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FILED CLERK

The Honorable Donna L. Nelson
Chair of the Public Utility Commission of Texas
1701 N Congress Ave.
PO Box 13326
Austin, TX 78711-3326

Re: Request by the West Travis County Public Utility Agency (the "P.U.") to place Deer Creek Ranch Water Co., LLC in Receivership

I am responding to the March 25, 2015 letter that Don Rauschuber of the West Travis County Public Utility Agency (the "P.U."). In his letter, Mr. Rauschuber asks that the Commission appoint a receiver to operate and manage the Deer Creek Ranch Water Co., LLC ("Utility"). Mr. Rauschuber makes this request despite his admission that the Utility is not in arrears in making any payments to the P.U.

None of the sections of the Texas Water Code cited by Mr. Rauschuber allow a third party, especially a third party that is in an existing contractual relationship with the utility, to request the Commission to place a utility into receivership. As you will note from discussions with your staff, the Utility is working with your staff in the Oversight & Enforcement Division to set up a mechanism to ensure the Utility Creek pays the P.U. and all other vendors regularly.

As we noted in our prior Request for Emergency, the Utility's previous delinquency in paying the P.U. was due in large part to billing and operational issues caused by the Utility's former billing company PGMS. The Utility discovered that PGMS failed to bill many Utility customers over several months. Additionally, PGMS sent bills to Utility customers with amounts due less than allowed under the Utility's tariff. The Utility has worked diligently with Commission staff over the past several months to correct these errors, including bringing all billing and customer service duties in house. Undisputedly, the Utility has also experienced significant revenue shortfalls because of the water conservation measures of the LCRA and the P.U. in response to the ongoing drought.

Because of these difficulties, the Utility has specifically sought assistance from the Commission to collect the appropriate undercharges from its customers. Compounding its difficulty; however, State law prohibits a privately-owned, public water system like the Utility from back billing further than one year. Additionally, a privately-owned water system may not raise rates to address revenue shortfalls that may occur during the year, such as those caused by the drought. For example, the Utility, on its own, cannot adopt a Drought Surcharge to make up for lost revenue. Unlike other

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(publicly-owned) wholesale customers of the P.U. or the P.U. itself, the Utility may not simply raise rates for any reason at anytime.

The Utility is also a unique customer of the P.U., because it provides its own infrastructure to meet the State's pressure and storage requirements for water systems within the Utility's service area. For all of the other P.U. wholesale customers, other than Dripping Springs Water Supply Company, the P.U. provides the pressure tanks, high service pumps, ground storage facilities, etc., necessary to meet the State's pressure and storage requirements within the service areas of the other P.U. wholesale customers. The P.U. does not provide this infrastructure for the benefit of the customers of the Utility. Yet, the P.U. bills the Utility on the same revenue requirement, including the costs for this duplicative infrastructure, as the P.U. charges other P.U. wholesale customers. By doing so, the P.U.'s rate result in double charges to the Utility customers for this infrastructure: once by the Utility for the actual cost of providing these services to customers and a second time by the P.U. for services that the P.U. does not actually provide the customers of the Utility.

The Utility's previous provider, the Lower Colorado River Authority ("LCRA"), recognized the uniqueness of the Utility's situation, and this uniqueness is one of the reasons why the Utility's wholesale water service agreement is quite different from the other wholesale customers. We believe the uniqueness of the Utility's wholesale water service agreement is the reason Mr. Rauschuber is trying to place the Utility in receivership and have the wholesale service agreement canceled.

We respectfully ask that you deny Mr. Rauschuber's request and allow your staff within the Oversight & Enforcement Division to continue working with the Utility.

Respectfully,

A handwritten signature in black ink, appearing to read "S. Hammett", followed by a horizontal line and a small mark.

Sam J. Hammett, President