (collectively, Signatories).

8 **Q. Does the Stipulation provide for an acceptable resolution of Monarch's request in**
9 **this proceeding?**

10 A. Yes. The terms of the Stipulation address a range of issues, and the Stipulation reflects
11 an appropriate and reasonable balancing of the public interest. The final terms represent
12 a negotiated compromise to which the Signatories agreed after detailed discussions. Any
13 changes to the Stipulation could undermine its purpose, result in the withdrawal of the
14 Stipulation by a Signatory negatively affected by the changes, and create additional
15 litigation and costs.

16 **Q. Please provide a brief description of the background of Monarch's request in this**
17 **proceeding.**

18 A. On July 15, 2020, Monarch filed a Class A Rate/Tariff Change Application in this matter
19 (Rate Application). Monarch requested an overall increase in water revenues of
20 \$3,238,879, or 9.80% over its adjusted Test Year revenues. Additionally, Monarch
21 requested an overall increase in wastewater revenues of \$647,367, or 14.28% over its
22 adjusted Test Year revenues. Monarch proposed rate phase-ins for customers of some of
23 the systems acquired or transferred to Monarch since its last rate case.

24 **Q. What is the basis of your recommendation?**

25 A. My recommendation is based on a review of Monarch's Rate Application, the
26 accompanying work papers, and its responses to requests for information.

1 **Q. What are the standards that you used to make your determination concerning the**
2 **overall reasonableness of the Stipulation?**

3 A. Texas Water Code (TWC) Chapter 13 and Texas Administrative Code (TAC) §§ 24.41,
4 24.43, and 24.44 include the standards that I used to determine the overall reasonableness
5 of the Stipulation.

6 **III. DISCUSSION OF KEY PROVISIONS OF THE STIPULATION**

7 **Q. What are the key provisions of the Stipulation?**

8 A. The Stipulation includes the following terms:

9 1. **Retail Water Utility Rates.** The Signatories agree that Monarch will be allowed to
10 implement the retail water utility rates contained in the tariff included as Attachment
11 B to the Stipulation for the water systems included in Monarch's Rate Application.
12 The Signatories agree that Monarch's water rates for the Water Services and Diamond
13 systems will go into effect upon approval of a Final Order in this proceeding, with no
14 additional phases. Monarch will forego recovery of the revenues associated with the
15 final phase-ins previously approved for the Water Services and Diamond systems in
16 Docket No. 47736. The Signatories agree that the rates shown on Attachment B are
17 just and reasonable and consistent with the public interest.

18 2. **Retail Wastewater Utility Rates.** The Signatories agree that Monarch will be
19 allowed to implement the retail wastewater utility rates contained in the tariff included
20 as Attachment C to the Stipulation for the wastewater systems included in Monarch's
21 Rate Application. Monarch will not apply an increase in the base wastewater charge.
22 The change to the revenue requirement for wastewater will be recovered consistent
23 with Monarch's ratio of test year fixed versus variable revenues. The Signatories
24 agree that Monarch's wastewater rates for the Water Services and Diamond systems
25 will go into effect upon approval of a Final Order in this proceeding, with no additional
26 phases. Monarch will forego recovery of the revenues associated with the final phase-
27 ins previously approved for the Water Services and Diamond systems in Docket No.
28 47736. The Signatories agree that the rates shown on Attachment C are just and
29 reasonable and consistent with the public interest.

30 3. **Revenue Requirement and Rate Base.** The Signatories agree that Monarch's total
31 annual revenue requirement for rate design, which does not include miscellaneous
32 revenue and contract revenue, is \$34,950,000.

33 The Signatories agree that approval of invested capital (Rate Base), as of December
34 31, 2019, of \$103,695,931—which includes \$111,576,840 of net plant minus certain
35 adjustments listed on Attachment D—is reasonable and in the public interest.
36 Monarch's Rate Base includes a total Accumulated Deferred Federal Income Tax
37 (ADFIT) of \$831,540, and excess ADFIT of \$407,802. The Signatories further agree
38 that Monarch will apply the depreciation rates as proposed in the Rate Application,

1 and Monarch will continue to use over-recovery prevention tools as discussed in the
2 rebuttal testimony of Dane Watson. Monarch will use these values for both regulatory
3 accounting and other regulatory purposes unless altered by a subsequent Commission
4 order.

5 The Signatories agree that facilities used and useful in providing utility service as of
6 December 31, 2019—as set out in Attachment D—shall be binding in future rate cases
7 for the purposes of determining Monarch’s total Rate Base as of December 31, 2019.

8 4. **Rate of Return and Capital Structure.** The Signatories agree to a ratio of 45% debt
9 to 55% equity for Monarch’s cost of capital. Monarch will have a 6.17% cost of debt
10 and a 9% return on equity. These ratios and percentages result in a total cost of capital
11 of 7.73%.

12 5. **Tariff Provisions.** The Signatories agree that Attachment B to the Stipulation will be
13 the governing water utility rates, terms, and conditions for Monarch’s ratepayer
14 customers. The Signatories agree that Attachment C to the Stipulation will be the
15 governing wastewater utility rates, terms, and conditions for Monarch’s ratepayer
16 customers.

17 Monarch will recover 2019 purchased water costs in the amount of \$3,166,067 via
18 pass-through mechanisms contained in the tariff included as Attachment B to the
19 Stipulation. Monarch will recover 2019 purchased wastewater treatment service costs
20 in the amount of \$249,514 via pass-through mechanisms contained in the tariff
21 included as Attachment C to the Stipulation. Monarch will continue to recover
22 purchased water costs for the systems included in Monarch’s tariff approved in Docket
23 No. 45570 using the pass-through mechanism that was approved in Docket No. 45570.
24 Monarch will continue to recover purchased water costs for the legacy Water Services
25 system included in the tariff approved in Docket No. 47736 using the pass-through
26 mechanism that was approved in Docket No. 47736. For all other systems that do not
27 have a pass-through mechanism contained in the tariffs included as Attachments B
28 and C to the Stipulation, Monarch will file pass-through approval applications with
29 the Commission in accordance with 16 TAC § 24.25(b)(2), and will not seek to recover
30 purchased water or wastewater treatment service costs from systems that do not incur
31 purchased water or wastewater treatment service costs.

32 6. **Future Rate Change Applications.** Monarch agrees to file a full rate case no earlier
33 than one year from the date of the final order in this docket and no later than three
34 years from the date of the final order in this docket. In Monarch’s next base rate case,
35 Monarch will provide and propose in its application the use of a labor functional
36 allocator composed of all non-administrative costs directly assigned to each of the
37 water or wastewater functions to the maximum extent possible. Monarch will file a
38 true up in March of 2022, and annually thereafter, and will seek a good cause
39 exception from 16 TAC 24.25(b)(2)(c)(v), which Staff and OPUC will not oppose.

40 7. **Rate-Case Expenses.** The Signatories agree that Monarch is entitled to recover up to
41 \$525,000 in reasonable and necessary rate-case expenses for this proceeding to be
42 collected via surcharge to its customers. Monarch may collect the surcharge over a
43 24-month period or until the full amount in rate-case expenses is collected, whichever

1 occurs first. Monarch may not seek to recover any additional rate-case expenses
2 incurred in connection with this Rate Application in a future proceeding.

3 8. **Interim Rates.** The refund or surcharge calculated, under TWC § 13.187(n) and 16
4 TAC § 24.37(h), after the signing of a final order for the difference between the settled
5 rates and phase 1 and phase 2 interim rates will include all tariffed rates that would
6 have been charged to customers, including base and pass-through rates.

7 **Q. Are the terms of the Stipulation fair and reasonable?**

8 A. Yes. Based upon the review of other Staff, and in my opinion, the implementation of the
9 terms in the Stipulation will result in a fair and reasonable outcome for the parties.

10 The aspects of the Rate Application were reviewed as follows:

- 11 • Emily Sears, Financial Analyst with the Rate Regulation Division, reviewed the
12 rate of return;
- 13 • Adrian Narvaez, Rate Analyst with the Rate Regulation Division, reviewed the
14 rate design-related aspects;
- 15 • Roshan Pokharel, Engineering Specialist with the Infrastructure Division,
16 reviewed the engineering aspects of the operations and maintenance expenses and
17 capital expenditures; and
- 18 • Maxine Gilford, Financial Analyst with the Rate Regulation Division, reviewed
19 the accounting-related aspects of the Rate Application.

20 All Staff reviewed the Stipulation and communicated that they found the Stipulation
21 reasonable. Based on Staff's review of the Stipulation, I believe that implementation of
22 the various terms in the Stipulation will result in a fair and reasonable outcome for affected
23 customers, will avoid the added cost of continued litigation, and is in the public interest.

24 **Q. Do the affiliate transactions included in the agreed-upon components of Monarch's
25 invested capital and revenue requirement meet the standards of TWC § 13.185(e)?**

26 A. Based upon the review of Monarch's Rate Application, responses to information requests,
27 and documentation provided in this proceeding, the affiliate transactions included in the
28 agreed-upon components of invested capital and revenue requirement meet the

1 requirements of TWC § 13.185(e). Those standards require that the price of each class or
2 item of payment to affiliated interests of Monarch is no higher than prices charged by the
3 supplying affiliate to its other affiliates or divisions for the same item or items. I
4 recommend that the Commission approve the allocation procedures employed by
5 Monarch and its affiliates.

6 **IV. RECOMMENDATION**

7 **Q. What is your recommendation in this proceeding?**

8 A. In my opinion, the Stipulation represents an agreement between the parties that results in
9 an acceptable resolution to this proceeding that is consistent with the public interest. I
10 believe that the terms of the Stipulation provide an acceptable degree of certainty to the
11 Signatories that would not be assured if litigation of this proceeding were to continue.
12 Given the issues addressed by the Stipulation and the certainty provided by the formal
13 Stipulation of the Signatories, I recommend that the Commission adopt the Stipulation in
14 its entirety.

15 **Q. Does this complete your testimony?**

16 A. Yes.