



Control Number: 42920



Item Number: 1

Addendum StartPage: 0

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UTILITIES & DISTRICTS
SECTION

Double Diamond Utilities Company

**Application for a Water and Sewer
Rate / Tariff Change**

For the Test Year Ended 12/31/2012

October 15, 2013



APPLICATION FOR A
RATE/TARIFF CHANGE

APPLICATION FOR A RATE/TARIFF CHANGE

SECTION IA - GENERAL INFORMATION

Applicant Double Diamond Utilities Co.
(Individual, Corporation, or Other Legal Entity)

Utility Name: _____
(If different than above)

Legal form of Application:

Individual Partnership Sub Chapter-S Corporation

Corporation Provide Charter Number _____

Other Please Explain:

Utility Address: 5495 Belt Line Rd, Ste. 200 Dallas TX 75254
Street Address or Location City State Zip Code

County(ies) where services are provided: Grayson, Hill, Johnson, Palo Pinto

CCN Number(s): 12087, 20705

Contact Person: Randy Gracy Telephone Number: 214-706-9801

Position: President Fax Number: 214-706-7829

Address: 5495 Belt Line Rd, Ste. 200 Dallas TX 75254
Street Address or Location City State Zip Code

If the applicant is a corporation, please provide a copy of the corporation's "Certificate of Account Status" (regarding the payment of franchise taxes) from the State Comptroller's Office. This "Certificate of Account Status" can be obtained from the website at:

Comptroller of Public Accounts, Office Management ¹
P. O. Box 13528
Austin, Texas 78711
1-800-252-5555

<https://ourcpa.cpa.state.tx.us/coa/Index.html>



Franchise Tax Account Status

As of: 10/09/2013 08:44:16 AM

This Page is Not Sufficient for Filings with the Secretary of State

DOUBLE DIAMOND UTILITIES CO.	
Texas Taxpayer Number	17526845999
Mailing Address	5495 BELT LINE RD STE 200 DALLAS, TX 75254-7658
Right to Transact Business in Texas	ACTIVE
State of Formation	TX
Effective SOS Registration Date	12/30/1996
Texas SOS File Number	0142717100
Registered Agent Name	R. JEFFREY SCHMIDT
Registered Office Street Address	5495 BELTLINE RD. STE. 200 DALLAS, TX 75254

SECTION IB - MISCELLANEOUS INFORMATION

- A. How often and on what dates are water meters typically read? Monthly on or around the 1st
- B. When are bills typically sent out? Same or next day after reading
- C. Do you serve customers within the corporate limits of a municipality? If No, Go to D. Yes No
 If yes, which municipalities? _____

Have you filed a request to change rates with the municipality? Yes No
 If no, please explain:

D. Are you currently collecting the Regulatory Assessment Fee from your customers? Yes No

If yes, are you current in your payment of the Regulatory Assessment Fee to the Texas Commission on Environmental Quality or the predecessor agency, Texas Water Commission, for assessments payable beginning January 1, 1992? Yes No

E. Water Utilities: Please indicate the Public Water System Identification numbers for each of your systems:

System Name	TCEQ PWS ID #	County	Rate Increase Applicable?
The Cliffs	1820061	Palo Pinto	N
The Retreat	1260127	Johnson	Y
White Bluff	1090073	Hill	N

For each of the systems, please provide a copy of the most recent public water system annual inspection report letter from the Texas Commission on Environmental Quality and a written explanation detailing how and when you will comply with all noted deficiencies. **(PLEASE SEE ATTACHMENT 1)**

F. Sewer Utilities: Please indicate the discharge permit number for each Wastewater Treatment Plant you operate:

Wastewater Treatment Plant Name	TCEQ Discharge Permit Number	County	Rate Increase Applicable?
The Cliffs	WQ0002789000	Palo Pinto	N
The Retreat	WQ0014373001	Johnson	Y
White Bluff	WQ0013786002	Hill	N
Rock Creek	WQ0014783001	Grayson	N

For each of the plants, please provide a copy of the most recent inspection report letter from the Texas Commission on Environmental Quality and a written explanation detailing how and when you will comply with all noted deficiencies. **(PLEASE SEE ATTACHMENT 2)**

INFORMATION REQUIRED
FOR A
WATER RATE/TARIFF CHANGE

SECTION II: OPERATIONAL INFORMATION – WATER

Manager (or owner if services are routinely provided to the utility)

Name (PLEASE SEE ATTACHMENT 3) (1) Relationship to Owner: _____

Short job description:

Approximate number of hours per week this person works for the company:

Salary: _____ Hourly ___ Weekly ___ Monthly ___ Annual ___

Employees

Name _____ Relationship to Owner: _____

Short job description:

Approximate number of hours per week this person works for the company:

Salary: _____ Hourly ___ Weekly ___ Monthly ___ Annual ___

Name _____ Relationship to Owner: _____

Short job description:

Approximate number of hours per week this person works for the company:

Salary: _____ Hourly ___ Weekly ___ Monthly ___ Annual ___

Contract Services (attach additional sheets if necessary)

Name _____ Relationship to Owner: _____

Short job description:

Approximate number of hours per week this person works for the company:

Amount paid for services: _____ Hourly ___ Weekly ___ Monthly ___ Annual ___

Please provide the names and classification of the utility's certified operators:

Certified Operator's Name/ Classification	Certified Operator's Name/Classification
Eric Bartlett/ Class C Groundwater	

-Attach additional sheet(s) if necessary-

(1) Double Diamond Utilities is only requesting rate adjustments specific to The Retreat. As such, all information provided in this section is specific to The Retreat Water System

SECTION III. PLANT & EQUIPMENT INFORMATION – WATER

A. CUSTOMER CONTRIBUTIONS

If any of the items included in your plant and equipment were 100% financed with customer contributions, assessments, surcharges, extension fees, etc., you may not include depreciation or return on those items in your cost of service. However, if those customer contributions did not cover the entire cost of the asset, you may include the amount that the utility paid for. Please list below all items that were funded either all or in part by customer contributions and indicate amount that the customers contributed for each item.

Table III. A.

Item [A]	Date of installation [B]	Total Cost [C]	Amount of Customer Contribution [D]	Difference [E]= [C] - [D]
NONE				①
				①
				①
				①
				①

- Attach additional sheet(s) if necessary -

If any amount in this column is greater than zero, enter that item in the appropriate category in **Table III. B**

B. ORIGINAL COST & DEPRECIATION SCHEDULE - WATER (PLEASE SEE ATTACHMENT 4)

Please provide the following inventory of the water utility plant being used to provide water service at the end of the test year. You will be responsible for supporting this information with invoices or other documentation. Round your figures to the nearest dollar. **Amounts should be computed as of the end of the "test year."**

Table III. B.

[A] Item	[B] Date Of Installation	[C] Service Life (yrs) * **	[D] Original Cost when installed \$	Depreciation			[G] = [D]-[F] Net Book Value (\$)
				Years in Service	[E] = [D]/[C] Annual (\$)	[F] Accumulated (\$)	
				YR ⊙	Mos ⊙ ⊙	Days ⊙ ⊙ ⊙ ⊙	
Land		n/a					
Wells		50					
Well Pumps:							
5 hp or less		5					
Greater than 5 hp		10					
Booster Pumps:							
5 hp or less		5					
Greater than 5 hp		10					
Chlorinators		10					
Structures:							
Wood		15					
Masonry		30					
Storage Tanks		50					
Pressure Tanks		50					
Distribution System (mains and lines)		50					
Meters and Service (taps not covered by fees)		20					
Office Equipment		10					
Vehicles		5					
Shop Tools		15					
Heavy Equipment		10					
Fencing		20					
Other: (Please list)							
Total			\$1,656,209		\$ 51,021 ⁽¹⁾	\$523,178 ⁽²⁾	\$ 1,133,031 ⁽³⁾

* TCEQ Suggested Service Life ** Other Service Life

① Enter this number in Table VI. A., Line [O], Column ① ② If [F] is greater than [D], enter the total for [D] ③ Enter this number in Table IV. E., Line [A]

- Attach additional sheet(s) if necessary -

C. DEVELOPER CONTRIBUTIONS – WATER (PLEASE SEE ATTACHMENT 4)
 Any of the Items listed in the Depreciation Schedule were contributed by a developer, please list those items and the associated cost below.

Table III. C.

Item	Date of installation or Contribution	Total Cost	Amount of Developer Contribution	Net Book Value (from Table III.B.)
Total				\$ 728,808 ^①

^① Insert this amount in **Table IV. E., Line [E]**
 - Attach additional sheet(s) if necessary -

SECTION IV - LONG TERM DEBT & EQUITY INFORMATION – WATER

A. EQUITY (PLEASE SEE ATTACHMENT 5)
 How much equity or total capital does the company have in the utility? _____
 Enter also in **Table IV. D., Box ③** below

B. RATE OF RETURN (PLEASE SEE ATTACHMENT 6)
 What rate of return (profit) on investment in plant (equity) is expected? 7.86 %
 Enter also in **Table IV. D., Box ④** below

NOTE: You may choose

- an average equity return established by the staff each year and included with the Annual Report Instructions **OR**
- an interest rate that you think is fair that is less than the rate established by the staff **OR**
- to use the **Rate of Return Worksheet** which is attached to the **Instructions**.

C. BANKRUPTCY

Has the utility or utility owner filed bankruptcy within the last seven years? ____ Yes X No
 If YES, explain status of applicant at this time.

D. NOTES PAYABLE – WATER (PLEASE SEE ATTACHMENTS 5, 6, AND 7)
List the following information concerning debt and equity of the utility and attach copies of notes payable:

Round all percentages to two (2) decimal places.

Table IV. D.

[A] Name of Bank/Lender	[B] Date of Issue	[C] Date of Maturity	[D] Original Amount of Loan	[E] Outstanding or Unpaid Balance- End of Test Year	[F] Interest Rate	[G] Weighted Average [E] ÷ ⑤ * [F]
Part 1 - Debt			\$	\$	%	%
			\$	\$	%	%
			\$	\$	%	%
			\$	\$	%	%
			\$	\$	%	%
		Total	\$ ①	158,410,496 ②	5.58%	3.37 % ⑥
Part 2 - Investment/Equity						
				104,053,709 ③	7.86% ④	3.12 % ⑦
		Total Debt & Equity		262,464,205		
				Rate of Return		6.49% ⑧

- ① Total amount of original loans
- ② Total amount of the outstanding balance on the loans
- ③ Equity in the utility - From Section IV. A.
- ④ Return on Equity - From Section IV. B.
- ⑤ Total of ② + ③
- ⑥ Total weighted average of debt - To Table V, Line [C]
- ⑦ Weighted average of Investment/Equity ③ ÷ ⑤ * ④
- ⑧ Sum of ⑥ + ⑦ - To Table IV. E., Line [G]

E. INVESTED CAPITAL & RETURN – WATER

Table IV. E.

Net Book Value - From Table III. B., Box ③	[A]	\$ 1,133,031
Working cash allowance -Amount From Table VI. A., Line [L] Column ③ , Box ⑦(÷⑧)	[B]	\$ 16,052
Materials and supplies	[C]	\$ -
Subtotal - Sum of [A] thru [C]	[D]	\$ 1,149,083
Developer Contributions - From Table III. C., Box ①	[E]	\$ 728,808
Total invested capital [D] - [E]	[F]	\$ 420,274
Rate of return - From Table IV. D., Box ⑤	[G]	6.49%
Return/Interest - If [F] is greater than -0-, then enter [F] * [G]. If [F] is less than -0-, enter -0-. Enter this amount in Table V., Line [A] and Table VI. A., Line [Q], Column ②	[H]	\$ 27,276

SECTION V - INCOME TAX CALCULATION – WATER

Use the following table to determine the amount of income tax that can be included in your revenue requirement.

Table V.

Return - From Table IV. E., Line [H]	[A]	\$ 27,276
Interest Calculation		
Total Invested Capital - From Table IV. E., Line [F]	[B]	\$ 420,274
Weighted Cost of Debt Capital - Percentage From Table IV. D., Box ⑥	[C]	3.37%
Interest [B]*[C]	[D]	\$ 14,163
Taxable Income [A] - [D]	[E]	\$ 13,113
Enter Income Tax from Tax Table (Appendix A)	[F]	\$ 2,338
		①

①To Table VI. A., Line [P], Column ②

SECTION VI - UTILITY INCOME & EXPENSE INFORMATION - WATER (PLEASE SEE ATTACHMENT 8)

A REVENUE REQUIREMENT

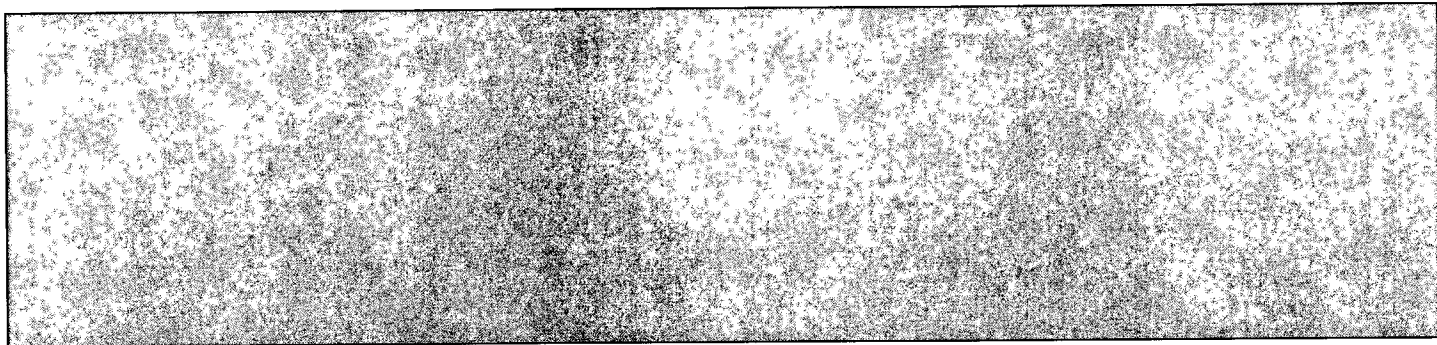
Please provide the following information regarding the cost to the utility of providing water utility service over your selected twelve month "test year."
Note 1 - Instead of using the percentages listed, you may take the Total Cost and multiply it by 67% to determine the fixed portion and 33% for the variable portion.

TABLE VI. A.

Test Year	Line	12 Month "test year" per books	Known and Measurable Changes	Revenue Requirement for next yr	% of (3) that is fixed (Note 1)	Fixed Expenses (Note 1)	Variable Expenses (Note 1)
		(1)	(2)	(3)=(1)+(2)	(4)	(5)=(3)*(4)/100	(6)=(3)-(5)
	Salaries and Wages	\$ 51,101	\$ 7,610	\$ 58,712	50	\$ 29,356	\$ 29,356
	Contract Labor	1,030	-	1,030	90	927	103
	Purchased Water	-	-	-	0	-	-
	Chemicals for Treatment	1,950	-	1,950	0	-	1,950
	Utilities (Electricity)	26,754	-	26,754	0	-	26,754
	Repairs/Maintenance/Supplies	10,928	(2,515)	8,413	50	4,206	4,206
	Office Expenses	1,539	-	1,539	50	770	770
	Accounting & Legal Fees	-	-	-	100	-	-
	Insurance	6,632	-	6,632	100	6,632	-
	Rate Case Expense	-	-	-	100	-	-
	Miscellaneous	24,474	(1,088)	23,386	50	11,693	11,693
	Subtotal-Sum of Line [A] thru Line [K]	\$ 124,408	\$ 4,008	\$ 128,416 (7)		\$ 53,584	\$ 74,832
	Payroll Taxes	\$ 4,248	\$ 942	\$ 5,190	50	\$ 2,595	\$ 2,595
	Property and Other Taxes	989	-	989	100	989	-
	Annual Depreciation and Amortization-From Table III. B. Box (1)	-	51,021	51,021	100	51,021	-
	Income Taxes-From Table V, Line [F]		2,338	2,338	100	2,338	-
	Return -From Table IV.E., Line[H]		27,276	27,276	100	27,276	-
	Subtotal-Sum of Line [L] thru Line [Q]	\$ 129,645	\$ 85,584	\$ 215,259		\$ 137,802	\$ 77,427
	Other Revenues	\$ (4,563)	\$ 3,941	\$ (622)	100	\$ (622)	\$ -
	Total Cost=Line [R] - Line [S]	\$ 125,082	\$ 89,525	\$ 214,607 (8)		\$ 137,180 (9)	\$ 77,427 (10)
	Alternative Allocation between Fixed and Variable [Note 1]			(8)	67	143,787 (9)	\$ 70,820 (10)

B. KNOWN & MEASURABLE (PLEASE SEE ATTACHMENT 9)

If you listed anything in TABLE VI. A. above as an increase/decrease expected in the next 12 months, please provide a short explanation by item why there will be a change and how you projected the cost. Changes in cost must be known and measurable and supported by invoices or other documentation.



-Attach additional sheet(s) or a separate listing for sewer service if necessary-

SECTION VII – CUSTOMER INFORMATION – WATER

NUMBER OF CUSTOMERS

How many customers (active connections) did you have at the beginning and at the end of the twelve month test year?

TABLE VII

Connection Type	Line	Beginning of period ①	End of period ②	Equivalency Factor ③	Meter Equivalents ④=②*③
Residential	[A]			1	
Commercial	[B]			1	
Standby	[C]			1	
5/8" x 3/4"	[D]	85	83	1	83
3/4"	[E]	0	0	1.5	0
1"	[F]	2	2	2.5	5
1 1/2"	[G]	1	1	5	5
2"	[H]	0	0	8	0
3"	[I]	0	0	15	0
Other:	[J]				
Total	[K]	88	86		93 ⑤

⑤ To Table IX. B., Line [B] AND Table X. A., Line [F]

SECTION VIII - PRODUCTION & CONSUMPTION INFORMATION - WATER

Please provide the following information regarding water utility operations over your selected twelve month "test year".

Table VIII

Total number of gallons pumped (total master meter reading for the year)	[A]	18,650,000	gallons
Total number of gallons purchased from another source for sale to customers (if any)	[B]	0	gallons
Total number of gallons provided to customers $[C]=[A]+[B]$	[C]	18,650,000	gallons
Total number of gallons billed to your customers (total customer consumption) (PLEASE SEE ATTACHMENT 10)	[D]	17,988,026	gallons
System losses: $([C] - [D]) \times 100\% = [E]$ [C]	[E]	3.55%	%
Source of Purchased water			

① To Table IX. A., Line [B] AND Table X. A., Line [B]

SECTION IX - RATE DESIGN - WATER

A. VARIABLE RATE CALCULATIONS

Table IX. A.

Line	Amount	Instructions
[A]	\$ 77,427	From Table VI. A., Line [T], Box ⑩ or Line [U], Box ⑩
[B]	17,988,026	From Table VIII, Line [B]
[C]	17,988	Divide Line [B] by 1,000
[D]	\$ 4.30	Divide Line [A] by Line [C] Transfer to Table IX. B., Lines [E] through [J], Box ⑥

B. BASE RATE CALCULATIONS

Table IX. B.

Line	Amount	# of 1000 gallons in base bill	Variable cost per 1,000 gals	Variable cost to be added to base rate	Total base rate per meter size
[A]	\$ 137,180	②	③	④ = ② * ③	⑤ = ① + ④
[B]	93				
[C]	\$ 122.92				
[D]	\$ 122.92	0	\$ 4.30 ⑥	0	\$ 122.92
[E]	184.38	0	4.30 ⑥	0	184.38
[F]	307.30	0	4.30 ⑥	0	307.30
[G]	614.61	0	4.30 ⑥	0	614.61
[H]	983.37	0	4.30 ⑥	0	983.37
[I]	1,843.82	0	4.30 ⑥	0	1,843.82
[J]			⑥		
Total fixed costs - From Table VI. A., Line [T], Box ⑩ or Line [U], Box ⑩					
Total meter equivalents at end of test year - From Table VII, Line [K], Box ⑤					
Base charge per meter equivalent or for each unmetered connection [A] ÷ [B] and then divide by 12					
Base charge per meter size					
5/8" x 3/4" or unmetered					
3/4"					
1"					
1 1/2"					
2"					
3"					
Other:					

⑥ From Table IX. A., Line [D]

SECTION X - ALTERNATE METHOD OF RATE DESIGN - WATER (Please see Attachment 11)

After you have performed the calculations in SECTION IX, you may find that the cost per 1,000 gallons is not what you think your customers will approve. If that is the case, then the following will allow you to calculate a rate structure that still recovers your revenue requirement, but with rates that you think may be more appropriate for your customers.

Table X. A.

Line	Description
[A]	Cost per 1,000 gallons \$
[B]	Total # of 1,000 Gallons billed
[C]	Total Cost to be recovered through gallonage charge \$
[D]	Total Revenue Requirement \$
[E]	Total to be recovered through base rate \$
[F]	Total number of meter equivalents
[G]	Base rate per meter equivalent \$

This is the rate that you think is appropriate Enter in **Table X. B., Column ③**, Lines **[B] through [H]**
 From **Table IX. A., Line [C]**
 Multiply Line **[A]** times Line **[B]**
 From **Table VI. A., Line [T] Box ⑤**
 Subtract Line **[C]** from Line **[D]**
 From **Table VII, Line [K], Box ⑤**
 Divide Line **[E]** by Line **[F]** & then divide by 12months Enter this in **Table X. B., Line [A] Column ①**

Table X. B.

Line	Description	# of 1000 gallons in base bill	Variable cost per 1,000 gals	Variable cost added to base	Total base bill per meter size
[A]	Base charge per meter equivalent or for each unmetered connection From Table X. A., Line [G]	②	③	④=②*③	⑤=①+④
	Base rate per meter size				
[B]	5/8" x 3/4" or unmetered Multiply [A] ① by 1		⑥		
[C]	3/4" Multiply [A] ① by 1.5		⑥		
[D]	1" Multiply [A] ① by 2.5		⑥		
[E]	1 1/2" Multiply [A] ① by 5.0		⑥		
[F]	2" Multiply [A] ① by 8.0		⑥		
[G]	3" Multiply [A] ① by 15.0		⑥		
[H]	Other:		⑥		

⑥ From **Table X. A., Line [A]**

INFORMATION REQUIRED
FOR A
SEWER RATE/TARIFF CHANGE

SECTION III. PLANT & EQUIPMENT INFORMATION – SEWER

CUSTOMER CONTRIBUTIONS

If any of the items included in your plant and equipment were 100% financed with customer contributions, assessments, surcharges, extension fees, etc., you may not include depreciation or return on those items in your cost of service. However, if those customer contributions did not cover the entire cost of the asset, you may include the amount that the utility paid for. Please list below all items that were funded either all or in part by customer contributions and indicate amount that the customers contributed for each item.

Table III. A.

Item [A]	Date of installation [B]	Total Cost [C]	Amount of Customer Contribution [D]	Difference [E]= [C] - [D]
NONE				①
				①
				①
				①
				①

- Attach additional sheet(s) if necessary -

① If any amount in this column is greater than zero, enter that item in the appropriate category in **Table III. B**

B. ORIGINAL COST & DEPRECIATION SCHEDULE – SEWER (PLEASE SEE ATTACHMENT 12)

Please provide the following inventory of the water utility plant being used to provide water service at the end of the test year (for sewer attach a similar list). You will be responsible for supporting this information with invoices or other documentation. Round your figures to the nearest dollar. **Figures should be computed as of the end of the Attest year.**

Table III. B.

[A] Item	[B] Date of Installation	[C] Service Life (yrs)		[D] Original Cost when installed (\$)	Depreciation			[G] = [D] - [F] Net Book Value (\$)		
		*	**		Years in Service	[E] = [D]/[C] Annual (\$)	[F] Accumulated (\$)			
					Yrs	Mos	Days			
					⓪	⓪	⓪			
Land		n/a								
Collection Sewers										
Gravity		50								
Force		50								
Pumping Equipment		5								
Treatment & Disposal Equipments		25								
Structures										
Wood		15								
Masonry		30								
Plant Sewers		50								
Outfall sewer lines		50								
Laboratory Equipment		10								
Meters and Service (taps not covered by fees)		20								
Office Equipment		10								
Vehicles		5								
Shop Tools		15								
Heavy Equipment		10								
Fencing		20								
Other: (Please list)										
Total				\$ 1,152,192				27,890 (1)	284,133 (2)	868,058 (3)

* TCEQ Suggested Service Life ** Other Service Life

① Enter this number in Table VI. A., Line [O], Column ①, ② if [F] is greater than [D], enter the total for [D], ③ Enter this number in Table IV.E., Line [A] -Attach additional sheet(s) if necessary-

C. DEVELOPER CONTRIBUTIONS – SEWER (PLEASE SEE ATTACHMENT 12)
 If any of the Items listed in the Depreciation Schedule were contributed by a developer, please list those items and the associated cost below.

Table III. C.

Item	Date of installation or Contribution	Total Cost	Amount of Developer Contribution	Net Book Value (from Table III.B.)
Total				\$ 668,133 ①

① Insert this amount in **Table IV. E., Line [E]**

- Attach additional sheet(s) if necessary -

SECTION IV - LONG TERM DEBT & EQUITY INFORMATION – SEWER

A. EQUITY (PLEASE SEE ATTACHMENT 5)

How much equity or total capital does the company have in the utility? _____
 Enter also in **Table IV. D., Box ③** below

RATE OF RETURN (PLEASE SEE ATTACHMENT 6)

What rate of return (profit) on investment in plant (equity) is expected? 7.86 %
 Enter also in **Table IV. D., Box ④** below

NOTE: You may choose

- an average equity return established by the staff each year and included with the Annual Report Instructions **OR**
- an interest rate that you think is fair that is less than the rate established by the staff **OR**
- to use the **Rate of Return Worksheet** which is attached to the **Instructions**.

C. BANKRUPTCY

Has the utility or utility owner filed bankruptcy within the last seven years? _____ Yes X No

If YES, explain status of applicant at this time.

E. INVESTED CAPITAL & RETURN - SEWER

Table IV. E.

Net Book Value - From Table III. B., Box ③	[A]	\$	868,058
Working cash allowance - (Amount From Table VI. A., Line [L] Column ③, Box ⑦(÷ 8)	[B]	\$	14,254
Materials and supplies	[C]	\$	-
Subtotal - Sum of [A] thru [C]	[D]	\$	882,312
Developer Contributions - From Table III. C., Box ①	[E]	\$	668,133
Total invested capital [D] - [E]	[F]	\$	214,179
Rate of return - From Table IV. D., Box ⑥	[G]		6.49%
Return/Interest - If [F] is greater than -0-, then enter [F] * [G]. If [F] is less than -0-, enter -0-. Enter this amount in Table V., Line [A], Line [Q], Column ②	[H]	\$	13,900

SECTION V - INCOME TAX CALCULATION - SEWER

Use the following table to determine the amount of income tax that can be included in your revenue requirement.

Table V.

Return - From Table IV. E., Line [H]	[A]	\$	13,900
Interest Calculation			
Total Invested Capital - From Table IV. E., Line [F]	[B]	\$	214,179
Weighted Cost of Debt Capital - Percentage From Table IV. D., Box ⑥	[C]		3.37%
Interest [B]*[C]	[D]	\$	7,218
Taxable Income [A] - [D]	[E]	\$	6,682
Enter Income Tax from Tax Table (Appendix A)	[F]		1,191 ①

① To Table VI. A., Line [P], Column ②

SECTION VI - UTILITY INCOME & EXPENSE INFORMATION - SEWER (PLEASE SEE ATTACHMENT 8)

A REVENUE REQUIREMENT

Please provide the following information regarding the cost to the utility of providing sewer utility service over your selected twelve month "test year." **Note 1** - Instead of using the percentages listed, you may take the Total Cost and multiply it by 67% to determine the fixed portion and 33% for the variable portion.

TABLE VI. A.

Test Year	Line	12 Month "test year" per books	Known and Measurable Changes	Revenue Requirement for next yr	% of (3) that is fixed (Note 1)	Fixed Expenses (Note 1)	Variable Expenses (Note 1)
		(1)	(2)	(3)=(1)+(2)	(4)	(5)=(3)*(4)/100	(6)=(3)-(5)
	Salaries and Wages	[A] \$ 51,151	\$ 11,833	\$ 62,984	50	\$ 31,492	\$ 31,492
	Contract Labor	[B] 12	-	12	90	11	1
	Purchased Water	[C] -	-	-	0	-	-
	Chemicals for Treatment	[D] 1,855	-	1,855	0	-	1,855
	Utilities (Electricity)	[E] 2,433	-	2,433	0	-	2,433
	Repairs/Maintenance/Supplies	[F] 16,516	(6,743)	9,733	50	4,887	4,887
	Office Expenses	[G] 1,585	-	1,585	50	792	792
	Accounting & Legal Fees	[H] 2,970	-	2,970	100	2,970	-
	Insurance	[I] 6,066	-	6,066	100	6,066	-
	Rate Case Expense	[J] -	-	-	100	-	-
	Miscellaneous	[K] 31,408	(5,053)	26,355	50	13,178	13,178
	Subtotal-Sum of Line [A] thru Line [K]	[L] \$ 113,996	\$ 37	\$ 114,033		\$ 59,396	\$ 54,638
	Payroll Taxes	[M] \$ 6,235	\$ 1,383	\$ 7,619	50	\$ 3,809	\$ 3,809
	Property and Other Taxes	[N] 945	-	945	100	945	-
	Annual Depreciation and Amortization-From Table III. B. Box (1)	[O] -	27,890	27,890	100	27,890	-
	Income Taxes-From Table V, Line [F]	[P] -	1,191	1,191	100	1,191	-
	Return -From Table IV.E., Line[H]	[Q] -	13,900	13,900	100	13,900	-
	Subtotal-Sum of Line [L] thru Line [Q]	[R] \$ 121,177	\$ 44,402	\$ 165,579		\$ 107,132	\$ 58,447
	Other Revenues	[S] \$ (4,205)	\$ 3,626	\$ (578)	100	\$ (578)	\$ -
	Total Cost=Line [R] - Line [S]	[T] \$ 116,972	\$ 48,028	\$ 165,000		\$ 106,553	\$ 58,447
	Alternative Allocation between Fixed and Variable [Note]	[U] \$ -	\$ -	\$ -	67	\$ 110,550	\$ 54,450

Divide this amount by 8 and enter the result in Table IV. E., Line [B], To Table X. A., Line [D], To Table IX. B., Line [A], To Table IX. A., Line [A]

B. KNOWN & MEASURABLE (PLEASE SEE ATTACHMENT 9)

If you listed anything in TABLE VI. A. above as an increase/decrease expected in the next 12 months, please provide a short explanation by item why there will be a change and how you projected the cost. Changes in cost must be known and measurable and supported by invoices or other documentation.

-Attach additional sheet(s) or a separate listing for sewer service if necessary-

SECTION VII - CUSTOMER INFORMATION – SEWER

NUMBER OF CUSTOMERS

How many customers (active connections) did you have at the beginning and at the end of the twelve month test year?

TABLE VII

Connection Type	Line	Beginning of period ①	End of period ②	Equivalency Factor ③	Meter Equivalents ④=②*③
Non-Metered Connections:					
Residential	[A]			1	
Commercial	[B]			1	
Standby	[C]			1	
Metered Connections:					
5/8" x 3/4"	[D]	76	78	1	78
3/4"	[E]	0	0	1.5	0
1"	[F]	1	1	2.5	2.5
1 1/2"	[G]	1	1	5	5
2"	[H]	0	0	8	0
3"	[I]	0	0	15	0
Other:	[J]				
Total	[K]	78	80		80.5 ⑤

⑤ To Table IX. B., Line [B] AND Table X. A., Line [F]

SECTION VIII – TREATMENT INFORMATION - SEWER

Please provide the following information regarding sewer utility operations over your selected twelve month "test year".

Table VIII

Total number of gallons treated (total master meter reading for the year)	[A]	15,623,000	gallons
Total number of gallons treated by another source for sale to customers (if any)	[B]	0	gallons
Total number of gallons treated [C]=[A]+[B]	[C]	15,623,000	gallons
Source of Purchased Treatment			

① To Table IX. A., Line [B] and Table X. A., Line [B]

(PLEASE SEE ATTACHMENT 13 FOR DEVELOPMENT OF SEWER BILLING DETERMINANTS)

SECTION IX - RATE DESIGN - SEWER

A. VARIABLE RATE CALCULATIONS

Table IX. A.

Line	Instructions
[A]	\$ 58,447 From Table VI. A., Line [T], Box ⑩ or Line [U], Box ⑩
[B]	15,623,000 From Table VIII, Line [B]
[C]	15,623 Divide Line [B] by 1,000
[D]	\$ 3.74 Divide Line [A] by Line [C] Transfer to Table IX. B., Lines [E] through [J], Box ⑥

B. BASE RATE CALCULATIONS

Table IX. B.

Line	# of 1000 gallons in base bill	Variable cost per 1,000 gals	Variable cost to be added to base rate	Total base rate per meter size
[A]	① 106,553	③	④=②*③	⑤=①+④
[B]	80.5			
[C]	\$ 110.30			

Total fixed costs - From Table VI. A., Line [T], Box ⑩

Total meter equivalents at end of test year - From Table VII, Line [K], Box ⑤

Base charge per meter equivalent or for each unmetered connection [A]÷[B] and then divide by 12

Base charge per meter size

5/8" x 3/4" or unmetered	Multiply [C] by 1	[D] \$ 110.30	\$ 3,000	3,74 ⑥	\$ 11.22	121.53
3/4"	Multiply [C] by 1.5	[E] 165.46	3,000	3,74 ⑥	11.22	176.68
1"	Multiply [C] by 2.5	[F] 275.76	3,000	3,74 ⑥	11.22	286.98
1 1/2"	Multiply [C] by 5.0	[G] 551.52	3,000	3,74 ⑥	11.22	562.74
2"	Multiply [C] by 8.0	[H] 882.43	3,000	3,74 ⑥	11.22	893.65
3"	Multiply [C] by 15.0	[I] 1,654.55	3,000	3,74 ⑥	11.22	1,665.78
Other:		[J]		⑥		

⑥ From Table IX. A., Line [D]

SECTION X - ALTERNATE METHOD OF RATE DESIGN – SEWER (Please see Attachment 14)

After you have performed the calculations in SECTION IX, you may find that the cost per 1,000 gallons is not what you think your customers will approve. If that is the case, then the following will allow you to calculate a rate structure that still recovers your revenue requirement, but with rates that you think may be more appropriate for your customers.

Table X. A.

Line	This is the rate that you think is appropriate
Cost per 1,000 gallons	\$ [A]
Total # of 1,000 Gallons billed	From Table IX. A., Line [C]
Total Cost to be recovered through gallonage charge	Multiply Line [A] times Line [B]
Total Revenue Requirement	From Table VI. A., Line [T] ⑥
Total to be recovered through base rate	Subtract Line [C] from Line [D]
Total number of meter Equivalents	From Table VII, Line [K], Box ⑤
Base rate per meter equivalent	Divide Line [E] by Line [F] & then divide by 12months Enter this in Table X. B, Line [A] Column ①

Table X. B.

Line	# of 1000 gallons in base bill	Variable cost per 1,000 gals	Variable cost added to base	Total base bill per meter size
Base charge per meter equivalent or for each unmetered connection From Table X. A, Line [G]	①	③	④ = ② * ③	⑤ = ① + ④
Base rate per meter size				
5/8" x 3/4" or unmetered		⑥		
3/4"		⑥		
1"		⑥		
1 1/2"		⑥		
2"		⑥		
3"		⑥		
Other:		⑥		

⑥ From Table X. A., Line [A]

AFFIDAVIT
WATER &/OR SEWER
RATE/TARIFF CHANGE

AFFIDAVIT

STATE OF TEXAS

COUNTY OF Dallas

I, Randy Gracy being duly sworn, file this **NOTICE OF PROPOSED RATE CHANGE** as President - Double Diamond Utilities (indicate relationship to Utility, that is, owner, member of partnership, title as officer of corporation, or other authorized representative of Utility); that, in such capacity, I am qualified and authorized to file and verify such NOTICE; and that all statements made and matters set forth herein are true and correct.

I further represent that a copy of the attached NOTICE was provided by Mail (mail or hand delivery) to each customer or other affected party on or about October 15, 20 13

Randy Gracy
AFFIANT
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Utility, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN TO BEFORE ME,
this the 4 day of October, 20 13, to certify
which witness my hand and seal of office.

SEAL



Christie Lou Rotramel
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS
Christie Lou Rotramel
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 7/6/2015

NOTICE OF RATE/TARIFF CHANGE
TO BE PROVIDED TO CUSTOMERS



DOUBLE DIAMOND UTILITIES COMPANY

5 Belt Line Road
Suite 200
Dallas, Texas 75254

local 214 706 9801
toll 800 324 7438
fax 214 706 9878
web www.ddresorts.com

October 8, 2013

Dear Valued Customer:

On October 15, 2013, Double Diamond Utilities (DDU) will be filing a request with the Texas Commission on Environmental Quality (TCEQ) to increase rates at The Retreat. DDU is proposing a three-year phase in for this increase, with the first increase to be effective on January 1, 2014 and subsequent increases effective on January 1st of 2015 and 2016.

Per TCEQ requirements, DDU is providing you the attached Notice of Proposed Rate Change. Please review this notice carefully as it summarizes DDU's request, its impact on sample monthly bills for our customers, as well as information on the processing of our proposal by the TCEQ.

DDU recognizes that any rate increase is difficult on customers. To attempt to mitigate this impact, DDU has proposed a phase-in of required rates over a three-year period. It is our hope that the proposed phase-in demonstrates not only our commitment to ensuring the financial stability of your utility service provider in the future, but also our attentiveness to the impact these necessary increases have on our customers.

Should you have questions regarding this request or any aspect of your utility service, please feel free to contact our offices at 214.706.9801.

Sincerely,

A handwritten signature in black ink that reads "Randy Gracy".

Randy Gracy
President
Double Diamond Utilities, Inc.

NOTICE OF PROPOSED RATE CHANGE

Double Diamond Utilities

Company Name

12087, 20705

CCN Number

submitted a rate change application to the Texas Commission on Environmental Quality (Commission). The proposed rates listed on the next page will apply to service received after the effective date provided below. If the Commission receives protests to the proposed increase from 10 percent of the ratepayers or from any affected municipality before the 91st day after the proposed effective date, a public hearing will be scheduled to determine if the proposed rates are reasonable. Protests should be mailed to:

**Texas Commission on Environmental Quality
Water Supply Division
Utilities & Districts Section, MC 153
P. O. Box 13087
Austin, Texas 78711-3087**

Unless protests are received from 10 percent of the ratepayers or the Commission staff requests a hearing, no hearing will be held and rates will be effective as proposed. Please read the following information carefully:

The Retreat – PWS 1260127; WQ0014373001

Subdivisions or Systems Affected by Rate Change

Company Address	City	State	Zip	Telephone
<u>5495 Belt Line Rd, Ste. 200</u>	<u>Dallas</u>	<u>Texas</u>	<u>75254</u>	<u>214-706-7829</u>

Revenue Increase in Year 1 - \$ 28,200 over Test Year
Revenue Increase in Year 2 - \$ 92,137 over Test Year
Revenue Increase in Year 3 - \$ 175,337 over Test Year

Annual Revenue Increase

October 15, 2013
Date Customer Notice Mailed

July 2011
Date of Last Rate Change

On or around the 1st
Date Meters Typically Read

EFFECTIVE DATE OF PROPOSED INCREASE: January 1, 2014

Reason(s) for proposed Rate Change:

Increases necessary to recover the cost of providing water and sewer service including the recovery of capital investment and increases in operations and maintenance expense

The proposed rates will apply to all service rendered after the effective date and will be reflected on the bill you receive approximately 30 to 45 days after the effective date.

In the event that the application is set for hearing, the specific rates requested by the utility may be decreased or increased by order of the Commission. If the Commission orders a lower rate to be set, the utility may be ordered to refund or credit against future bills all sums collected during the pendency of the rate proceeding in excess of the rate finally ordered plus interest. You may inspect a copy of the rate change application at your utility's office or at the Commission's office at Park 35 - Building F, 12015 Park 35 Circle, Suite 3101, Austin, Texas, west side of IH-35, south of Yager Lane. Additional information about the application can be obtained by contacting the Utilities and Districts Section at 512/239-4691. Information about how you can participate in the rate setting process can be obtained by contacting the Public Interest Counsel at 512/239-6363.

Si desea informacion en Espanol, puede llamar al 512-239-0200

NOTICE OF PROPOSED RATE CHANGE -WATER (Cont.)

BILLING COMPARISON (Year 1 – Rate Increase Effective January 1, 2014)

Water

Existing	10,000 gallons:	\$ <u>64.25</u>	/mo	Existing	30,000 gallons:	\$ <u>182.00</u>	/mo
Proposed	10,000 gallons:	\$ <u>72.46</u>	/mo	Proposed	30,000 gallons:	\$ <u>205.31</u>	/mo

Sewer

Existing	10,000 gallons:	\$ <u>104.00</u>	/mo	Proposed	10,000 gallons:	\$ <u>127.67</u>	/mo
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BILLING COMPARISON (Year 2 – Rate Increase Effective January 1, 2015)

Water

Existing	10,000 gallons:	\$ <u>64.25</u>	/mo	Existing	30,000 gallons:	\$ <u>182.00</u>	/mo
Proposed	10,000 gallons:	\$ <u>81.72</u>	/mo	Proposed	30,000 gallons:	\$ <u>231.47</u>	/mo

Sewer

Existing	10,000 gallons:	\$ <u>104.00</u>	/mo	Proposed	10,000 gallons:	\$ <u>156.76</u>	/mo
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BILLING COMPARISON (Year 3 – Rate Increase Effective January 1, 2016)

Water

Existing	10,000 gallons:	\$ <u>64.25</u>	/mo	Existing	30,000 gallons:	\$ <u>182.00</u>	/mo
Proposed	10,000 gallons:	\$ <u>92.13</u>	/mo	Proposed	30,000 gallons:	\$ <u>261.03</u>	/mo

Sewer

Existing	10,000 gallons:	\$ <u>104.00</u>	/mo	Proposed	10,000 gallons:	\$ <u>192.40</u>	/mo
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NOTICE OF PROPOSED RATE CHANGE - WATER (Cont.)

Effective Date	WATER RATES			
	Current	Year 1 1/1/2014	Year 2 1/1/2015	Year 3 1/1/2016
Meter Charge (no Gallons included in Minimum Bill)				
5/8" or 3/4"	\$ 39.00	\$ 43.98	\$ 49.60	\$ 55.94
1"	97.50	109.96	124.01	139.86
1 1/2"	195.00	219.92	248.02	279.72
2"	312.00	351.87	396.83	447.55
3"	585.00	659.76	744.06	839.15
Gallonage Charges (per 1,000 gallons):				
0 - 3,000 gallons	\$ 2.00	\$ 2.26	2.54	2.87
3,001 - 10,000	2.75	3.10	3.50	3.94
10,001 - 15,000	3.80	4.29	4.83	5.45
15,001 - 20,000	5.25	5.92	6.68	7.53
20,001 +	7.25	8.18	9.22	10.40

MISCELLANEOUS FEES		MISCELLANEOUS FEES	
Tap Fee	\$ 675.00	Tap Fee	\$ 675.00
Reconnect fee: Non-payment (Maximum - \$25.00)	\$ 25.00	Reconnect fee: Non-payment (Maximum - \$25.00)	\$ 25.00
Customer's Request	\$ 25.00	Customer's Request	\$ 25.00
Transfer Fee	\$ 25.00	Transfer Fee	\$ 25.00
Late Charge	\$ 10%	Late charge: (Indicate either \$5.00 or 10%)	\$ 10%
Returned Check Charge	\$ 30.00	Returned Check Charge	\$ 30.00
Deposit	\$ None	Deposit (Maximum \$50.00)	\$ None
Meter test fee	\$ 25.00	Meter test fee	\$ 25.00

Regulatory Assessment of 1% is added to base rate and gallonage charges.

If applicable, list any bill payment assistance programs to low income Ratepayers.

NOTICE OF PROPOSED RATE CHANGE (Cont.)

Effective Date	SEWER RATES			
	Current	Year 1 1/1/2014	Year 2 1/1/2015	Year 3 1/1/2016
Meter Charge (3,000 gallons included in Minimum Bill)				
5/8" or 3/4"	\$ 48.00	\$ 58.93	\$ 72.34	\$ 88.80
1"	120.00	147.31	180.84	222.00
1 1/2"	240.00	294.63	361.68	444.00
2"	384.00	471.40	578.69	710.41
3"	720.00	883.88	1,085.05	1,332.01
Gallonge Charges (per 1,000 gallons):				
3,000 +	\$ 8.00	\$ 9.82	\$ 12.06	\$ 14.80

Gallonge Charges are determined based on average consumption for winter period which includes the following months: December, January, February

MISCELLANEOUS FEES		MISCELLANEOUS FEES	
Tap Fee	\$ 3,100	Tap Fee	\$ 3,100
Reconnect fee: Non-payment (Maximum - \$25.00)	\$ 25.00	Reconnect fee: Non-payment (Maximum - \$25.00)	\$ 25.00
Customer's Request	\$ 40.00	Customer's Request	\$ 40.00
Transfer Fee	\$ 40.00	Transfer Fee	\$ 40.00
Late Charge	10%	Late charge: (Indicate either \$5.00 or 10%)	\$ 10%
Returned Check Charge	\$ 20.00	Returned Check Charge	\$ 30.00
Deposit	None	Deposit (Maximum \$50.00)	\$ None

Regulatory Assessment of 1% is added to base rate and gallonge charges.

If applicable, list any bill payment assistance programs to low income Ratepayers.



SECTION 1.0 –RATE SCHEDULE

Section 1.01 – Rates

Effective Date	Current	Proposed		
		Year 1 1/1/2014	Year 2 1/1/2015	Year 3 1/1/2016
Meter Charge (no Gallons included in Minimum Bill)				
5/8" or 3/4"	\$ 39.00	\$ 43.98	\$ 49.60	\$ 55.94
1"	97.50	109.96	124.01	139.86
1 1/2"	195.00	219.92	248.02	279.72
2"	312.00	351.87	396.83	447.55
3"	585.00	659.76	744.06	839.15
Gallage Charges (per 1,000 gallons):				
0 – 3,000 gallons	\$ 2.00	\$ 2.26	2.54	2.87
3,001 – 10,000	2.75	3.10	3.50	3.94
10,001 – 15,000	3.80	4.29	4.83	5.45
15,001 – 20,000	5.25	5.92	6.68	7.53
20,001 +	7.25	8.18	9.22	10.40

Regulatory Assessment Fee 1%
 A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL WATER SERVICE
 SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER

Section 1.02 - Miscellaneous Fees

TAP FEE \$ 675.00
 TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD
 RESIDENTIAL CONNECTION OF e" X : " METER.

RECONNECTION FEE
 THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS
 BEE DISCONNECTED FOR THE FOLLOWING REASONS:

a) Non payment of bill (Maximum \$25.00)	\$ <u>25.00</u>
b) Customer's request	\$ <u>25.00</u>
Or other reasons listed under Section 20CF of this tariff	\$ <u>25.00</u>

TRANSFER FEE
 THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE
 LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE (Not more than \$5.00 or 10%)(Indicate one) \$ 10%
 A ONE TIME PENALTY MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO
 WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE

\$ 30.00

CUSTOMER DEPOSIT (Maximum \$50)

\$ None

METER TEST FEE (actual cost of testing the meter up to)

\$ 25.00

THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY

RATES LISTED ARE EFFECTIVE ONLY IF THIS PAGE HAS TCEQ APPROVAL STAMP

SECTION 1.0 –RATE SCHEDULE

Effective Date	Current	Proposed		
		Year 1 1/1/2014	Year 2 1/1/2015	Year 3 1/1/2016
Meter Charge (3,000 gallons included in Minimum Bill)				
5/8" or 3/4"	\$ 48.00	\$ 58.93	\$ 72.34	\$ 88.80
1"	120.00	147.31	180.84	222.00
1 1/2"	240.00	294.63	361.68	444.00
2"	384.00	471.40	578.69	710.41
3"	720.00	883.88	1,085.05	1,332.01
Gallage Charges (per 1,000 gallons):				
3,000 +	\$ 8.00	\$ 9.82	\$ 12.06	\$ 14.80

Gallage Charges are determined based on average consumption for winter period which includes the following months: December, January, February

Regulatory Assessment Fee

A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL WATER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER 1%

Section 1.02 - Miscellaneous Fees

TAP FEE

TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION \$ 3,100.00

RECONNECTION FEE

THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS

- a) Non payment of bill (Maximum \$25.00) \$ 25.00
- b) Customer's request \$ 40.00

Or other reasons listed under Section 20CF of this tariff \$ 40.00

TRANSFER FEE

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED. \$ 10%

LATE CHARGE (Not more than \$5.00 or 10%)(Indicate one)

A ONE TIME PENALTY MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING. \$ 30.00

RETURNED CHECK CHARGE

\$ None

CUSTOMER DEPOSIT (Maximum \$50)

RATES LISTED ARE EFFECTIVE ONLY IF THIS PAGE HAS TCEQ APPROVAL STAMP



Attachment 1

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



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

June 18, 2012

Mr. Randy Gracy, President
Double Diamond Companies
5495 Belt Line Rd, Suite 200
Dallas, Texas 75254

Re: Notice of Compliance with Notice of Violation (NOV) dated September 12, 2011:
The Cliffs Resort, 160 Cliffs Drive, Graford, Palo Pinto County, Texas
RN 101265213, PWS ID No. 1820061, Investigation No. 944196

Dear Mr. Gracy:

This letter is to inform you that Texas Commission on Environmental Quality (TCEQ) Dallas/Fort Worth (D/FW) Regional Office has received adequate compliance documentation on March 3, 2012 to resolve the alleged violation(s) documented during the investigation of the above-referenced regulated entity conducted on July 14, 2011. Based on the information submitted, no further action is required concerning this investigation.

The Texas Commission on Environmental Quality appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions, please feel free to contact Ms. Merissa Ludwig at the D/FW Regional Office at (817) 588-5846.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Marshall".

Charles Marshall
Team Leader, Public Water Supply Program
D/FW Regional Office
Texas Commission on Environmental Quality

COPY

CM/ml

Enclosure: Summary of Investigation Findings

cc: Mr. Buck Nunley, The Cliffs Resort, 160 Cliffs Drive, Graford, TX 76449-5025

COPY

Summary of Investigation Findings

CLIFFS THE

PALO PINTO COUNTY,

Additional ID(s): 1820061

Investigation #
1008606
Investigation Date: 04/20/2012

ALLEGED VIOLATION(S) NOTED AND RESOLVED

Track No: 446044
30 TAC Chapter 290.46(j)

Alleged Violation:
Investigation: 944196

Comment Date: 09/06/2011

Failure to initiate and maintain an appropriate cross-connection control program.

During the comprehensive compliance investigation on July 14, 2011, it was noted that the water system could not provide any documentation to confirm that an appropriate cross-connection control program was being followed by the water system. No information was available on any customer service inspections performed within the distribution system.

30 TAC 290.46(j) states a customer service inspection certificate shall be completed prior to providing continuous water service to new construction, on any existing service either when the water purveyor has reason to believe that cross-connections or other potential contaminant hazards exist, or after any material improvement, correction, or addition to the private water distribution facilities.

Comment Date: 05/29/2012

Failure initiate and maintain an appropriate cross-connection control program.

During the file review investigation on April 20, 2012, the investigator determined that the water system had adequately corrected the alleged violation.

Recommended Corrective Action: Begin an appropriate cross connection control and backflow prevention program to provide adequate protection of the public water supply. Identify all locations where a customer service inspection is necessary. Submit copies of customer service inspection reports completed in 2011 to the TCEQ D/FW Regional Office to document that the alleged violation has been corrected.

Resolution: On March 3, 2012, compliance documentation was received at the TCEQ Region 4 Office. Included in the documentation were copies of customer service inspection certifications for several properties where new construction occurred within the past three years, backflow prevention assembly test and maintenance reports, and a copy of the builder's packet provided to new builders/homeowners prior to building. Based on this documentation, it appears that the water system has adequately corrected the alleged violation.

Track No: 446045
30 TAC Chapter 290.42(l)

Alleged Violation:
Investigation: 944196

Comment Date: 09/06/2011

Failure to maintain an up-to-date plant operations manual.

During the comprehensive compliance investigation on July 14, 2011, it was noted that the water system's plant operations manual was did not include an up-to-date list of water system emergency contacts.

30 TAC 290.42(l) states a thorough plant operations manual must be compiled and kept

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Investigation # 1008606

up-to-date for operator review and reference. This manual should be of sufficient detail to provide the operator with routine maintenance and repair procedures, with protocols to be utilized in the event of a natural or man-made catastrophe, as well as provide telephone numbers of water system personnel, system officials, and local/state/federal agencies to be contacted in the event of an emergency.

Investigation: 1008606

Comment Date: 05/29/2012

Failure to maintain an up-to-date plant operations manual.

During the file review investigation on April 20, 2012, the investigator determined that the water system had adequately corrected the alleged violation.

Recommended Corrective Action: Update the plant operations manual to include an up-to-date list of water system emergency contacts. Submit a letter and copy of the revised plant operations manual to the TCEQ Region 4 Office to document that the alleged violation has been resolved.

Resolution: On March 3, 2012, compliance documentation was received at the TCEQ Region 4 Office. Included in the documentation was a copy of the revised plant operations manual. The manual has information on the maintenance and operational activities to be performed by the operator and includes an up-to-date list of emergency contacts for the water system. Based on this documentation, it appears that the water system has adequately corrected the alleged violation.

Track No: 446046

30 TAC Chapter 290.46(s)(1)

Alleged Violation:

Investigation: 944196

Comment Date: 09/06/2011

Failure to calibrate all flow measuring devices at least once every 12 months.

During the comprehensive compliance investigation on July 14, 2011, it was noted that there was no record of when the raw water meter was last calibrated.

30 TAC 290.46(s)(1) states flow measuring devices and rate of flow controllers required by 290.42(d) shall be calibrated at least once every 12 months.

Investigation: 1008606

Comment Date: 05/29/2012

Failure to calibrate all flow measuring devices at least once every 12 months.

During the file review investigation on April 20, 2012, the investigator determined that the water system had adequately corrected the alleged violation.

Recommended Corrective Action: The raw water meter must be calibrated, replaced with a calibrated meter, or checked for accuracy to verify proper operation. If an accuracy check is performed and the percent error is greater than plus or minus five percent, the meter must be calibrated. Provide a copy of the accuracy check which must include the date, instrument used for the accuracy check, percent error, and results. If the meter is calibrated, please submit a copy of the calibration certification. If replaced with a new meter, please send a copy of the purchase receipt and calibration certification from the manufacturer. Submit the required documentation and a letter stating the corrective actions taken by the water system to the TCEQ Region 4 Office.

Resolution: On March 3, 2012, compliance documentation was received at the TCEQ Region 4 Office. Included in the documentation was information on the replacement of the raw water meter. A copy of the calibration certification from the manufacturer and a photograph of the newly installed meter were provided. Based on this documentation, it appears that the water system has adequately corrected the alleged violation.

Track No: 446047

30 TAC Chapter 290.46(f)(3)(B)(v)

Alleged Violation:

Summary of Investigation Findings