

(j) Sale, Lease, or Disposal of Property by the Participants. No part of the Participant's System shall be sold, leased, mortgaged, demolished, removed, or otherwise disposed of, except as follows:

(1) To the extent permitted by law, a Participant may sell or exchange at any time and from time to time any property or facilities constituting such Participant's System only if (i) it shall determine such property or facilities are not useful in the operation of such Participant's System, or (ii) the proceeds of such are \$250,000 or less, or it shall have received a certificate executed by the Authorized Representative stating, in their opinion, that the fair market value of the property or facilities exchanged is \$250,000 or less, or (iii) if such proceeds or fair market value exceeds \$250,000 it shall have received a certificate executed by the Authorized Representative stating in their opinion, that the sale or exchange of such property or facilities will not impair the ability of such Participant to comply during the current or any future year with the provisions of this Agreement. The proceeds of any such sale or exchange not used to acquire other property necessary or desirable for the safe or efficient operation of such Participant's System shall forthwith, at the option of such Participant, be used as provided in the ordinances or resolutions its Participants Utility Bonds, if any.

(2) To the extent permitted by law, a Participant may lease or make arrangements for the use of, or grant easements or other rights with respect to, any part of its portion of the Participant's System, provided that any such arrangement, easement or right (i) does not impede the operation by the PUA of the System and (ii) does not in any manner impair or adversely affect the rights or security of the PUA under this Agreement; and provided, further, that if the depreciated cost of the property to be covered by any such arrangement, easement, or other right is in excess of \$500,000, the PUA shall have received a certificate executed by the Authorized Representative that the action of the Participant with respect thereto does not result in a breach of the conditions under this subsection (2). Any payments received by a Participant under or in connection with any such arrangement, easement or right in respect of the Participant's System or any part thereof shall constitute gross revenues of the Participant's System.

## ARTICLE VIII

### CONTINUING DISCLOSURE

Section 8.01 Annual Reports. Following the issuance of Bonds of any series, the offer or sale of which is not exempt from the Rule and, until the Participants are no longer obligated, contingently or otherwise, to make Annual Payments in respect of the Bonds of such series, the Participants undertake to and shall provide annually to the MSRB, within six months after the end of each Fiscal Year, (1) financial information and operating data of the general type included in the Sale and Offering Documents for the Bonds of such series, and (2) audited general purpose financial statements of the Participants, if then available. Any financial statements so to be

provided shall be (1) prepared in accordance with generally accepted accounting principles for governmental agencies or such other accounting principles as the Participants may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Participants commission an audit of such statements and the audit is completed within the period during which it must be provided. If the audit of such financial statements is not complete within such period, then the Participants shall provide unaudited financial statements within the required period, and shall provide audited financial statements for the applicable Fiscal Year to the MSRB, when and if the audit report on such statements become available.

If the Participants change their Fiscal Year, they will notify the Trustee and the MSRB in writing of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Participants otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be incorporated by specific reference to any document or specific part thereby (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC. Copies of such information and operating data shall be furnished to the PUA at the same time the information and data are furnished to the MSRB.

#### Section 8.02 Certain Event Notices.

(a) The following are events which the PUA must agree to disclose in a timely manner (not to exceed ten (10) business days) pursuant to the Rule:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;

- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the PUA or a Participant;
- (13) The consummation of a merger, consolidation, or acquisition involving the PUA or a Participant or the sale of all or substantially all of the assets of the PUA or a Participant other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional Trustee or the change of name of Trustee, if material.

(b) For the purposes of the event identified in clause (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the PUA or a Participant in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the PUA or a Participant, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the PUA or a Participant.

(c) The Participants shall, promptly after obtaining actual knowledge of the occurrence of any of the events enumerated in (a) above, notify the PUA of such event and provide all information in the format required to satisfy the requirements of the Rule. Further, the Participants shall provide, in a timely manner (not to exceed ten (10) business days), notice of any failure by the Participants to provide audited financial statements, financial information, and operating data in accordance with Section 8.01 hereof to the MSRB.

**Section 8.03 Limitations, Disclaimers, and Amendments.** The Participants shall be obligated to observe and perform the covenants specified in this Article in respect of the Bonds of any series for so long as, but only for so long as, the Participant remains an "obligated person" with respect to the Bonds of such series within the meaning of the Rule, except that the

Participants in any event will give notice of any deposit made in accordance with the Bond Resolution that causes Bonds of such series no longer to be outstanding.

The provisions of this Article are for the sole benefit of (and may be enforced by) the owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Participants undertake to provide only the financial information, operating data, financial statements, and notices which they have expressly agreed to provide pursuant to this Article and do not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Participants' financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Participants make no representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE PARTICIPANTS BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE PARTICIPANTS WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Participants in observing or performing its obligations under this Article shall comprise a breach of or default under this Agreement for purposes of any other provision of this Agreement.

Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the PUA or the Participants under federal and state securities laws.

The provisions of this Article may be amended by the PUA and the Participants from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the PUA or the Participants, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds of the applicable series in the primary offering of the Bonds of such series in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (2) either (a) the owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Agreement that authorizes such an amendment) of the outstanding Bonds of each such series affected consent to such amendment or (b) an entity that is unaffiliated with the PUA or the Participants (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the owners and beneficial owners of the Bonds of such series and is permitted by the terms of the Article. If the PUA and the Participants so amend the provisions of this Article in connection with the financial or operating data which the Participants are required to disclose under Section 8.01 hereof, the Participants

shall provide a notice of such amendment to be filed in accordance with Section 8.02(b) hereof, together with an explanation, in narrative form, of the reason for the amendment and the impact of any change in the type of financial information or operating data to be so provided. The PUA and the Participants may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

## **ARTICLE IX**

### **COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAWS**

**Section 9.01 Compliance with Federal, State and Local Laws.** In addition to the provisions of Section 10.08 hereof, this Agreement is subject to all applicable federal and State laws and any applicable permits, ordinances, rules, orders and regulations of any local, state or federal government authority having or asserting jurisdiction. This Agreement is specifically subject to the rules of the TCEQ and the PUA shall have the right to terminate this Agreement upon the Participants' noncompliance with the rules promulgated by the TCEQ. Pursuant to those rules the parties will comply with Section 9.02.

**Section 9.02 Recordkeeping and Reporting.** The Participants and the PUA shall maintain records on site for a period of five (5) years. Records to be maintained by the PUA include: (i) copies of notifications made to the TCEQ concerning water projects; (ii) as applicable, copies of contracts made with each Water Participant; (iii) records of volume of water delivered to each Water Participant per delivery; (iv) water quality analyses.

The foregoing requirements of this Article IX shall be amended as necessary to comply with the rules of the TCEQ.

All costs of compliance with the rules of the TCEQ shall be paid by the PUA, but such costs shall be considered an Operation and Maintenance Expense.

## **ARTICLE X**

### **GENERAL PROVISIONS**

**Section 10.01 Participation by the Parties.** The PUA and each of the Participants each represents to the others that it is empowered by law to participate in the acquisition and financing of the System, and to execute this Agreement and other agreements and documents as are or may hereafter be required to accomplish the same; and that its participation in the System and execution of this Agreement have been duly authorized by action of its governing body at a meeting conducted in accordance with the Texas Open Meetings Act, as amended, Chapter 551, Texas Government Code. The PUA and each of the Participants agree to furnish to the other such documentation or evidence of its authority to so participate and execute the contracts and other agreements as the other party may reasonably request, and to take and perform such other

and further actions and execute such other agreements and documents as may be reasonably required to carry out the provisions of this Agreement.

**Section 10.02 Insurance.** (a) The PUA agrees to carry public liability insurance on the System for purposes and in amounts which ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the PUA shall not be required to carry liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the PUA's legal counsel, be potentially liable considering relevant governmental immunities of the Participants and the PUA. The PUA shall also carry property casualty insurance in the amount of the replacement value of all improvements and personal property connected with the System (less a deductible comparable to the deductible on the Participants' property insurance for Participants property generally).

All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System. In the event the PUA is required to pay a deductible with respect to a claim under any such policy, the amount of such deductible shall constitute an Operation and Maintenance Expense.

(b) The PUA shall require any contractor or contractors employed for construction of the System to carry insurance coverages throughout the construction period in at least the following amounts: (1) workers' compensation: State law-limits; (2) general liability (including contractual liability) and automobile liability: one hundred thousand dollars (\$100,000) per person and per occurrence for bodily injury and one hundred thousand dollars (\$100,000) for property damage; (3) builder's risk: full replacement value of improvements; (4) performance and payment bond: full value of contract; (5) cost overrun insurance; and (6) timely completion insurance. The Participants shall be furnished with a certified copy of such effective policy of insurance prior to commencement of construction. Such insurance policies shall name the PUA and the Participants as additional insureds, and the PUA shall be provided with a certificate of insurance showing the required coverages and providing that the policies may not be canceled, changed, or not renewed until the PUA has been given thirty (30) days prior written notice of such event.

(c) The insurance required by this section may be modified by written agreement of the Participants and the PUA, in accordance with good business practice. The parties can agree to substitute an owner controlled insurance program for any of the above specified insurance requirements.

**Section 10.03 Force Majeure.** If by reason of Force Majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Agreement, other than the obligation of the Participants to make the payments required under Sections 4.03 and 4.04 of this Agreement, then if such party shall give notice and full particulars of such Force Majeure in writing to the other party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God,

strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, blue northerns, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, inability on the part of the PUA to deliver water for any reason, or on account of any other causes not reasonably within the control of the party claiming such inability.

**Section 10.04 Unconditional Obligation to Make Payment.** Recognizing the fact that the Participants urgently require the facilities and services of the System, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the Annual Payments to be received from each of the Participants will be the sole source of funds available to the PUA and the Trustee to pay the Bonds, and recognizing the fact that purchasers of Bonds will rely on the obligation of the Participants to make Annual Payments in accordance with the provisions of this Agreement, each of the Participants hereby waives all rights of set-off, recoupment, counterclaim, suspension, deferment, reduction, and amendment, with respect to making the Annual Payments against the PUA, the Trustee, and any other direct or indirect recipients of Annual Payments, and the Participants agree that, if the Bonds are issued, they shall be unconditionally obligated to pay the Annual Payments as provided and determined by this Agreement, regardless of whether or not the PUA actually acquires, the System or breaches any obligation on its part hereunder, and whether or not the Participants actually use the System, whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this Agreement, any other contract or agreement between any of the parties hereto. This covenant by each of the Participants shall be for the benefit of and enforceable by the owners of the Bonds, the Trustee and/or the PUA.

By entering into this Agreement and performing its obligations under any Section of this Agreement, the Participants do not release any persons from or waive any claims against such persons that the Participants may have resulting from actions by such persons contrary to that person's legal obligations.

**Section 10.05 Term of Contract.** This Agreement shall be effective from and after its date, and shall continue in full force and effect until the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Bonds has been made in accordance with the terms of the Bond Resolution (by legal defeasance or otherwise). When the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Bonds has been made in accordance with the terms of the Bond Resolution (by legal defeasance or otherwise) and all amounts owed to the PUA, the Trustee, or any other person hereunder have been paid, all money held by the Trustee or the PUA pursuant to the terms of the Bond Resolution shall be paid to the PUA.

**Section 10.06 Modification.** No change, amendment, or modification of this Agreement shall be made or be effective which will affect adversely the prompt payment when due of all money required to be paid by the Participants under the terms of this Agreement and no such

change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

Section 10.07 Addresses and Notice. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to the other parties must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the PUA:	West Travis County Public Utility Agency 12215 Bee Cave Road Bee Cave, TX 78738 Attn: General Manager
With a copy to:	Lauren Kalisek Lloyd Gosselink Rochelle & Townsend, P.C. 816 Congress Ave Suite 1900 Austin, Texas 78701
If to the County:	Judge Bert Cobb, M.D. (or successor) Hays County Judge 111 E. San Antonio St., Suite 300 San Marcos, TX 78666
with copy to:	Mark Kennedy (or successor) A.D.A. - Chief - Civil Division 712 S. Stagecoach Trail, Suite 2057 San Marcos, TX 78666
If to the City:	Frank Salvato, City Administrator 4000 Galleria Parkway Bee Cave, Texas 78738
If to MUD 5:	President, Board of Directors West Travis County Municipal Utility District No. 5 P.O. Box 150068 Austin, Texas 78715



The PUA and the Participants hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties.

Section 10.08 State or Federal Laws, Rules, Orders, or Regulations. This Agreement is subject to all applicable federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction and the Participants and the PUA represent that, to the best of their knowledge, no provisions of any applicable federal or State law, nor any permit, ordinance, rule, order, or regulation of either party will limit or restrict the ability of either party to carry out their respective obligations under or contemplated by this Agreement.

Section 10.09 Severability. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Agreement or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Agreement or the application of such actions, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Agreement shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 10.10 Remedies Upon Default. It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing that failure in the performance of the Participants' obligations hereunder could not be adequately compensated in money damages alone, each of the Participants agrees in the event of any default on its part that the PUA and the owners of the Bonds as third-party beneficiaries shall have available to them the remedies of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to them. Notwithstanding anything to the contrary contained in this Agreement, any right or remedy or any default hereunder, except the right of the PUA to receive the Annual Payments and the provisions of Section 2.11 hereof, which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of the performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character or description, under any circumstances.

Section 10.11 Venue. All amounts due under this Agreement, including, but not limited to, payments due under this Agreement or damages for the breach of this Agreement, shall be paid and be due in Travis County, Texas, which is the County in which the principal administrative offices of the PUA are located. It is specifically agreed among the parties to this Agreement that Travis County, Texas, is the place of performance of this Agreement; and in the event that any legal proceeding is brought to enforce this Agreement or any provision hereof, the same shall be brought in Travis County, Texas.

Section 10.12 Statutory Authority. In entering into this Agreement and performing all duties and obligations hereunder, the Participants and the PUA exercise their authority under and in accordance with the State Constitution and laws including, but not limited to, the PUA Act, Chapters 552 and 562, Local Government Code; Chapters 791 and 1502, Texas Government Code, as amended, and all other laws which may authorize this Agreement, all of which provisions and laws, cited or not cited herein, shall cumulatively provide the authority for this Agreement.

Section 10.13 Indemnification. FOR SO LONG AS THE BONDS ARE OUTSTANDING AND UNPAID, AND ALSO WITH RESPECT TO ANY CLAIM THAT MAY ARISE OUT OF THE OFFER AND SALE OF THE BONDS OF ANY SERIES OR THE ALLEGED MISSTATEMENT OR OMISSION OF A MATERIAL FACT IN OR FROM ANY SALE AND OFFERING DOCUMENT RELATING TO ANY PARTICIPANT USED IN CONNECTION THEREWITH, TO THE EXTENT PERMITTED BY LAW, EACH PARTICIPANT AGREES TO INDEMNIFY AND SAVE AND HOLD HARMLESS THE PUA, AND THE OTHER PARTICIPANTS, ITS OFFICERS, DIRECTORS, AGENTS, FINANCIAL ADVISORS, ATTORNEYS, AND EMPLOYEES, AND THE UNDERWRITERS OF ANY SUCH OFFERING AND THEIR DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS, AND ALL PERSONS WHO CONTROL THE SAME WITHIN THE MEANING OF THE FEDERAL SECURITIES LAWS, FROM AND AGAINST ALL CLAIMS THAT MAY ARISE AS A RESULT OF ANY UNDERTAKING, ACT, OR OMISSION, WHETHER NEGLIGENT OR NOT, WHICH IS DONE OR OMITTED TO BE DONE BY THE PARTICIPANTS OR ANY OF THEIR OFFICERS, COUNCILMEN, AGENTS, ATTORNEYS, AND EMPLOYEES, RELATING TO THE SYSTEM OR PROVIDING INFORMATION FOR INCLUSION IN THE SALE AND OFFERING DOCUMENTS. IF ANY SUCH CLAIM IS BROUGHT AGAINST ANY SUCH INDEMNIFIED PERSON, THE PARTICIPANTS SHALL PAY ALL COSTS INCURRED BY SUCH PERSON IN DEFENDING AND (SUBJECT TO APPLICABLE RULES OF ATTORNEY CONDUCT) MAY CONTROL THE DEFENSE OF SUCH CLAIM.

Section 10.14 Agreement not for Benefit of Third Parties. This Agreement is made for the exclusive benefit of the Participants, the PUA, the Trustee, the owners of the Bonds, the underwriters of any offering of and remarketing agent and tender agent, if any, for any Bonds, and their respective successors and assigns herein permitted, and not for any third party or parties other than the PUA (including its officers, directors, employees, agents, and attorneys), the Trustee, the owners of the Bonds, the Participants, the underwriters of any offering of and remarketing agent and tender agent, if any, for any Bonds, the other persons indemnified by

Section 10.13 hereof, and their respective successors and assigns herein permitted, any rights or remedies under or by reason of this Agreement.

Section 10.15 Succession and Assignment. This Agreement is binding on and inures to the benefit of the parties hereto and their respective successors, representatives, and assigns. This Agreement may not be assigned by either party hereto without (i) complying with any provisions relating to the right of the parties to assign this Agreement contained in the Bond Resolution and (ii) prior written notice to and approval by the other parties, which consent may be withheld without cause. The provisions of this Section do not affect the assignment of the PUA's rights under this Agreement to the Trustee pursuant to the Bond Resolution.

Section 10.16 Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Agreement for all purposes and are adopted as a part of the judgment and findings of the PUA and the Participants.

Section 10.17 PUA as Independent Contractor. As among the parties, the PUA shall be solely responsible for the operation of the System to produce, withdraw, divert, obtain, treat, and transport water to the Water Participants and to collect, transport, treat and dispose of sewage received from the Wastewater Participants pursuant to this Agreement (except to the extent the PUA and the Participants enter into agreements for the Participants to operate parts of the System); and the PUA shall be an independent contractor of the Participants in the operation of the System.

Section 10.18 Financing Statement. Each of the Participants agrees at the request of the PUA they shall execute a financing statement in a form satisfactory to the PUA and meeting the requirements of the Texas Uniform Commercial Code to perfect any security interest created hereby. The Participants further agree to execute such continuation statements or other documents as may be necessary to maintain any such security interest.

Section 10.19 Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the matters described herein.

Section 10.20 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 10.21 Counterparts. This Contract may be executed in counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

Section 10.22 Additional Bonds. In addition to the Bonds issued to finance the payment of the Installment Payments, the PUA may issue additional bonds from time to time for the benefit of the System at the discretion of the Board.

Section 10.23 PUA Rules and Regulations. The Participants hereby acknowledge and agree that the PUA will adopt rules and regulations from time to time for the efficient operation of the System in accordance with Prudent Utility Practice. The Participants shall be bound by all such rules and regulations and shall participate with the PUA as necessary to enforce such rules and regulations.

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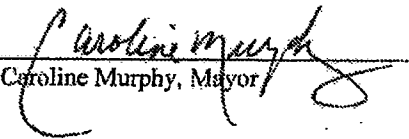
IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Agreement to be duly executed to be effective as of the Effective Date.

WEST TRAVIS COUNTY PUBLIC UTILITY  
AGENCY

By: Larry Fox  
Larry Fox, President  
Board of Directors

Attest: Ray Whisenant  
Ray Whisenant, Secretary  
Board of Directors

CITY OF BEE CAVE, TEXAS

By:   
Caroline Murphy, Mayor

Attest:

  
Kaylynn Holloway, City Secretary



HAYS COUNTY, TEXAS

By: Bert Cobb  
Bert Cobb, Hays County Judge

Attest:

Liz Q. Gonzalez  
Liz Q. Gonzalez, Hays County Clerk

WEST TRAVIS COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 5

By: Larry Fox  
Larry Fox, President  
Board of Directors

Attest: [Signature]  
Steve Leon, Secretary  
Board of Directors

S-4

1940514.8

WTCPUA00006110



**EXHIBIT A****DETERMINATION OF PROPORTIONATE SHARES OF ANNUAL PAYMENT**

The PUA will budget the amount of the Annual Payment for each Fiscal Year. Each Participant's Proportionate Share of the Annual Payment shall be determined by multiplying such Participant's Proportionate Share by the budgeted Annual Payment.

**Proportionate Share of Annual Payment**

1. During the period commencing with the Operations Transfer Date and ending on the last day of the month during which audited financial statements for the Fiscal Year ending September 30, 2012 become available, each Participant's Proportionate Share of the Annual Payment shall be as follows:

<u>Participant</u>	<u>Proportionate Share</u>
City of Bee Cave	27.3%
Hays County	35.1%
MUD 5	37.6%

2. Thereafter, each Participant's Proportionate Share of the Annual Payment shall be re-determined annually upon receipt of audited financial statements for the most recently completed Fiscal Year and shall be equal to each Participant's percentage of actual revenues of the System for the prior Fiscal Year, as follows:

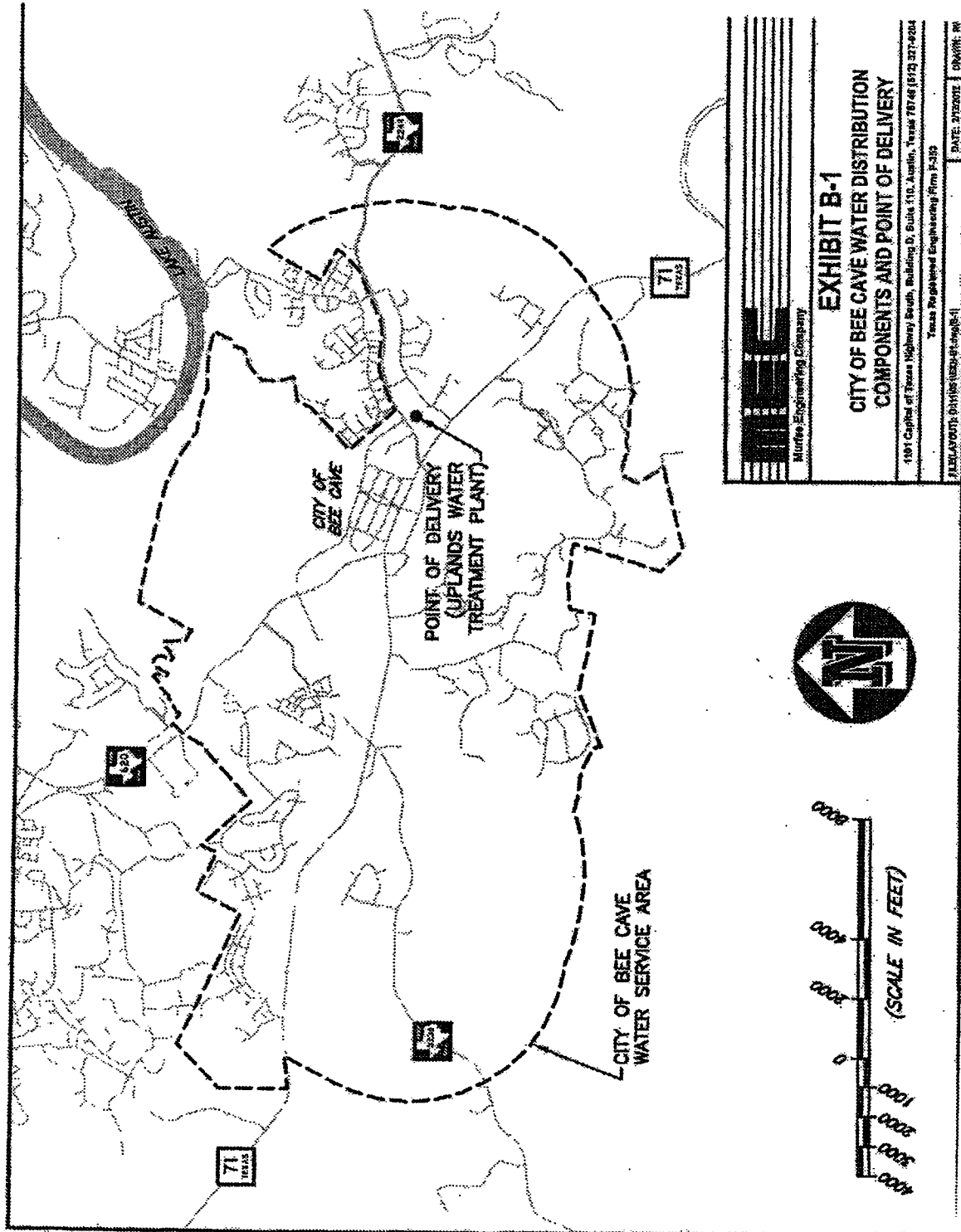
$$\frac{\text{Actual Revenues collected on behalf of Participant for Prior Fiscal Year}}{\text{Actual Revenues collected on behalf of all Participants for Prior Fiscal Year}} = \text{Participant's Proportionate Share}$$

**EXHIBIT B-1**

**CITY OF BEE CAVE WATER DISTRIBUTION COMPONENTS  
AND POINT OF DELIVERY**

**B-1**

**WTCPUA00006112**



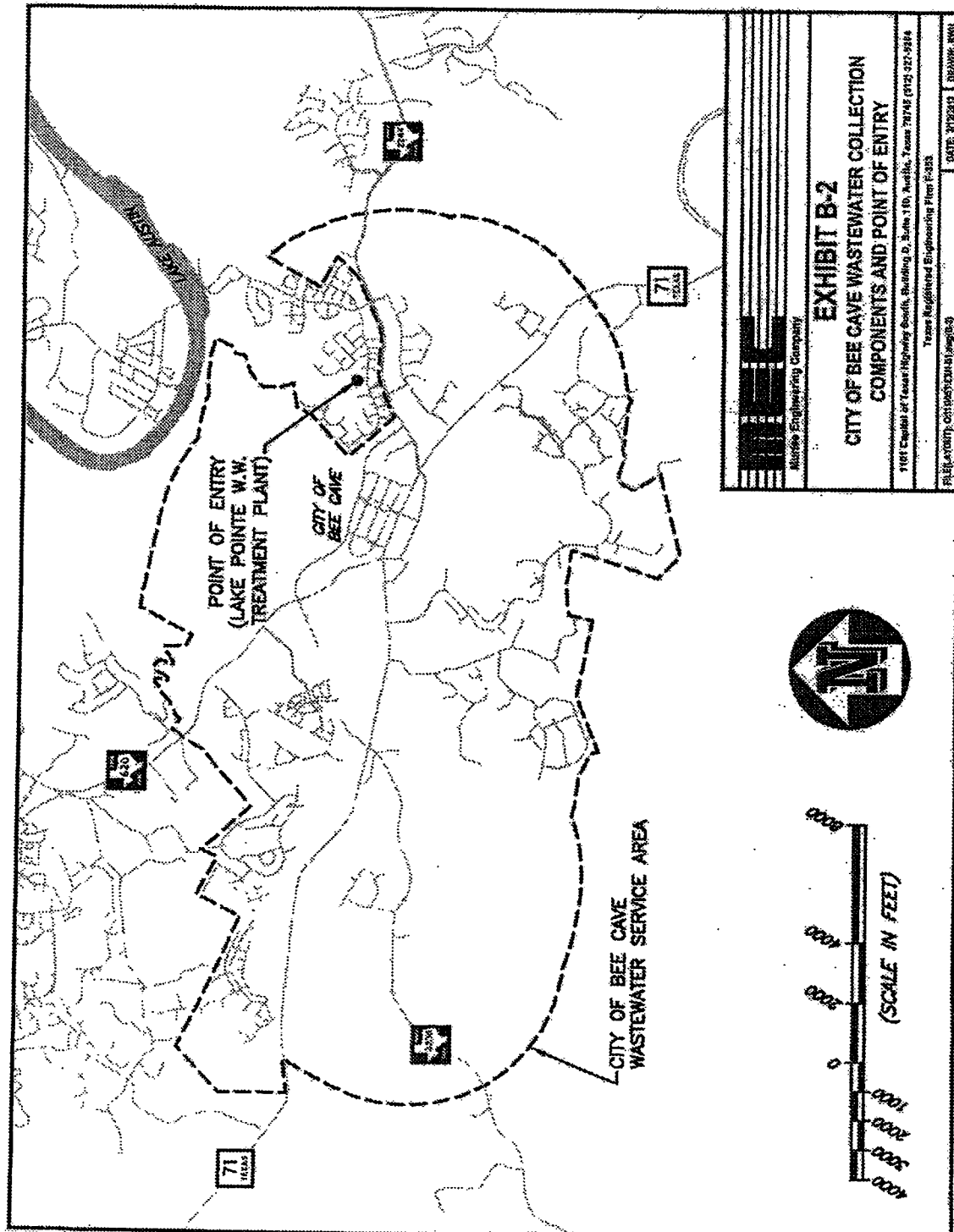
WTCPUA00006113

**EXHIBIT B-2**

**CITY OF BEE CAVE WASTEWATER COLLECTION COMPONENTS  
AND POINT OF ENTRY**

B-2

**WTCPUA00006114**



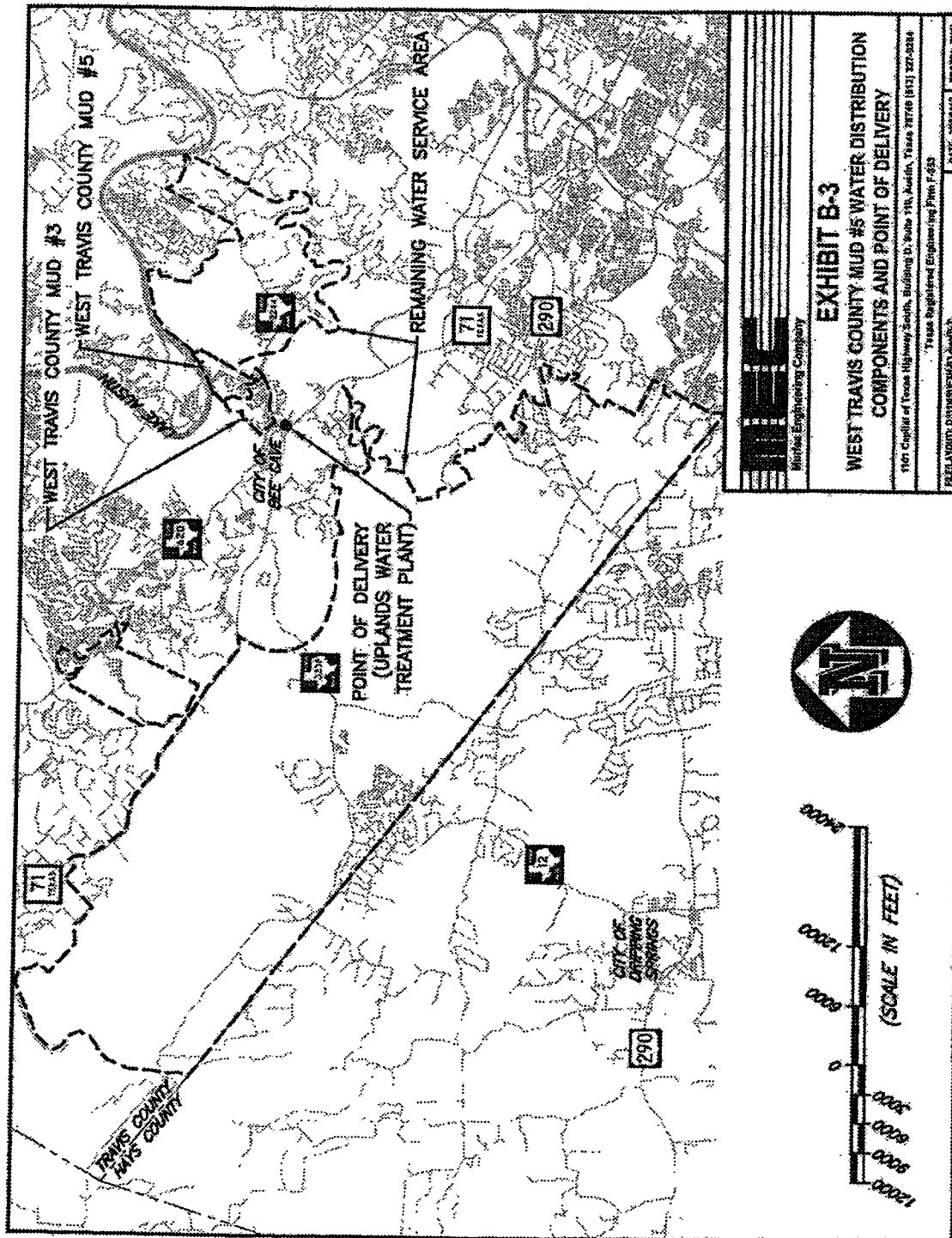
**WTCPUA00006115**

**EXHIBIT B-3**

**WEST TRAVIS COUNTY MUD NO. 5 WATER DISTRIBUTION COMPONENTS  
AND POINT OF DELIVERY**

B-3

WTCPUA00006116



WTCPUA00006117

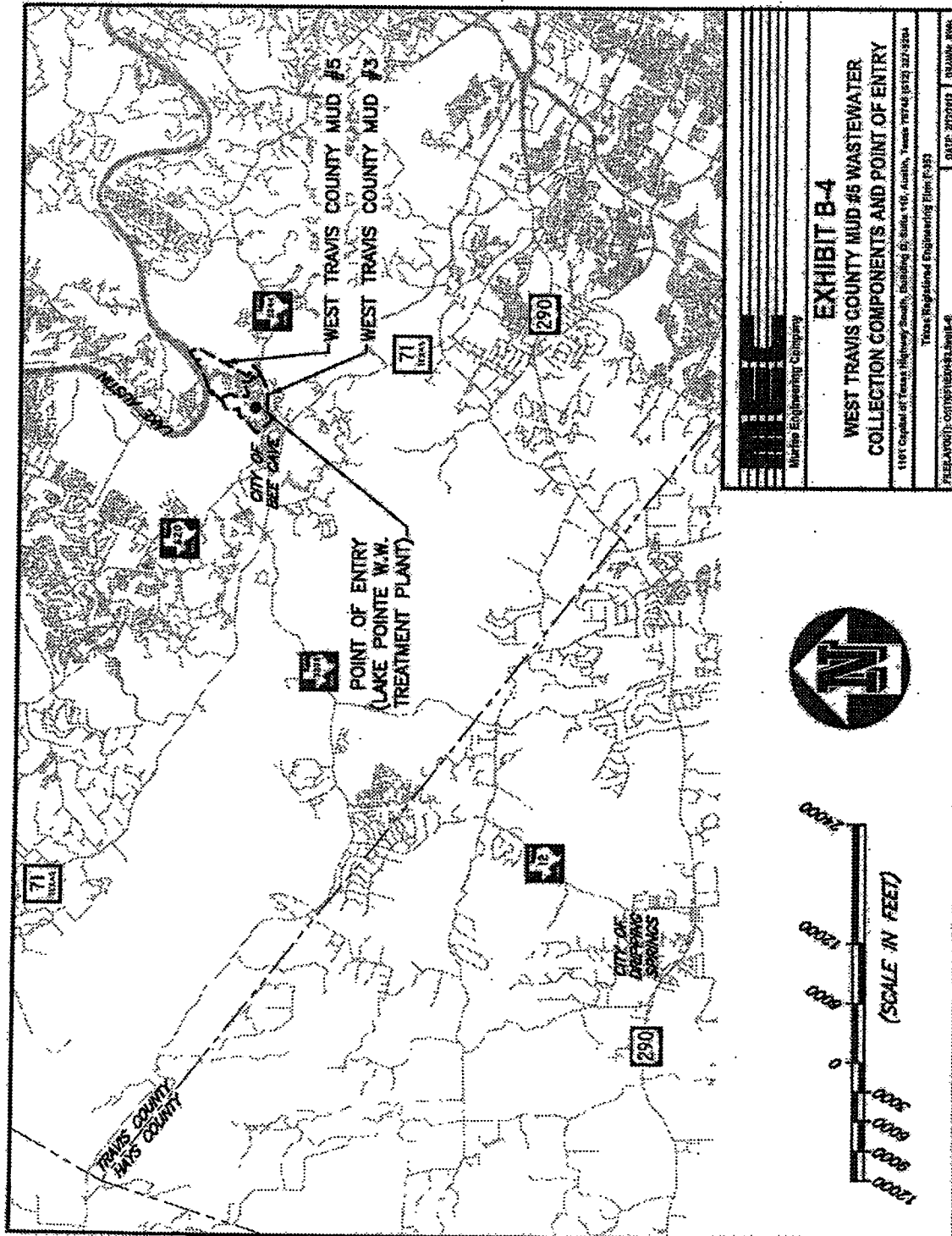
**EXHIBIT B-4**

**WEST TRAVIS COUNTY MUD NO. 5 WASTEWATER COLLECTION  
COMPONENTS AND POINT OF ENTRY**

B-4

**WTCPUA00006118**





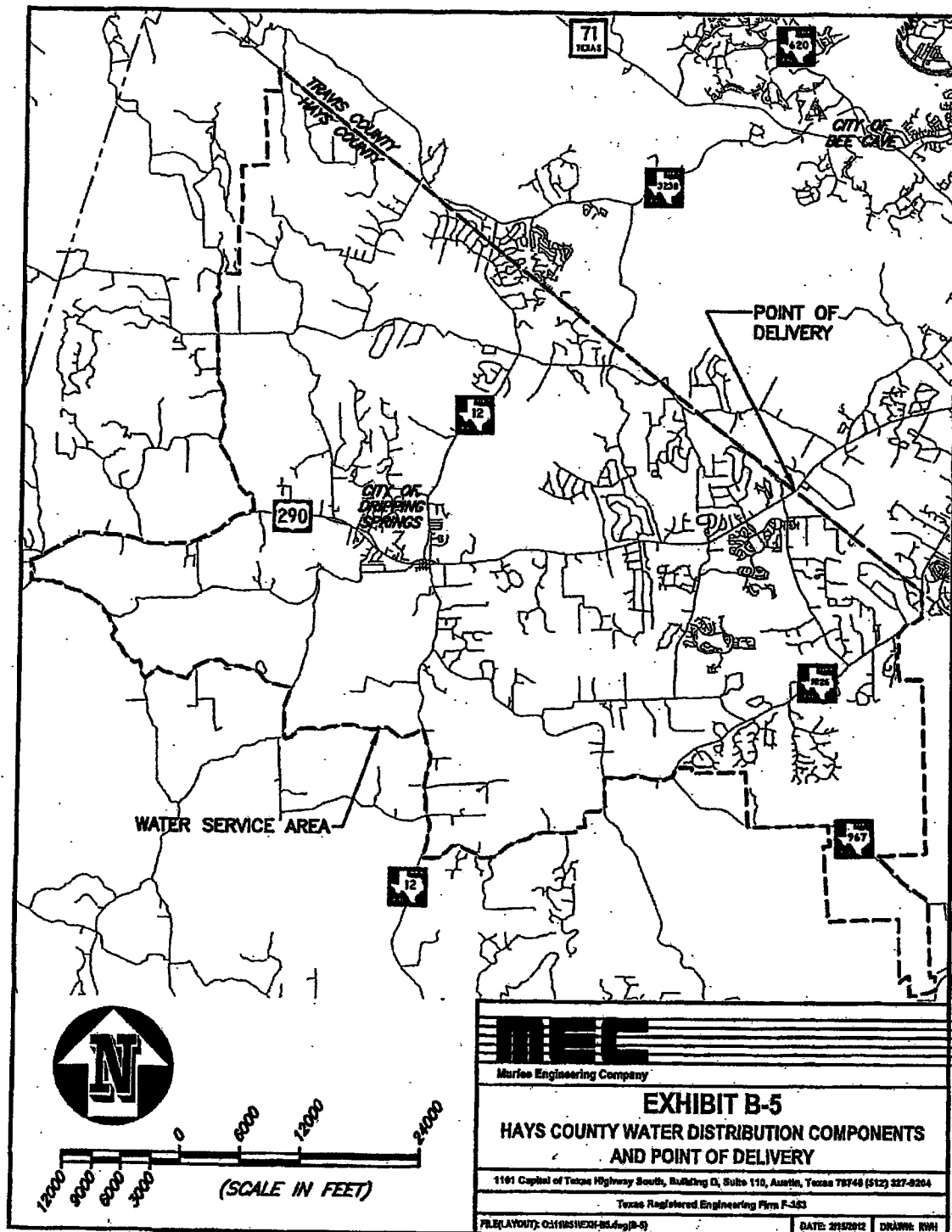
WTCPUA00006119

**EXHIBIT B-5**

**HAYS COUNTY WATER DISTRIBUTION COMPONENTS  
AND POINT OF DELIVERY**

B-5

WTCPUA00006120



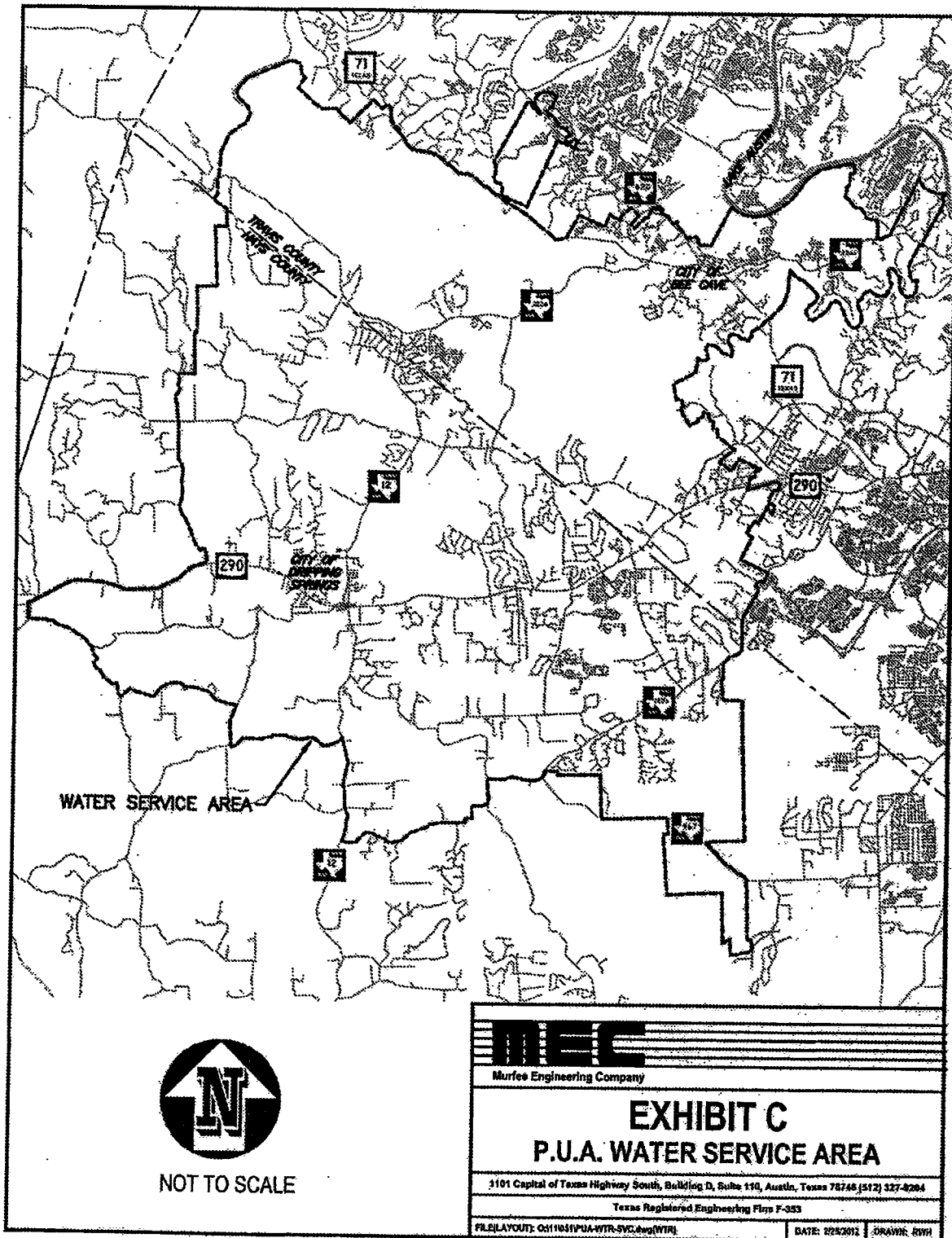
WTCPUA00006121

**EXHIBIT C**

**PUA WATER SERVICE AREA**

C-1

**WTCPUA00006122**



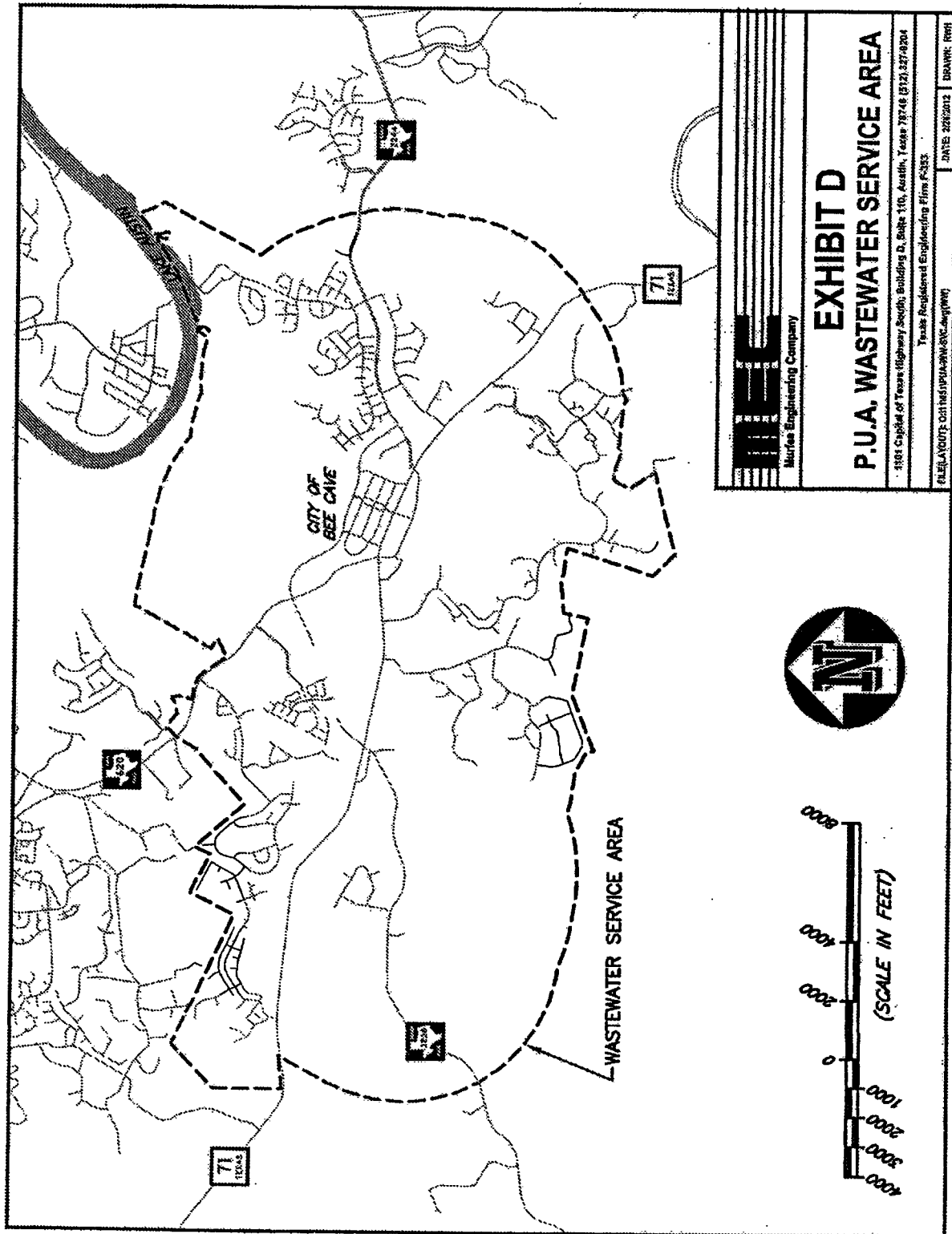
WTCPUA00006123

**EXHIBIT D**

**PUA WASTEWATER SERVICE AREA**

D-1

**WTCPUA00006124**



WTCPUA00006125

**RESOLUTION OF WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY  
AUTHORIZING THE NEGOTIATION AND EXECUTION OF FORM AMENDMENTS  
TO WHOLESALE CUSTOMER AGREEMENTS**

THE STATE OF TEXAS	§
	§
COUNTIES OF TRAVIS	§
AND HAYS	§

**WHEREAS**, West Travis County Public Utility Agency (the "**Agency**") is a public utility agency created by concurrent ordinances of Hays County, the City of Bee Cave and West Travis County Municipal Utility District No. 5, governed by Chapter 572 of the Texas Local Government Code; and

**WHEREAS**, the Agency is in the process of amending wholesale water and wastewater agreements to allow wholesale customers to reduce the contractually reserved capacity, if requested; and

**WHEREAS**, the Agency is utilizing a form wholesale amendment, attached as **Exhibit A**, to effect these capacity changes and establish wholesale rate methodology; and

**WHEREAS**, the Agency desires to authorize the General Manager and Board President to negotiate and execute amendments to wholesale agreements in substantially the form as presented in the form amendment provided as **Exhibit A**; and

**WHEREAS**, the Agency Board of Directors requires that all wholesale contract amendments be executed prior to the December 19, 2013 Board of Directors meeting, and that a summary of all executed amendments be provided to the Board at such meeting.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY:**

**Section 1.** The Board of Directors authorizes the Agency General Manager and Board President to negotiate and execute amendments with wholesale customers as substantially the form as presented in **Exhibit A**.

**Section 2.** The Board of Directors authorizes the Agency General Manager to include in any wholesale contracts an adjustment of reserved capacity, so long as such adjustment is a decrease from the applicable wholesale customer's current contractually reserved capacity.

**Section 3.** The Agency Board of Directors requires that any wholesale contract amendments based on the form provided in **Exhibit A** be executed prior to the December 19, 2013 Board of Directors meeting, and that a summary of all executed amendments be provided at such meeting.

RESOLUTION AUTHORIZING THE NEGOTIATION AND EXECUTION OF FORM AMENDMENTS TO WHOLESALE CUSTOMER AGREEMENTS 4298566.1	PAGE 1 OF 2
--	-------------

**WTCPUA00002825**



**Section 4.** The Agency's Board of Directors further authorizes the General Manager to take all other actions necessary that are consistent with the purposes of this Resolution.

**PASSED AND APPROVED** this \_\_\_\_\_ day of November, 2013.

\_\_\_\_\_  
Larry Fox, President  
Board of Directors

ATTEST:

\_\_\_\_\_  
Ray Whisenant, Jr., Secretary  
Board of Directors

**DRAFT FOR REVIEW ONLY**

November 19, 2013

**THIS IS A DRAFT FORM AND WILL BE COMPLETED WITH CROSS-REFERENCES  
SPECIFIC FOR EACH PUA WHOLESALE CUSTOMER****FIRST AMENDMENT TO  
WHOLESALE WATER SERVICES AGREEMENT**

This First Amendment to the Wholesale Water Services Agreement (the "First Amendment") is made and entered into by and between the West Travis County Public Utility Agency, a public utility agency created and functioning under Chapter 572, Texas Local Government Code ("PUA") and \_\_\_\_\_, a conservation and reclamation district created and functioning under Article 16, Section 59 of the Texas Constitution and Chapters 49, 51 and 54, Texas Water Code (the "District")

**Recitals**

PUA and the District entered into that certain Wholesale Water Services Agreement between \_\_\_\_\_ and \_\_\_\_\_ effective \_\_\_\_\_ ("Wholesale Water Agreement").

The parties desire to amend the Wholesale Water Agreement to further define the [spa1]Monthly Charge to be paid by the District to the PUA *[and to revise the capacity reserved for the District, if applicable]*.

**Agreement**

Now, therefore, for and in consideration of the mutual covenants and agreements set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, PUA and District agree as follows:

1. The term "Regional Facilities" is added to Section \_\_\_\_\_ as follows:

"Regional Facilities" means those facilities in the PUA System as identified on Schedule A as well as additional facilities necessary to expand and maintain the system capacity to 27 MGD which may include rehabilitation and regulatory improvements which may be necessary to provide continuous and adequate service.

2. The term "Max Day Reservation" is added to Section \_\_\_\_\_ as follows:

**DRAFT FOR REVIEW ONLY****November 19, 2013**

"Max Day Reservaton" means the maximum amount of water to be delivered to the District on a daily basis based on the flow rates and capacity commitments established in this Agreement. The District's Max Day Reservation is \_\_\_\_\_ gallons per day

3. Section \_\_\_\_\_ is hereby amended to add new subsections (x) (xx) and (xxx) as follows:

(x) The Monthly Charge to be paid by the District to the PUA shall be determined by the following formula;

$$\{ \text{Annual Allocated Debt Service Payment} + (25\% \text{ times coverage} * \text{Annual Allocated Debt Service Payment}) - (\text{Effective Impact Fee Credit} * \text{Annual Debt Service Payment}) \} / 12 \text{ months.}$$

The Annual Allocated Debt Service Payment, from time to time due and payable, shall be based on the District's allocated pro-rata share of the PUA's capital costs for the Regional Facilities (including interest expense) as determined based on input from the District prior to the issuance of bonds to fund the Regional Facilities so long a the total capital cost allocated to the District is recovered within the life of the bonds, including interest expense. . The District's pro-rata share of the PUA's capital costs is calculated based on its Max Day Reservation, multiplied by the PUA's Cost per Gallon of the Regional Facilities. Schedule B attached hereto and incorporated herein for all purposes sets forth the current schedule of the Annual Allocated Debt Service Payment.

The PUA's Cost per Gallon of the Regional Facilities, further classified as "System-Wide" Facilities shall be calculated by dividing the total cost of the System Wide Regional Facilities by 27,000,000 gallons. The PUA's Cost per Gallon of the Regional Facilities, further classified as "Hwy 71" shall be calculated by dividing the total cost of the Hwy 71 Regional Facilities by 14,829,230 gallons. The PUA's Cost per Gallon of the Regional Facilities, further classified as "US 290" shall be calculated by dividing the total cost of the US 290 Regional Facilities by 12,170,770.

Schedule B may be amended from time to time by the PUA to reflect future LCRA installment payments as well as future debt issuances associated with future Regional Facility projects.

The Effective Impact Fee Credit shall be determined based upon the following formula:

Project Costs Recovered by Impact Fees / Total Project Costs

Project Costs Recovered by Impact Fees shall be determined by the following formula:

Project costs eligible for impact fee recovery as determined by the PUA's most recent impact fee study \* the percent level of impact fees adopted by the PUA Board of Directors (currently 50%).

**DRAFT FOR REVIEW ONLY****November 19, 2013**

The District shall pay the Monthly Charge regardless of whether the District meets the buildout projections used to develop the annual debt payment schedule.

The PUA shall not allocate costs for future Regional Facilities to the District beyond 27 million gallons per day (MGD) of water treatment plant capacity if the District establishes to the PUA's satisfaction that it has reached eighty percent (80%) of its projected buildout of the Wholesale Service Area six months prior to the PUA's issuance of bonds for such expansion.

(xx) Within ten business days of a written request from the PUA, the District shall provide the PUA with copies of the District's monthly operating reports indicating the District's peak day consumption. At any time, the PUA may also install, at its sole discretion, a max-day meter and/or a flow regulator on the District System to assess or control actual maximum daily demands by the District.

If the PUA determines that the District is exceeding the Max Day Reservation the District will be subject to a surcharge as determined by the PUA's service rules and policies.

(xxx) The Volume Charge shall recover the PUA's expenses associated with operating and maintaining the Regional Facilities, including a systems raw water loss fee per thousand gallons to be calculated as follows:

[LCRA Raw Water cost per Thousand Gallons/(1-.10 water loss)]/10

The PUA shall utilize the base-extra capacity methodology performed by a qualified professional to determine appropriate Volume Charge for each wholesale customer and may be adjusted from time to time by the PUA's Board of Directors.

4. Section 3.03 of the Wholesale Service Agreement is deleted in its entirety and replaced with the following:

Subject to the limitations set forth herein, upon completion of construction of the Improvements, PUA agrees to divert, transport, and treat for the District all water needed and requested by the District for the District's Service Area, up to, but not in excess of (i) a peak daily flow rate of \_\_\_\_\_ gallons per day within the District's Service Area, or (ii) such lesser amount as PUA may be able to supply in the event of an Emergency. PUA shall make the water available at the Delivery Point(s) at a minimum pressure of thirty-five (35) psi under non-Emergency operating conditions. The initial Delivery Point(s) is shown on **Exhibit A**. The parties may agree to additional Delivery Points in the future.

5. The following definitions in Section {1.01} are deleted in their ~~entirety~~ ~~and~~ ~~are~~

"Reservation Fee" means a fee of One hundred and sixty Dollars (\$160.00) per Reserved LUE. The Reservation Fee relates to the reservation for the District of a portion of the limited capacity in the PUA's System capable of serving northern Hays County. District acknowledges and

**DRAFT FOR REVIEW ONLY**

**November 19, 2013**

agrees that this Reservation Fee is separate and apart from, and in addition to, any reservation fees that may be due under the District's Raw Water Contract."

"Reservation Period' means a period of time beginning at the execution of this Agreement and ending at 12:01 a.m. on April 1, 2013."

6. Section {4.01(e)} of the Wholesale Service Agreement is deleted in its entirety and replaced with the following:

PUA hereby reserves for the District capacity in the PUA System for \_\_\_\_ LUEs ("Reserved LUEs"). It is expressly understood that District, upon first giving PUA three hundred sixty-five (365) days prior written notice, may reduce the number of Reserved LUEs hereunder. Any such Reserved LUEs so released shall reduce PUA's service capacity reservation to District accordingly.

7. The terms of the Wholesale Service Agreement are hereby modified and amended pursuant to the terms of this Second Amendment. The provisions contained herein shall not be interpreted to in any way restrict the ability of the PUA to use any funds received pursuant to the Wholesale Water Agreement, as amended, for any legal purposes. Except as otherwise expressly amended by this Second Amendment, all other terms and conditions of the Wholesale Service Agreement remain in full force and effect, and are hereby confirmed and ratified.

{insert signature blocks}

West Travis County Public Utility Agency  
FYE2014 Wholesale Customer Minimum Bill Analysis

DRAFT

## Schedule A

## Existing Water Projects, Before Interest Expense

Systemwide Projects	Total
Uplands WTP Chem Building	\$ 2,217,574
Uplands WTP Plant	41,680,156
Uplands Raw Water Intake Expansion	431,102
High Service Pump Station 8 MGD to 14 MGD	4,177,452
Uplands Clearwell #2	1,032,674
	\$ 49,538,958

SH 71 System Projects	Total
Lazy 9 SW 71 Transmission Main	\$ 3,200,308
Transmission Main from Uplands Plant to Bee Cave Pump Station	1,612,112
Wolf Mountain (Crystal Mountain) EST	1,985,674
Senna Hills By-Pass Line	579,571
Hamilton Pool Road 1280 Pump Station Water Line	342,301
Hamilton Pool Road Water Line	6,859,971
Home Depot Pump Station	406,753
Home Depot Ground Storage Tank	152,269
Bee Cave Ground Storage Tank, Pump Station, Piping (off Cuernavaca)	724,726
Bee Cave Water Line to Cuernavaca	1,025,698
	\$ 16,889,383

US 290 System Projects	Total
Countyline Pump Station Upgrade	
1800 gpm to 3450 gpm	\$ 1,744,300
290 Pipeline	
a) 24" SWPPS to County Line	\$ 13,298,032
b) 20" Countyline to 1420 HGL EST	3,532,460
20" Main Uplands to SW Parkway (Easements)	524,724
1420 Elevated storage	2,275,455
Sawyer Ranch Road Ph 1 20"	1,226,030
Sawyer RR Ph 1 (Darden Hill)	1,339,600
	\$ 23,940,600

Retail Water Projects	Total
Retail Water Projects	\$ 38,234,117

TOTAL WATER PROJECTS FUNDED

\$ 128,603,059

WTCPUA00002831

West Travis County Public Utility Agency  
Wholesale Rate Recommendations  
19-Nov-13

Water		Current Contract Amount		Revised Contract Amount, if Amendment is Executed		
Wholesale Customer	Contract Amendment Status	Current Contract Max-Day Capacity (gpd)	Minimum Bill with Current Contract Max-Day Capacity (gpd)	District Indicated Revised Capacity Reservation (gpd)	Minimum Bill with District Indicated Revised Capacity Reservation (gpd)	Recommended Volumetric Rate
Barlon Creek West		966,952	\$ 14,187.66	679,000	\$ 9,353.89	\$ 2.59
Senna Hills		907,000	\$ 13,466.61	675,000	\$ 7,919.57	\$ 2.11
Crystal Mountain		144,000	\$ 2,237.34	144,000	\$ 2,237.34	\$ 2.69
EISD		42,900	\$ 739.32	42,900	\$ 739.32	\$ 2.35
Lazy Nine*		5,068,000	\$ 12,815.48	2,080,000	\$ 4,411.66	\$ 1.86
Deer Creek		578,000	\$ 7,011.28	576,000	\$ 7,011.28	\$ 2.00
Travis County MUD #12**		3,980,000	\$ 8,140.89	3,280,000	\$ 6,644.46	\$ 2.11
Masonwood		538,272	\$ 1,112.77	538,272	\$ 1,112.77	\$ 2.11
Dripping Springs WSC		1,000,000	\$ 10,917.33	1,000,000	\$ 10,917.33	\$ 2.14
Bellerra - HCWCID #1	executed	1,221,120	\$ 16,477.28	1,221,120	\$ 16,477.28	\$ 2.02
Bellerra - HCWCID #2	executed	1,166,170	\$ 12,113.97	1,166,170	\$ 12,113.97	\$ 2.06
Hays City Reunion Ranch (Krasovek)	executed	553,000	\$ 947.20	553,000	\$ 947.20	\$ 2.08

\*Assumes cost participation in storage tank. If they do not cost participate, fees will change.

\*\*District indicated revised capacity reservation for TCMUD #12 revised on 10/24/2013 per information from the District.

Wastewater		Current Contract Amount		Revised Contract Amount, if Amendment is Executed		
Wholesale Customer	Contract Amendment	Current Contract Max-Day Capacity (gpd)	Minimum Bill with Current Contract Max-Day Capacity (gpd)	District Indicated Revised Capacity Reservation (gpd)	Minimum Bill with District Indicated Revised Capacity Reservation (gpd)	Recommended Volumetric Rate
Masonwood		127,715	\$ 2,064.09	127,715	\$ 2,064.09	\$ 4.07
TCWCID#17		140,000	\$ 10,981.89	140,000	\$ 10,981.89	\$ 3.67

WTCPUA00002832



## Board Agenda

Wednesday, January 16, 2013

9:00 a.m.

LCRA Board Room  
Austin

### Items from the Chair

### Items from the General Manager

General Manager's Update

1. Resolutions..... 4

### Items from the Chief Financial Officer

2. Financial Report..... 5
3. LCRA FY 2013 Business Plan Second Quarter Update..... 7

### Consent Items

- \*4. Sale of Land in Llano County (BW-19) ..... 9
- \*5. Sale of Land in Burnet County (JE-03) ..... 12
6. Quarterly Report of Legal Fees and Expenses..... 15
7. Directors' Fees, Expenses ..... 21
8. Minutes of Prior Meetings ..... 22

### Action / Discussion Items

9. Adopt Wholesale Potable Water Rates for Deer Creek Water Co., Inc., and  
Lazy Nine MUD No. 1A..... 30
10. Capital Improvement Project Approval - Groundwater Supply Project..... 33
11. Capital Improvement Project Approval - Lower Basin Reservoir Project ..... 35
12. Release HB 1437 Agricultural Water Conservation Funds ..... 37
13. Capital Improvement Project Approval - Spicewood Beach Surface  
Water Treatment Plant..... 38
14. Contracts and Contract Changes..... 41

### Quarterly Reports

- Safety .....45
- Water Services .....47
- External Affairs.....56
- Supply Management .....62

**\*This agenda item requires the approval of at least 12 members of the Board.**



**FOR ACTION****9. Adopt Wholesale Potable Water Rates for Deer Creek Water Co., Inc., and Lazy Nine MUD No. 1A****Proposed Motion**

Increase wholesale potable water rates for two wholesale customers, Deer Creek Water Co., Inc., and Lazy Nine Municipal Utility District (MUD) No. 1A, of the West Travis County Public Utility Agency (WTC PUA) water utility system to be effective, if approved, on the beginning date of the next billing period after the Board approves.

**Board Consideration**

Section 8503.011 of the Texas Special District Local Laws Code states the LCRA Board will establish rates for LCRA's services. LCRA Board Policy 501 - Water Resources states that all rates and rate changes are to be presented to the Board for approval.

**Budget Status and Fiscal Impact**

The proposed rate adoption will result in \$4,000 per month of additional revenue in FY 2013 that was not included in the FY 2013 Business Plan.

**Summary**

Staff recommends adopting rates as proposed by the WTC PUA plus an additional surcharge to recover LCRA's administrative costs. In January 2012, WTC PUA and LCRA entered into a Utilities Installment Purchase Agreement by which WTC PUA will acquire the LCRA's West Travis County Regional Water and Wastewater systems. In March 2012, the WTC PUA assumed operation of the systems. Since then, the WTC PUA has made the first installment payment as required in the purchase agreement and has acquired the retail distribution portions of the systems while LCRA retains title to the systems' plants.

Certain wholesale customers of the water and wastewater system have yet to consent to the assignment of their wholesale agreements from LCRA to the WTC PUA. The two customers that have yet to consent are Deer Creek Water Co., Inc., and Lazy Nine MUD No. 1A. All other wholesale agreements have been assigned to WTC PUA.

In October 2012, the WTC PUA informed wholesale customers that wholesale water rates would be increased. Because two of the wholesale customers have not consented to the assignment of the agreements, they are still LCRA customers. Although these two customers remain with LCRA, the WTC PUA is providing the potable water service and all other contract requirements on behalf of LCRA. The proposed motion would adopt the rates approved by the WTC PUA, plus a surcharge for LCRA's administrative costs in continuing to administer the remaining wholesale agreements. The revenues from the new rates would be retained by the WTC PUA to cover the costs of its services, and LCRA would keep the surcharge to cover LCRA's costs of administration.

The LCRA staff reviewed the cost of service study prepared by the WTC PUA consultant to determine staff's ability to support the rate proposal. As part of the review, staff considered the methodology used in developing the revenue requirement and the methodology used in allocating the cost of service between customer classes. Staff concluded that the study was prepared in accordance with American Water Works Association (AWWA) rate-making principles. The AWWA standards are used by water utilities and supported by regulatory agencies. In addition,

the methodology for developing the revenue requirement is sound and reasonable. If LCRA does not adopt the rates proposed and adopted by the WTC PUA for other wholesale customers, the two customers that still maintain contractual relationships with LCRA will benefit without justifiable reason. In addition, LCRA based the administrative surcharge on a review of the number of labor hours that LCRA staff will spend on administering this process. Based on these considerations, staff recommends adopting rates as presented in Exhibit A.

**Presenter(s)**

Brady Edwards  
Chief Financial Officer

**Exhibit(s)**

A - Proposed Rates

**EXHIBIT A**

**West Travis County  
Wholesale Potable Water Rates**

Customer	Monthly Minimum Charge		Volume Charge per 1,000 gallons		Monthly Surcharge per Month
	Existing	Proposed	Existing	Proposed	
Deer Creek Water Co., Inc.	\$2,500.00	\$2,887.50	\$2.40	\$2.77 – with own raw water \$3.30 – with PUA raw water	\$831.00
Lazy Nine MUD No. 1A	\$10,200.00	\$11,781.00	\$2.40	\$2.77 – with own raw water \$3.30 – with PUA raw water	\$3390.00

From: Nelisa Heddin [nheddin@wrmlp.com]  
Sent: Tuesday, May 14, 2013 6:43 PM  
To: roger.durden@gmail.com  
CC: 'Stefanie Albright'; 'Don Rauschuber'  
Subject: FW: comparison to current rates  
Attachment(s): "2013 05 10 HCWCID#1 DRAFT comparison.pdf"

Roger,

Per your request, please find attached the comparative analysis that examines the impact of the proposed rates to your current rates which was sent on Friday.

As discussed today, this analysis does not reflect the additional reduction in costs associated with the elimination of the LUE reservation fees – thus, the cost savings to Belterra would be greater.

Please let me know if you have any questions.

---

From: Nelisa Heddin [mailto:nheddin@wrmlp.com]  
Sent: Friday, May 10, 2013 7:00 PM  
To: 'roger.durden@gmail.com'; 'Kutac, Matthew B.'  
Cc: 'Don Rauschuber'  
Subject: comparison to current rates


Roger,

I hope you are doing well. To assist you with your evaluation of the proposed approach for determining rates for wholesale customers, I have run a comparison of the proposed analysis compared to current rates – the results of which you'll find attached.

This comparison isn't necessarily apples to apples as current rates are not fully recovering costs – however, it does give you a sense of where rates are expected to go in the future if we proceed with this approach.

Please let me know if you have any questions or need anything further.

*Nelisa Heddin*  
*Vice President*

 Water Resources  
Management, L.P.  
ph: 512.420.9841  
fx: 512.420.9237  
cell: 512.589-1028

WTCPUA00008854

DRAFT

West Travis County Public Utility Agency  
FYE2014 Wholesale Customer Minimum Bill Analysis

Hays County WCID #1

Comparison of Rates per Customer to Current Rates

Current Monthly Minimum	\$	8,605
Current Volumetric Rate	\$	2.77
Proposed New Monthly Minimum - 2014	\$	16,334
Proposed New Volumetric Rate	\$	2.09

Series 2013	Current Rates - No Change				Proposed New Rates			
	Minimum Bill	Volumetric Rate	Total Annual Cost	Strength Monthly PUA Bill per Lb	Minimum Bill	Volumetric Rate	Total Annual Cost	Strength Monthly PUA Bill per Lb
2014	\$ 103,257	\$ 532,100	\$ 635,357		\$ 196,003	\$ 401,208	\$ 597,211	
2017	\$ 103,257	\$ 595,445	\$ 698,702		\$ 244,861	\$ 448,971	\$ 693,832	
2019	\$ 103,257	\$ 629,997	\$ 733,254		\$ 279,122	\$ 475,023	\$ 754,145	
2023	\$ 103,257	\$ 691,038	\$ 794,295		\$ 306,166	\$ 521,049	\$ 827,216	
2033	\$ 103,257	\$ 691,038	\$ 794,295		\$ 306,166	\$ 521,049	\$ 827,216	

\*Analysis does NOT include future CIP projects which may be necessary to meet 27 MGD planned capacity, which would also be added to this cost when facilities are funded through future debt issuances. The analysis also does not include future increases in O&M costs.

\*\* This analysis has been provided as an estimate ONLY and is in no way a guarantee of rates and fees.

\*\*\* Current rates have been provided for comparative purposes - however, it is unlikely that if the proposed new methodology is not utilized to arrive at rates and fees, that current rates will remain the same.

**From:** Nelisa Heddin [nheddin@wrmlp.com]  
**Sent:** Tuesday, May 21, 2013 9:30 AM  
**To:** 'J. Robert Long'; 'Don Rauschuber'  
**CC:** 'Stefanie Albright'  
**Subject:** RE: Lazy Nine Wholesale Rate

Robert,

My sincere apologies, I do not know how it is you haven't received the transmissions.

I have just re-sent the emails which were sent over the past couple of weeks, which include:

1. The volumetric rate calculation;
2. A comparison of the end impact to your rates/fees as a result of the proposed methodology; and
3. A draft amendment which outlines the proposed changes.

The transmissions also include the capital cost data, as well as the PUA's operating cost information. Please let me know if you do not receive these transmissions.

We had requested that wholesale customers provide comments to the draft amendment by last Friday; as you apparently hadn't received that transmission, I'd propose that you submit comments back by this Thursday, if at all possible. We have promised everyone we would have revisions to the draft out by this Friday.

Please let me know if you'd like to set up a meeting or a conference call to discuss the details of the analysis, questions you may have regarding the agreement, etc. I'm also happy to go through the analysis with your rate consultant.

Please note, we need to have final executed agreements which outline your payment schedule (which is essentially your minimum bill) -- or, if you intend to make a lump-sum payment to the PUA we need an executed agreement outlining the details of such, by or before May 31, 2013. This is a firm deadline as the PUA will begin the process of issuing bonds in June as all payment terms must be outlined prior to that point.

Once again, I apologize that you had fallen off the transmissions. Please let me know what we can do in terms of meetings, calls, etc to provide you with the information you need to thoroughly analyze the proposal.

---

**From:** J. Robert Long [mailto:long@wheelockstreetland.com]  
**Sent:** Monday, May 20, 2013 6:08 PM  
**To:** Don Rauschuber (generalmanager@wtcpua.org); nheddin@wrmlp.com  
**Subject:** Lazy Nine Wholesale Rate

Don and Nelisa

It appears that I may have dropped off of your e-mails to the wholesale customers. I have not received any messages in a while, except for the one a couple of weeks ago with a draft minimum bill analysis. Do you have the updated overall spreadsheets that show all wholesale and retail customer bases and how the overall costs are now being shared with everyone's updated LUE and peak day demands? If you can also provide the backup capital cost budgets and the operating budgets that drive these rate and fee schedules, so I can share with our MUD rate consultant, that would be helpful.

I think we are like a number of the other wholesale customers who are trying to get their arms around the capital and operating cost increases. The 25% times coverage is also another issue that makes us think we need to finance our share of the capital costs through our MUDs.

WTCPUA00008860

Thanks for the information and let me know if there are any wholesale customer meetings scheduled or generally what is the board schedule to review the wholesale rates and fees. Thanks

J Robert Long  
Project Director - Sweetwater  
Wheelock Street Land  
5348 Pedernales Summit Pkwy.  
Austin, Texas 78738

[long@wheelockstreetland.com](mailto:long@wheelockstreetland.com)  
512.796.6601 cell  
512.264.1715 office

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WTCPUA00008861

From: Nelisa Heddin [nheddin@wrmlp.com]  
Sent: Tuesday, May 14, 2013 6:45 PM  
To: GPerrin@drippingspringswater.com  
CC: Stefanie Albright; 'Don Rauschuber'  
Subject: FW: comparlson to current rates  
Attachment(s): "2013 05 10 Dripping Springs WSC DRAFT comparison.pdf"

Greg,

Per your request, please find attached the comparative analysis which examines the total cost impact to the WSC as a result of the proposed methodology which was sent out on Friday.

Please let me know if you have additional questions.

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From: Nelisa Heddin [mailto:nheddin@wrmlp.com]  
Sent: Friday, May 10, 2013 6:59 PM  
To: 'GPerrin@drippingspringswater.com'  
Cc: 'Don Rauschuber'  
Subject: comparison to current rates


Greg,

I hope you are doing well. To assist you with your evaluation of the proposed approach for determining rates for wholesale customers, I have run a comparison of the proposed analysis compared to current rates – the results of which you'll find attached.

This comparison isn't necessarily apples to apples as current rates are not fully recovering costs – however, it does give you a sense of where rates are expected to go in the future if we proceed with this approach.

Please let me know if you have any questions or need anything further.

*Nelisa Heddin*  
*Vice President*

 Water Resources  
Management, L.P.  
ph: 512.420.9841  
fx: 512.420.9237  
cell: 512.589-1028

WTCPUA00009057



DRAFT

West Travis County Public Utility Agency  
 FYE2014 Wholesale Customer Minimum Bill Analysis

Dripping Springs WSC

Comparison of Rates per Customer to Current Rates

Current Monthly Minimum	\$	5,253
Current Volumetric Rate - if had own raw water contract	\$	2.77
Proposed New Monthly Minimum - 2014	\$	9,263
Proposed New Volumetric Rate	\$	2.23

Series 2013	Current Rates - No Change				Proposed New Rates			
	Minimum Bill	Volumetric Rate	Total Annual Cost	Average Monthly PUA Bill per CU	Minimum Bill	Volumetric Rate	Total Annual Cost	Average Monthly PUA Bill per CU
2014	\$ 63,035	\$ 461,477	\$ 524,512		\$ 129,977	\$ 371,253	\$ 501,230	
2017	\$ 63,035	\$ 640,576	\$ 703,611		\$ 202,155	\$ 515,335	\$ 717,491	
2020	\$ 63,035	\$ 819,674	\$ 882,709		\$ 278,602	\$ 659,418	\$ 938,020	
2023	\$ 63,035	\$ 964,744	\$ 1,027,779		\$ 327,910	\$ 776,125	\$ 1,104,035	
2033	\$ 63,035	\$ 964,744	\$ 1,027,779		\$ 327,910	\$ 776,125	\$ 1,104,035	

\*Analysis does NOT include future CIP projects which may be necessary to meet 27 MGD planned capacity; which would also be added to this cost when facilities are funded through future debt issuances. The analysis also does not include future increases in O&M costs.

\*\* This analysis has been provided as an estimate ONLY and is in no way a guarantee of rates and fees.

\*\*\* Current rates have been provided for comparative purposes - however, it is unlikely that if the proposed new methodology is not utilized to arrive at rates and fees, that current rates will remain the same.

**From:** Nelisa Heddin [nheddin@wrmlp.com]  
**Sent:** Tuesday, May 14, 2013 6:43 PM  
**To:** roger.durden@gmail.com  
**CC:** Stefanie Albright; 'Don Rauschuber'  
**Subject:** FW: comparison to current rates  
**Attachment(s):** "2013 05 10 HCWCID#1 DRAFT comparison.pdf"

Roger,

Per your request, please find attached the comparative analysis that examines the impact of the proposed rates to your current rates which was sent on Friday.

As discussed today, this analysis does not reflect the additional reduction in costs associated with the elimination of the LUE reservation fees - thus, the cost savings to Belterra would be greater.

Please let me know if you have any questions.

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**From:** Nelisa Heddin [mailto:nheddin@wrmlp.com]  
**Sent:** Friday, May 10, 2013 7:00 PM  
**To:** 'roger.durden@gmail.com'; 'Kutac, Matthew B.'  
**Cc:** 'Don Rauschuber'  
**Subject:** comparison to current rates


Roger,

I hope you are doing well. To assist you with your evaluation of the proposed approach for determining rates for wholesale customers, I have run a comparison of the proposed analysis compared to current rates - the results of which you'll find attached.

This comparison isn't necessarily apples to apples as current rates are not fully recovering costs - however, it does give you a sense of where rates are expected to go in the future if we proceed with this approach.

Please let me know if you have any questions or need anything further.

*Nelisa Heddin*  
*Vice President*

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