Investigation: 984076 Comment Date: 03/27/2012

Failed to collect effluent samples at the required frequency. Specifically, E. coli samples were not collected in August 2011, September 2011, or November 2011. E. coli samples are required to be collected monthly. Samples shall be taken and measurements shall be made at the minimum frequencies specified in the permit for each parameter.

Recommended Corrective Action: Submit a standard operating procedure for the collection and analysis of E. coli samples.

Track No: 461798 **Compliance Due Date: 03/17/2012**
30 TAC Chapter 305.125(7)
30 TAC Chapter 305.126(b)

PERMIT WQ0011200001, Permit Conditions, No. 1
Permit Conditions, No. 1, p. 9

Alleged Violation:

Investigation: 984076 Comment Date: 03/20/2012

Failed to submit the proper notification before physical alterations were made to the permitted facility. During the investigation, it was noted that the wastewater treatment plant was not operated in the contact stabilization mode, as described in the permit renewal application. A permit application for a minor amendment must be submitted reflecting the change in the mode of operation.

Recommended Corrective Action: Submit a permit application for a minor amendment to the Wastewater Permits Section and a copy to the Houston Region Office.

Track No: 461813 **Compliance Due Date: 03/09/2012**
30 TAC Chapter 305.125(19)

Alleged Violation:

Investigation: 984076 Comment Date: 03/20/2012

Failed to accurately complete the discharge monitoring reports (DMRs). Specifically, during a review of the records from February 2011 - December 2011, the total chlorine residual was analyzed six days per week, and the flow was measured with a totalizer. The frequencies of analysis were not correctly reported on the DMRs. The sample type for flow was also incorrectly reported. All effluent data must be accurately reported on the DMRs.

Recommended Corrective Action: Submit a correctly completed DMR to the Houston Region Office and the Enforcement Division (MC 224).

Track No: 462271 **Compliance Due Date: 03/09/2012**
30 TAC Chapter 305.125(5)

Alleged Violation:

Investigation: 984076 Comment Date: 03/23/2012

Failed to maintain the structural integrity of the wastewater treatment plant. Specifically, the catwalk and support beams along the digester and aeration basin were pitted with rust. In addition, rusting was noted along the walls of the chlorine contact basin. The areas pitted with rust must be repaired or replaced.

Recommended Corrective Action: Submit documentation indicating that the areas pitted with rust have been repaired or replaced.

TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Requested

Regulated Entity/Site Name	Douglas Utility Company / Fountainview WWTF		TCEQ Add. ID No. RN No. (optional)	11200-001	
Investigation Type	CCI	Contact Made In-House (Y/N) Y	Purpose of Investigation	Compliance Investigation	
Regulated Entity Contact	Megan Smith		Telephone No.	281-350-0895	Date Contacted 2/1/12
Title	Compliance Coordinator		Fax No.	832-381-3976	Date Faxed

NOTICE: The information provided in this form is intended to provide clarity to issues that have arisen during the investigation process between the TCEQ and the regulated entity named above and *does not represent final TCEQ findings related to violations*. Any potential or alleged violations discovered after the date on this form will be communicated by telephone to the regulated entity representative prior to the issuance of a notice of violation or enforcement. Conclusions drawn from this investigation, including additional violations or potential violations discovered (if any) during the course of this investigation, will be documented in a final investigation report.

Issue — For Records Request: identify the necessary records, the company contact and date due to the agency. For Alleged and Potential Violation issues: include the rule in question with the clearly described potential problem. Other type of issues: fully describe.

No.	Type	Rule Citation (if known)	Description of Issue
1	AV		Failed to provide a back up blower for the WWTP. - manufacturer.
2	AV		Failed to provide a backup pump for the off-site lift station.
3	AV		Failed to provide an audible alarm for the off-site lift station
4	AV		Failed to properly complete the DMRs - frequency of analysis for flow and chlorine incorrect; sample type for flow incorrect
5	AV		Failed to collect E.coli samples in 8/11, 9/11, + 4/11.
6	O		Rusting at plant along the walls of the chlorine contact chamber + along the catwalk + its support beams along the digester + regenerative basin

Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request)

Did the TCEQ document the regulated entity named above operating without proper authorization?	☐ Yes	☑ No
Did the investigator advise the regulated entity representative that continued operation is not authorized?	☐ Yes	☐ No

Document Acknowledgment. Signature on this document establishes only that the regulated entity (company) representative received a copy of this document and associated continuation pages on the date noted. If contact was made by telephone, document will be faxed to regulated entity; therefore, signature not required.

Investigator Name (Signed & Printed)	Date	Regulated Entity Representative Name (Signed & Printed)	Date
Denise Tom Denise Tom	2/9/12	Megan Smith, Megan Smith	2/9/12

If you have questions about any information on this form, please contact your local TCEQ Regional Office.
Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, call 512-239-3282.

White Copy: Regulated Entity Representative Yellow Copy: TCEQ

(Note: Use additional pages as necessary) Page 1 of 1

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TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Requested

Regulated Entity/Site Name	Douglas Utility Company/ Fountainview WWTF		TCEQ Add. ID No. RN No. (optional)	11200-001	
Investigation Type	CCI	Contact Made In-House (Y/N) Y	Purpose of Investigation	Compliance Investigation	
Regulated Entity Contact	Megan Smith		Telephone No.	281.350.0895	Date Contacted 2/1/12
Title	Compliance Coordinator		Fax No.	832.381.3716	Date Faxed

NOTICE: The information provided in this form is intended to provide clarity to issues that have arisen during the investigation process between the TCEQ and the regulated entity named above and *does not represent final TCEQ findings related to violations*. Any potential or alleged violations discovered after the date on this form will be communicated by telephone to the regulated entity representative prior to the issuance of a notice of violation or enforcement. Conclusions drawn from this investigation, including additional violations or potential violations discovered (if any) during the course of this investigation, will be documented in a final investigation report.

Issue	For Records Request: identify the necessary records, the company contact and date due to the agency. For Alleged and Potential Violation issues: include the rule in question with the clearly described potential problem. Other type of issues: fully describe.		
No.	Type[1]	Rule Citation (if known)	Description of Issue
1	AV		Failed to operate the wastewater treatment plant in the mode listed in the permit renewal application (notified via phone 2/1/12).

[1]Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request)

Did the TCEQ document the regulated entity named above operating without proper authorization?	☐ Yes	☑ No
Did the investigator advise the regulated entity representative that continued operation is not authorized?	☐ Yes	☑ No

Document Acknowledgment. Signature on this document establishes only that the regulated entity (company) representative received a copy of this document and associated continuation pages on the date noted. If contact was made by telephone, document will be faxed to regulated entity; therefore, signature not required.

Investigator Name (Signed & Printed)	Date	Regulated Entity Representative Name (Signed & Printed)	Date
Denise Tom Denise Tom	2/2/12	Notified by telephone (Item #7)	

If you have questions about any information on this form, please contact your local TCEQ Regional Office.
Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, call 512-239-3282.

White Copy: Regulated Entity Representative Yellow Copy: TCEQ
TCEQ-20085 (Rev. 6/07)

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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

June 21, 2012

CERTIFIED MAIL 7010 2780 0002 1299 1249
RETURN RECEIPT REQUESTED

Herbert Zieben, Board President
Douglas Utility Company
32 East Rivercrest Drive
Houston, Texas 77042

Re: Additional Compliance Documentation Needed for:
Fountainview Wastewater Treatment Plant
5530 North Sam Houston Parkway East, Houston (Harris County), Texas
TCEQ ID No.: 11200-001, EPA ID No.: TX0031461

Dear Mr. Zieben:

The Texas Commission on Environmental Quality (TCEQ) Houston Region Office has received the compliance documentation that you submitted on April 4, 2012 for the alleged violations noted during the investigation of the above-referenced facility conducted on February 9, 2012. However, information is still needed to address the alleged violations listed in the enclosed summary. Please submit to our office by July 23, 2012 a written description of corrective action taken and the required compliance documentation demonstrating that these remaining alleged violations have been resolved.

The Texas Commission on Environmental Quality appreciates your assistance in this matter and looks forward to receiving your response. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. Self-reported violations may be subject to enforcement, including penalties, upon review by the Enforcement Division. If you or members of your staff have any questions, please feel free to contact Ms. Denise Tom in the Houston Region Office at (713)767-3698.

Sincerely,

Elizabeth Sears
Team Leader
Water Quality Section
Region 12 Houston

EWS/DJT/cs

cc: Megan Smith, Compliance Coordinator, TNG Utility Corp., P.O. Box 2749, Spring, Texas 77383

Enclosure: Summary of Investigation Findings

Summary of Investigation Findings

DOUGLAS UTILITY FOUNTAINVIEW
5326 W BELLFORT ST STE 120
HOUSTON, HARRIS COUNTY, TX 77035

Investigation # 1007757
Investigation Date: 05/22/2012

Additional ID(s): TX0031461
WQ0011200001

OUTSTANDING ALLEGED VIOLATION(S)

Track No: 461768 **Compliance Due Date: 03/09/2012**
30 TAC Chapter 305.125(5)
30 TAC Chapter 317.4(g)(4)

Alleged Violation:
Investigation: 984076 Comment Date: 03/19/2012

Failed to maintain the required number of operational blowers. Specifically, the back-up blower was inoperable. The blowers shall be designed so that the maximum design air requirements can be met with the largest single unit out of service.
Investigation: 1007757 Comment Date: 06/19/2012

See violation description. Documentation was received on April 4, 2012 indicating that a blower was ordered, but not yet received.

Recommended Corrective Action: Submit documentation indicating that the back-up blower has been repaired or replaced.

Track No: 461798 **Compliance Due Date: 03/17/2012**
30 TAC Chapter 305.125(7)
30 TAC Chapter 305.126(b)
PERMIT WQ0011200001, Permit Conditions, No. 1
Permit Conditions, No. 1, p. 9

Alleged Violation:
Investigation: 984076 Comment Date: 03/20/2012

Failed to submit the proper notification before physical alterations were made to the permitted facility. During the investigation, it was noted that the wastewater treatment plant was not operated in the contact stabilization mode, as described in the permit renewal application. A permit application for a minor amendment must be submitted reflecting the change in the mode of operation.
Investigation: 1007757 Comment Date: 06/19/2012

See violation description. Documentation was received on April 4, 2012 indicating that the permittee has contracted an engineering firm to help with the permit amendment.

Recommended Corrective Action: Submit a permit application for a minor amendment to the Wastewater Permits Section and a copy to the Houston Region Office.

Track No: 461813 **Compliance Due Date: 03/09/2012**
30 TAC Chapter 305.125(19)

Alleged Violation:
Investigation: 984076 Comment Date: 03/20/2012

Failed to accurately complete the discharge monitoring reports (DMRs). Specifically, during a review of the records from February 2011 - December 2011, the total chlorine residual was analyzed six days per week, and the flow was measured with a totalizer. The frequencies of analysis were not correctly reported on the DMRs. The sample type for flow was also

incorrectly reported. All effluent data must be accurately reported on the DMRs.
Investigation: 1007757 Comment Date: 06/19/2012

The February 2012 DMR was received on April 4, 2012. The frequency of analysis for total chlorine residual and the sample type for flow were correctly completed; however, the frequency of analysis for the flow should be "continuous" instead of "six days per week."

Recommended Corrective Action: Submit a correctly completed DMR to the Houston Region Office and the Enforcement Division (MC 224).

Track No: 462271 **Compliance Due Date:** 03/09/2012
30 TAC Chapter 305.125(5)

Alleged Violation:
Investigation: 984076 Comment Date: 03/23/2012

Failed to maintain the structural integrity of the wastewater treatment plant. Specifically, the catwalk and support beams along the digester and aeration basin were pitted with rust. In addition, rusting was noted along the walls of the chlorine contact basin. The areas pitted with rust must be repaired or replaced.
Investigation: 1007757 Comment Date: 06/19/2012

See violation description. Documentation was received on April 4, 2012 indicating that the information was provided to the owners of the utility.

Recommended Corrective Action: Submit documentation indicating that the areas pitted with rust have been repaired or replaced.

ALLEGED VIOLATION(S) NOTED AND RESOLVED

Track No: 461769
30 TAC Chapter 317.3(c)

Alleged Violation:
Investigation: 984076 Comment Date: 03/27/2012

Failed to provide a standby pump at the lift station. Specifically, a standby pump at the off-site lift station was not available. An operational standby pump shall be provided in order to ensure that the firm pumping capacity be such that the expected peak flow can be pumped to its desired location.
Investigation: 1007757 Comment Date: 06/19/2012

See violation description.

Recommended Corrective Action: Submit documentation indicating that a standby pump at the off-site lift station has been installed.

Resolution: Documentation was received on April 4, 2012 indicating that a standby pump at the off-site lift station was installed.

Track No: 461771
30 TAC Chapter 317.3(e)(5)

Alleged Violation:
Investigation: 984076 Comment Date: 03/19/2012

Failed to provide the required alarm system. Specifically, an audible alarm was not provided at the off-site lift station. An audio-visual alarm system (red flashing light and horn) shall be provided for all lift stations. The alarm system shall be activated in case of power outage, pump failure, or a specified high water level.
Investigation: 1007757 Comment Date: 06/19/2012

See violation description.

Recommended Corrective Action: Submit documentation indicating that the required alarm system at the off-site lift station has been installed.

Resolution: Documentation was received on April 4, 2012 indicating that the required alarm system at the off-site lift station was installed.

Track No: 461782

30 TAC Chapter 319.5(b)

PERMIT WQ0011200001, ELMR, No. 1
Effluent Limitations and Monitoring Requirements, No. 1, p. 2

Alleged Violation:
Investigation: 984076 Comment Date: 03/27/2012

Failed to collect effluent samples at the required frequency. Specifically, E. coli samples were not collected in August 2011, September 2011, or November 2011. E. coli samples are required to be collected monthly. Samples shall be taken and measurements shall be made at the minimum frequencies specified in the permit for each parameter.
Investigation: 1007757 Comment Date: 06/19/2012

See violation description.

Recommended Corrective Action: Submit a standard operating procedure for the collection and analysis of E. coli samples.

Resolution: Documentation was received on April 4, 2012 indicating that E. coli samples have been collected following November 2011 and that the contract laboratory has since changed.

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

December 3, 2012

CERTIFIED MAIL 7002 0510 0003 6161 6857
RETURN RECEIPT REQUESTED

Herbert Zieben, Board President
Douglas Utility Company
32 East Rivercrest Drive
Houston, Texas 77042

Re: Notice of Violation for the Compliance Evaluation Investigation at:
Fountainview Wastewater Treatment Plant
5530 North Sam Houston Parkway East, Houston (Harris County), Texas
TCEQ ID No.: WQ0011200001, EPA ID No.: TX0031461

Dear Mr. Zieben:

On September 20, 2012, Denise Tom of the Texas Commission on Environmental Quality (TCEQ) Houston Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for wastewater treatment. Enclosed is a summary which lists the investigation findings. During the investigation, some concerns were noted which were alleged noncompliances that have been resolved based on subsequent corrective action. In addition, a certain outstanding alleged violation was identified for which compliance documentation is required. Please submit to this office by January 3, 2013 a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for the outstanding alleged violation.

In the listing of the alleged violations, we have cited applicable requirements, including TCEQ rules. Please note that both the rules themselves and the agency brochure entitled *Obtaining TCEQ Rules* (GI 032) are located on our agency website at http://www.tceq.state.tx.us for your reference. If you would like a hard copy of this brochure mailed to you, you may call and request one from either the Houston Region Office at (713) 767-3650 or the Central Office Publications Ordering Team at (512) 239-0028. Copies of applicable federal regulations may be obtained by calling Environmental Protection Agency's Publications at (800) 490-9198.

The TCEQ appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. Self-reported violations may be subject to enforcement, including penalties, upon review by the Enforcement Division. We anticipate that you will resolve the alleged violations as required in order to protect the State's environment. If you have additional information that we are unaware of, you have the opportunity to contest the violation(s) documented in this notice. Should you choose to do so, you must notify the

Houston Region Office within 10 days from the date of this letter. At that time, Ms. Elizabeth Sears, Water Quality Team Leader will schedule a violation review meeting to be conducted within 21 days from the date of this letter. However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the attached Summary of Investigation Findings until an official decision is made regarding the status of any or all of the contested violations.

If you or members of your staff have any questions regarding these matters, please feel free to contact Ms. Tom in the Houston Region Office at (713) 767-3698.

Sincerely,

Elizabeth Sears
Team Leader
Water Quality Management
Region 12 Houston

EWS/DJT/cs

cc: Megan Smith, Compliance Coordinator, TNG Utility Corp., P.O. Box 2749, Spring, Texas 77383

Enclosure: Summary of Investigation Findings

Summary of Investigation Findings

DOUGLAS UTILITY FOUNTAINVIEW
5326 W BELLFORT ST STE 120
HOUSTON, HARRIS COUNTY, TX 77035

Investigation # 1029094
Investigation Date: 09/20/2012

Additional ID(s): TX0031461
WQ0011200001

OUTSTANDING ALLEGED VIOLATION(S)

Track No: 462271 **Compliance Due Date: 03/09/2012**
30 TAC Chapter 305.125(5)

Alleged Violation:
Investigation: 984076 Comment Date: 03/23/2012

Failed to maintain the structural integrity of the wastewater treatment plant. Specifically, the catwalk and support beams along the digester and aeration basin were pitted with rust. In addition, rusting was noted along the walls of the chlorine contact basin. The areas pitted with rust must be repaired or replaced.
Investigation: 1007757 Comment Date: 06/19/2012

See violation description. Documentation was received on April 4, 2012 indicating that the information was provided to the owners of the utility.
Investigation: 1029094 Comment Date: 11/06/2012

See violation description. During the investigation conducted on September 20, 2012, it was noted that the wastewater treatment plant was still pitted with rust.

Recommended Corrective Action: Submit documentation indicating that the areas pitted with rust have been repaired or replaced.

ALLEGED VIOLATION(S) NOTED AND RESOLVED

Track No: 461768
30 TAC Chapter 305.125(5)
30 TAC Chapter 317.4(g)(4)

Alleged Violation:
Investigation: 984076 Comment Date: 03/19/2012

Failed to maintain the required number of operational blowers. Specifically, the back-up blower was inoperable. The blowers shall be designed so that the maximum design air requirements can be met with the largest single unit out of service.
Investigation: 1007757 Comment Date: 06/19/2012

See violation description. Documentation was received on April 4, 2012 indicating that a blower was ordered, but not yet received.
Investigation: 1029094 Comment Date: 10/03/2012

See violation description.

Recommended Corrective Action: Submit documentation indicating that the back-up blower has been repaired or replaced.

Resolution: The back-up blower was verified to be operational during the investigation conducted on September 20, 2012.

Track No: 461798

DOUGLAS UTILITY FOUNTAINVIEW Investigation # 1029094

30 TAC Chapter 305.125(7)
30 TAC Chapter 305.126(b)

PERMIT WQ0011200001, Permit Conditions, No. 1
Permit Conditions, No. 1, p. 9

Alleged Violation:

Investigation: 984076 Comment Date: 03/20/2012

Failed to submit the proper notification before physical alterations were made to the permitted facility. During the investigation, it was noted that the wastewater treatment plant was not operated in the contact stabilization mode, as described in the permit renewal application. A permit application for a minor amendment must be submitted reflecting the change in the mode of operation.

Investigation: 1007757 Comment Date: 06/19/2012

See violation description. Documentation was received on April 4, 2012 indicating that the permittee has contracted an engineering firm to help with the permit amendment.

Investigation: 1029094 Comment Date: 10/03/2012

See violation description.

Recommended Corrective Action: Submit a permit application for a minor amendment to the Wastewater Permits Section.

Resolution: A copy of the minor amendment was received by the Wastewater Permits Section on October 19, 2012.

Track No: 461813

30 TAC Chapter 305.125(19)

Alleged Violation:

Investigation: 984076 Comment Date: 03/20/2012

Failed to accurately complete the discharge monitoring reports (DMRs). Specifically, during a review of the records from February 2011 - December 2011, the total chlorine residual was analyzed six days per week, and the flow was measured with a totalizer. The frequencies of analysis were not correctly reported on the DMRs. The sample type for flow was also incorrectly reported. All effluent data must be accurately reported on the DMRs.

Investigation: 1007757 Comment Date: 06/19/2012

The February 2012 DMR was received on April 4, 2012. The frequency of analysis for total chlorine residual and the sample type for flow were correctly completed; however, the frequency of analysis for the flow should be "continuous" instead of "six days per week."

Investigation: 1029094 Comment Date: 10/03/2012

See violation description.

Recommended Corrective Action: Submit a correctly completed DMR to the Houston Region Office and the Enforcement Division (MC 224).

Resolution: A correctly completed DMR was submitted on October 29, 2012 through NetDMR.

ADDITIONAL ISSUES

Description	Additional Comments
Item 5	During the investigation, floating solids were noted covering half of the clarifier. Floating solids should be removed to prevent the unauthorized discharge of floating solids into the receiving stream.

User: Chip Callegari, Permittee User

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

View Certification | Download COR | View COR Signature | Download COR Sig. Public Key

DMR Copy of Record

Permit

Permit #: TX0031461
Major:

Permittee: DOUGLAS UTILITY COMPANY
Permittee Address: 1MI W HWY 59/0.45 W LEE RD HOUSTON, TX 77032

Facility: FOUNTAINVIEW WWTF
Facility Location: 1M W HWY 59 & APPROX 0.45M W OF LEE RD HOUSTON, TX 77032

Permitted Feature: 001 External Outfall

Discharge: **001-A** DOMESTIC FACILITY - 001

Report Dates & Status

Monitoring Period: **From 09/01/12 to 09/30/12**
DMR Due Date: **10/20/12**
Status: **NetDMR Validated**

Considerations for Form Completion

FOR TKN SEE OTHER REQUIREMENT NO. 4, PAGE 31 OF PERMIT.

Principal Executive Officer

First Name:
Last Name:
Title:
Telephone:

No Data Indicator (NODI)

Form NODI: --

Parameter Code	Parameter Name	Monitoring Location	Season #	Param. NODI		Quantity or Loading Qualifier 1	Quantity or Loading Value 1	Quantity or Loading Qualifier 2	Quantity or Loading Value 2	Quantity or Loading Units	Quality or Concentration Qualifier 1	Quality or Concentration Value 1	Quality or Concentration Qualifier 2	Quality or Concentration Value 2	Quality or Concentration Qualifier 3	Quality or Concentration Value 3	Quality or Concentration Units	# of Ex.	Frequency of Analysis	Sample Type
					Sample						=	6.01					19 - mg/L		01/07 - Weekly	GR - GRAB
00300	Oxygen, dissolved (DO)	1 - Effluent Gross	0	--	Permit Req.						>=	4 MO MIN					19 - mg/L	0	01/07 - Weekly	GR - GRAB
					Value NODI															
					Sample						=	7.48			=	7.73	12 - SU		01/07 - Weekly	GR - GRAB
00400	pH	1 - Effluent Gross	0	--	Permit Req.						>=	6 MINIMUM			<=	9 MAXIMUM	12 - SU	0	01/30 - Monthly	GR - GRAB
					Value NODI															
					Sample	=	0.8			26 - lb/d			=	2.38	=	3.8	19 - mg/L		01/07 - Weekly	GR - GRAB
00530	Solids, total suspended	1 - Effluent Gross	0	--	Permit Req.	<=	48 DAILY AV			26 - lb/d			<=	15 DAILY AV	<=	60 SINGGRAB	19 - mg/L	0	01/07 - Weekly	GR - GRAB
					Value NODI															

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Parameter Code	Parameter Name	Monitoring Location	Season #	Param. NODI		Quantity or Loading Qualifier 1	Value 1	Qualifier 2	Value 2	Units	Quality or Concentration Qualifier 1	Value 1	Qualifier 2	Value 2	Qualifier 3	Value 3	Units	# of Ex.	Frequency of Analysis	Sample Type
00610	Nitrogen, ammonia total (as N)	1 - Effluent Gross	0	--	**Sample**	<	0.04			26 - lb/d			<	0.1	<	0.1	19 - mg/L		01/07 - Weekly	GR - GRAB
					Permit Req.		Req Mon DAILY AV			26 - lb/d				Req Mon DAILY AV		Req Mon SINGGRAB	19 - mg/L	0	01/07 - Weekly	GR - GRAB
					Value NODI															
50050	Flow, in conduit or thru treatment plant	1 - Effluent Gross	0	--	**Sample**	=	0.153	=	0.276	03 - MGD									99/99 - Continuous	TM - TOTALZ
					Permit Req.	<=	.38 DAILY AV		Req Mon DAILY MX	03 - MGD								0	05/WK - Five Per Week	IN - INSTAN
					Value NODI															
50060	Chlorine, total residual	1 - Effluent Gross	0	--	**Sample**						=	1.17			=	2.89	19 - mg/L		05/WK - Five Per Week	GR - GRAB
					Permit Req.						>=	1 MO MIN			<=	4 MO MAX	19 - mg/L	0	05/WK - Five Per Week	GR - GRAB
					Value NODI															
51040	E. coli	1 - Effluent Gross	0	--	**Sample**								<	1	<	1	3Z - CFU/100mL		01/30 - Monthly	GR - GRAB
					Permit Req.								<=	63 DAILY AV	<=	197 SINGGRAB	3Z - CFU/100mL	0	01/30 - Monthly	GR - GRAB
					Value NODI															
80082	BOD, carbonaceous, 05 day, 20 C	1 - Effluent Gross	0	--	**Sample**	<	1			26 - lb/d			<	3	=	3	19 - mg/L		01/07 - Weekly	GR - GRAB
					Permit Req.	<=	32 DAILY AV			26 - lb/d			<=	10 DAILY AV	<=	35 SINGGRAB	19 - mg/L	0	01/07 - Weekly	GR - GRAB
					Value NODI															

Submission Note

If a parameter row does not contain any values for the Sample nor Effluent Trading, then none of the following fields will be submitted for that row: Units, Number of Excursions, Frequency of Analsyis, and Sample Type.

Edit Check Errors

No errors.

Comments

REVISED: Changed Frequency of Analysis for the Flow Parameter to Continuous, and the sample type to totalizer.

Attachments

No attachments.

Report Last Saved By

DOUGLAS UTILITY COMPANY

User:	Chip Callegari	Date/Time:	2012-10-29 14:26 (Time Zone: -05:00)
Name:	Chip Callegari		
E-Mail:	megans@tng-utility.com		

Certification Statement

I certify under penalty of law that this submission was prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are criminal penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations. By entering my password and security question answer and pressing the Submit button, I agree that:

1. I am Chip Callegari.
2. I have not violated any term in my Electronic Signature Agreement.
3. I am otherwise without any reason to believe that the confidentiality of my password has been compromised now or at any time prior to this submission.
4. I have the authority to submit these data on behalf of the listed facilities.
5. This action constitutes an electronic signature equivalent to my written signature.
6. I understand that this attestation of fact pertains to the implementation, oversight, and enforcement of a federal environmental program and must be true to the best of my knowledge.

Submission Information

Name:	Chip Callegari	Date/Time:	2012-10-29 14:26 (Time Zone: -05:00)
User:	Chip Callegari	E-Mail:	megans@tng-utility.com
Submitter Telephone:	281-350-0895	Submitter Ip:	69.15.162.1
Confirmation Code:	2852abf4-4da4-40fb-af3a-508464040579		
Submitter Hashed Password:	a15c027c762542d8f6aedc68d232ee3446716dd8331b09343703b42f605f1e7c		
DMR Hash:	59fec8cbe083a8c0dd7d2ae86f5a9f10b46605a38568819049c1728388982502		
NetDMR Certificate Id:	4		
Certificate Alias:	netdmr uat sample certificate 2		

See the Test Support Page for utilities to facilitate testing.

TNG UTILITY CORP.

THE NEXT GENERATION OF
WATER AND WASTEWATER
UTILITY SERVICES

April 3, 2012

Denise Tom
TCEQ – Environmental Investigator
Water Section, Region 12
Email: Denise.tom@tceq.texas.gov

RE: Douglas Utility Company, WWTP Inspection, 2/9/2012, ID# TX0031461

Ms. Tom,

The following correspondence is in regards to the exit interview received after the inspection at the Douglas Utility Company Wastewater Treatment Facility and the Aldine Bender off-site lift station. Please let me know if you have any questions regarding the information below. You may contact me via email at Megans@tng-utility.com or by phone at 281-350-0895.

Sincerely,

Megan Smith
Compliance Coorinator
TNG Utility Corp.
281-350-0895
Megans@tng-utility.com

Issue No. 1: Failed to provide a backup blower for the WWTP.

The blower has been ordered from the manufacturer and we are still awaiting delivery.

Issue No. 2: Failed to Provide backup pump for the off site lift station.

Please see the attached photo showing that the backup pump has since been installed on 2/23/12. Also attached is a work order (#97970) showing the completion of the work.

TNG UTILITY CORP.

THE NEXT GENERATION OF
WATER AND WASTEWATER
UTILITY SERVICES

Issue No. 3: Failed to provide audible alarm for the offsite lift station.

Please see the attached work order (#97983) showing the completed work to fix the audible alarm on the offsite lift station. Also, see the attached photo showing a black speaker now installed on the side of the panel in order to deliver an audible tone.

Issue No. 4: Failed to properly complete the DMRs – Frequency of analysis for flow and chlorine incorrect; sample type for flow incorrect.

Please see that attached corrected and submitted DMR. The frequency of flow has been changed to six days per week, and the sample type has been changed from instantaneous to totalizer. Also, the chlorine frequency has been changed to 6 times per week instead of 5.

Issue No. 5: Failed to collect E. coli samples in 8/11, 9/11 and 11/11.

Due to a scheduling issue with the laboratory E. coli samples were not collected during those three months. However, since November 2011 E.coli samples have been taken every month according to the permit. Also, we have since changed laboratories in order to prevent such scheduling conflicts in the future.

Issue No. 6: Rusting at plant along the walls of the chlorine contact chamber and along the catwalk and its support beams along the digester and aeration basin.

This information was provided to the owners of the utility.

Issue No. 7: Failed to operate the wastewater treatment plant in the mode listed in the permit renewal application.

The Utility has contracted an Engineering firm to help with amending the Wastewater Treatment Permit in order to resolve this violation. More information is forthcoming regarding the amendment process.

2815 Spring Cypress Road, Suite 3, Spring TX 77388 • P.O. Box 2749, Spring TX 77383-2749
(281) 350-0895 Office • (281) 353-3307 Fax

TNG

PO Box 2749, Spring, TX 77383 (281) 350-089

INVOICE

To: Aldine Bender Square

Invoice # **97970**
Entered 3/1/2012 10:15:50 AM
Complete 2/23/2012
Reading: 0

MeterNumber:
Classification Lift Station

Aldine Bender Lift Station

Problem

Install new lift pumps in off site lift station- Pre-approved project

Resolution

Installed new 2" lift pumps at lift station.

Labor

Hours	Description	Rate	Total
4	Plant Technician	$48.00	$192.00
4	Supervisor	$60.00	$240.00

Equipment

Hours	Description	Rate	Total
4	Service Truck	$15.00	$60.00
4	Service Truck	$15.00	$60.00

Services

Description	Total

Materials

Quantit	Description	Purchase Order	Cost	Total
1	Niel Technical Services	45060	$7,751.00	$7,751.00
1	Niel Technical Services	45061	$7,751.00	$7,751.00

Total Due $16,054.00

TNG

PO Box 2749, Spring, TX 77383 (281) 350-089

INVOICE

To: Aldine Bender Square

Invoice # **97983**
Entered 3/1/2012 10:58:07 AM
Complete 2/7/2012
Reading: 0

MeterNumber:
Classification Lift Station

Aldine Bender Lift Station

Problem
Check and repair high level alarm

Resolution
Met contractor to repair high level alarm.

Labor

Hours	Description	Rate	Total
2	Plant Technician	$48.00	$96.00

Equipment

Hours	Description	Rate	Total
2	Service Truck	$15.00	$30.00

Services

Description	Total

Materials

Quantit	Description	Purchase Order	Cost	Total
1	K & R Utility Service	700686	$977.50	$977.50

Total Due $1,103.50

COMPANY SCHEDULES

Douglas Utility Company
Statement of Income Expense
For the Year ended June 30, 2012

	Water	Sewer	Unclassified	Total	Allocated		Total	
					Water	Sewer	Water	Sewer
Ordinary Income/Expense								
Income					51.4%	48 6%		
4100.10 · Water Sales (Sales)	441,970			441,970	0	0	441,970	0
4100.20 · Sewer Sales		112,442		112,442	0	0	0	112,442
4300.10 · Reconnect Fees			1,214	1,214	624	591	624	591
4300.20 · Late Fees			6,564	6,564	3,371	3,193	3,371	3,193
4330.00 · Other Income	8,156	1,094		9,250	0	0	8,156	1,094
Total Income	450,127	113,536	7,778	571,441	3,995	3,785	454,121	117 320
Expense								
6010.10 · Accounting Expense- Water/Sewer			2,928	2,928	1,504	1,425	1,504	1,425
6020.30 · Automobile Expense - Other			2,415	2,415	1,240	1,175	1,240	1,175
6030.30 · Bank Charges - Other			89	89	46	43	46	43
6040.10 · Chemicals - Water	1,481			1,481	0	0	1,481	0
6040.20 · Chemicals- sewer		4,012		4,012	0	0	0	4,012
6040.30 · Chemicals - water/sewer			1,715	1,715	881	834	881	834
6080.10 · Electricity - Sewer		19,299		19,299	0	0	0	19,299
6080.20 · Electricity-water	27,649			27,649	0	0	27,649	0
6100.30 · Grounds Maintenance - Other			2,760	2,760	1,417	1,343	1,417	1,343
6110.10 · Insurance - Water/Sewer			1,760	1,760	904	856	904	856
6140.10 · Laboratory Services-Sewer		8,069		8,069	0	0	0	8,069
6140.20 · Laboratory Services-Water	2,779			2,779	0	0	2,779	0
6150.10 · Misc Expense - Water/Sewer		252		252	0	0	0	252
6150.30 · Miscellaneous Expense - Other			221	221	113	108	113	108
6160.10 · Office Expense - Water/Sewer			453	453	233	220	233	220
6160.30 · Office Expense - Other			3,925	3,925	2,016	1,910	2,016	1,910
6170.10 · Operator Labor - Water/Sewer			54,000	54,000	27,730	26,270	27,730	26,270
6170.30 · Operator Labor - Other			8,139	8,139	4,179	3,959	4,179	3,959
6180.10 · Operator Supplies - Water/Sewer			918	918	471	447	471	447
6185.1 · Parking and Tolls			1,122	1,122	576	546	576	546
6200 · Reports	664			664	0	0	664	0
6200.10 · Permits, License & Fees-Wtr/Sew	1,523	2,077		3,600	0	0	1,523	2,077
6210 · Haverstock Metering Project (Metering Haverstock to Improve accoun	10,654			10,654	0	0	10,654	0
6210.10 · Repairs & Maintenance - Water	74,280			74,280	0	0	74,280	0
6210.20 · Repairs & Maintenance - Sewer		60,910		60,910	0	0	0	60,910
Salaries			75,600	75,600	38,822	36,778	38,822	36,778
6220.20 · Sludge Hauling		45,281		45,281	0	0	0	45,281
6230.10 · Taxes - Property - Water/Sewer			6,205	6,205	3,186	3,019	3,186	3,019
Payroll Taxes			768	768	394	374	394	374
6232.1 · Telephone			3,203	3,203	1,645	1,558	1,645	1,558
6235.10 · Trash Removal - Water/Sewer			905	905	465	440	465	440
6251.30 · City of Houston - GRP Water	61,810			61,810	0	0	61,810	0
6500 · Postage			250	250	128	121	128	121
Total Expense	180,840 36	139,898 75	167,377 01	488,116.12	85,950	81,427	266,791	221,325
Net Ordinary Income	269,286 39	-26,362 71	-159,598 52	83,325 16	(81,955)	(77,642)	187,330	(104 005)
Other Income/Expense								
Other Income								
7030.30 · Miscellaneous Income (Other Income)		2,282		2,282	0	0	0	2,282
Total Other Income	0 00	2,281 86	0 00	2,281 86	0	0	0	2,282
Net Other Income	0 00	2,281 86	0 00	2,281 86	0	0	0	2,282
Net Income	269,286	(24,081)	(159,599)	85,607	(81,955)	(77,642)	187,330	(101.723)

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Douglas Utility Company
Company Schedule
Miscellaneous Expenses
For the Year ended 6/30/2012

	Water	Sewer	Unclassified	Total	Jul '11 - Jun 12	Allocated		Total	
						Water	Sewer	Water	Sewer
Miscellaneous Expenses						51%	49%		
6030.30 · Bank Charges - Other			89	89	89 37	46	43	46	43
6020.30 · Automobile Expense - Other			2,415	2,415	2,415 42	1,240	1,175	1,240	1,175
6140.10 · Laboratory Services-Sewer		8,069		8,069	8,068 50	0	0	0	8,069
6140.20 · Laboratory Services-Water	2,779			2,779	2,778 75	0	0	2,779	0
6180.10 · Operator Supplies - Water/Sewer			918	918	917 88	471	447	471	447
6235.10 · Trash Removal - Water/Sewer			905	905	905 02	465	440	465	44
6251.30 · City of Houston - GRP Water	61,810			61,810	61,810 20	0	0	61,810	0
6100.30 · Grounds Maintenance - Other			2,760	2,760	2,760 00	1,417	1,343	1,417	1,343
6150.10 · Misc Expense - Water/Sewer	0	252		252	252 00	0	0	0	252
6150.30 · Miscellaneous Expense - Other			221	221	221 00	113	108	113	108
6185.1 · Parking and Tolls			1,122	1,122	1,121 85	576	546	576	546
6200 · Reports	664			664	663 60	0	0	664	0
6200.10 · Permits, License & Fees-Wtr/Sew	1,523	2,077		3,600	3,600 20	0	0	1,523	2,077
6232.1 · Telephone			3,203	3,203	3,203 21	1,645	1,558	1,645	1,558
6500 · Postage			250	250	249 73	128	121	128	121
Total Miscellaneous Expenses	2,186 60	10,397 70	11,883.48	89,056 73	89,056 73	6,103	5,782	72,878	16,179

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Douglas Utility Company
Company Schedule
Schedule D-2
Known and Measureable Changes
6/30/2012

KNOWN & MEASURABLE CHANGES

		Water	Sewer
		51%	49%
RATE CASE EXPENSE (REGULATORY)			
Ronald L Payne, LLC.	7,500		
Mark H Zeppa	4,000		
GDS & Associates	1,500		
Copy Cost	500		
2 Notices to customers-$1.45/ notice	580		
Total Non-Contested Cost	14,080		
	X 50%		
Two year amortization To Table VI.A, Line J	7,040	3,615	3,425

		Annual Depreciation	
	Cost	Water	Sewer
Installed new lift Pumps - 02/23/2012	16,054	0	535
Installed Lift Station Floats - 7/13/12	$2,164	0	216
Total Sewer - to sewer rate base	18,218	-	752
Installed 2" Backflow Devises - 2/9/12	1,758	88	0
Haverstock Metering Project - 9/7/12	104,262	2,085	0
Air Compressor installed on Hydro Tank	6,142	307	0
Replace Well Pump & Motor - 09/28/12	16,646	832	-
Total Water - to water rate base	128,808	3,313	-

Note: these items to be described later

Douglas Utility Company
Company Schedules
Income Tax Calculation

	WATER	SEWER	COMBINED (With Rate Increase)
Operating Revenues	298,036	242,048	540,085
Total Operations & Maintenance	(266,825)	(221,358)	(488,183)
Other taxes (payroll, ad val., etc.)	(3,581)	(3,392)	(6,973)
Depreciation and amortization	(8,652)	(6,151)	(14,802)
Interest expense	-	-	-
Other Revenues	-	-	-
Income before income taxes	18,979	11,147	30,126
State Franchise (Margin) Tax	1,245	519	1,764
Income before Federal Income Taxes	17,734	10,628	28,362
Federal Income Taxes:			
1st Tier @15%	28,362	4,254	
2nd Tier @ 25%	-	-	
3rd Tier @ 34%	-	-	
4th Tier @ 39%	-	-	
Total	28,362	4,254	
Total Federal Income Tax	4,483	2,668	4,254

Douglas Utility Company
Company Schedules
Income Tax Calculation

Federal Income Tax Computation

	WATER	SEWER	COMBINED		
RETURN	25,402	15,120	40,522		
INTEREST EXPENSE	-	-	-		
NET TAXABLE INCOME	25,402	15,120	40,522		
	FIRST TIER		47,673	47,673	7,151
			-		
			-		
	SECOND TIER		-	-	-
			-		
			-		
	THIRD TIER		-	-	-
			-		
	FOURTH TIER		-		-
	NET INCOME TAX-TOTAL				7,151
	NET INCOME TAX-WATER				4,483
	NET INCOME TAX-SEWER				2,668

Calculate State Income (Margin) Tax

Return	25,402	15,120	40,522
Operating Expenses	279,057	230,901	509,958
Federal Income Tax Calculation (Above)	4,483	2,668	7,151
Revenues before margin calculation	308,942	248,689	557,631
Cost of Goods Sold	185,676	197,344	383,020
Margin before gross up	123,266	51,346	174,611
Gross up Margin @ 1%	124,511	51,865	176,375
State Income (Margin) Tax	**1,245**	**519**	**1,764**

Income Taxes Increase

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Revenue and Regulatory Assessment Report
For PUBLIC UTILITY

UTILITY: DOUGLAS UTILITY COMPANY ACCOUNT: 11369

Revenue and Regulatory Assessment Report for the Calendar Year 2012	
1. Enter total revenues from retail water and sewer service in year 2012	1. 548,160.20
2. Enter amount collected OR multiply item 1 by 0.01	2. 5,481.60
3. Late payment penalty: 5% - If paid after January 30th and before March 1st - multiply line 2 by 0.05 10% - If paid after March 1st - multiply line 2 by 0.10	3. 0
4. Late payment interest, 1% per month if paid after March 31st: a. Multiply line 2 by 0.01 = monthly interest due, then b. Multiply monthly interest due by the number of months payment is made after March 31, rounded to the nearest month.	4. 0
5. Amount due and payable (Add lines 2, 3, and 4).	5. 5,481.60

☐ Please note if the utility was inactive for more than a month during the year or experienced other circumstances which affected revenues (attach an additional page if necessary):

I declare that the above information is true and correct to the best of my knowledge and belief.

Signature _____ Date 1 / 8 / 2013

Preparer's name Olga Schnur (Office Manager) (Please Print) Phone number 713-783-4553

VIPP Form WC04C5 / TCEQ-20098

DOUGLAS UTILITY COMPANY 7632

TCEQ 1/8/2013

Acct #11369 5,481.60

Wells Fargo - Checkin Acct #11369 5,481.60

51N311/39287 (5-12) 629184

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Rate of Return Worksheet

Step			■	%
A	Most current Baa Public Utility Bond average. (Call TCEQ staff at 512/239-4691 to get this number.)			5.57
B	Add 2% - for utilities with 200 or less customers			
C	Add 1% if the utility can demonstrate that it has both:			
	1	Debt/equity ratio is greater than 60% (**Table IV. D. – Box ② ÷ Box ③**) **AND**		
	2	No affiliated companies with access to revenues or other funds to support utility operations		
D	Add 1% if the utility can demonstrate that it has at least 2 of the following 4 conditions:			
	1	unstable population - Weekender/seasonal population: a. >25% of total customers; **OR** b. >10% of total customers and do not use seasonal reconnect fee;		
	2	commercial customers account for more than 15% of revenues	X	
	3	low growth a. less than 5% customer growth over the last three years; **OR** b. documentation of potential customer growth of less than 5% over the next three years; declining population	X	
	4	aging system a. more than 50% depreciated; **OR** b. low rate base (<$500/customer)	X	1.0
E	Add 1% if the utility is a stand alone sewer system with no agreement for either billing and collection or discontinuance for nonpayment with the water supplier.			
F	Add 1% if the utility can demonstrate that it has at least 3 of the 4 following conditions:			
	1	Number of complaints 2 complaints or less per year to TCEQ for less than 200 customer system		
	2	No major deficiencies in the most recent PWS inspection report		
	3	No current or prior enforcement actions under current management within the last 3 years		
	4	Good faith efforts to solve any current problems		
G	Add 1% if the utility can demonstrate that it has at least 4 of the following 5 conditions:			1.0
	1	well-maintained, up-to-date books and records	X	
	2	effective communications and good customer relations	X	
	3	consistently timely in meeting reporting requirements (ex. annual reports for last 3 years) and payment of fees	X	
	4	exhibit fiscal responsibility with respect to rate filings, including completeness, accuracy and frequency	X	
	5	Less than 12% unaccounted for water - (Section VIII of the Application - Page 16 of 41)	X	

H	Add 1% if the utility can demonstrate that it has at least 4 of the following 5 conditions:			1.0
	1	rate structure - any two of the following a. zero gallons included in minimum bill b. gallonage rate set high enough to encourage conservation (> $2.00/1000 gal.) c. use of inclining blocks, i.e. higher use pays higher cost	X	
	2	drought contingency plan included in tariff and enforced (if applicable)	X	
	3	conservation plan including encouragement of the use of water conserving devices, efficient lawn watering, or xeriscaping	X	
	4	program to educate the customers about the nature of the system, its production and distribution ability, PWS standards, and the need for water conservation		
	5	unaccounted for water a. greater than or equal to 10% and **or** b. successful program to reduce losses (ex. leak detection & repair) (within last 3 years 25% reduction since program implemented)	X	
I		Total Rate of Return %		8.57

FIXED ASSETS - WATER

Book Basis

Douglas Utility
Depreciation Schedule by Category
For the 6 Months Ended 06/30/12

03/06/13
03:16PM

Asset No.	Asset Description	Date Acquired	Method	Life	Sold?	Cost	Accum Depr 01/01/12	Current Depreciation	Accum Depr 06/30/12
Land									
38	Access Road	07/01/05	ST LINE	30/00	N	8,975.00	1,945.83	148.77	2,094.60
39	Land	07/01/77	LAND	00/00	N	99,142.00	0.00	0.00	0.00
	Total for (Land)					108,117.00	1,945.83	148.77	2,094.60
Structures									
36	Chlorine / Blower Room	07/01/99	ST LINE	30/00	N	5,760.00	2,400.79	95.48	2,496.27
	Total for (Structures)					5,760.00	2,400.79	95.48	2,496.27
Electricial									
42	Control Room Lights	07/01/11	ST LINE	20/00	N	2,523.00	63.59	62.73	126.32
43	High Level Alarm	07/01/11	ST LINE	10/00	N	532.00	26.82	26.45	53.27
	Total for (Electricial)					3,055.00	90.41	89.18	179.59
Fencing & Gates									
40	Fencing	07/01/06	ST LINE	30/00	N	952.00	174.65	15.78	190.43
	Total for (Fencing & Gates)					952.00	174.65	15.78	190.43
Chlorinators									
34	Chlorinator & Scales	07/01/08	ST LINE	20/00	N	5,991.00	1,049.24	148.96	1,198.20
45	Chlorine Scale	07/01/11	ST LINE	10/00	N	1,904.00	95.98	94.68	190.66
50	SCBA Unit	05/16/11	ST LINE	10/00	N	1,846.00	116.32	91.80	208.12
	Total for (Chlorinators)					9,741.00	1,261.54	335.44	1,596.98
Meters									
37	Meter Flow Chart	07/01/99	ST LINE	20/00	N	2,050.00	1,281.67	50.97	1,332.64
	Total for (Meters)					2,050.00	1,281.67	50.97	1,332.64
Collection System									
29	3,925 ft - 8" Line	07/01/61	ST LINE	50/00	N	29,946.00	29,946.00	0.00	29,946.00
30	140 ft - 10" Line	07/01/61	ST LINE	50/00	N	1,373.00	1,373.00	0.00	1,373.00
31	2,585 ft - 6" Line	07/01/61	ST LINE	50/00	N	16,553.00	16,553.00	0.00	16,553.00
32	980 ft - 8" Line	07/01/61	ST LINE	50/00	N	7,477.00	7,477.00	0.00	7,477.00
	Total for (Collection System)					55,349.00	55,349.00	0.00	55,349.00
Wastewater Treatment & Disposal Equip									
33	Wastewater Treatment Plant	07/01/86	ST LINE	25/00	N	1,102,074.00	1,102,074.00	0.00	1,102,074.00
35	10hp Lift Pump	07/01/00	ST LINE	30/00	N	5,790.00	2,220.03	95.97	2,316.00
41	Lift Pump	07/01/11	ST LINE	20/00	N	3,751.00	94.55	93.26	187.81
44	Processed Water System	07/01/11	ST LINE	25/00	N	3,500.00	70.58	69.62	140.20
53	Rebuild Blower #2	04/11/12	ST LINE	30/00	N	6,410.00	0.00	47.29	47.29
	Total for (Wastewater Treatment & Disposal Equip)					1,121,525.00	1,104,459.16	306.14	1,104,765.30
	Client Subtotal Before Sales					1,306,549.00	1,166,963.05	1,041.76	1,168,004.81
	Less Assets Sold					0.00			0.00
	Total					1,306,549.00	1,166,963.05	1,041.76	1,168,004.81

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GDS Associates, Inc.
Engineers and Consultants

Charles Loy
Principal

Ph: 512 494 0369
Fax: 512.494 0205
chuck.loy@gdsassociates.com

February 26, 2013

Ms. Carol Zieben, Owner
Douglas Utility Company
32 E Rivercrest Drive
Houston, TX 77042

Re: **Douglas Utility Company Trending**

Dear Ms. Zieben:

GDS was asked to provide asset trending for Douglas Utility Company. Douglas Utility Company provided a test year end date of 06/30/12. Douglas Utility Company also provided an inventory list of assets with install dates and replacement cost values. We used this information in our GDS Asset Valuation Model to compute useful life, years in service at test year end date, trended original cost, annual depreciation expense, total accumulated depreciation, and net book value at test year end date for each asset. Because we were only provided with a year for install date for each asset, we made the assumption that all assets were installed at mid-year on July 1 of the year of installation.

A trending study is a computational methodology used to develop a reliable value of utility plant for different times. If the value of an item is known at any point in time, trending indices can be used to estimate its value at any other point in time. One normally begins a trending study with a replacement cost of an item for a point in time and, with trending indices from that point in time and from the time the item was installed, computes a value at the time of installation, a substitute for the original cost of the item. The purpose of this trending study is to provide Douglas Utility Company with a computation of the value of the original cost for existing plant so that the original cost can be depreciated to the net plant value for the end of the test year.

A trending study is based on two key items, the replacement cost and construction cost indices. The replacement cost is the current price for installing the same item new and is a purchase price or contractor's price for an item based upon materials, equipment, and labor used. Construction price indices are maintained by various organizations that monitor construction pricing over time. For the construction industry as a whole, ENR (formerly Engineering News Record) maintains both a construction cost index and a building cost index. For the utility industry, Electric, Gas and Water, the Handy Whitman Index maintains indices based upon capital items using a utility chart of accounts. Government agencies, such as the U.S. Bureau of Reclamation also maintain construction cost indices. Each of these indices provides an index number for different times. If one knows the cost of an item at any point in time, construction

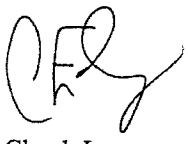
cost indices can be used to reliably estimate the cost at another point in time. Thus, current costs can be used to estimate original cost using an index value for the date of installation.

The GDS Asset Valuation Model uses three indices of construction costs to estimate trended original cost: (1) Handy Whitman Index of Water Utility Construction Costs for the South Central Region (Region 4); (2) the ENR (formerly Engineering News Record) Index of Building Cost and Construction Cost Trends; and (3) the Bureau of Reclamation Construction Cost Trends. The Handy Whitman Index was the primary reference source used for this trending because utility regulators and the industry routinely accept it. The Handy Whitman Index is commonly used in Texas ratemaking dockets. The Handy Whitman Index has been reporting values since 1912. The Handy Whitman Index has reported values on January 1 and July 1 for each year since 1973 and reported annual values before 1973. The Handy Whitman indices are designed to estimate reproduction and original costs. For sewage treatment plants, we use the Building Cost Index of ENR, as we have found it to be the most suitable alternative when the Handy Whitman Index is not applicable. We prefer the ENR Building Cost Index to the ENR Construction Cost Index because we believe it is based upon features more accurately applied to sewage treatment plants and because it has a slightly lower inflation rate. The ENR Building Cost Index has been reported since 1915 and currently reports monthly values. We also use the U.S. Bureau of Reclamation Construction Cost Trends Index because it covers land costs, electrical equipment, and other specialized items not covered by the Handy Whitman Index and the ENR Building Cost Index. The U.S. Bureau of Reclamation Index has been reported quarterly since 1940. We have used the most appropriate index for each inventory item and used the index value for the nearest reported date.

Service lives and depreciation rates were determined using recommended service lives from TCEQ. These rates were used to compute the annual depreciation expense and the total accumulated depreciation on the purchased assets. Depreciation was computed and subtracted from the trended value of original cost to determine net book value.

The attached reports included the trended value of assets for the Water Treatment Plants # 1 and 2 as well as the Sewer Treatment Plant at Douglas Utility Company. We believe that our computations have produced appropriate values for net book value.

Sincerely,



Chuck Loy

Utility Asset Valuation
Water Treatment Plants # 1 & 2

Item No.	Account No.	Account Name	Asset Description	Unit	Approx. Quantity	Unit Price	Replacement Cost	Date Installed	Useful Life	Years in Service at Test Year End Date 6/30/2012	Actual or Trended Original Cost		Annual Depreciation Expense	Total Accumulated Depreciation	Net Book Value at Test Year End Date 6/30/2012
1	304.0	Structures & Improvements - Bldgs - (Masonry, Metal, or Wood) and Fencing	Plant 2: Pump House	EA	1		$5,000.00	07/01/80	30	32.0	$2,095.44	T	$69.85	$2,095.44	$0.00
2	307.0	Wells	Plant 2: 6" Water Well (60gpm)	EA	1		$56,000.00	07/01/80	50	32.0	$28,000.00	T	$560.00	$17,918.47	$10,081.53
3	307.0	Wells	Plant 2: 6" Water Well (170gpm)	EA	1		$56,000.00	07/01/80	50	32.0	$28,000.00	T	$560.00	$17,918.47	$10,081.53
4	311.0	Booster pumps: 7.1/2 HP or greater	Plant 2: Booster pumps, 25hp, Qty 2	EA	2		$3,900.00	07/01/80	30	32.0	$1,105.00	T	$36.83	$1,105.00	$0.00
5	320.0	Chlorinators and Water Treatment Equipment	Plant 2: Chlorinator (Superior), Qty 2	EA	2		$2,500.00	07/01/08	10	4.0	$2,080.21	T	$208.02	$831.51	$1,248.70
6	320.0	Chlorinators and Water Treatment Equipment	Plant 1: 2 Superior Chlorine Regulator	EA	2		$1,700.00	07/01/08	20	4.0	$1,414.54	T	$70.73	$282.71	$1,131.83
7	320.0	Chlorinators and Water Treatment Equipment	Plant 2: Chlorinator Scales, Qty 2	EA	2		$1,700.00	07/01/08	10	4.0	$1,414.54	T	$141.45	$565.43	$849.11
8	330.0	Pressure Tanks	Plant 1: Pressure Tank, 9,000 gal	EA	1		$32,168.00	07/01/85	50	27.0	$7,242.86	T	$144.86	$3,910.85	$3,332.01
9	330.0	Pressure Tanks	Plant 2: Pressure Tank, 10,000 gal	EA	1		$35,743.00	07/01/08	50	4.0	$32,460.94	T	$649.22	$2,595.10	$29,865.84
10	330.0	Ground Storage Tanks	Plant 1: GST (bolted galvanized), 3,000 bbl	EA	1		$94,500.00	07/01/85	50	27.0	$17,222.38	T	$344.45	$9,299.38	$7,923.00
11	330.0	Ground Storage Tanks	Plant 2: GST (bolted galvanized), 1,500 bbl, Qty 2	EA	2		$94,500.00	07/01/80	50	32.0	$20,345.61	T	$406.91	$13,020.08	$7,325.53
12	331.0	Distribution System	8" Cast Iron Pipe, 2,355' ($22.00 per foot)	FT	2,355	$22.00	$51,810.00	07/01/61	50	51.0	$6,724.09	T	$134.48	$6,724.09	$0.00
13	331.0	Distribution System	8" A/C Pipe, 1,570' ($22.00 per foot)	FT	1,570	$22.00	$34,540.00	07/01/61	50	51.0	$9,411.44	T	$188.23	$9,411.44	$0.00
14	331.0	Distribution System	2" Steel Pipe, 2,970' ($11.50 per foot)	FT	2,970	$11.50	$34,155.00	07/01/61	50	51.0	$3,738.67	T	$74.77	$3,738.67	$0.00
15	331.0	Distribution System	4" A/C Pipe, 620' ($14.50 per foot)	FT	620	$14.50	$8,990.00	07/01/61	50	51.0	$2,449.59	T	$48.99	$2,449.59	$0.00
16	331.0	Distribution System	4" A/C Pipe, 1,450' ($14.50 per foot)	FT	1,450	$14.50	$21,025.00	07/01/11	50	1.0	$19,764.65	T	$395.29	$395.02	$19,369.62
17	331.0	Distribution System	2" Steel Pipe, 930' ($11.50 per foot)	FT	930	$11.50	$10,695.00	07/01/61	50	51.0	$1,170.70	T	$23.41	$1,170.70	$0.00
18	334.0	Meters	Plant 1: Well Meter, 4" Sensus	EA	1		$2,225.00	07/01/83	20	29.0	$982.47	T	$49.12	$982.47	$0.00
19	334.0	Meters	Plant 2: Well Meter, 3"	EA	1		$1,465.00	07/01/10	20	2.0	$1,348.13	T	$67.41	$134.72	$1,213.41
20	335.0	Fire Hydrants	Fire Hydrants, Qty 9 ($3,800 each)	EA	9	$3,800.00	$34,200.00	07/01/61	40	51.0	$2,829.32	T	$70.73	$2,829.32	$0.00
		TOTAL - WATER TREATMENT PLANTS # 1 & 2					$582,816.00				$189,800.57		$4,244.76	$97,378.45	$92,422.12

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FIXED ASSETS - SEWER

Book Basis

Douglas Utility
Depreciation Schedule by Category
For the 6 Months Ended 06/30/12

03/06/13
03:16PM

Asset No.	Asset Description	Date Acquired	Method	Life	Sold?	Cost	Accum Depr 01/01/12	Current Depreciation	Accum Depr 06/30/12
Land									
1	Land	07/01/77	LAND	00/00	N	16,267.00	0.00	0.00	0 00
	Total for (Land)					16,267.00	0.00	0.00	0.00
Service Equipment									
46	Air Compressor	11/01/10	ST LINE	10/00	N	943.00	110.06	46.89	156.95
	Total for (Service Equipment)					943.00	110.06	46.89	156.95
Wells (with pump) Plant									
3	6" Water Well (60gpm)	07/01/80	ST LINE	50/00	N	28,000.00	17,641.53	278.47	17,920.00
4	6" Water Well (170gpm)	07/01/80	ST LINE	50/00	N	28,000.00	17,641 53	278.47	17,920.00
	Total for (Wells (with pump) Plant)					56,000.00	35,283.06	556.94	35,840.00
Structures									
2	Pump House	07/01/80	ST LINE	30/00	N	2,095.00	2,095.00	0.00	2,095.00
24	Pump House	07/01/99	ST LINE	30/00	N	8,400.00	3,501.15	139.23	3,640 38
25	Chlorine Cylinder Storage	07/01/99	ST LINE	30/00	N	2,496 00	1,040.34	41.37	1,081.71
51	Rebuilt Chlorine Buildings	01/27/12	ST LINE	30/00	N	3,168.00	0.00	45.01	45.01
	Total for (Structures)					16,159 00	6,636.49	225.61	6,862.10
Booster Pumps									
5	2 - Booster Pumps - 7 1/2hp	07/01/80	ST LINE	30/00	N	1,105.00	1,105 00	0.00	1,105.00
22	Booster Pump - 7 1/2 hp	07/01/00	ST LINE	30/00	N	1,735 00	665.20	28.76	693.96
23	Booster Pump - 7 1/2 hp	07/01/04	ST LINE	30/00	N	2,510.00	627.75	41.61	669.36
	Total for (Booster Pumps)					5,350.00	2,397.95	70.37	2,468.32
Electricial									
26	Generator	07/01/94	ST LINE	30/00	N	16,202.00	9,453.44	268.56	9,722.00
48	Mercoid Switches	03/16/11	ST LINE	10/00	N	1,490.00	118.79	74.09	192.88
	Total for (Electricial)					17,692.00	9,572.23	342.65	9,914.88
Pressure Tanks									
9	9,000 gal Pressure Tank	07/01/85	ST LINE	50/00	N	7,243.00	3,839.39	72.03	3,911.42
10	10,000 Pressure Tank	07/01/08	ST LINE	50/00	N	32,461.00	2,274.04	322.84	2,596.88
	Total for (Pressure Tanks)					39,704.00	6,113.43	394.87	6,508.30
Chlorinators									
6	2 - Chlorinators	07/01/08	ST LINE	10/00	N	2,080.00	728.57	103.43	832.00
7	2 - Superior Chlorine Regulators	07/01/08	ST LINE	20/00	N	1,415.00	247.82	35.18	283.00
8	2 - Chloring Scales	07/01/08	ST LINE	10/00	N	1,415.00	495.64	70.36	566.00
47	2 - Chlorine Scale	03/29/11	ST LINE	10/00	N	3,028.00	230.63	150.57	381.20
52	Chlorine Scale	01/01/12	ST LINE	10/00	N	1,900.00	0.00	94.48	94.48
	Total for (Chlorinators)					9,838.00	1,702.66	454.02	2,156.68
Ground Storage Tanks									
11	3,000 bbl Ground Storage Tank	07/01/85	ST LINE	50/00	N	17,222.00	9,129.08	171.28	9,300.36
12	2 - 1,500 bbl Ground Storage Tan	07/01/80	ST LINE	50/00	N	20,346.00	12,819.09	202.35	13,021.44
	Total for (Ground Storage Tanks)					37,568.00	21,948.17	373.63	22,321.80
Distribution System									
13	2,355 ft - 8" Cast Iron Pipe	07/01/61	ST LINE	50/00	N	6,724.00	6,724.00	0.00	6,724.00
14	1,570 ft- 8" A/C Pipe	07/01/61	ST LINE	50/00	N	9,411.00	9,411.00	0.00	9,411.00
15	2,970 ft -2" Steel Pipe	07/01/61	ST LINE	50/00	N	4,433.00	4,433.00	0.00	4,433.00
16	620 ft - 4" A/C Pipe	07/01/61	ST LINE	50/00	N	2,450.00	2,450.00	0.00	2,450.00

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Douglas Utility
Depreciation Schedule by Category
For the 6 Months Ended 06/30/12

Asset No.	Asset Description	Date Acquired	Method	Life	Sold?	Cost	Accum Depr 01/01/12	Current Depreciation	Accum Depr 06/30/12
Distribution System									
17	1,450 ft - 4" C-900 Pipe	07/01/11	ST LINE	50/00	N	19,765.00	199.27	196.57	395.84
18	930 ft - 2" Steel Pipe	07/01/61	ST LINE	50/00	N	1,388.00	1,388.00	0.00	1,388.00
	Total for (Distribution System)					44,171.00	24,605.27	196.57	24,801.84
Meters									
19	4" WellMeter	07/01/83	ST LINE	20/00	N	982.00	982.00	0.00	982.00
20	3" Well Meter	07/01/10	ST LINE	20/00	N	1,348.00	101.38	33.52	134.90
27	Meter with Modem Line	07/01/05	ST LINE	20/00	N	6,750.00	2,195.14	167.83	2,362.97
28	Meter with Modem Line	07/01/05	ST LINE	20/00	N	8,680.00	2,822.78	215.81	3,038.59
	Total for (Meters)					17,760 00	6,101.30	417.16	6,518.46
Fire Hydrants									
21	9 - Fire Hydrants	07/01/61	ST LINE	40/00	N	2,829 00	2,829.00	0.00	2,829.00
49	Fire Hydrandt	04/07/11	ST LINE	05/00	N	3,518 00	518.54	349.88	868.42
	Total for (Fire Hydrants)					6,347 00	3,347 54	349.88	3,697.42
	Client Subtotal Before Sales					267,799.00	117,818 16	3,428.59	121,246 75
	Less Assets Sold					0.00			0.00
	Total					267,799.00	117,818.16	3,428.59	121,246.75

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GDS Associates, Inc.
Engineers and Consultants

Charles Loy
Principal

Ph: 512 494 0369
Fax. 512 494.0205
chuck.loy@gdsassociates.com

February 26, 2013

Ms. Carol Zieben, Owner
Douglas Utility Company
32 E Rivercrest Drive
Houston, TX 77042

Re: **Douglas Utility Company Trending**

Dear Ms. Zieben:

GDS was asked to provide asset trending for Douglas Utility Company. Douglas Utility Company provided a test year end date of 06/30/12. Douglas Utility Company also provided an inventory list of assets with install dates and replacement cost values. We used this information in our GDS Asset Valuation Model to compute useful life, years in service at test year end date, trended original cost, annual depreciation expense, total accumulated depreciation, and net book value at test year end date for each asset. Because we were only provided with a year for install date for each asset, we made the assumption that all assets were installed at mid-year on July 1 of the year of installation.

A trending study is a computational methodology used to develop a reliable value of utility plant for different times. If the value of an item is known at any point in time, trending indices can be used to estimate its value at any other point in time. One normally begins a trending study with a replacement cost of an item for a point in time and, with trending indices from that point in time and from the time the item was installed, computes a value at the time of installation, a substitute for the original cost of the item. The purpose of this trending study is to provide Douglas Utility Company with a computation of the value of the original cost for existing plant so that the original cost can be depreciated to the net plant value for the end of the test year.

A trending study is based on two key items, the replacement cost and construction cost indices. The replacement cost is the current price for installing the same item new and is a purchase price or contractor's price for an item based upon materials, equipment, and labor used. Construction price indices are maintained by various organizations that monitor construction pricing over time. For the construction industry as a whole, ENR (formerly Engineering News Record) maintains both a construction cost index and a building cost index. For the utility industry, Electric, Gas and Water, the Handy Whitman Index maintains indices based upon capital items using a utility chart of accounts. Government agencies, such as the U.S. Bureau of Reclamation also maintain construction cost indices. Each of these indices provides an index number for different times. If one knows the cost of an item at any point in time, construction

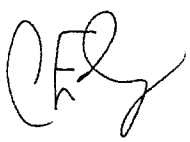
cost indices can be used to reliably estimate the cost at another point in time. Thus, current costs can be used to estimate original cost using an index value for the date of installation.

The GDS Asset Valuation Model uses three indices of construction costs to estimate trended original cost: (1) Handy Whitman Index of Water Utility Construction Costs for the South Central Region (Region 4); (2) the ENR (formerly Engineering News Record) Index of Building Cost and Construction Cost Trends; and (3) the Bureau of Reclamation Construction Cost Trends. The Handy Whitman Index was the primary reference source used for this trending because utility regulators and the industry routinely accept it. The Handy Whitman Index is commonly used in Texas ratemaking dockets. The Handy Whitman Index has been reporting values since 1912. The Handy Whitman Index has reported values on January 1 and July 1 for each year since 1973 and reported annual values before 1973. The Handy Whitman indices are designed to estimate reproduction and original costs. For sewage treatment plants, we use the Building Cost Index of ENR, as we have found it to be the most suitable alternative when the Handy Whitman Index is not applicable. We prefer the ENR Building Cost Index to the ENR Construction Cost Index because we believe it is based upon features more accurately applied to sewage treatment plants and because it has a slightly lower inflation rate. The ENR Building Cost Index has been reported since 1915 and currently reports monthly values. We also use the U.S. Bureau of Reclamation Construction Cost Trends Index because it covers land costs, electrical equipment, and other specialized items not covered by the Handy Whitman Index and the ENR Building Cost Index. The U.S. Bureau of Reclamation Index has been reported quarterly since 1940. We have used the most appropriate index for each inventory item and used the index value for the nearest reported date.

Service lives and depreciation rates were determined using recommended service lives from TCEQ. These rates were used to compute the annual depreciation expense and the total accumulated depreciation on the purchased assets. Depreciation was computed and subtracted from the trended value of original cost to determine net book value.

The attached reports included the trended value of assets for the Water Treatment Plants # 1 and 2 as well as the Sewer Treatment Plant at Douglas Utility Company. We believe that our computations have produced appropriate values for net book value.

Sincerely,



Chuck Loy

Utility Asset Valuation
Sewer Treatment Plant

Item No.	Account No.	Account Name	Asset Description	Unit	Approx. Quantity	Unit Price	Replacement Cost	Date Installed	Useful Life	Years in Service at Test Year End Date 6/30/2012	Actual or Trended Original Cost		Annual Depreciation Expense	Total Accumulated Depreciation	Net Book Value at Test Year End Date 6/30/2012
1	360.0	Collection System - Gravity Flow Lines	8" Line, 3,925' ($28.00 per foot)	FT	3,925	$28.00	$109,900.00	07/01/61	50	51	$29,945.50	T	$598.91	$29,945.50	$0.00
2	360.0	Collection System - Gravity Flow Lines	10" Line, 140' ($36.00 per foot)	FT	140	$36.00	$5,040.00	07/01/61	50	51	$1,373.30	T	$27.47	$1,373.30	$0.00
3	360.0	Collection System - Gravity Flow Lines	6" Line, 2,585' ($23.50 per foot)	FT	2,585	$23.50	$60,748.00	07/01/61	50	51	$16,552.59	T	$331.05	$16,552.59	$0.00
4	360.0	Collection System - Gravity Flow Lines	8" Line, 980', ($28.00 per foot)	FT	980	$28.00	$27,440.00	07/01/61	50	51	$7,476.84	T	$149.54	$7,476.84	$0.00
5	380.0	Wastewater Treatment and Disposal Equipment	Wastewater Treatment Plant (380,000 GPD)	GPD	380,000		$2,280,000.00	07/01/86	25	26	$1,102,073.50	T	$44,082.94	$1,102,073.50	$0.00
6	380.0	Wastewater Treatment and Disposal Equipment	Chlorinator & Scales	EA	1		$7,200.00	07/01/08	20	4	$5,991.00	T	$299.55	$1,197.38	$4,793.62
		TOTAL - SEWER TREATMENT PLANT					$2,490,328.00				$1,163,412.73		$45,489.45	$1,158,619.11	$4,793.62

Reconciliation and Land Value Conclusion

After considering the all of the land sales, the land value for the subject tracts is calculated as follows:

LAND VALUE SUMMARY		
Land Area	**Land Value/SF**	**Land Value**
49,571	$2.00	$99,142
11,717	$1.00	$11,717
4,550	$1.00	$4,550
	Total:	$115,409
	Rounded:	**$120,000**