



Control Number: 42866



Item Number: 138

Addendum StartPage: 0

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

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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 §

BEFORE THE STATE ENGINEER

OF

ADMINISTRATIVE HEARINGS

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 12'S RESPONSES TO
WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY'S
FOURTH 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") Fourth Requests for Information ("RFIs").

WRITTEN RESPONSES

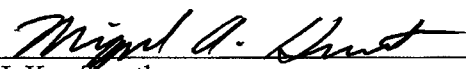
Attached hereto and incorporated herein by reference are TCMUD 12's written responses to the aforementioned RFIs. Each response is set forth on or attached to a separate page upon which the request has been restated. Such responses are made in the spirit of cooperation without waiving TCMUD 12's right 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 Fourth RFIs were served on TCMUD 12 via facsimile at 2:19pm on March 31, 2015. These responses are timely filed on April 15, 2015 pursuant to P.U.C. Proc. R. 22.144(c)(1) and SOAH Order No. 12.

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Respectfully Submitted,

SMITH TROSTLE & HUERTA LLP

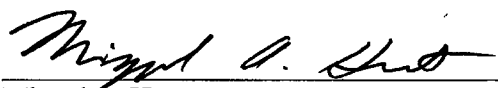
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By: 
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Miguel A. Huerta
State Bar No. 00787733

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

CERTIFICATE OF SERVICE

I hereby certify that on this 15th 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. 4-1

Please provide a list of the case names, with citations that Zarnikau is referring to on page 4, line 12 of Zarnikau's rebuttal testimony. If the cases are not included in a readily available reporter service, please provide copies of such cases.

TCMUD 12'S RESPONSE:

Please see the textbooks and cases identified (including the footnotes) appearing on the following pages of Zarnikau Rebuttal: P. 7, line 17 through p. 12, line 8.

QUESTION NO. 4-2

Does TCMUD 12 contend that WTCPUA has a franchise to provide wholesale water services to TCMUD 12?

TCMUD 12'S RESPONSE:

It is TCMUD 12's understanding that WTCPUA does not have a franchise from a state regulatory authority to provide wholesale water services to TCMUD 12. Dr. Zarnikau's use of the term "franchise" in his testimony on p. 16, line 15 refers to the use of the term in the economics and finance literature.

QUESTION NO. 4-3

Does TCMUD 12 contend that WTCPUA needs a franchise to provide wholesale water services to TCMUD 12?

TCMUD 12'S RESPONSE:

It is TCMUD 12's understanding that WTCPUA does not need a franchise from a state regulatory authority to provide wholesale water services to TCMUD 12. Dr. Zarnikau's use of the term "franchise" in his testimony on p. 16, line 15 refers to the use of the term in the economics and finance literature.

QUESTION NO. 4-4

What does Zarnikau mean by the term "significant addition" on page 25, line 22 of his rebuttal testimony?

TCMUD 12'S RESPONSE:

In Dr. Zarnikau's opinion, costs over \$13 million are significant amounts. For example, if \$13.5 million in costs are recovered from 2,125 LUEs (the maximum number of LUEs for which the LCRA is contractually obligated to provide raw water to TCMUD 12), each LUE would be responsible for \$6,352.94 in costs (i.e., \$13,500,000/2,125).

Prepared by: Dr. Jay Zarnikau
Witness: Dr. Jay Zarnikau

QUESTION NO. 4-5

What does Zarnikau rely upon for his statement that the cost of a new system would be a "significant addition to what TCMUD 12's consumers have already paid," stated on page 25, lines 21-23 of his rebuttal testimony? Provide all materials reviewed by Zarnikau in making this statement.

TCMUD 12'S RESPONSE:

Dr. Zarnikau is relying upon the discussion of the costs already paid by TCMUD 12 which appears in Mr. DiQuinzio's Direct and Rebuttal testimonies, and his opinion that amounts over \$13 million are significant amounts, as discussed in his answer to the previous question.

QUESTION NO. 4-6

4-6: Refer to page 16, lines 1 through 8 of Zarnikau's rebuttal testimony.

- a. Does Zarnikau contend that LCRA was a monopoly with respect to the provision of Wholesale Water Services before the Suppliers acquired the water system from LCRA? Explain your response.
- b. If it is Zarnikau's opinion that the LCRA was a monopoly with respect to the provision of Wholesale Water Services to TCMUD 12 before it sold its water system to the WTCPUA, then is it Zarnikau's opinion that LCRA had disparate bargaining power with respect to its provision of Wholesale Water Services to TCMUD 12? Explain your response.
- c. If it is Zarnikau's opinion that the LCRA was a monopoly with respect to providing Wholesale Water Services to TCMUD 12 before it sold its water system to WTCPUA, then is it Zarnikau's opinion that LCRA had exclusive control over prices and quantities sold to TCMUD 12? Explain your response.
- d. If it is Zarnikau's opinion that the LCRA was a monopoly with respect to providing Wholesale Water Services to TCMUD 12 before it sold its water system to WTCPUA, explain why TCMUD 12 did not file a petition with the Texas regulatory agency exercising appellate jurisdiction over Wholesale Water Service rates to appeal the rates of LCRA that were adopted prior to selling the water system to WTCPUA?

TCMUD 12'S RESPONSE:

- a. An examination of the LCRA's status within the market for water services prior to the WTCPUA's acquisition of the water system used to serve TCMUD 12 is outside the scope of Dr. Zarnikau's assignment. He has not analyzed this topic.
- b. An examination of the LCRA's bargaining power prior to the WTCPUA's acquisition of the water system used to serve TCMUD 12 is outside the scope of Dr. Zarnikau's assignment. He has not analyzed this topic.
- c. An examination of the LCRA's control over the prices and quantities of water prior to the WTCPUA's acquisition of the water system used to serve TCMUD 12 is outside the scope of Dr. Zarnikau's assignment. He has not analyzed this topic.
- d. An examination of the LCRA's status within the market for water services prior to the WTCPUA's acquisition of the water system used to serve TCMUD 12 is outside the scope of Dr. Zarnikau's assignment. He had no association with TCMUD 12 during that period of time and does not know why TCMUD 12 did not appeal the rates of LCRA during that period of time.

Prepared by: Dr. Jay Zarnikau
Witness: Dr. Jay Zarnikau

QUESTION NO. 4-7

Refer to page 16, lines 24-27 of Zarnikau's rebuttal testimony. Please explain any differences in market power with respect to wholesale water services between the LCRA and the Suppliers.

TCMUD 12'S RESPONSE:

An examination of the LCRA's market power prior to the WTCPUA's acquisition of the water system used to serve TCMUD 12 is outside the scope of Dr. Zarnikau's assignment. Consequently, he cannot make the comparison requested in this question.

QUESTION NO. 4-8

Refer to page 24, lines 18-25 of Zarnikau's rebuttal testimony. Please explain any differences in bargaining power between LCRA and TCMUD 12, as compared to WTCPUA and TCMUD 12 with respect to Wholesale Water Services.

TCMUD 12'S RESPONSE:

An examination of the LCRA's bargaining power prior to the WTCPUA's acquisition of the water system used to serve TCMUD 12 is outside the scope of Dr. Zarnikau's assignment. Consequently, he cannot make the comparison requested in this question.

QUESTION NO. 4-9

What time period does DiQuinzio refer to in his use of the word "then" on page 4, line 12?

TCMUD 12'S RESPONSE:

The portion of Mr. DiQuinzio's rebuttal testimony identified by this request is responsive to a question concerning Mr. Baudino's direct testimony at page 7, lines 15–21. The word "then" as used by Mr. DiQuinzio is a reference to the time period identified by Mr. Baudino in his testimony: specifically, the time period in which TCMUD 12 originally negotiated and entered into the Wholesale Water Services Agreement with the LCRA in 2008 – October 2009.

QUESTION NO. 4-10

What time period does DiQuinzio refer to in his use of the word "then" on page 7, line 28?

TCMUD12'S RESPONSE:

The portion of Mr. DiQuinzio's rebuttal testimony identified by this request is responsive to a question regarding certain testimony of Mr. Rauscher and Ms. Graham. In the sentence, "It wasn't a financially viable alternative for LCRA in 2008-09, and it isn't an economically feasible alternative for TCMUD 12 – then or now" the word "then" refers to 2008–2009.

QUESTION NO. 4-11

What time period does DiQuinzio refer to in his use of the words "were not" on page 10, line 11?

TCMUD 12'S RESPONSE:

The portion of Mr. DiQuinzio's rebuttal testimony identified by this request is responsive to a question concerning Mr. Baudino's assertions that TCMUD 12 failed to fully investigate alternative suppliers from January 1, 2009 to March 6, 2014. At the beginning of the paragraph containing the portion of Mr. DiQuinzio's rebuttal testimony identified by this request, Mr. DiQuinzio states "Nothing has changed since we entered into the Wholesale Water Services Agreement with LCRA in 2009." The words "were not" in the specific sentence is a reference to the time period in which TCMUD 12 entered into the Wholesale Water Services Agreement with LCRA in 2009: "LCRA is the sole source of state surface water in the Colorado watershed in which The Highlands is located, and based upon my 32 years of experience in this area, I know that there were not and still are not any other wholesale water service suppliers anywhere that could provide those services to The Highlands."

QUESTION NO. 4-12

What time period does DiQuinzio refer to in his use of the words "does not" on page 10, line 18?

TCMUD 12'S RESPONSE:

The portion of Mr. DiQuinzio's rebuttal testimony identified by this request is responsive to a question concerning Mr. Baudino's assertions that TCMUD 12 failed to fully investigate alternative suppliers from January 1, 2009 to March 6, 2014. The words "does not" is a reference to the period from the conception of the Highlands through the date Mr. DiQuinzio filed his rebuttal testimony on March 24, 2015 in the following sentence "I've also explained that Lakeway MUD provides wholesale water services for Rough Hollow, and does not have the capacity to provide those services for The Highlands."

QUESTION NO. 4-13

Explain why DiQuinzio contends that Lakeway Municipal Utility District is not an alternative service provider as asserted by DiQuinzio on page 4, lines 12-14?

TCMUD 12'S RESPONSE:

As stated in the sentence preceding the portion of Mr. DiQuinzio's rebuttal testimony identified by this request (i.e., page 4, lines 10-12), Mr. DiQuinzio's contention that Lakeway Municipal Utility District is not an alternative service provider on page 4, lines 12-14 of his rebuttal testimony is based on the fact that Lakeway MUD does not have the capacity to divert, transmit and treat the raw water TCMUD 12 buys from LCRA to serve The Highlands.

QUESTION NO. 4-14

What time frame is DiQuinzio referring to on page 5, line 2, beginning with "In addition" and ending on page 5, line 5, with "large."?

TCMUD 12'S RESPONSE:

The portion of Mr. DiQuinzio's rebuttal testimony identified by this request is responsive to a question regarding the availability of an alternative to the LCRA at the time TCMUD 12 signed the Wholesale Water Services Agreement in October 2009. The sentence identified by this request addresses the need for the LCRA to have an alternative to the Uplands WTP if it were to expand its service area to the west as far as Marble Falls. TCMUD 12 participated in discussions with LCRA about the possibility of LCRA constructing an alternative WTP on The Highlands property beginning with the execution of the raw water contract in 2008. The sentence immediately following the sentence that is the subject of this request also refers to the time period as that "leading up the execution of the Wholesale Water Services Agreement" in October 2009.

QUESTION NO. 4-15

What time period does DiQuinzio refer to in his use of the word "now" on page 14, line 8?

TCMUD 12'S RESPONSE:

The portion of Mr. DiQuinzio's rebuttal testimony identified by this request is addressing Mr. Rauschuber's direct testimony at page 16, line 3 through page 18, line 11. The word "now" in Mr. DiQuinzio's rebuttal testimony refers to the period contemporaneous with Mr. Rauschuber's direct testimony on December 19, 2014 to the present.

QUESTION NO. 4-16

How many retail water customers did TCMUD 12 have on January 1, 2008 that were served with water treated by LCRA? Please provide the same information for January 1, 2009, January 1, 2010, January 1, 2011, and January 1, 2012.

TCMUD 12'S RESPONSE:

January 1, 2008, 0

January 1, 2009, 0

January 1, 2010, less than 10.

January 1, 2011, 10

January 1, 2012, 23

QUESTION NO. 4-17

How many retail water customers did TCMUD 12 have on January 1, 2013, and January 1, 2014 that were served with water treated by WTCPUA?

TCMUD 12'S RESPONSE:

January 1, 2013, 48

January 1, 2014, 132

QUESTION NO. 4-18

Refer to page 6, lines 2-6 of DiQuinzio's rebuttal testimony

- a. Please produce a copy of such contract;
- b. Please identify the section in such contract that TCMUD 12 contends that obligates TCMUD 12 to make the installment payments.
- c. Please describe the purpose of the installment payment.
- d. Does TCMUD 12 contend that the installment payment is the monthly fee or volumetric rate that is the subject matter of this proceeding? If your answer is "yes," provide a detailed explanation for that response.

TCMUD 12'S RESPONSE:

The portion of Mr. DiQuinzio's rebuttal testimony identified by this request discusses TCMUD 12's "installment plan to obtain LCRA's wholesale water services" including the obligation to pay up front connection fees prior to the first lot being developed. In his response to the next testimony question regarding "the installment payments" Mr. DiQuinzio refers to the LCRA Wholesale Water Services Agreement Section 4.01 requiring TCMUD 12 to pay up front Connection Fees even though there were no homes in place. See, DiQuinzio Rebuttal at 6, lines 9-21. Mr. DiQuinzio provides a footnote noting that the LCRA Wholesale Water Services Agreement may be found at JAD Exhibit 4 and that the specific language may be found at Section 4.01.a of that Agreement. See, DiQuinzio Rebuttal, fn. 6.

- a. The LCRA Wholesale Water Services Agreement has been produced as JAD Exhibit 4 to Mr. DiQuinzio's Direct Testimony. See, DiQuinzio Rebuttal at 6, lines 9-21, fn. 6.
- b. As stated in Mr. DiQuinzio's Rebuttal Testimony, TCMUD 12's obligation to make the installment payments is found in section 4.01.a of the LCRA Wholesale Water Services Agreement.

Prepared by:
Witness:

- c. The purpose of the *installment payment* is to meet the obligations of the LCRA Wholesale Water Services Agreement's Section 4.01.a. and to allow TCMUD 12 to spread the connection fee payments over time rather than have to make a lump sum payment of \$1,500,000.
- d. Mr. DiQuinzio's rebuttal testimony regarding the installment payment plan is to illustrate that negotiations with LCRA centered on *how* rather than *how much* TCMUD 12 was going to pay for Wholesale Water Services. This testimony is offered to rebut Mr. Baudino's suggestion that TCMUD 12 exercised bargaining power with the LCRA rather than to contend that the installment payment is the monthly fee or volumetric rate that is the subject matter of this proceeding.

QUESTION NO. 4-19

Refer to page 7, line 3 of DiQuinzio's rebuttal testimony. What does DiQuinzio mean by "concessions"?

TCMUD 12'S RESPONSE:

Mr. DiQuinzio uses the word in its normal sense when discussing contract negotiations: a yielding or conceding of some point or provision by the other side or the grant of some right by the other side.

QUESTION NO. 4-20

Did TCMUD 12 undertake an analysis or comparison of rates it would likely pay if it had switched from the WTCPUA to another provider? If yes, please provide a copy of the analysis/comparison, the date that the analysis/comparison was performed, who performed the analysis/comparison, and to whom the analysis/comparison was presented.

TCMUD 12'S RESPONSE:

There is no other provider so no analysis or comparison could be done.

QUESTION NO. 4-21

Did Joyce participate in the development of the wholesale rate rules in 1994 at the Texas Water Commission? If yes, please describe the extent of his participation, who he represented in such participation, and whether he submitted comments on behalf of any person or entity in such rulemaking proceeding.

TCMUD 12'S RESPONSE:

Yes. Mr. Joyce provided his comments to the law firm of Boyle & Freeman who submitted the comments to the Commission. Mr. Joyce also attended at least one meeting of potentially affected water and wastewater utilities in the Dallas area concerning the proposed rules. Mr. Joyce informally represented the City of Lewisville, Texas, in his participation. He submitted comments through Boyle & Freeman as previously described.

QUESTION NO. 4-22

Provide a copy of Joyce's testimony in the Arlington-Fort Worth case referenced on page 12, lines 15-17.

TCMUD 12'S RESPONSE:

Mr. Joyce was not a witness and did not file testimony in the Arlington – Fort Worth case. He participated in the case and assisted Arlington witnesses Jack Stowe and Barry Sarma, both of whom were partners at Reed-Stowe & Co. during Mr. Joyce's tenure at that firm.

QUESTION NO. 4-23

Provide a detailed listing of every proceeding at the Texas Water Commission or its successor agencies in which the Commission determined that a change in the method used to allocate costs (i.e., cost allocation) is a change in the methodology for the computation of the revenue requirement. Provide all testimonies and orders related to each cited proceeding.

TCMUD 12'S RESPONSE:

TCMUD 12 has not conducted a comprehensive study to compile a detailed listing and gather all of the testimony and all orders related to every proceeding at the Texas Water Commission or its successor agencies in which the Commission determined that a change in the method used to allocate costs is a change in the methodology for the computation of the revenue requirement. In addition, the response to this request for information may be derived or ascertained from the local public records of the Public Utility Commission or its predecessor agencies. PUC PROC. R. 22.144(c)(2)(D).

QUESTION NO. 4-24

Provide a detailed listing of every proceed in at the Texas Water Commission or its successor agencies in which the Commission determined that a change in the method used to allocate costs (i.e., cost allocation) is a change in the methodology for the computation of the rate. Provide all testimonies and orders related to each cited proceeding.

TCMUD 12'S RESPONSE:

TCMUD 12 has not conducted a comprehensive study to compile a detailed listing and gather all of the testimony and all orders related to every proceeding at the Texas Water Commission or its successor agencies in which the Commission determined that a change in the method used to allocate costs is a change in the methodology for the computation of a rate. In addition, the response to this request for information may be derived or ascertained from the local public records of the Public Utility Commission or its predecessor agencies. PUC PROC. R. 22.144(c)(2)(D).

QUESTION NO. 4-25

Provide a detailed listing of every proceeding at the Texas Water Commission or its successor agencies in which the Commission has determined that a change in the method used to design rates is a change in the methodology for the computation of the revenue requirement. Provide all testimonies and orders related to each cited proceeding.

TCMUD 12'S RESPONSE:

TCMUD 12 has not conducted a comprehensive study to compile a detailed listing and gather all of the testimony and all orders related to every proceeding at the Texas Water Commission or its successor agencies in which the Commission determined that a change in the method used to design rates is a change in the methodology for the computation of the revenue requirement. In addition, the response to this request for information may be derived or ascertained from the local public records of the Public Utility Commission or its predecessor agencies. PUC PROC. R. 22.144(c)(2)(D).

QUESTION NO. 4-26

Provide a detailed listing of every proceeding at the Texas Water Commission or its successor agencies in which the Commission has determined that a change in the method used to design rates is a change in the methodology for the computation of the rate. Provide all testimonies and orders related to each cited proceeding.

TCMUD 12'S RESPONSE:

TCMUD 12 has not conducted a comprehensive study to compile a detailed listing and gather all of the testimony and all orders related to every proceeding at the Texas Water Commission or its successor agencies in which the Commission determined that a change in the method used to design rates is a change in the methodology for the computation of the rate. In addition, the response to this request for information may be derived or ascertained from the local public records of the Public Utility Commission or its predecessor agencies. PUC PROC. R. 22.144(c)(2)(D).

Prepared by:
Witness:

QUESTION NO. 4-27

Does TCMUD 12 contend that WTCPUA has the unilateral right to change the rates charged to TCMUD 12 under the "TCMUD 12 Agreement"?

TCMUD 12'S RESPONSE:

The phrase "TCMUD 12 Agreement" has been defined by the WTCPUA's Fourth Requests for Information as "the 'Wholesale Water Services Agreement between Lower Colorado River Authority and Travis County Municipal Utility District No. 12,' dated October 22, 2009." Examining the Wholesale Water Services Agreement, that is, only the provisions within the four corners of that Wholesale Water Services Agreement, the WTCPUA does not have the unilateral right to change the rates charged to TCMUD 12 under the Wholesale Water Services Agreement by virtue of the fact that the WTCPUA is not a party to that Wholesale Water Services Agreement. TCMUD 12, did however, agree to the transfer of operations from the LCRA to the WTCPUA, and the WTCPUA's rights with respect to the rates charged to TCMUD 12 under the Wholesale Water Services Agreement as a result of Transfer Agreement are addressed in the response to WTCPUA RFI 4-28 below.

QUESTION NO. 4-28

Does TCMUD 12 contend that WTCPUA has the unilateral right to change the rates charged to TCMUD 12 under the "2012 Amendment"?

TCMUD 12'S RESPONSE:

The phrase "2012 Amendment" has been defined by the WTCPUA's Fourth Requests for Information as "the 'Agreement Regarding Transfer of Operations of the West Travis County Water System from the Lower Colorado River Authority, to the West Travis County Public Utility Agency,' fully executed on July 12, 2012, but effective on March 19, 2012." This is the Transfer Agreement included as JAD Exhibit 5 to Mr. DiQuinzio's Direct Testimony. The term "rates" is not defined by the general definitions of the WTCPUA's Fourth Requests for Information nor by the specific request.

TCMUD 12 contends that paragraph 3 of the Transfer Agreement delegates to the WTCPUA the authority to *collect* the Connection Fee under the Water Services Agreement, and authorizes the WTCPUA to *set* and *collect* the Monthly Charges and Volume Rates in strict accordance with the terms and conditions of the Water Services Agreement, while affirming that nothing affects or diminishes TCMUD 12's rights under the Water Services Agreement. TCMUD 12 contends that the distinction between "collect" and "set and collect" establishes that the WTCPUA may only collect (and not "set" and therefore, change) the Connection Fee, but may change (i.e. "set") the Monthly Charge and the Volume Rate, so long as the change to the Monthly Charge and the Volume Rate is in strict accordance with the terms and conditions of the underlying Water Services Agreement.

QUESTION NO. 4-29

Please provide the WTCPUA documents which provide the algebraic depiction of the WTCPUA's change in revenue requirement as alleged on Page 18, lines 9-10 of Joyce's rebuttal testimony.

TCMUD 12'S RESPONSE:

The WTCPUA documents are the Final Report – Wholesale Cost of Service and Rate Design Study (dated October 11, 2012), WTCPUA00009714 through WTCPUA00009754, which was attached as Exhibit JJJ-12 to the Direct Testimony of Jay Joyce, and WTCPUA's response to TCMUD 12 RFI 2-2 requesting the final analysis used to set the FY 14 minimum bill for TCMUD 12, WTCPUA00009755 through WTCPUA00009769, which was attached as Exhibit JJJ-15 to the Direct Testimony of Jay Joyce.

QUESTION NO. 4-30

Please reference page 38, lines 5-6 of Joyce's rebuttal testimony. Please provide documentation relied upon by Joyce to support the assertion that "performing cost allocation and rate design" means "determining the cost to provide service."

TCMUD 12'S RESPONSE:

Mr. Joyce did not make the assertion that is the subject of this request. Page 38, lines 5-6 of Mr. Joyce's rebuttal testimony, which is referenced in the question, actually states that, "Mr. Stowe defines cost of service as 'performing cost allocation and rate design' when it actually means 'determining the cost to provide service.'" Mr. Joyce's assertion in that portion of his testimony is that cost of service means determining the cost to provide service. Accordingly, Mr. Joyce has no documentation to support the position that "'performing cost allocation and rate design' means 'determining the cost to provide service'."

QUESTION NO. 4-31

How many retail water service connections does TCMUD 12 anticipate serving with water that is treated by WTCPUA when TCMUD 12 is fully developed?

TCMUD 12'S RESPONSE:

The Districts anticipate that they will serve a total of 1,640 retail water service connections when fully developed.

QUESTION NO. 4-32

How many living unit equivalents of retail water service does TCMUD 12 anticipate serving with water that is treated by WTCPUA when the TCMUD 12 is fully developed?

TCMUD 12'S RESPONSE:

The Districts anticipate that they will serve close to their maximum total of 2,125 living unit equivalents when fully developed.

QUESTION NO. 4-33

When does TCMUD 12 anticipate being fully developed?

TCMUD 12'S RESPONSE:

TCMUD 12 anticipates that it will be fully developed in 7 to 10 years, or between 2022 and 2025.

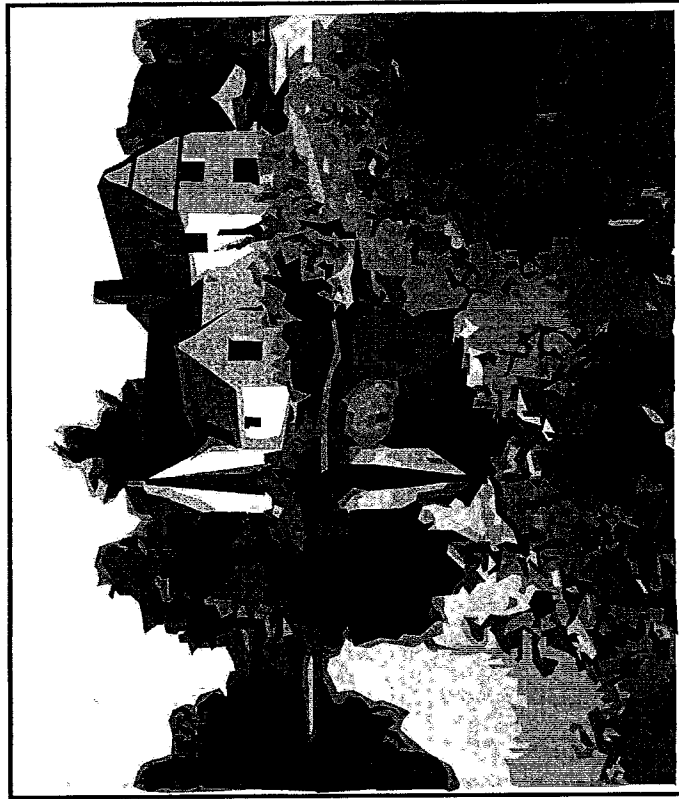
QUESTION NO. 4-34

Please reference page 44, lines 7-9 of Joyce's rebuttal testimony. Please provide documents relied upon by Joyce to support his claim that the meetings were structured as "informal knowledge-sharing meetings."

TCMUD 12'S RESPONSE:

The documents supporting Mr. Joyce's statement at page 44, lines 7-9 of his Rebuttal Testimony which states that, "The meetings were structured as informal knowledge-sharing meetings for the PUA to explain its new rate methodology..." are attached as Attachment TCMUD12 RFI 4-34.

Cost of Service and Rate Design Study:



West Travis County Public Utility Agency



October 30, 2012

**Presented By:
Water Resources Management, LLC
(512) 420-9841
info@wrmlp.com**

Additional Research



- ◆ Last wholesale rate increase in 2006/2007
- ◆ Last retail rate increase was in 2008
- ◆ Agency proposed 31% wholesale rate increase represents effective annual increase of 5.5%
- ◆ Current wholesale and retail rates based on cost of service study performed by LCRA in 2006

Additional Research



- ◆ Proportionate share of consumption on the system
- ◆ Wholesale customers' consumption have grown more than retail since 2007

Gallons Billed	LCRA 2007	PUA 2013
Wholesale	421,997,857	754,994,445
Total System	1,283,862,345	1,780,395,270
% Wholesale	33%	42%

Additional Research



- O&M costs increased by 77.6% since 2007 (LCRA versus Agency)
- O&M costs allocated to wholesale customers are in proportion to LCRA allocations
- LCRA FYE2010 actual O&M = \$8,735,918

O&M	LCRA 2007	PUA 2013
Wholesale Allocation	\$ 982,239	\$ 1,699,305
Total System Costs	\$ 3,726,322	\$ 6,617,426
% Allocated to Wholesale	26%	26%

Additional Research

- ◆ Annual debt service increased by 27.9% since 2007
- ◆ Annual debt service allocated to wholesale customers is similar to to LCRA allocations
- ◆ LCRA FYE2010 actual O&M = \$8,215,945
- ◆ LCRA FYE2013 Budget = \$10,165,602

Debt Service and Times Coverage		LCRA 2007	PUA 2013
Wholesale Allocation	\$	1,142,967	\$ 1,629,463
Total System Costs	\$	5,753,448	\$ 7,357,752
% Allocated to Wholesale		20%	22%

Additional Research



- ◆ Future rate increases likely due to:
 - ◆ Inflation
 - ◆ Annual increases in existing debt payments
 - ◆ Future debt associated with CIP not funded by impact fees

Next Steps



- ◆ **Work session to review detailed work papers immediately following this meeting**
- ◆ **Consulting team will be available to meet with any concerned parties to review detailed work papers, answer additional questions, or have additional discussions**
- ◆ **Increase for wholesale and effluent/raw water contract customers, anticipated effective date of January 1, 2013**
- ◆ **Date for board action regarding increase scheduled for November 15, 2012**

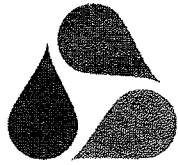
Questions?

WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY
 WHOLESALE WATER COMMITTEE MEMBERS - 2013

March 25, 2013 - MEETING

NAME	REPRESENTATIVE	E-MAIL ADDRESS	TELEPHONE NO.
Barton Creek West WSC			512/917-7580
Crystal Mountain HOA	Kinda McLean	lmclean@austin.rr.com	512-368-4094
Deer Creek Ranch Water Company	Randy Wilburn	rbw@randallwilburnlaw.com	512/431-8442
Dripping Springs WSC	Greg Wilburn Greg Wilburn	greg@drppingspringswater.com	512-858-7897
Eanes ISD			
Hays County WCID No. 1	Roger Darden	roger.darden@gmail.com	512.621-4221
Hays County WCID No. 2	Thomas Phillips	tom@mnmtc.com	512-422-4766
Lazy Nine MUD	Al Bo Bet Lob	lob@att.net street2and.com	512/264-1715
Reunion Ranch HCWCID			512/568-7390
Senna Hills MUD	CHET PALISAO	CHETP@SAHANSYS.COM	512/402-9943
TCMUD 12 (Rough Hollow)			512/478-0017 - 512/775-7035
TCMUD 18 (Masonwood)			512/306-8300
Travis County WCID 17			512/266-1111 ext 13

City of Dripping Springs website link - added city@drppingsprings.com 512-858-4195



Water Resources Management, LLC

Docket No. 42866

TCMUD 12 Responses to WTCPUA 4th RFIs

Attachment TCMUD 12 RFI 4-34

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February 21, 2013

Larry Fox
Board President
West Travis County Public Utility Agency
12117 Bee Cave Road
Building 3, Suite 120
Bee Cave, Texas 78738

Dear Mr. Fox,

As the West Travis County Public Utility Agency (Agency) nears completion of its first full-year of operations. It is time to embark upon the budgeting process for FYE 2014; evaluate customer rates and fees; and prepare pro forma analyses for the issuance of bonds in the summer of 2013. At this time, it is important to further refine and formally adopt some basic financial policies for the Agency. While said policies can be amended from time to time as deemed appropriate by the Board of Directors, these policies provide a basic frame-work for all financial planning activities of the Agency. Specifically, formally adopted financial policies provide:

1. The General Manager, staff, and consultants with clear guidelines with which to prepare recommended budgets, pro formas, and rates. Formal policies are the cornerstone of financial planning for the Agency.
2. Direction to the Agency's bookkeeper regarding transference of funds;
3. Clear communication to ratepayers and other interested parties surrounding the proposed utilization of the Agency's funds;
4. Transparency to rating agencies and bondholders, expressing commitment to sound fiscal policy and financial planning.

The project team recommends the adoption of the below financial policies for utilization during upcoming financial planning, budgeting and rate setting. The intention of this memo is to outline the consulting team's collective recommendation of policies for the Board's consideration.



General Operating Fund Balance (Revenue Fund)

The Agency maintains a General Operating Fund; this is where general operating expenses are paid and rate revenues and miscellaneous fees are deposited. The Agency's bookkeeper then transfers monies out of this fund to other Agency funds as necessary and appropriate. The "Revenue Fund" referenced in the Agency's Bonds is the General Operating Fund.

The Agency's final offering document on the Agency's Bonds states:

"Revenue Fund" The PUA has covenanted and agreed that the Gross Revenues of the System shall be deposited, as collected and received, into the Revenue Fund and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the PUA. All Gross Revenues deposited into the Revenue Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

- (a) FIRST: to the payment of all Operation and Maintenance Expenses as defined herein or required by statute, to be a first charge on and claim against the Gross Revenues of the System.
- (b) SECOND: to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund and the Reserve Fund, created, and established for the payment and security of the Senior Lien Obligations as the same become due and payable.
- (c) THIRD: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Junior Lien Obligations hereafter issued by the PUA as the same become due and payable.
- (d) FOURTH: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Inferior Lien Obligations hereafter issued by the PUA as the same become due and payable.

Any Net Revenue remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be transferred to the Rate Stabilization Fund and appropriated and used for any other PUA purpose now or hereafter permitted by law."

Most utilities maintain a specified minimum balance within the General Operating Fund. This specified balance is to be maintained in order to allow for fluctuations in revenues that are caused by weather occurrences, timing, and differences in expenses, budgetary shortfalls, and other minor unforeseen circumstances that cause temporary cash-flow limitations on the Agency. These are "unrestricted funds" meaning the Agency has not earmarked these funds for another purpose, and can be used for any lawful purpose as directed by the Board of Directors.

Policy Elements:

1. **Specified Minimum Fund Balance** – the policy should identify a minimum balance to be maintained in the General Operating Fund, which is typically stated in terms of months of operations and maintenance expenses. Targeted months vary by entity, its operating history, other sources of funds, and general "risk" adversity.

Staff recommendation: Given the age of the Agency, the lack of other funds available, pending drought conditions and the impact on customer demands, the project team recommends the



minimal General Operating Fund Balance equal to **nine-months** of operating and maintenance expenses.

2. **Measure of Fund Balance** – The policy should identify how the minimum fund balance is calculated. The Agency may measure against the current year budget or prior year audited actual expenses, or a combination thereof.

Staff recommendation: The project team recommends measuring against the current year budget or the prior year actual costs, whichever is greater.

3. **Means of Curing Shortfall** – Finally, the policy should outline a means in which any shortfall of this amount would be restored.

Staff recommendation: The project team recommends that the policy task the General Manager with the duty to report any such shortfall to the Agency's Board of Directors at the time the shortfall is identified. The General Manager has the responsibility to develop and present to the Board a plan to correct the deficit prior to the adoption of the budget for the next fiscal year. The plan should provide for replacement of necessary funds to restore the minimum General Operating Fund Balance by the close of the following fiscal year.

Bond Fund Balance (Interest and Sinking Fund)

A Bond Fund, also referred to as an Interest and Sinking Fund, is a separate fund from the General Operating Fund. It is required by the Agency's existing bond covenants. The Bond Fund is essentially a debt service fund from which payments of principal and interest on outstanding bonds is made. Bond Fund balances must be accumulated (in equal monthly installments) in amounts sufficient to pay principal and interest on Agency bonds as such payments are due. However, sound fiscal policy dictates maintaining the Bond Fund Balance at an amount greater than the monies currently due in any given year. Bond Fund balances cannot be used for any purpose other than the payment of debt service. This fund is not to be confused with the Agency's Debt Service Reserve Fund, which constitutes restricted reserves that should only be utilized in the event of a shortfall in the Bond Fund against currently owing bond interest or principal payments.

Policy Elements:

1. **Specified Minimum Bond Fund Balance** – The policy needs to identify a minimum balance to be maintained in the Bond Fund, which is typically stated in terms of a dollar amount or other trigger.

Staff recommendation: The Agency's Financial Advisor recommends setting the minimum balance, at any given time, at an amount equal to six months interest, so long as the said balance never exceeds maximum balance requirements set forth by the IRS.

2. **Time to Accumulate Funds** – As the Agency is expected to issue debt from time to time in the future, six months interest may change and fluctuate upon the issuance of each new bond and/or as the Agency makes debt service payments. In order to alleviate "Rate-shock" impacts that may be associated with one-time contributions to this fund, the Agency may elect to have a policy that allows the Bond Fund balance to be built over time.