



Control Number: 50944



Item Number: 647

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

2022 FEB 10 10:58

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

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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

**ORDER**

This Order addresses the application of Monarch Utilities I L.P. for authority to change its water and sewer rates and associated tariffs. Monarch filed a unanimous agreement between the parties regarding the rate and tariff changes. The Commission approves the rates and water and sewer tariffs attached to the agreement as attachments B and C, except as modified by this Order, effective the date of this Order.

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicant**

1. Monarch is a Texas limited partnership registered with the Texas secretary of state under filing number 800034797.
2. Monarch owns and operates for compensation in Texas facilities and equipment for the transmission, storage, distribution, sale, or provision of potable water to the public in Bandera, Bexar, Brazoria, Chambers, Comal, Denton, Gillespie, Grayson, Guadalupe, Harris, Hays, Henderson, Hood, Johnson, Kendall, Kerr, Liberty, Marion, Matagorda, Medina, Montgomery, Parker, Polk, San Jacinto, Smith, Tarrant, Travis, Trinity, Tyler, Van Zandt, Wise, and Wood counties.
3. Monarch provides potable-water service for compensation to approximately 30,000 active water connections across multiple, geographically separate service areas under certificate of convenience and necessity (CCN) number 12983.
4. Monarch owns and operates for compensation in Texas facilities and equipment for the collection, transportation, treatment, or disposal of sewage for the public in Chambers, Grayson, Harris, Henderson, Medina, Montgomery, San Jacinto, Trinity, and Wood counties.

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5. Monarch provides sewer service for compensation to approximately 4,400 connections across multiple, geographically separate service areas under CCN number 20899.

**Application**

6. On July 15, 2020, Monarch filed an application to change its water and sewer rates and the associated tariffs under Texas Water Code (TWC) § 13.1871.
7. The basis for the application was Monarch’s investment of approximately \$35.1 million to upgrade its water and sewer systems since 2015.
8. The application is based on a historical test year ending December 31, 2019 and is adjusted for known and measurable changes.
9. In the application, Monarch requested overall increases over its adjusted test-year revenues of \$3,238,879 for annual water revenues and \$647,367 for annual sewer revenues.
  - a. Monarch requested a revenue requirement of \$41,458,355, including \$36,276,849 for water service and \$5,181,507 for sewer service.
  - b. Monarch requested an overall rate of return of 8.32% for both water and sewer service.
10. In its application, Monarch requested a consolidated water tariff for the following public water systems through various phase-in periods up to ten years, with each proposed phase-in period generally not exceeding a 10% increase per phase:

System Name	PWS ID No.	County
Enchanted River Estates	0100039	Bandera
Lake Medina Shores	0100037	
River Bend Estates	0100042	
Bavarian Hills	0150235	Bexar
Coolcrest Water System	0150046	
Stage Coach Hills	0150096	
Oaks North Mobile Home Estates	0150135	
Country Springs Water Company	0150421	
Holiday Shores	0200029	Brazoria
Tower Terrace	0360069	Chambers
Oak Village North	0460037	Comal

System Name	PWS ID No.	County
Rim Rock Ranch	0460211	
Windmill Ranch Subdivision	0460221	
Denton Creek Estates	0610015	Denton
Ponderosa Addition Utilities	0610175	
Stonecrest Estates	0610059	
Wynnwood Haven Estates	0610037	
Oakview Water System	0860107	Gillespie
Ridgecrest	0910035	Grayson
Rocky Point Estates	0910038	
Sherwood Shores	0910040	
Tanglewood-on-Texoma	0910052	
Garden Oaks	0940030	Guadalupe
Villas of Willowbrook	1013599	Harris
Western Trails Subdivision	1010230	
Huntington Estates	1050124	Hays
Plum Creek	1050028	
River Oaks Ranch	1050099	
Beachwood Estates & North Trinidad	1070069	Henderson
Briarwood Harbor	1070220	
Carolynn Estates	1070106	
Cherokee Shores Water Supply	1070206	
Dal-High Water System	1070159	
Highsaw	1070124	
Lollipop Water Works	1070039	
Westwood Beach	1070085	
Acton Water Royal Oaks	1110055	Hood
Comanche Cove & Heritage Heights	1110060	
Comanche Harbor & Port O'Call	1110022	
Granbury Acres Water System	1110109	
Hideaway Bay Estates	1110002	
Montego Bay Estates	1110044	
Oak Trail Shores	1110004	
Rancho Brazos Subdivision	1110036	
Western Hills Harbor	1110005	
Crowley One Acre Sky Corp Water	1260011	Johnson
Falcon Crest Addition	1260076	
Metroplex Homesteads Water Supply	1260074	

System Name	PWS ID No.	County
Nolan River Estates	1260099	
Ridgecrest Addition & Misty Hollow	1260035	
Shaded Lane Estates	1260103	
Southern Acres Water System	1260094	
Sundance Addition	1260025	
Tex-Rides Subdivision	1260037	
Triple H Estates	1260116	
Twin Creeks Subdivision	1260038	
West Meadows Subdivision	1260063	
West Park Village	1260077	
Cascade Mobile Home Park	1300005	
Platten Creek Water System	1300035	
Cedar Springs MHP	1330019	Kerr
Center Point	1330007	
Heritage Park Water System	1330080	
Hills and Dales	1330030	
Oak Ridge Estates Water System	1330134	
Southern Hills	1330128	
Verde Park Estates	1330027	
Vista Hills	1330169	
Westwood Water System	1330015	
Winwood Oaks Water System	1330141	
Woodhaven Mobile Home Park	1330024	
Raywood Water System	1460041	Liberty
Indian Hills Harbor	1580063	Marion
Pine Harbor Subdivision	1580023	
Camelot Forest Water System	1610058	Matagorda
Rocky Creek Subdivision Water System	1630038	Medina
Crystal Springs Subdivision	1700331	Montgomery
Decker Hills	1700386	
Hulon Lakes Subdivision	1700014	
Oakwood Water System	1700454	
Serenity Woods Subdivision	1700483	
Green Acres Water System	1840120	Parker
Spanish Park Estates	1840026	
Western Lake Estates	1840014	
Westview Enterprises	1840105	

System Name	PWS ID No.	County
Chesswood Water System	1870088	Polk
Country Wood Water System	1870138	
Garden Acres Subdivision Water System	1870160	
Longhorn Valley	1870152	
Oak Terrace Estates Water System	1870055	
Phillips Acres	1870146	
Pinwah Pines Estates	1870130	
Bluewater Cove	2040059	San Jacinto
Cedar Valley Subdivision	2040045	
Coldspring Terrace Water System	2040031	
Governors Point	2040008	
Holiday Villages of Livingston	2040067	
Shepherd Hill Estates	2040061	
Lakeway Harbor Subdivision	2120064	Smith
Pine Trail Shores	2120035	
Benbrook Hills	2200313	Tarrant
Markum Ranch Estates	2200281	
Silver Saddle Acres	2200299	
Westside Rural WSC	2200079	
Inverness Point Water System	2270102	Travis
Harbor Point	2280035	Trinity
Ivanhoe Land of Lakes	2290010	Tyler
Callender Lake	2340007	Van Zandt
Aurora Vista	2490051	Wise
Chisholm Hills Estates	2490044	
Coyote Ridge Addition	2490053	
Hills of Oliver Creek	2490046	
Las Brisas	n/a	
Sage Brush Estates	2490058	
Skyview Ranch Estates	2490061	
Windmill Trails	2490050	
Holiday Villages of Fork	2500058	Wood

11. In its application, Monarch proposed the following consolidated water rates except that Monarch proposed a phased-in approach for several water systems, with the last phase for each system being the following rates.

Meter size (in.)	Monthly Minimum Charge (incl. 0 gal.)	Usage Tiers (gal.)	Charge per 1,000 gal.
5/8	\$54.15	0 to 2,000	\$7.25
5/8 x 3/4	\$54.15		
3/4	\$81.23	2,001 to 10,000	\$8.93
1	\$135.38		
1 1/2	\$270.75	10,001 to 20,000	\$10.12
2	\$433.20		
3	\$812.25	over 20,000	\$10.78
4	\$1,353.75		
6	\$2,707.50	Purchased water pass-through	\$0.00
8	\$4,332.00		
10	\$6,227.25		
12	\$11,642.25		

12. In its application, Monarch requested the following pass-through water charges:

Pass-through for Bavarian Hills, Cascade Mobile Home Park, Coolcrest Water System, Country Bend and Country Springs, Garden Oaks, Oaks North Mobile Home Estates, Stagecoach Hills:

San Antonio Water System.....\$0.7026 per customer per month

Pass-through for Cascade Mobile Home Park:

Cow Creek Groundwater Conservation District.....\$0.4125 per customer per month

Pass-through for Coolcrest Water System:

Edwards Aquifer Authority..... \$2.5202 per customer per month

Pass-through for Bavarian Hills, Cascade Mobile Home Park, Coolcrest Water System, Country Bend and Country Springs, Garden Oaks, Oaks North Mobile Home Park, Oak Village North, Stagecoach Hills:

Green Valley Special Utility District Purchased Water.....\$0.3278 per 1,000 gallons

Pass-through for Bavarian Hills, Country Bend and Country Springs, Garden Oaks, Oaks North Mobile Home Estates, Stagecoach Hills:

Trinity Glen Rose Groundwater Conservation District .....\$0.1082 per 1,000 gallons

Pass-through for Enchanted River Estates, Oakview Water System, Rim Rock Ranch, River Bend, Windmill Ranch Subdivision:  
 Canyon Lake.....\$10.6670 per customer per month

Pass-through for Rim Rock Ranch, Windmill Ranch Subdivision:  
 Comal Trinity Groundwater Conservation District.....\$0.0722 per 1,000 gallons

Pass-through for Monarch Hills, Westwood Park:  
 Jagge Edwards Lease.....\$10.6670 per customer per month

13. In its application, Monarch requested a consolidated sewer tariff for the following sewer systems through various phase-in periods up to ten years, with each proposed phase-in period generally not exceeding a 10% increase per phase:

System Name	TCEQ WQ	County
Tower Terrace	12478-001	Chambers
Tanglewood-on-Texoma	collection only	Grayson
Villas of Willowbrook	collection only	Harris
Beachwood Estates	11282-001	Henderson
Cherokee Shores	13879-001	
Pinnacle Club	11506-001	
Holiday Villages of Medina	14167-001	Medina
Decker Hills	12587-001	Montgomery
Blue Water Cove	14179-001	San Jacinto
Holiday Village of Livingston	14056-001	
Harbor Point	13547-001	Trinity
Lake Fork Estates	14055-001	Wood



14. In its application, Monarch proposed the following consolidated sewer rates except that Monarch proposed a phased-in approach for the Villas of Willowbrook system, with the last phase being the following rates.

Meter size (in.)	Monthly minimum rate	Gallage charge
5/8	\$80.29	\$2.80 per 1,000 gal.
5/8 x 3/4	\$80.29	
3/4	\$120.44	
1	\$200.73	
1 1/2	\$401.45	
2	\$642.32	
3	\$1,204.35	
4	\$2,007.25	
6	\$4,014.50	
8	\$6,423.20	
10	\$9,233.35	
12	\$17,262.35	

15. Monarch proposed to increase the new service tap fees for standard residential taps for both water and wastewater based on significant increases in material and labor costs including the costs of the automatic-meter-reading water meters installed at new service connections.
16. Monarch proposed a new damage-or-service-diversion fee that would charge a one-time \$100 penalty for tampering with or damaging a water or wastewater connection or any appurtenance.
17. Monarch proposed new water and wastewater pass-through mechanisms that will be easier to track, review, and administer.
18. Monarch filed errata to the application on August 12, 2020.
19. In Order No. 3 filed on August 18, 2020, the Commission administrative law judge (ALJ) found Monarch's rate application administratively complete.

**Notice of the Application**

20. On July 15, 2020, Monarch provided notice of its application by mail or hand-delivery to each customer and other affected party. On the same day, Monarch filed proof of notice

as part of its application to change rates, which included a copy of the notice provided and a statement that notice of the application was provided as described in this finding of fact.

- 21. On July 31, 2020, Monarch provided supplemental notice to customers of the following water systems: Ridgecrest, Villas of Willowbrook, Inverness Point, Enchanted River, Oakview, Rim Rock, River Bend, Windmill and Kestrel, Monarch Hills, Westwood Park, Oak Terrace Estates, and Huntington Estates.
- 22. On August 6, 2020, Monarch filed the affidavit of George Freitag, Monarch's Texas regulatory manager, who testified that notice of the application had been provided in accordance with TWC §§ 13.1871(m) and (n) and 16 Texas Administrative Code (TAC) § 24.27(c) as described in finding of fact 21.
- 23. In Order No. 3 filed on August 18, 2020, the Commission ALJ found Monarch's notice of the application sufficient.
- 24. On December 22, 2021, Monarch filed another affidavit by Mr. Freitag. In this additional affidavit, Mr. Freitag testified that notice of the application had been provided by United States mail to each affected customer, each affected municipality, the Office of Public Utility Counsel (OPUC), and any other affected party on or about July 15, 2020.

**Interventions and Protests**

- 25. In Order No. 4 filed on August 24, 2020, the Commission ALJ granted motions to intervene filed by OPUC and the following 32 customers:

Carl Pettitt	Clinton Smith	Dan Hand	Matthew Dumas
Capt. Rob Robertson	Mickie Carnes	Krystal Stout	Kurt Turner
Ramona Sutherland	Joe Thomas	Roy Lincecom	Gilbert Betts
Heinrich and Rita Leuner	Dennis Reedy	Cynthia Hansome	Jill Trice
Toni Lamm	Jim Cochran	Noel Stewart	Tina Millard
Gordon Drake CMSGT	Lisa Snyder	Casey Herring	Steven Coons
Clubhouse and HV Services Co.	HV Services Company	Marvin Reeves	Kathy Nielsen
Mattie Couch	Michael Moore	Jason Russell	Kathy Cassell

26. In State Office of Administrative Hearings (SOAH) Order No. 1 filed on September 4, 2020, the SOAH ALJs required all intervening parties to file a notice of intent to appear at the prehearing conference by September 15, 2020.
27. Monarch, Commission Staff, and OPUC were the only parties that filed a notice of intent to appear at the prehearing conference held on September 18, 2020, and they were the only parties present. Accordingly, at the prehearing conference, Monarch moved to dismiss all non-present intervenors.
28. On September 28, 2020, Ms. Nielsen filed a letter to the SOAH ALJs requesting to retain party status as an intervenor despite being absent from the mandatory prehearing conference.
29. In SOAH Order No. 2 filed on October 2, 2020, the SOAH ALJs granted Ms. Nielsen's request to retain party status and conditionally dismissed all of the customers previously granted intervention other than Ms. Nielsen. The SOAH ALJs also gave notice of a show-cause hearing set for October 15, 2020 for parties wishing to challenge their dismissal.
30. Three customers—Stephanie Klieber, Cheryl Gardner, and Kelley Meza—filed requests to intervene after the September 14, 2020 deadline to intervene in this proceeding.
31. On October 15, 2020, SOAH held a show-cause hearing, at which only one intervenor, Ms. Millard, appeared to request that she remain a party. No party objected to the request, and the ALJs granted Ms. Millard's request to retain party status, subject to the requirements and deadlines in the adopted procedural schedule.
32. In SOAH Order No. 4 filed on October 19, 2020, the SOAH ALJs dismissed all of the customers previously granted intervention listed in finding of fact 25, except for Ms. Nielsen and Ms. Millard. The SOAH ALJs then granted Ms. Klieber's, Ms. Gardner's, and Ms. Meza's requests to intervene after receiving no objection from the parties.
33. In SOAH Order No. 5 filed on November 3, 2020, the SOAH ALJs conditionally dismissed Ms. Millard, Ms. Klieber, Ms. Gardner, and Ms. Meza as inactive parties, unless each party filed a statement of intent to participate by November 11, 2020. None of the conditionally dismissed parties filed a statement of intent to participate.

**Referral to SOAH**

34. On August 31, 2020, the Commission referred the proceeding to SOAH.
35. On September 24, 2020, the Commission filed a preliminary order.
36. In SOAH Order No. 2 filed on October 2, 2020, the SOAH ALJs conditionally adopted a procedural schedule setting a hearing on the merits for December 7 through 11, 2020, via videoconference.
37. In SOAH Order No. 3 filed on October 15, 2020, the SOAH ALJs adopted the procedural schedule set forth in SOAH Order No. 2.
38. The SOAH ALJs held the hearing on the merits on December 7 and 8, 2020.
39. On February 2, 2021, Monarch filed an agreed motion to abate the proceeding because of an agreement in principle between itself, Commission Staff, and OPUC. Monarch stated that Commission Staff and OPUC had reached out to Ms. Nielsen, a pro se intervenor, but were unable to reach Ms. Nielsen by the time the agreed motion to abate was filed.
40. In SOAH Order No. 7 filed on February 2, 2021, the SOAH ALJs abated the proceeding.
41. On February 16, 2021, the parties filed a joint status report stating that Ms. Nielsen had agreed to the agreement in principle.
42. On July 16, 2021, the parties jointly filed a unanimous agreement between the parties.
43. In SOAH Order No. 11 filed on August 3, 2021, the SOAH ALJs dismissed the proceeding from SOAH's docket and remanded the case to the Commission.

**Testimony**

44. On July 15, 2020, Monarch filed the direct testimonies of the following witnesses with its application: Jeffrey L. McIntyre, Monarch's president of Texas utilities; Brian D. Bahr, Monarch's director of regulatory affairs; George Freitag, P.E., Monarch's Texas regulatory manager; Mujeeb Hafeez, SouthWest Water Company's assistant controller within corporate shared services; Jeff Farney, SouthWest Water Company's vice president of information technology in its corporate shared services; Edward Taussig, Monarch's finance director; Terry Benton, Monarch's vice president of operations; Timothy J. Williford, Monarch's vice president of operations; Victoria R. Shupak, SouthWest Water

Company's tax manager in the financial function of its corporate shared services; Bruce Fairchild, a principal in Financial Concepts and Applications, Inc.; Dane Watson, a partner of Alliance Consulting Group; and Lambeth Townsend, an attorney and principal at Lloyd Gosselink Rochelle & Townsend, P.C.

45. On October 19, 2020, Ms. Nielsen filed a statement of position.
46. On October 20, 2020, OPUC filed the direct testimony of Chris Ekrut.
47. On October 21, 2020, OPUC filed the workpapers to the direct testimony of Mr. Ekrut.
48. On October 27, 2020, Commission Staff filed the direct testimonies of Adrian Narvaez, Emily Sears, Heidi Graham, Debi Loockerman, and Maxine Gilford.
49. On November 17, 2020, OPUC filed errata to the direct testimony of Mr. Ekrut.
50. On November 19, 2020, Monarch filed the rebuttal testimonies of Mr. Fairchild, Mr. Farney, Mr. Hafeez, Mr. Freitag, Ms. Shupak, Mr. Watson, Mr. Bahr, and Mr. Taussig.
51. On December 1, 2020, Commission Staff filed a motion for Roshan Pokhrel to adopt the direct testimony of Ms. Graham, errata to the direct testimony of Ms. Graham, and his own supplemental direct testimony.
52. On December 2, 2020, Commission Staff filed errata to the direct testimonies of Mr. Narvaez, Ms. Gilford, and Ms. Loockerman.
53. On November 12 and December 4, 2020 and July 9, 2021, Monarch filed the supplemental direct testimony of Mr. Townsend.
54. On July 16, 2021, Monarch filed the supplemental direct testimony of Mr. Bahr in support of the agreement.
55. On July 16, 2021, Commission Staff filed the testimony of Ms. Givens in support of the agreement.
56. On December 22, 2021, Monarch filed another affidavit by Mr. Freitag. In the affidavit, Mr. Freitag testified that all changes in fees reflected in the agreed tariffs are intended to recover the costs associated with individual, customer-specific, cost-causing events. According to Mr. Freitag, none of the revenue collected from these adjusted fees are

recovered in the agreed tariffed base rates, which were designed to specifically recover the costs associated with system-wide costs.

**Evidentiary Record**

57. In SOAH Order No. 11 filed on August 3, 2021, the SOAH ALJs admitted the following into the evidentiary record:
- a. the third supplemental direct testimony of Mr. Townsend filed on July 16, 2021;
  - b. Commission Staff's testimony of Ms. Givens in support of the agreement, filed on July 16, 2021;
  - c. Monarch's supplemental direct testimony of Mr. Bahr in support of the agreement, filed on July 16, 2021; and
  - d. the agreement with attached agreed tariffs and a joint proposed final order filed on July 16, 2021.
58. In Order No. 5 filed on December 30, 2021, the Commission ALJ admitted into the evidentiary record the joint response filed by Monarch on December 22, 2021 as well as all attachments.

**Consolidation of Systems**

59. Monarch has only one comprehensive customer class and has developed a comprehensive cost of service and revenue requirement for providing water and sewer service for all its customers.
60. Tecon Water Company, L.P.—whose name was changed to Monarch Utilities I L.P. in 2004 after acquisition by SouthWest Water Company—provided service in only 24 counties as of January 1, 2003.
61. The Commission approved consolidated rates for Monarch in its last base-rate proceeding, Docket No. 45570.<sup>1</sup>

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<sup>1</sup> *Application of Monarch Utilities I, LP for Authority to Change Rates*, Docket No. 45570, Order (Aug. 21, 2017).

62. In this proceeding, Monarch proposes to further consolidate rates for all of the utility assets it acquired since its last base-rate case, including the following: Dal-High Water, LLC; Ni America Texas, LLC; Romark Utility Company; Villas of Willowbrook Homeowners Association, Inc.; SWWC Utilities, Inc. doing business as SWUC Utility Company; SWWC Utilities, Inc. doing business as Inverness Utility Company, Inc.; and SWWC Utilities, Inc. doing business as Water Services, Inc.

**Agreed Revenue Requirements**

63. The parties agreed that Monarch's total revenue requirement for rate design, which does not include miscellaneous revenue and contract revenue, will be set at \$34,950,000.
64. The agreed total revenue requirement is appropriate.

**Agreed Rates and Pass-Throughs**

65. The parties agreed that 2019 purchased-water costs in the amount of \$3,166,067 and 2019 purchased-wastewater-treatment costs in the amount of \$249,514 will be recovered through pass-through rates.
66. The parties agreed that Monarch will be allowed to implement the retail water and sewer utility rates contained in the tariffs included as attachments B and C to the agreement for the water and sewer systems included in Monarch's rate application. The parties further agreed that those rates would be effective for usage on and after the date of the Commission's final order setting the rates in this docket.
67. The parties agreed that the water-rate increases shown in attachment B to the agreement will be phased in over a period of several years.
68. The parties agreed on the following consolidated water rates. Additionally, the parties agreed that the rates for the water systems listed in finding of fact 69 would be phased-in, with the last phase for each system being the following rates:

Meter size (in.)	Monthly Minimum Charge (incl. 0 gal.)	Usage Tiers (gal.)	Charge per 1,000 gal.
5/8	\$48.37	0 to 2,000	\$6.48
5/8 x 3/4	\$48.37		
3/4	\$72.56	2,001 to 10,000	\$7.98
1	\$120.93		
1 ½	\$241.85	10,001 to 20,000	\$9.05
2	\$386.96		
3	\$725.55	over 20,000	\$9.64
4	\$1,209.25		
6	\$2,418.50	Purchased water pass-through	\$2.34
8	\$3,869.60		
10	\$5,562.55		
12	\$10,399.55		

69. The parties agreed on phased-in rates, as shown in the tariff attached to the parties' agreement as attachment B, for the following water systems: Villas of Willowbrook, Cedar Springs Mobile Home Park, Center Point, Heritage Park Water System, Hills and Dales, Oak Ridge Estates Water System, Platten Creek Water System, Rocky Creek Subdivision Water System, Southern Hills, Verde Park Estates, Vista Hills, Windwood Oaks Water System, Woodhaven Mobile Home Park, Western Trails Subdivision, Dal-High Water System, Oak Terrace Estates Water System, and Huntington Estates.
70. The parties also agreed on rates for income-qualified elderly customers 65 years of age or older with a 5/8-inch meter as shown in the tariff attached to the parties' agreement as attachment B.
71. The parties agreed on a purchased-water pass-through rate of \$2.34. The parties also agreed that the purchased-water pass-through rate would not apply to the following systems: Inverness Point Water System, Bavarian Hills, Cascade Mobile Home Park, Coolcrest Water System, Country Springs Water Company, Garden Oaks, Oaks North Mobile Home Estates, Oak Village North, Stage Coach Hills, Enchanted River Estates, Oakview Water System, Rim Rock Ranch, River Bend Estates, Windmill Ranch Subdivision, Cedar Springs Mobile Home Park, Center Point, Heritage Park Water System,



Hills & Dales, Oak Ridge Estates Water System, Platten Creek Water System, Rocky Creek Subdivision Water System, Southern Hills, Verde Park Estates, Vista Hills, Windwood Oaks Water System, Woodhaven Mobile Home Park, Westwood Water System, Western Trails Subdivision, Dal-High Water System, Oak Terrace Estates Water System, Huntington Estates, Shaded Lane Estates, Chisholm Hills Estates, Coyote Ridge Addition, Hills of Oliver Creek, Acton Water Royal Oaks, Sage Brush Estates, Sky View Ranch Estates, and Windmill Trail.

72. The parties agreed on the following additional pass-through water charges. The additional pass-through water charges that were not requested in the application are from Docket No. 47736.<sup>2</sup>

Pass-through for Bavarian Hills, Cascade Mobile Home Park, Coolcrest Water System, Country Springs Water Company, Garden Oaks, Oaks North Mobile Home Park, Oak Village North, Stagecoach Hills:

San Antonio Water System ..... \$0.7025 per customer per month

Pass-through for Cascade Mobile Home Park:

Cow Creek Groundwater Conservation District..... \$0.4125 per customer per month

Pass-through for Coolcrest Water System:

Edwards Aquifer Authority ..... \$2.5202 per customer per month

Pass-through for Bavarian Hills, Cascade Mobile Home Park, Coolcrest Water System, Country Springs Water Company, Garden Oaks, Oaks North Mobile Home Park, Oak Village North, Stagecoach Hills:

Green Valley Special Utility District Purchased Water.....\$0.3278 per 1,000 gallons

Pass-through for Bavarian Hills, Country Springs Water Company, Oaks North Mobile Home Estates, Stagecoach Hills:

Trinity Glen Rose Groundwater Conservation District ..... \$0.1082 per 1,000 gallons

Pass-through for Oak Village North:

Comal Trinity Groundwater Conservation District.....\$0.0722 per 1,000 gallons

Pass-through for Enchanted River Estates, Oakview Water System, Rim Rock Ranch, River Bend, Windmill Ranch Subdivision:

Canyon Lake.....\$10.6670 per month

Pass-through for Rim Rock Ranch, Windmill Ranch Subdivision:

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<sup>2</sup> Application of SWWC Utilities, Inc. dba Water Services, Inc. for Authority to Change Rates, Docket No. 47736, Order (Oct 16, 2019).

Comal Trinity Groundwater Conservation District .....\$0.0722 per 1,000 gallons

Pass-through for Cedar Springs Mobile Home Park, Center Point, Heritage Park Water System, Hills and Dales, Platten Creek Water System, Rocky Creek Subdivision Water System, Southern Hills, Verde Park Estates, Vista Hills, Woodhaven Mobile Home Park, Oak Ridge Estates Water System, Windwood Oaks Water System:

Raymond Jagge Lease.....\$0.1481 per customer per month

Pass-through for Platten Creek Water System:

Cow Creek Groundwater Conservation District.....\$0.3604 per customer per month

Pass-through for Rocky Creek Subdivision Water System:

Edwards Aquifer Authority.....\$1.7949 per customer per month

Pass-through for Westwood Park:

Jagge Edwards Lease.....\$0.1481 per customer per month

Pass-through for Huntington Estates:

Barton Springs Edwards Aquifer.....\$2.0569 per customer per month

73. The parties agreed on the following consolidated sewer rates for the systems listed in finding of fact 13. Additionally, the parties agreed on a phased-in approach for the Villas of Willowbrook water system, with the last phase being the following rates.

Meter size (in.)	Monthly minimum rate	Gallonge charge
5/8	\$68.52	\$2.39 per 1,000 gal.
5/8 x 3/4	\$68.52	
3/4	\$102.78	
1	\$171.30	
1 ½	\$342.60	
2	\$548.16	
3	\$1,027.80	Purchased wastewater treatment pass-through of \$1.44 per 1,000 gal.
4	\$1,713.00	
6	\$3,426.00	
8	\$5,481.60	
10	\$7,879.80	
12	\$14,731.80	

74. The parties agreed that the rates set forth in attachments B and C to the agreement are just and reasonable and are in accordance with the public interest.
75. All changes in fees reflected in the agreed tariffs are designed to recover the costs associated with individual, customer-specific, cost-causing events. None of the revenue collected from these adjusted fees are recovered in the agreed tariffed base rates, which were designed to specifically recover the costs associated with system-wide costs.

**Proposed Tap Fees and Miscellaneous Fees**

76. The water and sewer utility rates, including fees, set forth in attachments B and C to the agreement are just and reasonable, except for the proposed standard residential water-tap fees, the standard residential sewer-tap fees, and the damage-or-service-diversion penalty fee.
77. Monarch's water and sewer CCN service areas cover a wide geographic area. The type of terrain in the geographic regions varies, and in some areas of the state the type of terrain results in higher installation costs. Monarch's proposed tap fees that would charge a uniform average rate for costs and labor would result in significant cost subsidization among its customers. It is not appropriate to charge an average tap fee that results in customers in some systems or regions significantly subsidizing the tap fees of customers in other regions.
78. Given its wide geographic service area it is appropriate for Monarch to revise its standard residential water and sewer tap fees to actual costs.
79. Monarch's proposed damage-or-service-diversion fee is a one-time penalty fee for tampering with or damaging a service connection or any appurtenance. It is appropriate for Monarch to implement a charge for actual costs related to meter tampering or damage to its equipment.

**Rate Base**

80. The parties agreed that the components of Monarch's invested capital in rate base as of December 31, 2019, as set forth in attachment D to the agreement, are reasonable and necessary.

81. The parties agreed that Monarch's rate base as of December 31, 2019 totals \$103,695,931. That amount consists of the following, as set forth in attachment D to the agreement.

Net plant in service	\$111,576,840
Materials and supplies	\$383,585
Working capital	\$1,441,199
Prepayments	\$236,422
Other rate-base items	(\$10,277,901)
Accumulated deferred federal income taxes (ADFIT)	(\$831,540)
Accumulated deferred regulatory asset for excess deferred federal income tax	(\$407,802)
Parent company allocated rate base	\$1,575,128

82. The parties agreed that Monarch will apply the depreciation rates as proposed in Monarch's rate application, and Monarch will continue to use over-recovery prevention tools as discussed in the rebuttal testimony of Mr. Watson. Monarch agreed to use these values for both regulatory accounting and other regulatory purposes unless altered by a subsequent Commission order.
83. The parties agreed that facilities used and useful in providing utility service as of December 31, 2019—as set forth in attachment D to the agreement—will be binding in future rate cases for the purposes of determining Monarch's total rate base as of December 31, 2019.
84. The parties agreed to a ratio of 45% debt to 55% equity for Monarch's cost of capital, with a 6.17% cost of debt and a 9% return on equity. These ratios and percentages result in an overall rate of return of 7.73%.
85. The agreement's treatment of Monarch's rate base, depreciation rates, over-recovery prevention tools, capital structure, and rate of return is reasonable.

**Agreed Tariff Provisions**

86. The parties agreed that attachments B and C to the agreement will be the governing water and sewer utility rates, terms, and conditions for Monarch's customers.

87. The parties agreed that Monarch would continue to recover purchased water costs for the systems included in Monarch's tariff approved in Docket No. 45570 using the pass-through mechanism approved in that docket.
88. The parties agreed that Monarch would continue to recover purchased water costs for the SWWC Utilities, Inc. dba Water Services, Inc legacy water systems included in the tariff approved in Docket No. 47736 using the pass-through mechanism that was approved in that docket.
89. For all other systems that do not have a pass-through mechanism contained in the tariffs included as attachments B and C to the agreement, Monarch agreed to file with the Commission applications for approval of pass-through provisions and agreed not to seek to recover purchased water or wastewater treatment service costs from systems that do not incur purchased water or wastewater treatment service costs.
90. The parties agreed that the terms and conditions of the agreed tariffs are just and reasonable.
91. The terms and conditions of the agreed tariffs are just and reasonable, except for the water-tap fees, sewer-tap fees, and the damage-or-service-diversion fee.

**Affiliate Costs**

92. SouthWest Water Company, Monarch's parent, generally allocates indirect corporate costs to its five major business units—one of which includes Monarch—through a ratio based on the following factors: gross plant, payroll, and operating expenses including payroll expenses. Monarch also uses specific allocation methods for premiums for consolidated insurance coverages, bank earnings allowances, employee medical-insurance administrative charges, employee dental insurance, and information-technology maintenance costs.
93. SouthWest serves solely as a corporate parent to its subsidiaries and provides no services to any third parties.
94. The costs of SouthWest's corporate shared services are allocated to subsidiaries such as Monarch without any associated margin or mark-up.

95. Corporate costs allocated to Monarch are no higher than prices charged by SouthWest to its other affiliates for the same item or items.
96. The affiliate costs included in the agreed rates are reasonable and necessary.
97. To the extent that payments to affiliated interests are included in the rates agreed to by the parties, the prices charged to Monarch are not higher than the prices charged by the supplying affiliate to its other affiliates or divisions for the same item or items.

**Rate Case Expenses**

98. Monarch filed the direct testimony of attorney Mr. Townsend on July 15, 2020, his first supplemental testimony on October 31, 2020, his second supplemental testimony on December 4, 2020, and his third supplemental testimony on July 16, 2021. Mr. Townsend testified that Monarch's total amount of rate-case expenses through May 31, 2021 is \$535,452.
99. The parties agreed that Monarch may recover up to \$525,000 as reasonable and necessary rate-case expenses in this docket to be collected through a monthly surcharge of \$0.65 per water connection and \$0.65 per wastewater connection to its customers over a 24-month period or until the full amount in rate-case expenses is collected, whichever occurs first.
100. Monarch agreed not to seek in a future proceeding to recover any additional rate-case expenses incurred in connection with this rate application.
101. The agreement's treatment of rate-case expenses is appropriate, and the agreed rate-case-expense surcharges are reasonable and necessary.

**Future Rate Cases**

102. Monarch agreed to file a full base-rate case no earlier than one year from the date of this Order and no later than three years from this Order.
103. The agreement's provision regarding the timing of Monarch's next base-rate proceeding is appropriate.
104. Monarch agreed to file a true-up in March of 2022 and annually thereafter.

**Interim Rates and Effective Date**

105. In its application, Monarch requested approval of its proposed rate and tariff changes to become effective no sooner than 35 days after the required notice of the application was given.
106. Thirty-five days after July 31, 2020, the date on which supplemental notice was mailed to customers, is September 4, 2020.
107. In Order No. 3 filed on August 18, 2020, the Commission ALJ suspended the effective date of Monarch's proposed rates through the pendency of the proceeding.
108. In SOAH Order No. 1 filed on September 4, 2020, the SOAH ALJs suspended the effective date of Monarch's proposed rates until February 1, 2021, which is 150 days after Monarch's proposed effective date.
109. On September 17, 2020, Commission Staff filed a request for interim rates.
110. On September 28, 2020, Commission Staff, OPUC, and Monarch filed a joint motion to adopt interim rates and extend the effective date of Monarch's proposed rates. The joint motion requested that interim rates be set at Monarch's existing water and sewer rates effective September 18, 2020 through February 1, 2021, at which time Monarch's proposed rates would become effective as interim rates. The joint motion also requested that the effective date of Monarch's proposed rates be extended until January 1, 2021, thereby extending the 150-day suspension period established under TWC § 13.187(e) until May 31, 2021.
111. In SOAH Order No. 2 filed on October 2, 2020, the SOAH ALJs requested briefing from the parties regarding the legal authority and effect of retroactively setting interim rates as requested in the parties' joint motion.
112. On October 9, 2020, Monarch, Commission Staff, and OPUC each filed a brief on interim rates as requested in SOAH Order No. 2.
113. In SOAH Order No. 3 filed on October 15, 2020, the SOAH ALJs approved the agreed interim rates, recognized the extension of Monarch's proposed effective date until January 1, 2021, and extended the suspension of rates through May 31, 2021.

114. On May 19, 2021, Commission Staff and OPUC filed a joint motion to set interim rates until a final determination is made by the Commission under TWC § 13.187(l).
115. On May 20, 2021, Monarch filed an objection to Commission Staff and OPUC's motion to set interim rates until a final determination is made by the Commission.
116. On May 24, 2021, Commission Staff and OPUC filed a joint response to Monarch's objection.
117. In SOAH Order No. 9 filed on May 27, 2021, the SOAH ALJs granted Commission Staff and OPUC's request to set interim rates until a final determination is made by the Commission.
118. The parties agreed that the difference between the agreed rates and interim rates—both those effective September 18, 2020 and those effective February 1, 2021—would be subject to a refund or surcharge to customers. The parties further agreed that the refund or surcharge would include all tariffed rates that would have been charged to customers, including base rates and pass-through rates.

**Good-Cause Exception**

119. It is appropriate to consider this Order at the earliest open meeting available; therefore, good cause exists to waive the requirement in 16 TAC § 22.35(b)(2) that a proposed order be served on parties 20 days before the Commission is scheduled to consider the proposed order in an open meeting.

**Informal Disposition**

120. More than 15 days have passed since the completion of notice provided in this docket.
121. The only active parties still remaining at the time of the parties' agreement were Monarch, Commission Staff, OPUC, and Ms. Nielsen.
122. All the active parties still remaining in the proceeding at the time executed the parties' agreement.
123. No hearing is needed.
124. This decision is not adverse to any party.



## II. Conclusions of Law

The Commission makes the following conclusions of law.

1. Monarch is a utility, public utility, and water and sewer utility as those terms are defined in TWC § 13.002(23) and 16 TAC § 24.3(39).
2. Monarch is a retail public utility as defined in TWC § 13.002(19) and 16 TAC § 24.3(31).
3. The Commission has authority over Monarch's application to change rates under TWC §§ 13.041 and 13.181.
4. Under TWC § 13.184(c) and 16 TAC § 24.12, Monarch bears the burden of proof to establish that the proposed rates are just and reasonable.
5. The Commission processed this docket in accordance with the requirements of the TWC, the Administrative Procedure Act,<sup>3</sup> and Commission rules.
6. Monarch provided notice of the rate application as required by TWC § 13.187(a-1), 16 TAC § 24.27(c), and the Administrative Procedure Act.
7. Notice of the hearing was provided in compliance with the requirements in TWC § 13.187(g-1) and 16 TAC § 24.27(c)(2).
8. The rates approved in this proceeding are just and reasonable under TWC § 13.182(a).
9. Monarch did not provide sufficient evidence to revise its standard residential water and sewer tap fees to the average costs incurred in accordance with 16 TAC § 24.163(a)(1)(A).
10. Monarch did not provide sufficient evidence to implement, as part of its proposed damage-or-service-diversion fee, a one-time penalty charge in addition to other actual costs in accordance with 16 TAC § 24.165(o).
11. Under 16 TAC § 24.165(o), Monarch may charge for all labor, material, equipment, and all other actual costs necessary to repair or replace all equipment damaged due to negligence, meter tampering or bypassing, service diversion, or the discharge of wastes that the system cannot properly treat. Further, Monarch may not charge any additional

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<sup>3</sup> Tex. Gov't Code §§ 2001.001–.903.

- penalty or any other charge other than actual costs unless such penalty has been expressly approved by the Commission and filed in the utility's tariff.
12. The rates approved in this proceeding are not unreasonably preferential, prejudicial, or discriminatory and are sufficient, equitable, and consistent in application to each class of consumers in accordance with TWC § 13.182(b).
  13. As required by TWC § 13.183, the rates approved in this Order will permit Monarch a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its reasonable and necessary operating expenses and will preserve Monarch's financial integrity.
  14. An overall rate of return of 7.73% will not yield Monarch more than a fair return on the invested capital used and useful in rendering service to the public in accordance with TWC § 13.184(a) and 16 TAC § 24.41(c)(1).
  15. The affiliate costs included in the rates approved by this Order comply with the requirements of TWC § 13.185(e) and 16 TAC § 24.41(b).
  16. As required by TWC § 13.185(h), the rates approved by this Order do not include legislative advocacy expenses, the costs of processing a refund or credit, or any expenditure that is unreasonable, unnecessary, or not in the public interest.
  17. In accordance with TWC § 13.185 and 16 TAC § 24.41(c)(2)(B), the rates approved in this proceeding are based on original cost, less depreciation, of property used and useful in Monarch's provision of service.
  18. Under TWC § 13.145(b), Monarch is not required to prove that systems are substantially similar in terms of facilities, quality of service, and cost of service to consolidate the systems under a single tariff.
  19. To the extent the phase 1 and phase 2 interim rates, effective on September 18, 2020 and February 1, 2021, respectively, differ from the final rates approved by the Commission in this docket, the interim rates are subject to refund or surcharge under 16 TAC § 24.37(h) because the parties did not agree otherwise.

20. The rate-case expenses approved in this Order are just, reasonable, and necessary as required under 16 TAC § 24.44(a).
21. The rates approved in this Order comply with 16 TAC § 24.43(b)(1) regarding conservation.
22. Under 16 TAC § 22.5(b), there is good cause to waive the 20-day notice requirement in 16 TAC § 22.35(b)(2).
23. The requirements for informal disposition under 16 TAC § 22.35 have been met in this proceeding.

### III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders:

1. The Commission approves Monarch's rates in the water and sewer tariffs attached to the agreement as attachments B and C, except as modified by this Order.
2. The Commission approves Monarch's water and sewer tariffs attached to the agreement as attachments B and C, except as modified by this Order, and effective the date of this Order.
3. The Commission modifies the tap fees in Monarch's water and sewer tariffs to specify that all tap fees are set at actual cost. The tariffs discussed in ordering paragraph 16 must reflect these changes.
4. The Commission modifies the damage-or-service-diversion fee in Monarch's water and sewer tariffs to specify that the fee is set at actual cost. The tariffs discussed in ordering paragraph 16 must reflect these changes.
5. Monarch must correct the system names, *Stagecoach Hills*, *Oak North Mobile Home Estates*, and *Oak Woods Water System* in its water tariff. Monarch must also add the *Montebello Estates* and *Silver Creek* systems to the Raymond Jagge Lease pass-through of \$0.1481 per customer per month in its water tariff. The tariffs discussed in ordering paragraph 16 must reflect these changes.

6. After this Order is signed, Monarch must calculate the net refund owed to customers for the difference between the agreed rates and interim rates under 16 TAC § 24.37(h). In that calculation, Monarch must include all tariffed rates that would have been charged to customers, including base and pass-through rates. Monarch must file a report documenting the calculations and issuance of this refund in the compliance docket for this proceeding, Docket No. 53061, *Compliance Filing for Docket No. 50944 (Application of Monarch Utilities I L.P. for Authority to Change Rates)*.
7. Monarch must recover 2019 purchased-water costs in the amount of \$3,166,067 and purchased-wastewater-treatment costs in the amount of \$249,514 through pass-through mechanisms contained in the tariffs included as attachments B and C to the agreement. For all other systems that do not have a pass-through mechanism contained in the tariff included as attachments B and C to the agreement, Monarch must file pass-through approval applications with the Commission and must not seek to recover purchased-water or wastewater-treatment costs from any of those systems that do not incur purchased-water or wastewater-treatment costs.
8. The Commission authorizes Monarch to collect rate-case expenses of up to \$525,000 through a monthly surcharge of \$0.65 per water connection and \$0.65 per wastewater connection to its customers. Monarch must collect the surcharge over a 24-month period or until the full amount in rate-case expenses is collected, whichever occurs first.
9. Monarch must revise the rate-case expense surcharge language contained in its proposed water and sewer tariffs, attached to the parties' agreement as attachments B and C respectively, to reflect that the monthly surcharge of \$0.65 per water connection and \$0.65 per wastewater connection to be charged to customers is to be collected over a 24-month period or until the full amount in rate-case expenses is collected, whichever occurs first.
10. Monarch must not seek to recover any additional rate-case expenses incurred in connection with this proceeding in a future proceeding.
11. Monarch must file its next base-rate proceeding no earlier than one year from the date of this Order and no later than three years from the date of this Order.

12. Monarch must comply with its commitments set forth in the agreement and incorporated in or modified by this Order.
13. For regulatory accounting and other regulatory purposes, Monarch must use and consistently apply the depreciation rates set forth in attachment D to the parties' agreement.
14. Monarch must file a true-up for pass-through water charges in March of 2022 and annually thereafter.
15. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the agreement and must not be regarded as precedential as to the appropriateness of any principle or methodology underlying the agreement.
16. Within ten days of the date of this Order, Commission Staff must file a clean copy of Monarch's tariffs, consistent with this Order, with Central Records to be marked *Approved* and kept in the Commission's tariff book.
17. The Commission denies all other motions and any other requests for general or specific relief that have not been expressly granted.

Signed at Austin, Texas the 23<sup>rd</sup> day of February 2022.

PUBLIC UTILITY COMMISSION OF TEXAS



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PETER M. LAKE, CHAIRMAN



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WILL MCADAMS, COMMISSIONER



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JIMMY GLOTFELTY, COMMISSIONER