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APPLICATION OF DOUBLE § BEFORE THE STATE OFFICE
DIAMOND UTILITY COMPANY, INC. § OF
FOR WATER AND SEWER § ADMINISTRATIVE HEARINGS
RATE/TARIFF CHANGE §

**DOUBLE DIAMOND UTILITY COMPANY, INC.'S
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
STAFF NO. 1-1 THROUGH 1-35**

COMES NOW, Double Diamond Utility Company, Inc. ("DDU") and files its Response to Commission Staff's First Request for Information – Staff No. 1-1 through 1-35. DDU agrees and stipulates that all parties may treat these responses as if they were filed under oath.

Respectfully submitted,



By:
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State Bar No. 03817600

ATTORNEY FOR DOUBLE DIAMOND
UTILITY COMPANY, INC.

CERTIFICATE OF SERVICE

I hereby certify that I have served or will serve a true and correct copy of the foregoing document via hand delivery, facsimile, electronic mail, overnight mail, U.S. mail and/or Certified Mail Return Receipt Requested to all parties on this the 10th day of August, 2017.

John Carlton

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**STAFF'S FIRST REQUEST FOR INFORMATION TO
DOUBLE DIAMOND UTILITY COMPANY, INC.
STAFF NO. 1-1 THROUGH 1-35**

STAFF 1-1 Please provide a copy of job descriptions for the following employees:

- a) Jerry Whitworth – utilities back hoe operator; and
- b) Danny Keeton – Equipment Operator.

RESPONSE: Both employees are experienced backhoe operators. As part of the work crew, they are involved in all tap installations. Their tasks include installing water and sewer taps, excavation for installing taps, and clean up of work site after the installations. They also perform other duties as needed within the utility department.

Prepared by: Todd Dilworth-Utility Manager of White Bluff

Sponsored by: Randy Gracy

STAFF 1-2 Please advise if Danny Keeton was replaced. If yes, provide the name, salary, and job description for the new employee.

RESPONSE: In 2016, Gerald Motherspau was hired as another backhoe operator to fill the position previously held by Danny Keeton. He has the same salary and job description as Danny Keeton.

Prepared by: Todd Dilworth-Utility Manager of White Bluff

Sponsored by: Randy Gracy

STAFF 1-3 Please provide a list of job duties for Clovis C. Willhelm for the water treatment plant. If any job duties include those for an operator, please provide the name of the operator supervising him.

RESPONSE: Mr. Willhelm is a Wastewater Treatment Operator, and he works under the direction and supervision of Todd Dilworth. His responsibilities including the following:

1. Cleans, operates and monitors the waste water treatment plant.
2. Measures the level and flow of wastewater to make appropriate adjustments.
3. Collects samples.
4. Makes daily records and reports.
5. Services pumps and motors.
6. Cleans plant daily.
7. Performs other duties as assigned.

Prepared by: Todd Dilworth

Sponsored by: Randy Gracy

STAFF 1-4 Please provide a list of the utilities Buck Nunley oversees.

RESPONSE: White Bluff Utilities, The Cliff Utilities, The Retreat Utilities and Rock Creek Utilities.

Prepared by: Christie Rotramel

Sponsored by: Randy Gracy

STAFF 1-5 Please provide an explanation for how job responsibilities are divided among employees.

RESPONSE: All employees are crossed trained within the utility department. Each employee knows how to handle service calls and installations.

Prepared by: Todd Dilworth

Sponsored by: Randy Gracy

STAFF 1-6 Please provide a list of total overtime hours worked by employee for the test year.

RESPONSE: The total overtime hours worked in 2015 (the test year) for White Bluff was 1,039 hours. The total overtime hours worked in 2015 for The Cliffs was 487.38 hours. Please note that DDU is not requesting overtime labor costs in its application.

Prepared by: Kristol Hicks, Payroll Manager

Sponsored by: Tim Grout and Jay Joyce

STAFF 1-7 Please provide an explanation for the amount of overtime hours.

RESPONSE: Any hours worked by hourly employees over 40 hours a week are overtime hours. The utility department has a member of the team on call 24/7, which results in overtime hours.

Prepared by: Christie Rotramel

Sponsored by: Randy Gracy

STAFF 1-8 Please provide the amount of overtime hours for the years ending:

- a) December 31, 2013;
- b) December 31, 2014;
- c) December 31, 2015;
- d) December 31, 2016.

RESPONSE: Please note that DDU is not requesting overtime labor costs in the applications.

White Bluff

- a. 649.64 overtime hours in 2013;
- b. 911.36 overtime hours in 2014;
- c. 1,039 overtime hours in 2015;
- d. 996.33 overtime hours in 2016.

The Cliffs

- a. 320 overtime hours in 2013;
- b. 213.75 overtime hours in 2014;
- c. Listed in response to Staff 1-6;
- d. 535.39 overtime hours in 2016.

Prepared by: Kristol Hicks, Payroll manager.

Sponsored by: Tim Grout

STAFF 1-9 Please provide a copy of all Federal W-2 and W-3 forms for Double Diamond staff. Please also include the same information for any staff that have allocated time/salary expense to Double Diamond.

RESPONSE: Responsive documents will be produced. There is no W-3 for DDU. All staff are covered under the W-3 filed by Double Diamond Management Corporation, which is the entity responsible for all employees working for the Double Diamond family of entities.

Prepared by: Kristol Hicks, Payroll Manager.

Sponsored by: Tim Grout

STAFF 1-10 Please provide all Federal forms 1099 for all contract labor.

RESPONSE: Responsive documents will be produced related for DDU.

Prepared by: Christie Rotramel

Sponsored by: Randy Gracy

STAFF 1-11 Please provide the contract, including all fees, for the contract work included in the general ledger as “Labor Transfer.”

RESPONSE: No responsive documents exist. “Labor Transfers” are internal company transfers for the corporate office staff that assist with billing and customer service. There are no contracts and no fees. It is an allocation labor cost only. The 2015 budget sheet and one of the journal entries for “Labor Transfer” will be produced.

Prepared by: Christie Rotramel

Sponsored by: Tim Grout

STAFF 1-12 Reference the Schedule of Insurance. Please provide the following:

- a) Corporate General Liability – list the utility employees that are covered under this policy;
- b) Corporate Business Auto – list the vehicles and primary employee using that vehicle covered by this policy that are used for utility business;
 - i. For any vehicle listed, provide specific detail for how the vehicle is used for utility work;
- c) Corporate Crime – list the utility employees covered under this policy;
- d) Worker’s Compensation: PA & NY – list the utility employees covered under this policy;
- e) Texas non-subscriber – list the utility employees, if any, covered under this policy;
- f) Executive products package policy – list the total number of employees covered under this policy;
- g) Provide a copy of the specific policy under which the water and sewer plant are covered;
- h) For a-g, provide all declarations page showing the same;
- i) For a-g, provide the number and description of properties, employees, vehicles, locations, etc. listed under the referenced policy; and
- j) For a-g, explain in detail, with all calculations included, how the allocations to each entity or utility for each policy were made.

RESPONSE:

- a) **Corporate General Liability – The named insured is Double Diamond Delaware Inc. Individuals are not specifically insured, but the policy covers all employees of Double Diamond Delaware Inc. and its subsidiaries, including DDU.**
- b) **Corporate Business Auto – The list of the vehicles used for utility business will be produced. Vehicles are not assigned to specific employees, but any employee is covered while driving the vehicle.**
- c) **Corporate Crime – The named insured is Double Diamond Delaware, Inc. Individuals are not specifically insured, but the policy covers all employees of Double Diamond Delaware, Inc. and its subsidiaries, including DDU.**
- d) **Worker’s Compensation: PA & NY –This policy is for the Pennsylvania and New York properties only, not Texas resorts.**
- e) **Texas non-subscriber – This is for Worker’s Compensation for all Texas properties. All the Texas employees are covered.**

- f) Executive products package policy – The total number of employees covered under this policy is 97. Note that this policy insures directors and officers, some of whom may also be employees.**
- g) Responsive documents will be produced.**
- h) Responsive documents will be produced.**
- i) Responsive documents will be produced.**
- j) Responsive documents will be produced.**

Prepared by: Christie Rotramel

Sponsored by: Tim Grout

STAFF 1-13 Reference the Account No. 8045-000, Mobile Phones/Pagers on the Trial Balance detail for 2015. Please provide the following:

- a) Monthly bills for the phone listed;
- b) Name and position/title of person using the phone;
- c) Amount of personal use of the phone;
- d) Amount of work related use of the phone.

RESPONSE:

a) **Responsive documents do not exist. This is an allowance;**

b)

White Bluff	Todd Dilworth	Utility Manager	\$75.00 monthly phone allowance
The Cliffs	Austin Cornelious	Utility Operator	\$50.00 monthly phone allowance
The Cliffs	Joshua Nolte	Utility Manager	\$75.00 monthly phone allowance
The Cliffs	Bryce R. Talley	Utility Operator	\$50.00 monthly phone allowance
The Cliffs	Cameron Brett Kirby	Utility Operator	\$50.00 monthly phone allowance
The Cliffs	Christopher C. Fields	Utility Operator	\$50.00 monthly phone allowance
The Cliffs	Kelton K. Leggett	Utility Assistant Manager	\$75.00 monthly phone allowance
The Cliffs	Buck Nunley	Utility Manager	\$75.00 monthly phone allowance

- c) **The amount of personal use is unknown;**
- d) **The employees use their personal cell phones as needed, 24 hours/day, 7 days/week.**

Prepared by: Christie Rotramel

Sponsored by: Randy Gracy

STAFF 1-14 Reference Vehicle Expense on the Trial Balance detail for 2015. Please provide the following for each vehicle listed in the expenses:

- a) Mileage log;
- b) Amount of time used for personal use;
- c) Amount of time used for utility work;
- d) Detailed description of the need for 5 work trucks;
- e) Individual Fuel expense receipts;
- f) Location of any satellite offices.

RESPONSE: Responsive documents will be produced.

The White Bluff project covers 3,500 acres and 640 utility customers. There are four utility trucks and one utility trailer at White Bluff. Todd Dilworth, the Utility Manager, drives one truck daily to and from work because he is on call 24/7. One utility truck is used by an employee assigned to be on call and is used to drive to and from work during the assignment. The other utility trucks remain on-site for use by employees during regular business hours.

The Cliffs project covers 1,094 acres and 287 utility customers. There are three utility trucks at The Cliffs. One utility truck is used by an employee assigned to be on call and is used to drive to and from work during the assignment. The other utility trucks remain on-site for use by employees during regular business hours.

- a) Responsive documents do not exist;
- b) 0;
- c) 100%;
- d) See response above;
- e) Fuel logs will be produced;
- f) None. Each system has on-site office offices and facilities. The corporate office is in the Dallas Area.

Prepared by: Christie Rotramel

Sponsored by: Randy Gracy

STAFF 1-15 Please provide a copy of the corporate employee policy document(s) regarding corporate vehicle use.

RESPONSE: Responsive documents will be produced.

Prepared by: Christie Rotramel

Sponsored by: Randy Gracy

STAFF 1-16 Please provide a list of internal controls that govern vehicle use to ensure that costs related to personal use of business vehicles are not included in the cost of service.

RESPONSE: It is the responsibility of the utility managers to insure the vehicles are used for company business only. Employee policies are reviewed and acknowledged by employees when hired.

Prepared by: Christie Rotramel

Sponsored by: Randy Gracy

STAFF 1-17 Reference Equipment Lease, Account No. 8120-0001 on the Trial Balance detail for 2015. Please provide the lease agreement for the following:
a) Automatic meter reading; and
b) 50,000 gallon WW Plant.

RESPONSE: Responsive documents do not exist.

Prepared by: Christie Rotramel

Sponsored by: Randy Gracy

STAFF 1-18 Please provide a list the systems that were included in the Regulatory Assessment Fee paid to TCEQ of \$23,874.68 on 1/12/2015.

RESPONSE: Rock Creek Sewer, White Bluff Water and Sewer, The Retreat Water and Sewer and The Cliffs Water and Sewer.

Prepared by: Christie Rotramel

Sponsored by: Tim Grout

STAFF 1-19 Reference Bank Charges, Account No. 8305-000 on the Trial Balance detail for 2015. Please provide a detailed explanation regarding “Accrue” x “quarter Compass LB fee,” including, but not limited to, an explanation of what Compass LB is, and a description of the fees.

RESPONSE: Double Diamond pays a quarterly fee for a lock box at Compass Bank to receive the utility payments. Compass Bank posts the utility payments to the DDU account.

Prepared by: Christie Rotramel

Sponsored by: Tim Grout

STAFF 1-20 Reference Credit Card Fees, Account No. 8310-000 on the Trial Balance detail for 2015. Please provide all invoices and receipts for the amounts recorded. Please also provide an explanation as to the business reason and employees involved in the activity for each receipt for travel, and entertainment.

RESPONSE: These are monthly fees charged to DDU for the utility customers who have credit cards on file for automatic utility payments. The credit card company charges DDU to charge these customers’ cards. Supporting Journal entries will be produced.

Prepared by: Christie Rotramel

Sponsored by: Tim Grout

STAFF 1-21 Reference Computer Expenses, Account No. 8030-0000 on the Trial Balance detail for 2015. Please provide a detailed explanation for each expense listed, including if this expense is recurring or one time. If it is recurring, please provide the amount incurred for each expense for each of the years ending December 31, 2013 and December 31, 2014.

RESPONSE: These expenses are for any changes or issues with the billing system that the programmer must fix. This is a recurring expense. The 2013 expense: \$1,133 for White Bluffs; \$573 for The Cliffs. The 2014 expense: \$256 for White Bluffs; \$256 for The Cliffs.

Prepared by: Christie Rotramel

Sponsored by: Tim Grout

STAFF 1-22 Reference Other Contract Services, Account No. 8130-001 on the Trial Balance detail for 2015. Please provide the invoice and contract for the Trans-Turf Crew. Please also provide a detailed explanation for the services rendered and locations to which service was provided.

RESPONSE: DDU believes that the Account No. in the request should be 8190-001, not 8130-001. This is an internal labor transfer from the White Bluff Property Owner Association turf crew for mowing and weed-eating around water plant, sewer plant and storage tanks.

Prepared by: Todd Dilworth

Sponsored by: Randy Gracy

STAFF 1-23 Reference Postage & Delivery, Account No. 8035-000 on the Trial Balance detail for 2015. Please provide a detailed explanation and calculation for the 63% allocation of this expense.

RESPONSE: The postage machine reports dollar amounts monthly. The DDU utility bills are postmarked on the postage machine under utilities, and then it is split out by percentage, based on number of customers. Responsive documents will be produced.

Prepared by: Sherrie Tarver

Sponsored by: Tim Grout

STAFF 1-24 Please provide invoices for Jody Bledsoe's classes/training.

RESPONSE: Responsive documents will be produced.

Prepared by: Christie Rotramel

Sponsored by: Tim Grout

STAFF 1-25 Reference Taxes & Licenses, Account No. 8220-0000 on the Trial Balance detail for 2015. Please provide invoices/receipts for the tax registrations and vehicle registrations.

RESPONSE: Responsive documents will be produced.

Prepared by: Christie Rotramel

Sponsored by: Tim Grout

STAFF 1-26 Please provide the utility's capitalization policy.

RESPONSE: Responsive documents will be produced.

Prepared by: Christie Rotramel

Sponsored by: Tim Grout

STAFF 1-27 Please explain the need for, and use of, 16 "monthly chlorine bottle rental" under R&M Chemicals Account No. 8421-0000 on the Trial Balance detail for 2015.

RESPONSE: DDU has an average of 12 chlorine bottles on hand to serve four ground water wells. This is a monthly fee that is charged.

Prepared by: Todd Dilworth

Sponsored by: Randy Gracy

STAFF 1-28 Please explain in detail the need for both chlorine gas and chlorine tablets.

RESPONSE: Gas chlorine is used for the water treatment plant. Chlorine tablets are used for the wastewater plant.

Prepared by: Todd Dilworth

Sponsored by: Randy Gracy

STAFF 1-29 Reference R&M Chemicals, Account No. 8421-0000 on the Trial Balance detail for 2015. Please provide the receipt, including breakdown, of chemicals purchased on 10/1/2015 listed as "chemicals" in the amount of \$589.97.

RESPONSE: Responsive documents will be produced.

Prepared by: Christie Rotramel

Sponsored by: Tim Grout

STAFF 1-30 Reference the invoice for Environmental Monitoring Laboratory, LLC, dated 3/31/2015, Invoice No. 15030071. Please provide the reason for 4 analyses, including sampling points.

RESPONSE: These samples are for the wastewater plant. DDU submits tests once a week and also tests one E-coli sample a week for the White Bluff wastewater plant. The other two samples are the monthly bacteria samples.

Prepared by: Todd Dilworth

Sponsored by: Randy Gracy

STAFF 1-31 Reference Account No. 8950 on the Trial Balance detail for 2015. Please provide the following:

- a) Detailed explanation how the resort is necessary to provide water service;
- b) Breakdown of the expenses included in this category; and
- c) Allocation method used to allocate these expenses.

RESPONSE: Documents showing the allocation have previously been produced in response to WBRG 3-1 as Bates No. DDU16-015393 – DDU16-015400 and TCUC 2-1 DDU16-015484 – DDU16-015486. The water and wastewater plants are located within the resort property and the utility department uses some of the resort's resources. DDU allocates for the resources used.

Prepared by: Christie Rotramel

Sponsored by: Tim Grout

STAFF 1-32 Please admit or deny: Double Diamond or affiliates have recorded accelerated depreciation or expense associated with plant investment on tax returns filed in the past.

RESPONSE: Admit.

Prepared by: Tim Grout

Sponsored by: Tim Grout

STAFF 1-33 Please admit or deny: Double Diamond or affiliates have taken investment tax credits for investment in plant on tax returns filed in the past.

RESPONSE: Admit.

Prepared by: Tim Grout

Sponsored by: Tim Grout

STAFF 1-34 Please identify in the application where Double Diamond has included the calculation for deferred income tax for accelerated depreciation taken for federal tax purposes in accordance with generally accepted accounting principles.

- a) If not included in the application, please provide the calculation for deferred income tax that should be recorded for accelerated depreciation taken for federal tax purposes.

RESPONSE: Deferred federal income taxes are excluded from the application because Double Diamond-Delaware, Inc. and its subsidiaries do not have any deferred federal income tax recorded on their financial statements (according to the 2015 Consolidated Financial Statements for Double Diamond-Delaware, Inc. and Subsidiaries). The deferred tax liabilities and assets in the financial statements reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for state (income and gross margin) tax purposes, not federal taxes.

It should be noted that Double Diamond-Delaware, Inc. does not pay any federal income tax. According to the previously referenced financial statements, "Under existing provisions of the Internal Revenue Code, the income or loss of a Subchapter S corporation is recognized by the individual members for income tax purposes. Accordingly, no provision for income tax has been provided for in the accompanying consolidated financial statements. However, the Company is subject to Texas margin tax."

Prepared by: Jay Joyce

Sponsored by: Jay Joyce

STAFF 1-35 Please identify in the application where Double Diamond has included the calculation for deferred investment tax credits in accordance with generally accepted accounting principles.

- a) If not included in the application, please provide the calculation for deferred investment tax credits.

RESPONSE: Investment tax credits were eliminated in the Tax Reform Act of 1986. The utility assets for White Bluff and The Cliffs were placed in service after 1986; therefore, none of the utility assets in the application were subject to investment tax credits. Since there were no investment tax credits, there are no deferred investment tax credits.

Prepared by: Jay Joyce

Sponsored by: Jay Joyce