



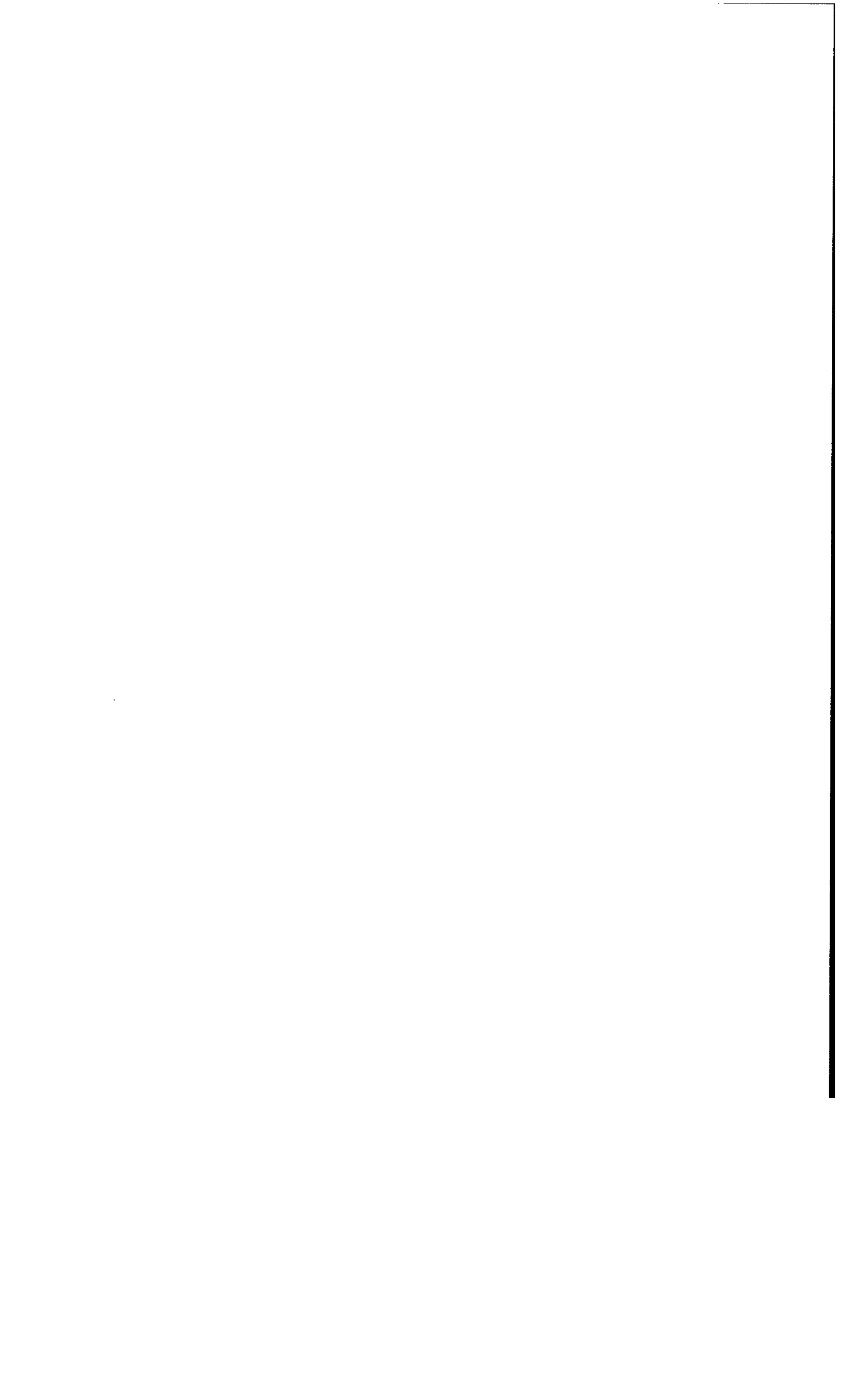
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House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014.



Bryan W. Shaw, Ph.D., *Chairman*
Toby Baker, *Commissioner*
Zak Covar, *Executive Director*



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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
PUBLIC UTILITY COMMISSION
FILING CLERK
Protecting Texas by Reducing and Preventing Pollution

December 27, 2013

Mr. Mark H. Zeppa, Attorney
4833 Spicewood Springs Road, Suite 202
Austin, Texas 78759

Re: Docket No. 2013-1735-UCR; Protest of the applications for Water Rate/Tariff Change of Douglas Utility Company, Certificate of Convenience and Necessity (CCN) No. 11369, in Harris County; Application No. 37554-R

Docket No. 2013-1735-UCR; Protest of the application for a Sewer Rate/Tariff Change of Douglas Utility Company, Certificate of Convenience and Necessity (CCN) No. 20527, in Harris County; Application No. 37555-R

CN: 600693022; RN: 102676509 (water) and 101260453 (sewer)

Dear Mr. Zeppa:

This letter is to confirm that Ms. Heidi Graham and I will be conducting a desk audit of the above referenced applications.

The scope of the audit will include a review of records and documents supporting the cost of service. The audit will be conducted in accordance with generally accepted auditing standards. During the audit, you may be required to produce books, files and any other documents related to the applications. Also, please provide all information related to the assets for review.

We will need to review the following records in support of the applications regarding the utility's cost of providing service for the test year, July 1, 2011 to June 30, 2012.

1. General ledgers for the test year and the known and measurable changes.
2. Copies of invoices and supporting documentation for the cost of service listed in the applications that are \$300.00 or more. Also, please include invoices for the known and measurable changes.
3. Copies of insurance policies and property taxes.
4. Copies of income taxes filed with the IRS during the test year. Please include copies of W-2s and 1099s.
5. For each employee or contract laborer of the utility, please provide the following:

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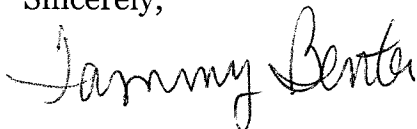
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December 27, 2013

- a. The name of the employee or contract laborer;
 - b. The hire date, and if the employee or contract laborer is no longer working for the utility, indicate the date of employment ended;
 - c. The rate per hour of the employee during the 12-month test year and the ending rate per hour within 12 months after the test year;
 - d. The number of hours worked per week and a detailed description of the contract laborer's or employee's duties.
6. Schedule/Breakdown of the Miscellaneous Expenses, and copies of the invoices and supporting documents.
 7. Copies of invoices of the 1% regulatory assessment paid to TCEQ paid during the test year. Please indicate the accounting classification for the regulatory assessment.
 8. Monthly summary of gallons billed and pumped during the test year in electronic format, if available.
 9. Monthly operating reports for the test year.
 10. Invoices and documentation supporting the items listed on the depreciation schedule.
 11. List of assets (wells, storage tanks, pressure tanks, distribution system, office equipment, vehicles, etc.) with installation or service dates.
 12. Work orders.
 13. A copy of a few of the customer bills showing meter consumption.

Thank you for your cooperation. Please submit these items by **January 27, 2014**. If you have any questions, please contact me at 512/239-3654 or Ms. Heidi Graham at 512/239-0844, by fax at 512/239-6972, by email at sheresia.perryman@tceq.texas.gov or heidi.graham@tceq.texas.gov, or if by correspondence, include MC 153 in the letterhead address.

Sincerely,



Tammy Benter, Manager
Utilities & Districts Section
Water Supply Division
Texas Commission on Environmental Quality

TB/SP/mmg