



Control Number: 42866



Item Number: 136

Addendum StartPage: 0

SOAH DOCKET NO. 473-14-5144.WS
PUC DOCKET NO. 42866

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PUBLIC UTILITY COMMISSION
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PETITION OF TRAVIS COUNTY §
MUNICIPAL UTILITY DISTRICT NO. §
12 APPEALING CHANGE OF §
WHOLESALE WATER RATES §
IMPLEMENTED BY WEST §
TRAVIS COUNTY PUBLIC UTILITY §
AGENCY, CITY OF BEE CAVE, TEXAS §
HAYS COUNTY, TEXAS AND WEST §
TRAVIS COUNTY MUNICIPAL §
UTILITY DISTRICT NO. 5 §

OF

ADMINISTRATIVE HEARINGS

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 12'S RESPONSES TO
WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY'S
THIRD REQUESTS FOR INFORMATION**

COMES NOW Travis County Municipal Utility District No. 12 ("TCMUD 12 or District") and submits these Responses to West Travis County Public Utility Agency's ("WTCPUA's") Third Requests for Information ("RFIs").

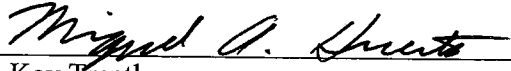
WRITTEN RESPONSES

Attached hereto and incorporated herein by reference are TCMUD 12's written responses to the aforementioned RFIs. Each response is set forth on or attached to a separate page upon which the request has been restated. Such responses are made in the spirit of cooperation without waiving TCMUD 12's right to contest the admissibility of any such matters upon hearing. TCMUD 12 hereby stipulates that these responses may be treated by all parties exactly as if they were filed under oath. WTCPUA's Third RFIs were served on TCMUD 12 via facsimile at 1:57pm on March 5, 2015. These responses are timely filed on April 9, 2015 pursuant to P.U.C. Proc. R. 22.144(c)(1) and SOAH Order No. 1 (tolling all deadlines from March 6, 2015 to March 20th).

Respectfully Submitted,

SMITH TROSTLE & HUERTA LLP

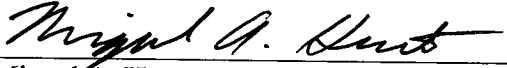
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By: 
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State Bar No. 20238300
Miguel A. Huerta
State Bar No. 00787733

**ATTORNEYS FOR TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 12**

CERTIFICATE OF SERVICE

I hereby certify that on this 9th day of April 2015 a true and correct copy of the above and foregoing document is being served via electronic mail, facsimile, U.S. mail and/or hand delivery to all parties of record.


Miguel A. Huerta

QUESTION NO. 3-1

In TCMUD 12's Supplemental Responses to Request for Disclosures, filed on November 7, 2014, at (b), TCMUD 12 stated as follows:

"The factors that demonstrate the PUA has abused monopoly power include ... the PUA ability to control the price and quantity of water in the market served by TCMUD 12 at the retail level."

- (a) Identify which of the relevant factors listed in P.U.C. SUBST. R. 24.133(a) are implicated by the quoted "factor."
- (b) Identify all actions undertaken by the WTCPUA that support your contention that the WTCPUA controls the price of water at the retail level in the market served by TCMUD 12.
- (c) Identify all actions undertaken by the WTCPUA that support your contention that the WTCPUA controls the quantity of water at the retail level in the market served by TCMUD 12.
- (d) Provide all documents that support your contention quoted in this RFI 3-1, above.

TCMUD 12'S RESPONSE:

- (a) Please refer to Zarnikau Direct, p. 15, lines 1 through 4.
- (b) Please refer to Zarnikau Direct, pp. 15-18. See also Zarnikau Rebuttal, p. 14, lines 1-13; p. 18 (beginning line 27) through p. 20 (ending line 10); p. 21 (beginning line 16) through p. 24, line 2. The conclusions stated in Dr. Zarnikau's testimony are, in part, based on the evidence appearing in the testimony of other witnesses sponsored by TCMUD 12.
- (c) See Zarnikau Direct, p. 7 line 22 through p. 10, line 10; and p. 12, line 23, through p. 13, line 2. See also Zarnikau Rebuttal, p. 20, lines 4-10; and p. 22, lines 9-18. The conclusions stated in Dr. Zarnikau's testimony are, in part, based on the evidence appearing in the testimony of other witnesses sponsored by TCMUD 12.
- (d) All documents supporting this contention are provided in the testimonies of TCMUD 12 witnesses.

QUESTION NO. 3-2

Identify TCMUD 12's designated representative(s) to the Wholesale Customer Committee established by the WTCPUA:

- (a) If more than one person has served in such capacity, for each person provide the dates that such person was the designated representative.
- (b) If notice of the identity of the designated representative(s) was provided to WTCPUA, describe how such notice was provided, including the person(s) contacted and the date of such notification.
- (c) Provide all documents related to the designation of TCMUD 12's representative and to notification of same to the WTCPUA.

TCMUD 12'S RESPONSE:

Mr. Joe DiQuinzio was appointed to the WTCPUA Wholesale Customer Committee.

- (a) No one aside from Mr. DiQuinzio was appointed.
- (b) No documents responsive to this request were found.
- (c) Please see the following Attachment TCMUD 12 RFI 3-2.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 12
MINUTES OF BOARD OF DIRECTORS' MEETING**

February 26, 2013

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

A meeting of the Board of Directors of Travis County Municipal Utility District No. 12 was held on February 26, 2013, at the offices of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas. The meeting was open to the public and notice was given as required by the Texas Open Meetings Act. A copy of the Certificate of Posting of the notice is attached as **Exhibit "A"**.

The roll was called of the members of the Board:

Daniel L. Robertson	-	President
Robert R. Griffith	-	Vice President
Melissa Miller	-	Secretary
Jim Henry	-	Asst. Secretary
Sue Wall	-	Asst. Secretary

and all of the Directors were present, except Director Griffith, who arrived later, thus constituting a quorum. Also present at the meeting were Allen Douthitt of Bott & Douthitt, PLLC; Joe DiQuinzio of JadCo Management, Inc.; Robert Anderson of Crossroads Utility Services, LLC ("Crossroads"); Jeff Crawford of Jones-Heroy & Associates, Inc.; Sue Brooks Littlefield of Armbrust & Brown, PLLC; and Ryan Maddox and Ian Boyd of Lennar Homes of Texas Land and Construction, Ltd. ("Lennar").

Director Robertson called the meeting to order at 12:04 p.m. and stated that the Board would first consider approving the minutes of the January 22, 2013 Board meeting. Upon motion by Director Robertson and second by Director Miller, the Board voted unanimously to approve the minutes.

Director Robertson stated that the Board would next receive the manager's report and recognized Mr. DiQuinzio. At this time, Director Griffith arrived at the meeting. Mr. DiQuinzio reported that there had been strong development and homebuilding activity in the three Travis County districts, noting that the developer had completed Phase 1, Sections 5, 6 and 7A and that builder contracts were in place, with home construction expected to start soon. He reported that there had been good progress on the water balance models, noting that both the monthly and daily models had been submitted to Lakeway Municipal Utility District ("Lakeway MUD") for review and that some additional information that had been requested by Lakeway MUD's engineer had been submitted on February 21st. Mr. DiQuinzio added that a follow-up meeting with the Lakeway MUD general manager had been set for March 4th to discuss a term sheet to revise the master water and wastewater agreement, the amendment of the

wastewater permits and the process for utilizing the Lakeway MUD plant and pond and the developer's irrigation acreage to provide the additional wastewater capacity needed for The Highlands. He stated that the good news coming out of the water balance model was that it was possible to add about 250,000 gallons of capacity to the Lakeway MUD site without expanding the existing pond and that, with this additional capacity, only about 150 acres of irrigation land would be required. Mr. DiQuinzio stated that the excess irrigation land could be used to provide additional service or potentially be developed. He explained that the sewer situation was rapidly becoming clearer and that he expected it to become even clearer after the March 4th meeting.

Mr. DiQuinzio then reported that the rate study was almost complete, and that a rate order revision would be presented in conjunction with the draft budget in March. Mr. DiQuinzio confirmed that he had been appointed to the West Travis County Public Utility Agency's (the "PUA's") wholesale customer committee and advised the Board that he, Mr. Douthitt and Mr. Anderson had met with the PUA's representatives to discuss the PUA's wholesale rate increase. He added that one reason the District's rates had gone up more than other wholesale customers was due to a peaking factor that had been imposed and that he had explained that the peaking was caused by flushing usage as a result of on-going chlorine residual problems. He stated that the PUA's representatives had acknowledged that the Lower Colorado River Authority's (the "LCRA's") records and the PUA's due diligence were poor. Mr. DiQuinzio stated that they had subsequently met with the PUA's representatives at the pump station and found that, at one time, there had been a chlorine injection system at the pump station, but that it had been removed before the PUA's closing. He added that the PUA had agreed to a more consistent and frequent testing program to determine if there was still a chlorine problem, but that he expected the water quality to be better due to increased turnover as a result of development in Sweetwater. Mr. DiQuinzio then stated that the PUA had tentatively approved the District's provision of temporary construction water for the Lake Travis ISD elementary school site, and noted that the PUA Board had approved entering into a Memorandum of Understanding with the District to allow it to provide the temporary construction water. He added that the MOU was currently being drafted by the PUA's attorney. Mr. DiQuinzio noted that permanent service would be provided by Lazy Nine Municipal Utility District.

Ms. Littlefield then reviewed a proposed rate order revision with the Board, noting that most of the changes, such as those relating to the grinder pump inspections, had previously been discussed, and many others were not substantive, but that the revision did include an update to the connection fees for water which the District was required to collect and pay to the PUA. She noted that the connection fees had increased as a result of the PUA's increase in its impact fees, and that the revised fees would be effective for all newly platted sections. Upon motion by Director Robertson and second by Director Wall, the Board voted unanimously to approve the revised rate order attached as **Exhibit "B"**.

Director Robertson stated that the Board would next receive the bookkeeper's report and recognized Mr. Douthitt. Mr. Douthitt presented the updated bookkeeper's

report attached as **Exhibit "C"**, and reviewed it with the Board. He noted he had two transfers to present, one from the District's operating account to the bookkeeper's account and one from the District's tax account to the operating account, as summarized on page one of his report. He then reviewed the disbursements out of the bookkeeper's account that had been made since the date of the last meeting and the list of disbursements being presented for approval, and called the Board's attention to the payments to Lakeway MUD and the PUA, as well as the District's share of the wastewater reservation fee paid to Lakeway MUD by Travis County Municipal Utility District No. 11. He stated that the District's tax collections were up-to-date and so no developer funding would be required for several months. Upon motion by Director Griffith and second by Director Miller, the Board voted unanimously to approve the payments and the transfers as presented.

Director Robertson then stated that the Board would receive the engineer's report. Mr. Crawford presented the report attached as **Exhibit "D"** and confirmed that Sections 5 and 6 were complete. He presented Pay Estimate No. 7 and Final for Section 5, attached as **Exhibit "E"**, and stated that he had received all close-out documents and recommended acceptance of this section for operation and maintenance. He also presented Pay Estimate No 5 and Final for Section 6, attached as **Exhibit "F"**, and confirmed that he had received all close-out documents and recommended acceptance of the project. Mr. DiQuinzio confirmed that the contractor had done a very good job. Upon motion by Director Robertson and second by Director Henry, the Board voted unanimously to approve the Pay Estimates and acceptance of both projects, as recommended.

Director Robertson stated that the Board would next receive the attorney's report and recognized Ms. Littlefield. Ms. Littlefield explained that Rough Hollow Development, Ltd. ("*Rough Hollow*") had contracted to sell approximately 27 acres of land in the District to Lennar and, as a part of the sale, had agreed that Lennar would be entitled to any reimbursements for the internal utility infrastructure constructed by Lennar. She presented the Amendment to Utility Construction Agreement attached as **Exhibit "G"** and explained that this amendment deleted the 27 acres of land being sold from Rough Hollow's reimbursement agreement with the District. She also presented the Utility Construction Agreement with Lennar Homes Land and Construction, Ltd, attached as **Exhibit "H"** and stated that it was on the same basic form as the reimbursement agreement with Rough Hollow, but that Rough Hollow would retain all obligations to make advances to the District under its contract and so those obligations had not been included in the new agreement. She then introduced Mr. Boyd to the Board and Mr. Boyd explained that Lennar would be building under the Village Builders name and would be constructing a duplex product, priced in the high 200,000's and low 300,000's. He stated that Lennar was scheduled to close the next month, but still had a few questions. Mr. Boyd introduced Mr. Maddox, noting that he was the development manager and very familiar with the MUD process. Ms. Littlefield recommend approval of the amendment and agreement, contingent upon closing, noting that she would hold the documents until she was provided with a deed confirming that closing had occurred. Upon motion by Director Wall and second by Director Henry, the Board voted

unanimously to approve the Amendment to Utility Construction Agreement and the Utility Construction Agreement, contingent upon the closing.

There being no further business to come before the Board, the meeting was adjourned.

(SEAL)

Melissa Miller, Secretary
Board of Directors

Date: _____

QUESTION NO. 3-3

For the November 5, 2012, October 19, 2012, October 30, 2012, January 28, 2013 and March 25, 2013 meetings of the Wholesale Customer Committee that a representative of TCMUD 12 did *not* attend, as stated in TCMUD 12's responses to WTCPUA's First Requests for Admissions numbers 1-25, 1-27, 1-29, 1-33 and 1-35, provide an explanation for such nonattendance.

TCMUD 12'S RESPONSE:

TCMUD 12 objected to this request on basis of its relevancy and it being unduly burdensome. Subject to an agreement of Counsel for TCMUD 12 and WTPUA, the request was modified to include only three persons: Joe DiQuinzio, Sue Littlefield, and Jay Joyce. As a result, Counsel for TCMUD 12 agreed to withdraw the unduly burdensome objection but maintained the relevancy objection.

Prepared by:
Witness:

QUESTION NO. 3-4

Refer to the resume of Joseph A. DiQuinzio, Jr., provided in response to WTCPUA RFI No. 2-8:

- (a) Identify the five special financing districts for which Mr. DiQuinzio serves as General Manager.
- (b) Provide a copy of the wholesale water and wastewater service agreements Mr. DiQuinzio negotiated for these entities.
- (c) Identify the entities for whom Mr. DiQuinzio negotiated wholesale water and wastewater rates, indicating whether the entities were the buyer or seller of the wholesale water and/or wastewater, whether the rates were protested (either by Mr. DiQuinzio's clients or other entities) at any state agency, and the outcome of any such protests. If protests were prosecuted or defended by Mr. DiQuinzio's clients, please provide the docket number(s) of such actions, with sufficient detail to allow WTCPUA to locate the proceedings at the State Office of Administrative Hearings.
- (d) Provide a copy of all rate analyses performed by Mr. DiQuinzio, as referenced in his resume.
- (e) Please identify the persons with whom Mr. DiQuinzio had "daily conversations with LMUD," as referenced in TCMUD 12's response to WTCPUA RFI No. 2-12. Please include the titles of such persons, or their position with LMUD.

TCMUD 12'S RESPONSE:

- (a) Travis County Municipal Utility Districts 11, 12, and 13 and Williamson-Travis County WCID Nos. 1F and 1G.
- (b) Mr. DiQuinzio does not have copies of, nor access to, the wholesale water and wastewater service agreements for Williamson-Travis County WCID Nos. 1F and 1G. A copy of the wholesale water service agreement for Travis County Municipal Utility Districts 11, 12, and 13 is attached to Mr. DiQuinzio's Direct Testimony as JAD Exhibit 4 and JAD Exhibit 5.
- (c) This docket (Docket No. 42866) is the only docket responsive to this request.
- (d) The reference to rate analyses in Mr. DiQuinzio's resume is a reference to his review and analysis of wholesale rates from the business perspective rather than as a rate analyst. After a diligent review, Mr. DiQuinzio could not find any documents responsive to this request.
- (e) Richard Eason, the General Manager for LUMD, and more recently, Earl Foster, who became the General Manager for LMUD after Mr. Eason.

Prepared by: Joe DiQuinzio
Witness: Joe DiQuinzio

QUESTION NO. 3-5

Please refer to Mr. DiQuinzio's Direct Testimony at page 5, lines 27-28, and TCMUD 12's response to WTCPUA's RFI No. 2-13(a). Provide all documents that were written, or otherwise dated, prior to October 20, 2009, that relate to the referenced consideration by TCMUD 12 of constructing its own Water Treatment Plant for The Highlands, and the referenced determination by TCMUD 12 that constructing its own Water Treatment Plant for The Highlands was impractical.

TCMUD 12'S RESPONSE:

Please see Mr. DiQuinzio's Rebuttal Testimony at page 7, lines 4 through 23. There are no documents responsive to this request.

Prepared by: Joe DiQuinzio
Witness: Joe DiQuinzio

QUESTION NO. 3-6

Please refer to TCMUD 12 's response to WTCPUA No. 2-14, and Attachment 2-14:

- (a) Identify who requested Mr. Douglas Rummel to come up with "some high level numbers for a water treatment plant in western Travis County ... " State the date that such request was made, and provide all documents related to such request.
- (b) Identify the preparer of the document entitled "Water Treatment Plant Preliminary Budget October 2014."
- (c) When was the document entitled "Water Treatment Plant Preliminary Budget October 2014" prepared?
- (d) Who directed the preparation of the document?

TCMUD 12'S RESPONSE:

- (a) The cost for a water treatment plant in 2009 was developed by the LCRA. In 2014, Mr. Joe DiQuinzio requested Mr. Douglas Rummel to estimate the cost for developing a water treatment plant in western Travis County.
- (b) Mr. Doug Rummel, P.E., Carlson, Brigance and Doering.
- (c) October 2014.
- (d) Mr. Joe DiQuinzio.

Prepared by: Joe DiQuinzio
Witness: Joe DiQuinzio

QUESTION NO. 3-7

Refer to TCMUD 12's response to WTCPUA's RFI No. 2-17. Provide a copy of all of the referenced communications from Mr. DiQuinzio to the board for TCMUD 12.

TCMUD 12'S RESPONSE:

Communication occurred through oral presentations at Board Meetings. Please see responses to WTCPUA RFI 2-18, which includes the minutes for the relevant TCMUD 12 Board Meetings.

Prepared by: Joe DiQuinzio
Witness: Joe DiQuinzio

QUESTION NO. 3-8

Refer to TCMUD 12's response to WTCPUA's RFI No. 2-18. Please provide a response to the first sentence: "Please provide the time frame for the referenced 'extended period of negotiations.'"

TCMUD 12'S RESPONSE:

These negotiations took place for over a year. The time frame for those negotiations would have been 2008–2009 leading up to the execution of the Wholesale Water Service Agreement in October, 2009. Please see, *e.g.*, Mr. DiQuinzio' Rebuttal Testimony at page 4, lines 7 through 9. Also, see TCMUD12-0931 which is the Meeting Minutes for the TCMUD 12 Board of Directors May 20, 2008 meeting. The discussion shows that negotiations with the LCRA were underway at that point.

QUESTION NO. 3-9

Refer to page 15, line 11, of Mr. DiQuinzio's Direct Testimony. Define "bargaining power" as used in the testimony.

TCMUD 12'S RESPONSE:

Please see Mr. DiQuinzio' Rebuttal Testimony at page 6, lines 22 and 23.

QUESTION NO. 3-10

Refer to TCMUD 12's response to WTCPUA's RFI No. 2-30. With regard to the dates that Mr. DiQuinzio's calendar showed that he was scheduled to attend meetings with the WTCPUA, please state if he did, in fact, meet with WTCPUA on the listed dates, with whom he met, and the topic of discussions at the meetings.

TCMUD12'S RESPONSE:

April 1, 2013, Joe DiQuinzio did not attend, Allen Douthitt attended.

November 20, 2013 Mr. DiQuinzio met with Mr. Rauschuber and provided Mr. Rauschuber a tour of Rough Hollow. The tour provided Mr. Rauschuber information on the design and layout of the District and the District's water infrastructure.

There are no notes or other documents to suggest that Mr. DiQuinzio did, in fact, meet with the WTCPUA on March 25, 2013 or April 24, 2013.

Upon further research, the meetings on April 4, 2013 and May 30, 2013 were meetings concerning wholesale customer issues, but were not meetings with the WTCPUA.

Prepared by: Joe DiQuinzio
Witness: Joe DiQuinzio

QUESTION NO. 3-11

Refer to TCMUD 12's response to WTCPUA's RFI No. 2-38. Please explain in detail Mr. Joyce's response that a revenue requirement methodology is "substantially the 'same thing'" as a cost of service methodology. Identify the similarities and differences that support this statement, and provide citations to all documents that support this position.

TCMUD 12'S RESPONSE:

Please refer to Section III of Mr. Joyce's rebuttal testimony at pages 21–32.

QUESTION NO. 3-12

Refer to TCMUD 12's response to WTCPUA's RFI No. 2-39. Please explain in detail Mr. Joyce's response that a rate methodology is "substantially the 'same thing'" as a cost of service methodology. Identify the similarities and differences that support this statement, and provide citations to all documents that support this position.

TCMUD 12'S RESPONSE:

Please refer to Section III of Mr. Joyce's rebuttal testimony at pages 21–32.

Prepared by: Jay Joyce
Witness: Jay Joyce

QUESTION NO. 3-13

Refer to Mr. Zarnikau's Direct Testimony, page 12, lines 26-28. Please identify the referenced case law, and describe the "lower standards established by case law."

TCMUD 12'S RESPONSE:

The lower standards are described in Zarnikau Direct p. 6, lines 7-16. See also Zarnikau Rebuttal p. 7, line 17 through p. 12, line 8. The referenced case law is identified in the footnotes and exhibits appearing in Dr. Zarnikau's rebuttal testimony.

QUESTION NO. 3-14

Does TCMUD 12 contend that Travis County Municipal Utility District No. 11 is a party to this case?

TCMUD 12'S RESPONSE:

No. TCMUD 11 is not a separate party to this case but is being represented by TCMUD 12. See previous response to WTCPUA RFI 2-4, which includes documents outlining the relationship between TCMUDs 11, 12, and 13.

Prepared by: Joe DiQuinzio
Witness: Joe DiQuinzio

QUESTION NO. 3-15

Does TCMUD 12 contend that Travis County Municipal Utility District No. 13 is a party to this case?

TCMUD 12'S RESPONSE:

No. TCMUD 13 is not a separate party to this case but is being represented by TCMUD 12. See previous response to WTCPUA RFI 2-4, which includes documents outlining the relationship between TCMUDs 11, 12, and 13.

QUESTION NO. 3-16

Please identify the dates on which Travis County Municipal Utility District Nos. 11 and 13 authorized the filing of the petition protesting the rates of WTCPUA.

TCMUD 12'S RESPONSE:

The Board for TCMUD 13 authorized retaining Counsel for a potential rate challenge at a joint meeting with the Board of TCMUD 12 on December 8, 2013. The Petition being filed was discussed at the TCMUD 11 Board Meeting on March 6, 2014.

QUESTION NO. 3-17

Please provide the meeting minutes or written document authorization that supports TCMUD 12's contention that TCMUD 12 was authorized to file the petition on behalf of Travis County Municipal Utility District No. 11 and Travis County Municipal Utility District No. 13.

TCMUD 12'S RESPONSE:

Documents responsive to this request were previously provided in response to WTCPUA RFI 2-4.

The Boards have discussed the filing on a regular basis since the date the rate challenge was first discussed. Travis County Municipal Utility District No. 11 and Travis County Municipal Utility District No. 13 have both recently reaffirmed their authorization to continue with the rate challenge, with that reaffirmed authorization appearing on the March 5, 2015 Board Minutes for TCMUD 11 and on the February 18, 2015 Board Minutes for TCMUD 13. Both of those Minutes are attached to this response as Attachment TCMUD 12 RFI 3-17.

Prepared by: Joe DiQuinzio
Witness: Joe DiQuinzio

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
MINUTES OF BOARD OF DIRECTORS' MEETING**

March 5, 2015

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

A regular meeting of the Board of Directors of Travis County Municipal Utility District No. 11 was held on March 5, 2015, at the offices of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas. The meeting was open to the public and notice was given as required by the Texas Open Meetings Act. A copy of the Certificate of Posting of the Notice is attached as **Exhibit "A"**.

The following members of the Board, constituting a quorum, were present:

Michael De La Fuente	-	President
David Cox	-	Secretary
Jennifer J. Wiebrand	-	Assistant Secretary
Richard D. Brown	-	Assistant Secretary

Director Amie Henry was absent. Also present at the meeting were Joe DiQuinzio of JadCo Management, Inc.; Robert Anderson of Crossroads Utility Services, L.L.C. ("Crossroads"); Allen Douthitt of Bott & Douthitt, PLLC; Ronnie Moore of Carlson, Brigrance & Doering ("CBD"); and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director De La Fuente called the meeting to order at 12:05 p.m. and stated that the Board would first receive citizens' communications. There being none, Director De La Fuente stated that the Board would consider approving the consent items on the Board's meeting agenda: the minutes of the February 5, 2015 Board meeting and the proposal from McCall Gibson Swedlund Barfoot, PLLC for the audit for the fiscal year ending March 31, 2015 attached as **Exhibit "B"**. Upon motion by Director Cox and second by Director Wiebrand, the Board voted unanimously to approve the consent items.

Director De La Fuente then recognized Mr. DiQuinzio for purposes of receiving the general manager's report. Mr. DiQuinzio presented the development update attached as **Exhibit "C"** and noted that most of the growth in the District was occurring in Section 3, which represented 20 of the 32 homes that were under construction. He stated that the Lower Colorado River Authority ("LCRA") had held a "Firm Water Customer" meeting the prior week and now projected that the lake level that would trigger curtailment would not be reached until late May or June. He advised the Board that, in connection with the West Travis County Public Utility Agency ("PUA") rate case, the Public Utility Commission ("PUC") staff member assigned to the rate case had basically concluded that the PUA was not a monopoly and had not abused its authority.

He explained that he and Ms. Littlefield had contacted the District's rate attorneys and rate consultant and they had indicated that the PUC would not give special credence to its own staff testimony and that this conclusion by the staff would not necessarily affect the outcome of the case. Mr. DiQuinzio then presented the amendment of the District's rate order to address leaks and timely repairs, attached as Exhibit "D". Upon motion by Director Brown and second by Director Wiebrand, the Board voted unanimously to approve the Order, as amended.

Mr. DiQuinzio advised the Board that the cost of utility relocations in Section 8 requested by the developer had been determined and, as previously discussed, he would obtain an escrow from the developer to cover the cost before Crossroads proceeded with the relocations, as these were District facilities that had previously been bonded. Mr. DiQuinzio stated that he believed the estimated cost was about \$70,000. Director Wiebrand requested that a ten percent contingency be included in the escrow and Mr. DiQuinzio agreed to do so. Mr. DiQuinzio reported that the District's wastewater permit had finally been issued. He stated that a proposed contract with Lakeway Municipal Utility District ("Lakeway MUD") had been submitted to Lakeway MUD and that it was consistent with the term sheet. He added that the exhibits had been provided to facilitate Lakeway MUD's consultants' review.

The Board then discussed issues relating to the PUA rate challenge, the likelihood of prevailing and other legal options. Mr. Douthitt explained that, without some adjustment to the wholesale rates imposed by the PUA, the Districts' base charge would ultimately be approximately \$80,000. After discussion, Director Wiebrand moved that the Board reaffirm its authorization to continue with the rate challenge. Upon second by Director Brown, the motion was unanimous approved.

Director De La Fuente stated that the Board would next receive the engineer's report. Mr. Moore called the Board's attention to the report attached as Exhibit "E". He added that the District's surplus funds application had been filed in late February and he anticipated that a response would be received by the end of April. He stated that he anticipated that a report on reimbursable costs would be required and asked that this be added to the agenda for the Board's April meeting and Ms. Littlefield agreed to do so.

Director De La Fuente then stated that the Board would receive the operator's report and recognized Mr. Anderson. Mr. Anderson presented Crossroads' report, attached as Exhibit "F", and reviewed it with the Board. He reported that the District currently had 300 occupied single-family connections and a total of 384 accounts. Mr. Anderson advised the Board that all lab results had been satisfactory. He stated that the water loss on The Highlands side was 6.72% and there had been a water loss on the Rough Hollow side of 6.38%. Mr. Anderson stated that he had no 90-day delinquencies and no write-offs to report.

Director De La Fuente stated that the Board would next discuss the District's identity theft prevention program. Mr. Anderson reminded the Board that the District was required to annually review its "red flag rules" and stated that there had not been any security breaches or complaints and Crossroads did not recommend any changes to the program at this time. Upon motion by Director Cox and second by Director

Weibrand, the Board voted unanimously to approve the Resolution Confirming Annual Review of Identity Theft Prevention Program attached as **Exhibit "G"**.

Director De La Fuente then stated that the Board would receive the bookkeeper's report and recognized Mr. Douthitt. Mr. Douthitt presented the updated cash activity report attached as **Exhibit "H"** and reviewed it with the Board. He recommended approval of the transfers summarized on page one of his report, including a transfer from the District's Prosperity operating account to the Prosperity manager's account in the amount of \$1,400 and a transfer from the District's lockbox account to the operating account at TexPool, as well as transfers from the tax account to the debt service and operating accounts. He recommended the investment of funds in the District's money market account and the renewal of two certificates of deposit, one at First State Bank and one at ABC Bank, described in his report. Mr. Douthitt then reviewed the manager's checks that had been written since the last meeting and the disbursements he was presenting for approval. Mr. DiQuinzio asked if Mr. Douthitt had an update on tax collections. Mr. Douthitt responded that, through January, the District was about 83.6% collected. He stated that he would provide a detail of delinquent taxpayers if a substantial amount of taxes were still outstanding in the report for the period ending at the end of February. After discussion, upon motion by Director Brown and second by Director Wiebrand, the Board voted unanimously to approve the payment of the bills and invoices, the transfers and investments, as presented.

Mr. Douthitt then reviewed budgetary information, noting that the current month was the last month of the District's 2014-2015 fiscal year. He explained the key assumptions he had made in developing the budget, noting that Mr. Kimball was recommending a \$0.60 debt service tax rate and a \$0.1725 operation and maintenance tax rate, which was the same total rate as the tax rate for the current fiscal year. He stated that he was projecting 35 new connections, primarily in the Rough Hollow side of the District. Mr. Douthitt noted that he was conservative on the usage side, particularly with conservation and curtailment issues. He stated that he and Mr. DiQuinzio were looking at the option of reducing the operations and maintenance tax rate slightly in order not to generate such a substantial operating reserve. Mr. Douthitt and Mr. DiQuinzio explained that the District was not establishing its tax rate at this time and the Board would have better information on the District's assessed value and wholesale costs when the Board set its tax rate in September. After discussion, upon motion by Director Wiebrand and second by Director Brown, the Board voted unanimously to adopt the Resolution Adopting Budget attached as **Exhibit "I"**, incorporating the budget as presented by Mr. Douthitt, and directed Mr. DiQuinzio and Mr. Douthitt to continue to review the tax rate.

There being no further business to come before the Board, the meeting was adjourned.

(SEAL)

David Cox, Secretary
Board of Directors

Date: _____

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 13
MINUTES OF BOARD OF DIRECTORS' MEETING**

February 18, 2015

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

A meeting of the Board of Directors of Travis County Municipal Utility District No. 13 was held on February 18, 2015 at the offices of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas. The meeting was open to the public and notice was given as required by the Texas Open Meetings Act. A copy of the Certificate of Posting of the notice is attached as **Exhibit "A"**.

The following members of the Board were present, constituting a quorum:

Richard Fadal	-	President
Michael Matz	-	Vice President
Jesse Kennis	-	Secretary
Sean Mills	-	Assistant Secretary
Louis Granger	-	Assistant Secretary

Director Louis Granger and Director Michael Matz were absent. Also present at the meeting were Allen Douthitt of Bott & Douthitt, PLLC; Ronnie Moore of Carlson Brigrance and Doering ("**CBD**"); Robert Anderson of Crossroads Utility Services ("**Crossroads**"); Josh Rambo of McCall Gibson Swedlund Barfoot, PLLC; and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Fadal called the meeting to order at 12:94 p.m. and stated that the Board would first consider approving the minutes of the January 21, 2015 Board meeting. Upon motion by Director Kennis and second by Director Mills, the Board voted unanimously to approve the minutes.

Director Fadal stated that the Board would next discuss the District's \$3,000,000 Unlimited Tax Bonds, Series 2015 (the "**Bonds**"). Mr. Rambo distributed the report on reimbursable costs attached as **Exhibit "B"** and noted that his firm had prepared the report in connection with the proposed disbursement of the bond proceeds. He called the Board's attention to the cash reconciliation set forth in the report and reviewed the amounts payable out of the bond proceeds, including the sum payable to the developer of \$2,028,366.50. He stated that there would be estimated surplus funds available of \$341,730.54. He then reviewed the detail of the costs to be reimbursed to the developer and explained that the surplus funds were largely due to the fact that the interest rate on the bonds was lower than anticipated. Director Mills asked about the contingency reflected in the report and Mr. Rambo stated that this was carried over from the engineer's report. Mr. DiQuinzio explained that the surplus funds would be used to reimburse additional bondable costs and that he anticipated they would be bringing back a surplus funds application to utilize these funds. Ms. Littlefield noted that the District had not yet received the TCEQ authorization to purchase facilities, although Mr. Moore had received a draft of the letter, and that she also hadn't received the final closing documents from the developer. She recommended that the Board approve the disbursement letter and authorize the disbursement of the bond funds in accordance with the closing memorandum attached as **Exhibit "C"**, noting that the disbursements to the developer would be contingent upon the

receipt of the TCEQ purchase authorization letter and the closing documents. Upon motion by Director Mills and second by Director Kennis, the Board voted unanimously to approve funding of the bond proceeds as recommended. A copy of the Conveyance of Existing Facilities and disbursement letter received from the developer are attached as Exhibits "D" and "E", and a copy of the TCEQ purchase authorization letter is attached as Exhibit "F".

Director Fadal then recognized Mr. DiQuinzio for purposes of receiving the general manager's report. Mr. DiQuinzio reviewed the updated builder report attached as Exhibit "G" and advised the Board that new home starts in the District had decreased, and that he believed this was due to a combination of factors, the delays in the permitting process at the City of Lakeway and a flattening in the home market. He stated that the builders in Section 1, 7A, which had 70-foot lots, had had 15 to 17 sales with actual prices between \$700,000 and \$1,200,000. The Board discussed variations in the market, with high sales in the starter home range as well as in more expensive home range. Mr. DiQuinzio then stated that he and Mr. Douthitt had met with the Lower Colorado River Authority ("LCRA") staff on the District's curtailment plan, noting that inflows remained at historic low levels despite recent rains and the staff had indicated that it anticipated the 20% curtailment would be imposed but that the projected date had now been delayed to May. Mr. DiQuinzio stated that they continued to work on establishing the baseline quantity and the staff was due to respond to the submittal by the end of the week. Mr. DiQuinzio then stated that testimony in the PUA rate case had all been filed and that the PUC staff had basically sided with the PUA in its testimony, but that the District's rate analyst and special counsel recommended proceeding with the case. Director Kennis moved that the Board reaffirm its authorization for Travis County Municipal Utility District No. 12 to proceed with the rate case and to authorize Director Fadal to sign any documents necessary to affirm the Board's agreement to participate in the case. Upon second by Director Mills, the motion was unanimously adopted.

Mr. DiQuinzio then called the Board's attention to the letter from the City of Austin withdrawing its request for a public meeting on the District's wastewater permit, attached as Exhibit "H", in response to his letter that had been sent following his meeting with the City staff, attached as Exhibit "I". He stated that, unfortunately, the TCEQ staff had sent out an erroneous notice after this resolution was reached but he had discovered this and obtained the retraction attached as Exhibit "J". He stated that he anticipated that the wastewater permit would be issued by the end of the month.

Mr. DiQuinzio then stated that the draft Lakeway Municipal Utility District ("Lakeway MUD") agreement had been submitted to the developer's representatives for review and changes had been made in response to the comments received. He stated that he was hopeful that a draft would be submitted to Lakeway MUD very soon.

Director Fadal stated that the Board would next receive the engineer's report. Mr. Moore presented CBD's report, attached as Exhibit "K". He presented Pay Estimate No. 1 in the amount of \$596,581.65, attached as Exhibit "L" for Lakeway Highlands Phase 1, Section 7B and recommended approval. Mr. Moore then presented Pay Estimate No. 2 in the amount of \$235,141.20, attached as Exhibit "M", for Lakeway Highlands Phase 1, Section 8A and recommended approval. He stated that construction of the water, wastewater and drainage facilities were essentially complete in these two sections, but that the valves and manhole covers would need to be raised after the streets were paved and revegetation would be needed in the disturbed areas. Mr. Moore stated that the pre-purchase inspection for Bond Issue No. 1 was conducted by the TCEQ on December 4, 2014 and that there were areas of concern identified and that they were currently being addressed. After discussion, upon motion by Director Mills and second by Director Kennis, the Board voted unanimously to approve the Pay Estimates.

Director Fadal then recognized Mr. Douthitt for purposes of receiving the bookkeeper's report. Mr. Douthitt presented the updated cash activity report attached as **Exhibit "N"** and called the Board's attention to the recommended transfer from the District's Compass Bank lockbox account to the District's operating account in the amount of \$75,000. He then reviewed the checks that had been issued out of bookkeeper's account during the prior month and the bills and payments being presented for approval, noting that the per diems to Directors Matz and Granger would need to be voided due to their absence. After discussion, upon motion by Director Kennis and second by Director Mills, the Board voted unanimously to approve the bookkeeper's report, including the transfer and the payment of the bills and invoices as presented.

Director Fadal then recognized Mr. Anderson for purposes of receiving the operator's report. Mr. Anderson presented Crossroads' report, attached as **Exhibit "O"**, and reviewed it with the Board. He reported that the District currently had 45 occupied single-family connections and a total of 79 active accounts. Mr. Anderson advised the Board that all lab results had been satisfactory. He stated that the water loss had been decreased to 3.16% after the fire hydrant repairs had been completed. He indicated that the leaks that had been repaired had been below the surface of the ground and so not obvious. Mr. Anderson stated that he had no 90-day delinquencies and no write-offs to report. Mr. Anderson also advised the Board that, in connection with the District's efforts to curtail residential water use, he had determined that Crossroads could pull reports to obtain details on categories of water use for individual customers that should provide useful information for developing an effective curtailment program and that he would be meeting with Mr. DiQuinzio to develop this program, as previously directed by the Board. He stated that Crossroads agreed with the Board's directive that a semi-annual inspection of the fire hydrants to check for leaks would be advisable and stated that this inspection program would be implemented.

The Board asked that Ms. Littlefield's office confirm a quorum for the next meeting, noting that the date probably overlapped Spring Break. There being no further business to come before the Board, the meeting was adjourned.

(SEAL)

Jesse Kennis, Secretary
Board of Directors

Date: _____