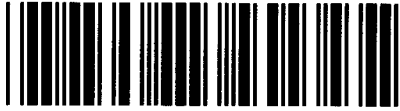


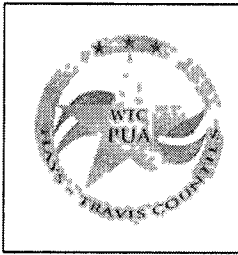


Control Number: 44582



Item Number: 1

Addendum StartPage: 0


WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY

12117 Bee Cave Road
 Building 3, Suite 120
 Bee Cave, Texas 78738
 Office: 512/263-0100
 Fax: 512/263-2289
wtcpua.org

March 25, 2015

The Honorable Donna L. Nelson, Chairman
 Public Utility Commission of Texas
 1701 N. Congress Avenue
 P.O. Box 13326
 Austin, Texas 78711-3326

Re: Request by West Travis County Public Utility Agency ("**WTCPUA**") to the Public Utility Commission of Texas (the "**Commission**") to Place Deer Creek Water Company ("**Deer Creek**") Under Temporary Management or Supervision

Dear Commissioner Nelson:

The WTCPUA and Deer Creek entered into a Wholesale Water Services Agreement ("**Treated Water Agreement**") on September 7, 2006,¹ whereby the WTCPUA agreed to divert and treat Deer Creek's raw water supply,² and to deliver treated, potable water to Deer Creek at a certain point of delivery (collectively, "**Wholesale Water Treatment Services**"), for compensation. For such Services, the WTCPUA invoices Deer Creek on a monthly basis, charging Deer Creek a minimum monthly fee and a volumetric charge (based upon a cost per thousand gallons rate). The WTCPUA does not provide retail water service to Deer Creek, and Deer Creek's retail water service area is not located within the boundaries of WTCPUA's water certificate of convenience and necessity ("**CCN**") No. 13027.

On December 30, 2014, the WTCPUA sent a notice of termination to Deer Creek for failure to pay its monthly invoices for Wholesale Water Treatment Services. At that time, Deer

¹ The Treated Water Agreement was originally entered into between the Deer Creek and the Lower Colorado River Authority ("**LCRA**"). The WTCPUA acquired the West Travis County Water and Wastewater System from the LCRA on January 17, 2012 and was assigned all applicable contracts and agreements, including the Treated Water Agreement, effective March 19, 2012.

² It is WTCPUA's understanding that the Deer Creek has secured its raw water supply from the Lower Colorado River Authority under a separate contract.

Creek had a delinquent account balance for over 300 days and had accrued an outstanding balance due of \$101,825.07. Prior to December 30, 2014, the WTCPUA had not received any payments from Deer Creek since February 2014, except for one minor, partial payment received in October 2014, in the amount of \$14,097.28. Deer Creek then filed a Request for Emergency Relief (the "**Emergency Request**") with the Commission to compel the WTCPUA to provide Wholesale Water Treatment Services to Deer Creek. Although the Emergency Request was docketed to be considered at the Commission's March 7, 2015 open meeting, Deer Creek paid its outstanding balance, and the WTCPUA no longer planned to pursue termination of providing such Services. Thus, the Emergency Request was withdrawn.

Although the WTCPUA does not currently consider Deer Creek's wholesale account to be delinquent at this time, this recent matter raised to the Commission was indicative of a habitual pattern of non-payment by Deer Creek for Wholesale Water Treatment Services provided. The WTCPUA is concerned by the impact of Deer Creek's nonpayment on the full customer base of the WTCPUA. The WTCPUA is not a taxing entity and is fully supported by the ratepayers of the WTCPUA System. When a customer such as Deer Creek is in arrears, the costs to provide these Services and reserve capacity in the WTCPUA water system for Deer Creek must then be borne by the remainder of the WTCPUA customer base. It is unfair to place the burden of a nonpaying customer in default on WTCPUA customers in good standing (or on the retail customers of the nonpaying retail water service provider).

Here, Deer Creek has alleged that it has more than 2,000 individuals that constitute its retail customer base. These customers are paying Deer Creek for their water service, and would be unjustly harmed by any necessary measures in the future to restrict or terminate water service to Deer Creek by the WTCPUA. Thus, the WTCPUA requests that the Commission take action to ensure that Deer Creek stays current on all future payments for Wholesale Water Treatment Services in the future and to avoid unfortunate repeatable requests for emergency orders.

A. Deer Creek's Extended History of Nonpayment for Services

When the WTCPUA acquired the West Travis County Water and Wastewater System in 2012, the WTCPUA was assigned a repayment agreement in the amount of \$112,331.73 by which Deer Creek was repaying delinquent accounts to LCRA. This repayment agreement is included as **Exhibit A**. On January 23, 2013, the WTCPUA sent Deer Creek a Notice of Default for failure to pay the WTCPUA according to this repayment agreement. This Notice is provided as **Exhibit B**.³ Also included in this letter is a Notice of Default due to Deer Creek's failure to maintain a raw water contract with the LCRA as required under the Treated Water Contract. This raw water contract had been terminated by LCRA for failure to pay for raw water received by Deer Creek. The Notice of Contract Termination issued to Deer Creek by the LCRA is included as **Exhibit C**.

B. WTCPUA Request for a Temporary Manager or Supervision

The WTCPUA asserts that this habitual failure to pay obligations to the WTCPUA, and its predecessor the LCRA, constitutes "abandonment" as defined in Tex. Water Code § 13.412(f) (1)

³ The WTCPUA was eventually paid for delinquent amounts under the repayment agreement and treated water agreement, and the parties entered into a Conditional Release of Payment Liability on March 7, 2013.

and requests that the Commission (and/or TCEQ) request that the Attorney General bring suit to appoint a receiver to collect the assets and carry on the business of Deer Creek pursuant to its authority under Tex. Water Code § 13.412. Should the Commission grant this request, the WTCPUA also requests that the Commission appoint a temporary manager pursuant to Section 13.4132 of the Texas Water Code ("*TWC*") to ensure the continued operation of Deer Creek prior to the appointment of a receiver.

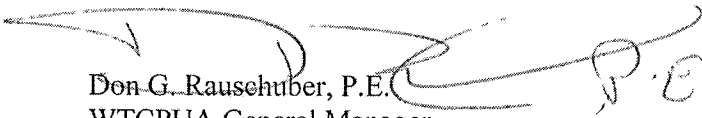
Should the Commission choose not to pursue the appointment of a receiver to operate Deer Creek, the WTCPUA requests that the Commission (and/or TCEQ) place Deer Creek under supervision pursuant to TWC § 13.4131. The consistent failure to pay invoices for Treated Water Service by Deer Creek to ensure the provision of continuous and adequate service to its customers represents "gross or continuous mismanagement"⁴ by Deer Creek that is a failure by the owner/operator to "properly operate [and] maintain" the water utility, and presents an "imminent threat to human health or safety" by causing the Treated Water Service Agreement to be terminated.⁵ The WTCPUA thus requests that the Commission place Deer Creek under the supervision of the Commission (and/or TCEQ) pursuant to Section 13.4131 of the TWC, and implement any and all conditions and requirements on Deer Creek as detailed in P.U.C. SUBST. R. 24.141(b)(1)-(7).

C. Conclusion

The WTCPUA wishes to protect the interest of all its customers, as well as the retail customers of Deer Creek. Thus, the WTCPUA requests that the Commission place Deer Creek under receivership and appoint a temporary manager to operate and manage the Deer Creek system based on Deer Creek's abandonment of the system due to its habitual nonpayment for services. In the alternative, the WTCPUA requests that the Commission place Deer Creek under supervision pursuant to TWC § 13.4131 to address the gross mismanagement of the Deer Creek system. The WTCPUA will continue to cooperate and work with the Commission on this matter.

Thank you for your attention to these matters. Please do not hesitate to contact me if you have any questions.

Sincerely,


Don G. Rauschuber, P.E.
WTCPUA General Manager

⁴ See TEX. WATER CODE ANN. § 13.4131(a).

⁵ See P.U.C. SUBST. R. 24.140.

Exhibit A

WATER SALE CONTRACT
REPAYMENT AGREEMENT

AGREEMENT between Deer Creek Ranch Water Co., LLC ("Deer Creek"), P.O. Box 436, Dripping Springs, County of Travis, State of Texas, 78620, and the LOWER COLORADO RIVER AUTHORITY ("LCRA"), to the attention of Karen Bondy, P.E., its Manager of River Services, of P.O. Box 220, City of Austin, County of Travis, State of Texas, 78767.

The parties stipulate and recite that:

A. Deer Creek and LCRA entered into a contract, referred to as the "Original Contract," on September 7, 2006, LCRA Contract No. 62860022, authorizing the diversion of water from Lake Austin in Travis County, Texas.

B. In October 2008, LCRA provided Deer Creek with notice of a proposed rate increase for both raw and treated water. In response, Deer Creek provided notice to its customers of a rate increase to address the increase cost of water. However, the billing software to ensure Deer Creek customers were charged a sufficient amount to cover the LCRA rate increases was inadvertently not revised to reflect the increased rates. Consequently, Deer Creek is late in its payments totaling \$11,114.87, including late penalties and interest, under the raw water contract with LCRA.

C. Due to this inadvertent error and unforeseen circumstances, Deer Creek has requested that LCRA waive late fees and interest and agree to a payment plan for the remainder amount owed under the contract.

D. For the reasons recited above and in consideration of the mutual covenants contained herein, the parties agree as follows:


1. LCRA claims and Deer Creek acknowledges that various fees associated with the Original Contract, as evidenced in the water sale invoice attached, have not been paid.
2. The unpaid invoice represents a total debt owed to LCRA of \$11,114.87 (Invoice dated from January 2009) which is hereafter referred to as the "Amounts Immediately Due."
3. Deer Creek shall make payments as follows:
 - a. Amounts Immediately Due shall be paid as follows:
 - i) Deer Creek agrees to pay in 7 payments the amount of \$1,200 each month beginning with the June 2009 invoice, and otherwise in accordance with the Original Contract.
 - ii) Deer Creek agrees to pay an 8th payment in the amount of \$2,714.87, and otherwise in accordance with the Original Contract.
 - b. Deer Creek further agrees to pay all monthly invoices received under the terms and conditions set forth in Section II B of the Original Contract.
4. LCRA agrees to not to assess additional late and interest fees on the


Amounts Immediately Due outlined in this Repayment Agreement. If however, the payments for the Amounts Immediately Due, as outlined above are not received as specified, LCRA reserves the right to begin assessing late and interest fees on the Amounts Immediately Due in accordance with Section II, B of the Original Contract. If any invoice for amounts not including the Amounts Immediately Due is paid late, then late and interest fees will apply according to Section II, B of the Original Contract.

5. It is understood and agreed that time is of the essence in this Repayment Agreement.
6. Deer Creek agrees that, if any of the above-referenced payments for the Amounts Immediately Due are not received as of the dates specified in this Repayment Agreement, **LCRA, at its sole option, may exercise any remedies available to it under the Original Contract following prior written notice of default to Deer Creek and opportunity to cure of 10 business days. In the event of an irreconcilable conflict between this section and the terms of the Original Contract, the terms of this section shall control and be construed as amending the Original Contract.**
7. No delay or omission on the part of LCRA in exercising any right hereunder shall operate as a waiver of such right or of any other right under this Repayment Agreement. A waiver on any one occasion shall not be construed as a bar to or a waiver of any right or remedy on any future occasion.
8. Nothing in this Repayment Agreement shall be construed as amending the Original Contract except to the extent expressly set forth in this Repayment Agreement.
9. This Repayment Agreement will be binding and effective upon its execution by Deer Creek. **This Repayment Agreement shall be null and void in the event it is not executed by Deer Creek, and an original hereof returned to LCRA, by 5 p.m., Central time zone, on June 30, 2009.**
10. This Repayment Agreement represents the entire agreement between the parties regarding the payment of the Amounts Immediately Due.

LOWER COLORADO RIVER AUTHORITY

DEER CREEK RANCH WATER CO., LLC


Karen Bondy, P.E.
Manager, River Services


Sam Hammett,
President, Deer Creek Ranch Water Co., LLC

Date: 7-2-09



Date: 6/29/09

WATER SALE CONTRACT
SECOND REPAYMENT AGREEMENT

THIS REPAYMENT AGREEMENT is made by and between Deer Creek Ranch Water Co., LLC ("Deer Creek"), P.O. Box 436, Dripping Springs, County of Travis, State of Texas, 78620, and the LOWER COLORADO RIVER AUTHORITY ("LCRA") and is effective on November 19, 2011.

The parties stipulate and recite that:

A. Deer Creek and LCRA entered into a Water Sale Contract for Municipal Uses, referred to as the "Raw Water Contract," LCRA Contract No. 62860022, authorizing the diversion of water from Lake Austin in Travis County, Texas and a Wholesale Water Services Agreement, referred to as the "Treated Water Contract," both contracts dated September 7, 2006, as amended.

B. In September 2011, LCRA provided Deer Creek with notice of default and demand for payment for overdue amounts for both the Raw Water Contract and the Treated Water Contract. As of November 1, 2011, those amounts due totaled \$102,129.18, including late penalties and interest. In addition, as of November 1, 2011, there are current charges of \$10,202.55 due November 30, 2011. In response, Deer Creek requested that it be allowed to pay the amounts in arrears while keeping current its on-going charges.

C. LCRA is willing to defer payment of past due amounts without waiving any of its rights to enforce the remedies under the contracts in the future and enter into a payment plan for the amounts currently owed under the contracts.

D. For the reasons recited above and in consideration of the mutual covenants, conditions, and promises contained herein, the parties agree as follows:

1. LCRA and Deer Creek agree and acknowledge that, as of November 1, 2011, the total amount past due and owing by Deer Creek is \$102,129.18, which is hereafter referred to as the "Amounts Past Due" and the amount due November 30, 2011 is \$10,202.55, which is hereafter referred to as the "Current Charges."
2. Deer Creek shall pay to LCRA as follows:
 - i) Deer Creek shall pay to LCRA \$5,000.00 cash plus the Current Charges, immediately upon execution of this agreement by LCRA.
 - ii) Deer Creek shall pay to LCRA \$5,000.00 per month due and payable on the 28th day of each and every month, beginning on December 28, 2011, and continuing thereafter for 11 months, as partial payment for the Amounts Past Due.
 - iii) Deer Creek shall pay to LCRA a 12th payment in the amount of \$42,129.18, which is due and payable on or before November 30, 2012, as a final payment for the Amounts Past Due.
 - iv) Deer Creek may pay any and all amounts due on the balance of the Amounts Past Due at any time before November 30, 2012, but all of the Amounts Past Due must be paid by that date.

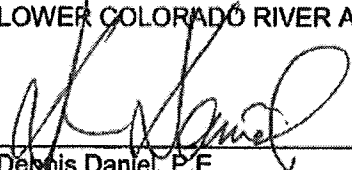
3. Deer Creek further agrees to pay all monthly invoices as they become due under the terms and conditions set forth in the Raw Water Contract and the Treated Water Contract, as amended.
4. LCRA agrees to not to assess additional late penalty and interest fees on the Amounts Past Due outlined in this Repayment Agreement. If, however, the payments for the Amounts Past Due, as outlined above are not received as specified, LCRA reserves the right to assess late penalties and interest fees on the Amounts Past Due then remaining unpaid from the date they were incurred in accordance with terms of the contracts. If any invoice for amounts not including the Amounts Past Due is paid late, then late penalty and interest fees will apply according to terms of the contracts.
5. It is understood and agreed that time is of the essence in this Repayment Agreement.
6. **Deer Creek agrees that, if any of the above-referenced payments, including payments for current charges, are not paid when due, the unpaid balance of the Amounts Past Due shall become immediately due and payable, and LCRA, at its sole option, may exercise any remedies available to it under the Raw Water Contract and the Treated Water Contract immediately and without any prior written notice and/or opportunity to cure as may be provided in the Raw Water Contract or the Treated Water Contract.**
 - i. In the event of an irreconcilable conflict between this section and the terms of the Raw Water Contract or the Treated Water Contract, the terms of this section shall control and shall be construed as amending the original contracts.
 - ii. If the Raw Water Contract or the Treated Water Contract is terminated, Deer Creek shall remain liable for all fees and charges accruing under the Raw Water Contract and the Treated Water Contract through the date the Raw Water Contract or the Treated Water Contract is terminated, based on the date of the notice of termination, including any pro-rated Reserved Water Charge, which shall be calculated as the difference between the Maximum Annual Quantity, pro-rated to the date of termination, and the total Monthly Diversions to the date of termination.
 - iii. **If the Raw Water Contract or the Treated Water Contract is terminated for any reason, Deer Creek agrees that it must cease all diversions and uses of water at that time.** LCRA reserves all rights available to it under law and in equity to enforce the obligations of Deer Creek under the Raw Water Contract and the Treated Water Contract that accrued prior to this Repayment Agreement, including the right to limit or permanently terminate water delivery to Deer Creek. If either contract is terminated, Deer Creek will be required to negotiate and execute a new contract before service is restored.
7. No delay or omission on the part of LCRA in exercising any right hereunder shall operate as a waiver of such right or of any other right under this Repayment Agreement. A waiver on any one occasion shall not be construed as a bar to or

a waiver of any right or remedy on any future occasion.

8. Nothing in this Repayment Agreement shall be construed as amending the original contracts except to the extent expressly set forth in this Repayment Agreement. All amounts due under this Repayment Agreement shall be due and payable on time, whether an invoice for the amounts due has been sent by LCRA or one received by Deer Creek.
9. This Repayment Agreement will be binding and effective upon its execution by Deer Creek. **This Repayment Agreement shall be null and void in the event it is not executed by Deer Creek, and an original hereof returned to LCRA, by 5 p.m., Central time zone, on November 15, 2011.**
10. This Repayment Agreement represents the entire agreement between the parties regarding the payment of the Amounts Past Due.
11. This Repayment Agreement shall terminate once all Amounts Past Due shall be paid in full.

LOWER COLORADO RIVER AUTHORITY




Dennis Daniel, P.E.
Manager, Customer and Business Strategy

Date Signed: November 14, 2011.

DEER CREEK RANCH WATER CO., LLC


Sam Hammett,
President,
Deer Creek Ranch Water Co., LLC

Date Signed: November 14, 2011

DEER CREEK RANCH WATER COP O BOX 436
DRIPPING SPRINGS, TX 78620-0436

7191

37-65/1119 1192
6094596712

DATE 11-14-11

PAY
TO THE

ORDER OF Lower Colorado River Authority

\$ 5,000.00

Five thousand and no/100-----

DOLLARS

Wells Fargo Bank, N.A.
Texas
wellsfargo.com

FOR On Acct

AP

DEER CREEK RANCH WATER COP O BOX 436
DRIPPING SPRINGS, TX 78620-0436

7192

37-65/1119 1192
6094596712

DATE 11-14-11

PAY
TO THE

ORDER OF Lower Colorado River Authority

\$ 10,202.55

Ten thousand-two hundred & two and 55/100-----

DOLLARS

Wells Fargo Bank, N.A.
Texas
wellsfargo.com

FOR Oct Invoice

AP

Payment Coupon

Return this portion with your payment. Allow 5 days by mail.

Account Information

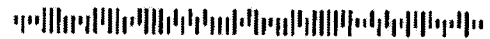
Account Number	
Customer Number	00502471
Service Address	
Billing Date	10/31/2011
Due Date	11/30/2011

Amount Due

Total Amount Due 112,332.18

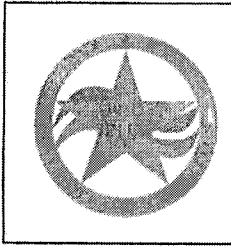
Amount Enclosed

MAKE CHECK PAYABLE TO:

LCRA
PO BOX 203902
HOUSTON TX 77216-3902DEER CREEK RANCH WATER CO., LLC
PO BOX 436
DRIPPING SPRINGS TX 78620-0436

0050247100500028011233218011284231201111308

Exhibit B



WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY

12117 Bee Cave Road
Building 3, Suite 120
Bee Cave, Texas 78738
Office: 512/263-0100
Fax: 512/263-2289
www.wtcpu.org

January 23, 2013

Mr. Sam Hammett
Deer Creek Ranch Water Co., L.L.C.
P.O. Box 436
Dripping Springs, Texas 78620

Notice of Default: Water Sale Contract Second Repayment Agreement
("Repayment Agreement")

Notice of Default: Wholesale Water Services Agreement between Lower Colorado
River Authority and Deer Creek Ranch Water Co., L.L.C. ("Treated Water Contract")

Dear Mr. Hammett:

The purpose of this letter is to notify Deer Creek of the following defaults regarding the above-referenced agreements:

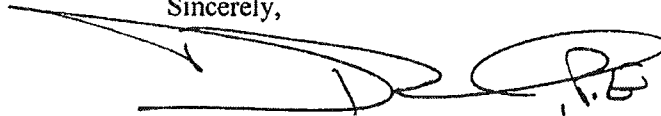
1. **Repayment Agreement.** Payment of \$72,129.18 is immediately due and owing to the West Travis County Public Utility Agency ("PUA") pursuant to the terms of this agreement. Please remit payment of this amount to the PUA within 30 days of the date of this letter.
2. **Treated Water Contract.** The Raw Water Contract, as defined in Section 1.01 of the Treated Water Contract, has been terminated by LCRA in violation of Purchaser's obligations under Sections 2.02 and 2.03 of the Treated Water Contract. Please apply for a new Raw Water Contract with the Lower Colorado River Authority within 30 days of the date of this letter and secure such contract within 90 days of the date of this letter.

In accordance with the terms of the Repayment Agreement, Deer Creek is obligated to cease all diversion and uses of water immediately. The PUA hereby advises Deer Creek to make arrangements for an alternate water supply as soon as possible or cure the defaults in the time periods as listed above. If such defaults are not cured within the time periods specified above, the PUA will pursue its available rights at law and inequity to enforce Deer Creek's obligations under the Repayment Agreement and Treated Water Contract, including termination of service under the Treated Water Contract.

Mr. Sam Hammett
January 23, 2013
Page 2

Please note that the PUA Board of Directors recently took action to increase the wholesale rates (see attached Wholesale Water Rate Schedule for Deer Creek) paid by Deer Creek to account for the PUA's raw water costs given termination of the Raw Water Contract. This action does not waive the PUA's rights to pursue its legal remedies as discussed above, and shall be effective for the time periods provided for Deer Creek to cure the defaults as detailed herein.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Rauschuber', with a horizontal line drawn underneath it.

Donald G. Rauschuber, P.E.
General Manager

cc: Madison Jechow, LCRA
Keith Donahoe, Frost National Bank
Linda Brookins, TCEQ
Randall Wilburn, Attorney at Law

**West Travis County Public Utility Agency
Computation of Recommended Wholesale Rates
Deer Creek Ranch**

Table 1

Basic Charges	Current	15.5% Increase
Minimum Bill	\$ 2,500.00	\$ 2,887.50
Volumetric Rate	\$ 2.40	\$ 2.77

Table 2

Calculation of Raw Water Reservation Fee		
Projected Total Raw Water Reservation Fees Paid to LCRA		\$ 372,254
Total FYE2013 Consumption to Spread Reservation Fees		1,058,715,613
Raw Water Reservation Surcharge		\$ 0.35

Table 3

Calculation of Raw Water Charge	Current	Cost of Service
Raw Water Used	\$ 0.46	\$ 0.53
Raw Water Reservation Fee	n/a	\$ 0.35
Total Raw Water Charge	n/a	\$ 0.88

*Currently, the PUA does not provide service to wholesale customers who need raw water reservations for future growth.

Table 4

Recommended Rates and Charges	Current	Cost of Service
Minimum Bill	\$ 2,500.00	\$ 2,887.50
Volumetric Rate:		
Basic Charge		\$ 2.77
Raw Water Use Fee		0.53
Raw Water Reservation Fee		0.35
Total Volumetric Rate	\$ 2.40	\$ 3.65

Exhibit C



VIA CERTIFIED MAIL
AND E-MAIL

December 5, 2012

Sam Hammett, President
Deer Creek Ranch Water Co., LLC
P.O. BOX 436
Dripping Springs, TX 78620

RECEIVED
DEC 11 2012
Lloyd Gosselink

c/o Randall B. Wilburn
Attorney
3000 S. I. H. 35
Suite 150
Austin, Texas 78704

NOTICE OF TERMINATION
LCRA Account No. 00502471, Customer No. 00500028
Total Past Due Balance: \$41,642.14

Dear Sirs:

I have received your letter of November 30, 2012. In that letter you raised questions about the amounts due under the Second Repayment Agreement. I may be able to clear up any confusion you may have about that. However, Deer Creek has continued to remain delinquent in its payment to LCRA for Raw Water and Treated Water since the date the Second Repayment Agreement was transferred. As you know, in that agreement, Deer Creek agreed to "pay all monthly invoices as they become due under the terms and conditions set forth in the Raw Water Contract and the Treated Water Contract, as amended." This Deer Creek has failed to do.

To make it simple, let me explain the breakdown between the agreements to you. It is true that the Second Repayment Agreement was transferred to the West Travis County Public Utility Agency ("PUA"), along with the right to collect any past due amounts under that agreement. Deer Creek will have to make arrangements for payment of any amounts due on that agreement with the PUA.

The Treated Water Contract remains with LCRA. As you know, LCRA has requested that Deer Creek consent to the assignment of this Contract to the PUA. Deer Creek has not consented; therefore any amounts accruing since the transfer date of the Second Repayment Agreement are still due and payable to LCRA. For your convenience, that amount is broken down in the attached spreadsheet labeled "Treated". That total as of November 30, 2012 is \$23,322.22.

The Raw Water Contract has not been assigned and remains with LCRA. Since the transfer of the Second Repayment Agreement, the payments due on the Raw Water Contract have continued and remain unpaid. The overdue amounts for Raw Water only are due and

Mr. Sam Hammett
December 5, 2012
Page 2

payable in the total amount of **\$18,319.92** as of November 30, 2012. See the attached spreadsheet labeled "Raw" for details.

The combined amounts due as of November 30, 2012 for both Raw Water and Treated Water is thus the total sum of **\$41,642.14**.

The amounts showing as due and owing in the spreadsheet accompanying the November 2, 2012 notice letter (\$39,793.16) included the amounts due for both the Treated Water Contract and the Raw Water Contract. That spreadsheet also showed the amounts under the Second Repayment Agreement which were transferred to the PUA as a credit to the LCRA accounts payable. In other words, Deer Creek is not being double billed by LCRA for charges under the Second Repayment Agreement.

Despite your questions about the Second Repayment Agreement, Deer Creek has the ability under the Raw Water Contract to pay under protest any amounts in dispute. (Section II, E.(2)). This you have also elected not to do. If not paid immediately, the Raw Water Contract, dated September 7, 2006, will be terminated in ten (10) days, in accordance with the terms of that agreement.

In accordance with the Consent and Estoppel Certificate, dated August 24, 2010, copies of this letter are also being sent to Frost National Bank by facsimile transmission, first-class mail, and hand delivery.

Please remit payment to:
LCRA
Attn: Sandra Valdez
P.O. Box 220
Austin, TX 78767-0220

Sincerely,



James N. Rader
Associate General Counsel

Encl.

cc: The Frost National Bank
401 Congress Ave.
Austin, TX 78701
Attn: Keith Donahoe
FAX: 512-473-4736

Account Number: 00500028

DEER CREEK RANCH WATER CO., LLC

<u>Trans Date »</u>	<u>Transaction</u>	<u>Amount</u>		<u>Raw</u>	<u>Treated</u>
1/4/2012	Penalty Late Pay-	\$647.14		\$84.50	\$562.64
1/4/2012	Penalty Interest -	\$31.90		\$4.17	\$27.73
1/31/2012	Cycle Billing Due: 03/01/2012	\$9,766.57	partial	\$9,766.57	\$0.00
2/1/2012	Penalty Late Pay-	\$496.10		\$60.06	\$436.04
2/1/2012	Penalty Interest -	\$12.76		\$1.67	\$11.09
2/1/2012	Penalty Interest -	\$14.67		\$1.78	\$12.89
2/29/2012	Cycle Billing Due: 03/30/2012	\$12,476.09		\$1,614.49	\$10,861.60
3/5/2012	Penalty Late Pay-	\$988.33		\$561.58	\$426.75
3/5/2012	Penalty Interest -	\$78.24		\$9.47	\$68.77
3/5/2012	Penalty Interest -	\$39.00		\$22.16	\$16.84
3/30/2012	Cycle Billing Due: 04/29/2012	\$8,564.69		\$981.49	\$7,583.20
4/3/2012	Penalty Late Pay-	\$623.80		\$80.72	\$543.08
4/3/2012	Penalty Interest -	\$282.75		\$160.66	\$122.09
4/3/2012	Penalty Interest -	\$24.60		\$3.18	\$21.42
4/30/2012	Cycle Billing Due: 05/30/2012	\$1,638.59		\$1,638.59	\$0.00
5/1/2012	Penalty Late Pay-	\$428.23		\$49.07	\$379.16
5/1/2012	Penalty Interest -	\$134.96		\$76.69	\$58.27
5/1/2012	Penalty Interest -	\$172.20		\$22.28	\$149.92
5/1/2012	Penalty Interest -	\$8.44		\$0.97	\$7.47
6/1/2012	Penalty Late Pay-	\$81.93		\$81.93	\$0.00
6/1/2012	Penalty Interest -	\$149.42		\$84.90	\$64.52
6/1/2012	Penalty Interest -	\$190.65		\$24.67	\$165.98
6/1/2012	Penalty Interest -	\$130.82		\$14.99	\$115.83
6/1/2012	Penalty Interest -	\$1.62		\$1.62	\$0.00
7/3/2012	Penalty Interest -	\$154.24		\$87.64	\$66.60
7/3/2012	Penalty Interest -	\$196.80		\$25.47	\$171.33
7/3/2012	Penalty Interest -	\$135.04		\$15.48	\$119.56
7/3/2012	Penalty Interest -	\$25.92		\$25.92	\$0.00
7/3/2012	Penalty Late Pay-	\$81.93		\$81.93	\$0.00
7/3/2012	Penalty Interest -	\$2.43		\$2.43	\$0.00
8/1/2012	Penalty Interest -	\$139.78		\$79.42	\$60.36
8/1/2012	Penalty Interest -	\$178.35		\$23.08	\$155.27
8/1/2012	Penalty Interest -	\$122.38		\$14.02	\$108.36
8/1/2012	Penalty Interest -	\$11.80		\$11.80	\$0.00
8/1/2012	Penalty Interest -	\$23.49		\$23.49	\$0.00
9/4/2012	Penalty Interest -	\$163.88		\$93.12	\$70.76
9/4/2012	Penalty Interest -	\$209.10		\$27.06	\$182.04
9/4/2012	Penalty Interest -	\$143.48		\$16.44	\$127.04
9/4/2012	Penalty Interest -	\$27.54		\$27.54	\$0.00
10/2/2012	Penalty Interest -	\$134.96		\$76.69	\$58.27
10/2/2012	Penalty Interest -	\$172.20		\$22.28	\$149.92
10/2/2012	Penalty Interest -	\$118.16		\$13.54	\$104.62

10/2/2012	Penalty Interest -	\$22.68	\$22.68	\$0.00
10/30/2012	Penalty Interest -	\$134.96	\$76.69	\$58.27
10/30/2012	Penalty Interest -	\$172.20	\$22.28	\$149.92
10/30/2012	Penalty Interest -	\$118.16	\$13.54	\$104.62
10/30/2012	Penalty Interest -	\$22.68	\$22.68	\$0.00
11/30/2012	Cycle Billing Due: 12/30/2012	\$2,146.48	\$2,146.48	\$0.00
	ACCOUNT BALANCE	\$41,642.14	\$18,319.92	\$23,322.22



VIA CERTIFIED MAIL
AND E-MAIL

December 19, 2012

Sam Hammett, President
Deer Creek Ranch Water Co., LLC
P.O. BOX 436
Dripping Springs, TX 78620

c/o Randall B. Wilburn
Attorney
3000 S. I. H. 35
Suite 150
Austin, Texas 78704

NOTICE OF CONTRACT TERMINATION
LCRA Account No. 00502471, Customer No. 00500028
Total Past Due Balance as of 12-5-2012: \$41,642.14

Dear Sirs:

On December 5, 2012 you were presented with the final demand for payment of all amounts past due on the above account. Your failure to pay any of the amounts due has resulted in termination of the Raw Water Contract dated September 7, 2006. This termination is effective December 16, 2012.

Deer Creek will not be allowed to draw or divert any more raw water based on LCRA's water rights. Future illegal diversions will result in enforcement actions by LCRA or the Texas Commission on Environmental Quality.

In addition, LCRA will continue to pursue any and all remedies for collection of the overdue amounts, penalties, interest, and attorneys fees.

In accordance with the Consent and Estoppel Certificate, dated August 24, 2010, copies of this letter are also being sent to Frost National Bank by facsimile transmission, first-class mail, and hand delivery.

Sincerely,

A handwritten signature in cursive script that reads "James N. Rader".

James N. Rader
Associate General Counsel

Lower Colorado River Authority
P. O. Box 220
Austin, Texas 78767-0220

(512) 473-3559
Fax: (512) 473-4010
e-mail: james.rader@lcra.org

cc: The Frost National Bank
401 Congress Ave.
Austin, TX 78701
Attn: Keith Donahoe
FAX: 512-473-4736

Lower Colorado River Authority
P. O. Box 220
Austin, Texas 78767

(512) 473-3559
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