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BEFORE THE STATE OFFICE
PUBLIC UTILITY COMMISSION
FILING CLERK
OF

APPLICATION OF DOUGLAS §
UTILITY COMPANY TO CHANGE §
WATER AND SEWER RATE/TARIFF §
IN HARRIS COUNTY, TEXAS §
§

ADMINISTRATIVE HEARINGS

**NOTICE OF WITHDRAWAL OF APPLICATION FOR
RATE/TARIFF CHANGE AND PROPOSED DISPOSITION
OF INCREMENTAL REVENUES**

TO: The Honorable Administrative Law Judge

COMES NOW, Douglas Utility Company (DUC), and files its Notice of Withdrawal of Application for Rate/Tariff Change and Proposed Disposition of Incremental Revenues in the above-referenced rate case.

DUC was founded by Mr. Herbert Zieben, deceased. Upon Mr. Zieben's death the utility company fell under the management of his widow, Carol Zieben. Mrs. Zieben was in control of the utility during the test year and the subsequent preparation and filing of this rate change application. While this was occurring, Herbert Zieben's estate was the subject of a probate contest in Harris County. As a result of that litigation, DUC is now under the control of Mr. Zieben's sons, Lee Zieben and Alan Zieben. Messrs. Lee and Alan Zieben have now elected to withdraw the rate change application and will resume charging the rates that were in effect prior to the rate case being filed (Historic Rates). These are the last state-approved rates.

Messrs. Lee and Alan Zieben plan to operate DUC for at least a twelve-month test year under their management and control. While this is occurring, they will pursue efforts to rehabilitate the sewer treatment plant to ensure continued adequate service to their customers. After adequate test year data has been accumulated, a new rate change application will be filed with special attention to the utility's sewer treatment plant and the funding of necessary repairs.

For these reasons, DUC gives notice that it withdraws its rate change application in PUC Docket No. 42860. This withdrawal is with prejudice to the refile of the same application based upon the same historic test year data. With the withdrawal of the application, the PUC and SOAH will lose jurisdiction over DUC's rates except for the issue of refunds and surcharges to be discussed below.

After the instant rate change application was filed, DUC implemented the rates proposed in the application as permitted by Texas Water Code Section 13.187. This change in rates

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resulted in the three classes of customers (residential, commercial, and apartments) being charged rates that were different than the Historic Rates that had been applied to their customer class. With the withdrawal of the rate change application, DUC will change the rates being charged back to the Historic Rates. A per customer account reconciliation of the difference between revenues paid under the proposed rates and revenues that should have been paid under the Historic Rates will be made and reported to the PUC staff. Any customer who paid more during the pendency of the withdrawn rate change application than they would have paid under the Historic Rates will be entitled to a refund of the incremental revenue collected. Any customer who paid less than they would have paid under the Historic Rates will be required to pay the incremental difference as a surcharge.

During the off-the-record discussions in the ordered mediation, DUC was advised by the PUC staff that it had been over-billing the fees charged by the City of Houston under its Groundwater Reduction Plan (GRP). This over-charging was inadvertent, and the utility immediately stopped charging the excessive GRP fees. The over-collected GRP fees will be included in the per-account reconciliations described above.

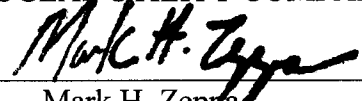
DUC's billable revenues under the Historic Rates will be less going forward than the company has been collecting under the proposed rates in the withdrawn rate change application. At the same time, DUC will be making refunds which will further reduce its revenue stream. It is not anticipated that the surcharge of under-collected revenues will equal or exceed the refunds that will be made. At the time DUC is operating under this reduced revenue stream, it will have to make approximately \$1,000,000 in remedial repairs to the sewer system. It is necessary to structure the refunds and surcharges created by the restoration of the Historic Rates in a manner which will preserve the financial integrity of the utility and its continuing ability to provide continuous and adequate water and sewer service to the public.

The historic practice for refunds and/or surcharges at the conclusion of water and sewer rate cases has been to order the utility to make individual refunds or surcharges over the same number of months the proposed rates were collected. In addition, refunds have been made with interest at the rate set by the PUC annually. Historically, interest has not been allowed on surcharges. To ensure sufficient cash flow for continuous and adequate public service, DUC proposes to follow this historic practice with one modification. Normally, the refunds and surcharges in this case would be made over approximately 30 months. DUC proposes to make all refunds and surcharges in twenty-four months. The refunds and surcharges will start with the first normal billing cycle following the entry of a final order in this case.

For these reasons, DUC formally withdraws its pending rate change application and requests the PUC to enter a final order authorizing a twenty-four month refund and surcharge period as discussed above.

Respectfully submitted,

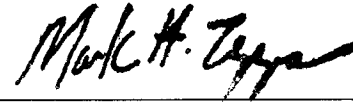
DOUGLAS UTILITY COMPANY



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CERTIFICATE OF SERVICE

I certify that on September 2, 2015, a copy of this document will be served on all parties of record in accordance with P.U.C. Procedural Rule 22.74.



Mark H. Zeppa