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SOAH DOCKET NO. 473-20-4071.WS
PUC DOCKET NO. 50788

RATEPAYERS APPEAL OF THE	§	BEFORE THE STATE OFFICE
DECISION BY WINDERMERE OAKS	§	
WATER SUPPLY CORPORATION TO	§	OF
CHANGE WATER AND SEWER	§	
RATES	§	ADMINISTRATIVE HEARINGS

**RATEPAYER REPRESENTATIVES' EIGHTH REQUEST FOR INFORMATION
TO WINDERMERE OAKS WATER SUPPLY CORPORATION**

THE REPRESENTATIVES OF THE RATEPAYERS OF WINDERMERE OAKS WATER SUPPLY CORPORATION ("Ratepayers") serve this Eighth Request for Information ("RFI") on Windermere Oaks Water Supply Corporation ("Windermere" or "WOWSC") pursuant to 16 TAC §22.144. Ratepayers' RFIs are set forth on the attachment hereto, which is incorporated herein. Pursuant to SOAH Order No. 23, Windermere's responses are due 10 business days after receipt of this Request. In all other respects, Windermere's responses must comply with §22.144(c). Windermere has a continuing duty to supplement its responses as required by §22.144(i).

Respectfully Submitted,

THE LAW OFFICE OF KATHRYN E. ALLEN,
PLLC
114 W. 7th St., Suite 1100
Austin, Texas 78701
(512) 495-1400 telephone
(512) 499-0094 fax

/s/ Kathryn E. Allen
Kathryn E. Allen
State Bar ID No. 01043100
kallen@keallenlaw.com

Attorneys for Ratepayers

Certificate of Service

I hereby certify that, unless otherwise ordered by the Presiding Officer, notice of this filing was provided to all parties of record via electronic mail on February 22, 2023.

/s/ Kathryn E. Allen
Kathryn E. Allen
State Bar ID No. 01043100
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Attorneys for Ratepayers

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**RATEPAYERS EIGHTH REQUEST FOR INFORMATION
TO WINDERMERE OAKS WATER SUPPLY CORPORATION**

Definitions and Instructions

1. “Windermere” refers to Windemere Oaks Water Supply and Sewer Corporation, and its affiliates, subsidiaries, and any person acting or purporting to act on their behalf, including without limitation, attorneys, agents, advisors, investigators, representatives, employees or other persons.

2. “Document.” The term “document” or “documents” as used herein shall be defined in the broadest sense and shall include any non-identical copies (whether different from the originals because of notes made on such copies or otherwise), of writings of every kind and description, whether inscribed or stored by hand, mechanical, electronic, microfilm, photographic, or other means, including, but not limited to, phonic (such as tape recordings) or visual reproduction of oral statements, conversations or events, and including, but not limited to, correspondence, transcripts, statements, teletype messages, electronic mail (e-mail or email), instant messages, text messages, blackberry or palm pilot messages, internal memoranda, notes, transcriptions, reports (including drafts, preliminary, intermediate and final reports), contracts, agreements, surveys, comparisons, charts, books, pamphlets, bulletins, records, accounts, checks, receipts, bills, minutes, calendar and diary entries, appointment books, time sheets, log sheets, ledgers, compilations, studies, tabulations, tallies, maps, diagrams, drawings, papers, plans, pictures, computer runs, summaries of computer runs, and any translations of any of the foregoing. The term “document” includes all electronically produced, generated, or stored records (including deleted information), including, but not limited to, computer disks (including floppy diskettes, zip disks, CD-ROMs, and hard drives), word processing files, website postings, PDF or tif files, slides, graphic material, tapes, computer databases and other data compilations, spreadsheets, schedules, and for all and each of the foregoing, including all non-identical copies, back-ups, or archival versions of same, whether located on-site or off-site. Designated documents shall be taken to include all attachments and enclosures.

3. Specific Request for Production of Electronically Stored Data and Information. The term “document” includes, and this Request seeks discovery of, data and information that exists or ever existed in electronic or magnetic form, including deleted material. Ratepayers request production of such data and information as follows:

a. Production Format for Electronically Stored Information (ESI). Production of all ESI not specifically addressed below is requested in native file format. Before being produced, all parent-level email and loose-file (non-email) ESI should be de-duplicated across all custodians and shared network drives based on MD5 hash value. Individual email attachments should not be separately de-duplicated. All ESI should be produced with a metadata field listing

all custodians where duplicate documents were found. All ESI documents with any text content should be produced with full extracted text in a corresponding TXT file.

b. Production of Email. Email should be produced in native format as individual, parent level, HTML files, and attachments to emails should sequentially follow their parent emails and be produced in native format as separate files. If any email cannot be produced in native format, such email should be produced in searchable image format, parent emails and their attachments should be produced as separate, contiguous documents. All email metadata should be processed in the Central time zone, and all metadata fields for date sent, time sent, date received, and time received should be converted to the same time zone.

c. Production of Excel™ Spreadsheets. Excel™ spreadsheets should be produced in native format if stored in that manner, and each native file should be named with a document production number as described below. If a spreadsheet contains privileged information, you may produce it as imaged ESI, with the privileged information redacted, provided that you make reasonable efforts in applying page layout settings to maximize document readability. Images of spreadsheets that contain multiple worksheets should be produced with worksheet names indicated in a header or footer. To the extent that print-outs or images of all or part of a spreadsheet were also maintained in the ordinary course of business in static form (e.g., as a pdf attachment), those documents should be produced as images.

d. Production of Database Information. Relevant information from a database should be produced as a report or data table, either in a static image format or in a popular database application, such as an Access™ database.

e. Production of ESI Commentary and Tracked Changes. Microsoft Word, Microsoft Excel, and similar file formats that provide for comments or tracked changes should be produced in a manner in which all comments and tracked changes are preserved, accessible, and viewable in their original color format. Such production may be in native format.

4. Pursuant to 16 TAC § 22.144(h)(4), if the response to any request is voluminous, please provide a detailed index of the voluminous material.

5. Privilege. For each document or item of information withheld under a claim of privilege, Windermere is requested to provide a description that includes the date, the identity of the originator, the identity of all parties to whom the document or item was circulated, the subject matter, the privilege claimed and the basis upon which such privilege is claimed.

6. Pursuant to 16 TAC § 22.144(c)(2), answers to the requests for information must be made under oath.

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**RATEPAYERS' EIGHTH REQUEST FOR INFORMATION
TO WINDERMERE OAKS WATER SUPPLY CORPORATION
QUESTIONS 8-1 TO 8-54B**

- RATEPAYERS' 8-1:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 4, lines 5-12. Please state (in dollars and cents) "WOWSC's total revenue requirement" referred to therein and describe in detail how such total revenue requirement was determined.
- RATEPAYERS' 8-2:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 4, line 13 – p. 5, line 2. Please state (in dollars and cents) the revenue requirement Windermere contends is required for it to meet loan covenant reserves, to pay its costs to provide water and wastewater services and to meet its DSCR under the CoBank Credit Agreement in each of 2020, 2021, 2022 and 2023, and describe in detail how each revenue requirement was calculated.
- RATEPAYERS' 8-3:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 5, lines 3-12. Admit that Windermere must meet all of the requirements of the CoBank Credit Agreement not to default on its loans.
- RATEPAYERS' 8-4:** If Request 8-3 is denied, in whole or in part, identify the Credit Agreement requirements for which noncompliance would not be an event of default.
- RATEPAYERS' 8-5:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 5, lines 3-12. For each CoBank Promissory Note, please state the dates and amounts of each principal payment due to CoBank for purposes of calculating the DCSR.
- RATEPAYERS' 8-6:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 5, lines 3-12. Please produce a copy of each CoBank Promissory Note.
- RATEPAYERS' 8-7:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 5, lines 12-14. Please produce all communications between Windermere and CoBank.
- RATEPAYERS' 8-8:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 6, lines 11-13. Please identify (by lot #, tax parcel or similar identifier) each of the "130 vacant lots" referred to therein and, for each, state

whether Windermere has collected Standby Fees, Reserved Service Charges, Membership Fees or any other amounts.

RATEPAYERS' 8-9:

Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 6, lines 11-13. Please identify (by lot #, tax parcel or similar identifier) the parcels of land on which Windermere contends that "40 additional hangars could be built," and state whether Windermere has collected Standby Fees, Reserved Service Charges, Membership Fees or any other amounts pertaining to such land.

RATEPAYERS' 8-10A:

Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 6, lines 11-13. Please produce all studies, analyses, budgets, projections, and other data Windermere contends suggest that it may need to provide services to 130 vacant lots in Windermere Oaks and the timeframe within which such services are expected to be needed. For clarity, this Request seeks, *inter alia*, all objectively verifiable data (if any exists) in support of Attachment JG-42.

RATEPAYERS' 8-10B:

Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 6, lines 11-23 and p. 7 1-3. Please produce all studies, analyses, budgets, projections, and other data Windermere contends suggests that it may need to provide services to 40 additional hangars in the Spicewood Airport area and the timeframe within which such services are expected to be needed. For clarity, this Request seeks, *inter alia*, all objectively verifiable data (if any exists) in support of Attachment JG-42.

RATEPAYERS' 8-10C:

Reference Joe Gimenez Supplemental Rebuttal, Attachment JG-42 p. 2-4. Please produce all cost estimates, contract bids, prepared quotes, workorders and similar documents which support the figures set forth in the attachment.

RATEPAYERS' 8-11:

Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 6, lines 11-13. Please produce a copy of the contract between Windermere and the LCRA for the purchase of water.

RATEPAYERS' 8-12:

Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 6, lines 11-13. Please produce all communications between Windermere and the LCRA regarding any potential increase in the amount of water Windermere is entitled to purchase from the LCRA.

RATEPAYERS' 8-13:

Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 6, lines 11-13. Please produce all communications between Windermere and any party other than the LCRA regarding Windermere's potential purchase of water in the future.

- RATEPAYERS' 8-14:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 7, line 1 - p. 8, line 2. Please identify the matters for which Windermere incurred the outside legal expenses reflected in its 2020 budget [Attachment Staff 8-5] and/or in its 2020 year-end financials [Attachment GR-2].
- RATEPAYERS' 8-15:** Reference Joe Gimenez Supplemental Rebuttal Testimony, pp. 8-12. Please describe in detail Mr. Gimenez's qualifications to provide testimony concerning the nature and result of legal proceedings; in particular, the testimony at p. 9, lines 11-19 and p. 11, lines 1-4.
- RATEPAYERS' 8-16:** Reference Joe Gimenez Supplemental Rebuttal Testimony, pp. 8-12. Please describe in detail the factual and legal basis, if any, for Windermere's contention (if it so contends) that such testimony is relevant to any issue for decision in this proceeding.
- RATEPAYERS' 8-17:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 8, lines 16 – 19. Please identify the "WOWSC customer" referred to therein, describe in detail the alleged "pursu[it] of meritless claims," and produce all pleadings and other documents pertaining to such alleged pursuit.
- RATEPAYERS' 8-18A:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 11, lines 7-15. Admit that Windermere and its attorneys have continuously represented and warranted to CoBank that none of the following proceedings, if adversely decided, could have a material adverse effect on Windermere's condition, financial or otherwise, existing operations, properties or business, or on its ability to perform its obligations under the Loan Documents: Cause No. 48292 (Burnet County); D-1-GN-19-006219 (Travis County); and Docket 50788 (PUC).
- RATEPAYERS' 8-18B:** If Ratepayers' 8-18A is denied, in whole or in part, please summarize (by date, content and recipient) each communication to CoBank regarding these proceedings, or any of them, and produce a copy of the documents reflecting such communications.
- RATEPAYERS' 8-18C:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 11, lines 7-15. If Windermere contends it could be an exercise of responsible corporate judgment to expend well over \$1 million in corporate funds and credit for litigation costs relating to proceedings that Windermere believed could not have a material adverse effect on the company even if adversely decided, please describe in detail the legal and factual basis for such contention.

- RATEPAYERS' 8-19:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 13, lines 1-19. Please state the date, identify the parties and describe in detail the terms of the "2019 insurance settlement" referred to therein, and produce the settlement agreement and all other documents pertaining thereto.
- RATEPAYERS' 8-20:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 14, lines 1-3. State (in dollars and cents) the amount of Windermere's legal debt as of February 1, 2023 and produce the invoices, reminder statements, payment records and similar documents by which such amount can be determined.
- RATEPAYERS' 8-21A:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 14, lines 4-15. Admit that neither Windermere's articles of incorporation or its bylaws authorize the company to impose or levy a surcharge on its members or its customers.
- RATEPAYERS' 8-21B:** If Ratepayers' 8-21A is denied, in whole or in part, please identify each provision of the articles and bylaws Windermere contends authorize the company to impose or levy a surcharge on its members or its customers.
- RATEPAYERS' 8-21C:** Please describe in detail the legal and factual basis, if any, upon which Windermere contends it is or can be authorized to levy a surcharge to recover its outside legal costs, including, without limitation, its costs for this appeal proceeding. For clarity, as and to the extent Windermere relies on the claimed testimony of Ms. Gilford and/or Ms. Givens regarding a surcharge, this request seeks to ascertain what legal authority, if any, Windermere contends supports such claimed testimony.
- RATEPAYERS' 8-22A:** Admit that Windermere is not and cannot be authorized to recover through an assessment or a surcharge expenses that are not reasonable and necessary for the provision of water and wastewater services.
- RATEPAYERS' 8-22B:** If Ratepayers' 8-22A is denied, in whole or in part, please describe in detail the legal and factual basis for such denial.
- RATEPAYERS' 8-23:** Reference Joe Gimenez Supplemental Rebuttal Testimony, p. 16, lines 16-22. Please identify (by legal description, owner and member #) each property for which Windermere claims the service connection serves a "temporary resident" and describe the legal and factual basis for such contention.

- RATEPAYERS' 8-24:** Please produce a backup of Windermere's QuickBooks data for the years 2019 - 2023. For clarity, this request seeks a complete duplicate of the QuickBooks data but does not seek a version that can be altered.
- RATEPAYERS' 8-25A:** Please produce all invoices and other billing records pertaining to amounts paid to Burriss Water Management for the years 2019 – 2023.
- RATEPAYERS' 8-25B:** Please produce all invoices and other billing records submitted to Burriss Water Management in connection with Windermere's business and/or customers for the years 2019 – 2023. For clarity, this request seeks invoices and other billing documents submitted to Burriss Water Management by Corix, Lori Cantrell, and others related to work performed for or in connection with Windermere.
- RATEPAYERS' 8-26:** Reference Mike Nelson Supplemental Rebuttal Testimony at p. 4, lines 5-13. Please (a) state (in dollars and cents) (i) the total revenue requirement Windermere contends is necessary for it to pay its costs of service and (ii) the amount within each cost category (as reflected on Windermere's Profit & Loss reports) of such total revenue requirement and (b) describe in detail how each amount in each cost category was determined.
- RATEPAYERS' 8-27A:** Reference Mike Nelson Supplemental Rebuttal Testimony at p. 5, line 17 – p. 7, line 8. Please admit that the document attached hereto as Exhibit 1 is a true and correct copy of the financial assessment prepared by NewGen included within Attachment AG-4.
- RATEPAYERS' 8-27B:** Reference Mike Nelson Supplemental Rebuttal Testimony at p. 5, line 17 – p. 7, line 8. Please admit that the documents attached hereto as Exhibit 2 are true and correct copies of the board's newsletters to Windermere's members dated June 24, 2020, November 6, 2020, February 16, 2022, July 7, 2022 and September 23, 2022, respectively.
- RATEPAYERS' 8-27C:** Reference Mike Nelson Supplemental Rebuttal Testimony at p. 5, line 17 – p. 7, line 8. Please identify each of NewGen's "Possible Financial Policies" [listed on pp. 3-4 of Exhibit 1] approved and/or implemented by Windermere.
- RATEPAYERS' 8-27D:** Reference Mike Nelson Supplemental Rebuttal Testimony at p. 5, line 17 – p. 7, line 8. Please produce all communications between Windermere representatives and NewGen representatives concerning NewGen's financial assessment from January 1, 2020 through the present.

- RATEPAYERS' 8-28:** Reference Mike Nelson Supplemental Rebuttal Testimony at p. 5, line 17 – p. 7, line 8. Please define “financial integrity” as used by Windermere.
- RATEPAYERS' 8-29A:** Reference Mike Nelson Supplemental Rebuttal Testimony at p. 5, line 17 – p. 7, line 14. Please admit that Windermere would be able to pay its costs to provide water and wastewater service if (i) it did not pay any additional amounts to law firms for outside legal costs and (ii) it funds current and future capital improvement projects with reserves and/or loan proceeds.
- RATEPAYERS' 8-29B:** If Ratepayers' 8-29A is denied, in whole or in part, please provide the calculation demonstrating that Windermere would be unable to pay its costs of service under the stated circumstances.
- RATEPAYERS' 8-30:** Reference Mike Nelson Supplemental Rebuttal Testimony at p. 8, lines 5-14. With respect to each extension of credit under the terms of the Credit Agreement approved September 29, 2020 [Attachment MN-13], please provide the following:
- a. The date;
 - b. The amount;
 - c. A copy of the Promissory Note and other documents executed in connection therewith.
- RATEPAYERS' 8-31:** Reference Mike Nelson Supplemental Rebuttal Testimony at p. 8, lines 14-20. Please identify each capital improvement required to maintain compliance with TCEQ requirements and, for each, state the applicable TCEQ requirement and provide all cost estimates, bids, invoices, contracts and payment records pertaining to such improvement.
- RATEPAYERS' 8-32:** Reference Mike Nelson Supplemental Rebuttal Testimony at p. 8, lines 5-20. Please admit that Windermere has been aware since the rate appeal was filed that the Commission may prohibit it from recovering outside legal costs (including appeal case expenses) from its ratepayers and that the Commission may require Windermere to lower its rates and/or to make refunds to its ratepayers.
- RATEPAYERS' 8-33A:** Reference Attachment MN-13. Please state whether Windermere disclosed to CoBank its purported arrangement with the law firms to pay \$10,000 (or a similar amount) per month toward the invoice balances for outside legal costs and, if so:

- a. state the date(s) on which Windermere made such disclosure(s);
- b. state the complete substance/content of the disclosure(s);
- c. identify the CoBank personnel to whom such disclosure(s) was made; and
- d. if the disclosure(s) was made in writing, produce a copy of each such writing.

RATEPAYERS' 8-33B:

Reference Attachment MN-13. Please state whether Windermere disclosed to CoBank that it owed at least \$121,659.17 for legal work done in 2019 that was not included in its budgeted expenses for 2020 and, if so:

- a. state the date(s) on which Windermere made such disclosure(s);
- b. state the complete substance/content of the disclosure(s);
- c. identify the CoBank personnel to whom such disclosure(s) was made; and
- d. if the disclosure(s) was made in writing, produce a copy of each such writing.

RATEPAYERS' 8-33C:

Reference Attachment MN-13. Please state whether Windermere disclosed to CoBank that it had an outstanding legal balance as of December 31, 2020, December 31, 2021, and/or December 31, 2022 and, if so:

- a. state the date(s) on which Windermere made such disclosure(s);
- b. state the complete substance/content of the disclosure(s);
- c. identify the CoBank personnel to whom such disclosure(s) was made; and
- d. if the disclosure(s) was made in writing, produce a copy of each such writing.

RATEPAYERS' 8-34A:

Reference Attachment MN-13, paragraph 4.7. Admit that Windermere has not disclosed in writing to CoBank any Material Adverse Change, as defined in the Credit Agreement.

RATEPAYERS' 8-34B:

If Ratepayers' 8-34A is denied, in whole or in part, please:

- a. state the date(s) on which Windermere made such disclosure(s);
- b. state the complete substance/content of the disclosure(s);

- c. identify the CoBank personnel to whom such disclosure(s) was made; and
- d. produce a copy of each writing reflecting such disclosure(s).

RATEPAYERS' 8-35A:

Reference Attachment MN-13, paragraph 4.8. Please produce copies of all “financial information or documents relating to Borrower” submitted to CoBank.

RATEPAYERS' 8-35B:

Reference Attachment MN-13, paragraph 4.8. Please admit that Windermere’s month-end and year-end Balance Sheets and Profit and Loss statements do not reflect the month-end or year-end (as applicable) amount of Windermere’s unpaid legal balance. For clarity, a copy of Windermere’s Balance Sheet and Profit and Loss statement for year-end 2019 are attached as Exhibit 3 for ready reference.

RATEPAYERS' 8-35C:

If Ratepayers’ 8-35B is denied, in whole or in part, please produce each month-end and year-end Balance Sheet and Profit and Loss statement that reflect the amount of Windermere’s unpaid legal balance.

RATEPAYERS' 8-35D:

Reference Attachment MN-13, paragraph 4.8. Admit that pursuant to the Credit Agreement, Windermere has continuously represented and warranted to CoBank that all “financial information or documents relating to Borrower” submitted to CoBank “(a) are true and accurate in all material respects, and (b) do not fail to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.”

RATEPAYERS' 8-35E:

If Ratepayers’ 8-35D is denied, in whole or in part, please:

- a. state the date(s) on which Windermere disclosed to CoBank that some or all of the financial information or documents submitted were not true and accurate in all material respects, or failed to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading;
- b. state the complete substance/content of each such disclosure(s);
- c. identify the CoBank personnel to whom such disclosure(s) was made; and
- d. produce a copy of each writing reflecting such disclosure(s).

RATEPAYERS' 8-36A: Reference Attachment MN-13, paragraph 4.12. Admit that pursuant to the Credit Agreement, Windermere has continuously represented and warranted to CoBank that there is no pending or threatened proceeding before any governmental authority, the objective or result of which is or could be to materially reduce or otherwise materially adversely change any of Windermere's rates for the provision of water and/or waste water services, or otherwise have a material adverse effect on the condition, financial or otherwise, operation, properties, or business of Windermere.

RATEPAYERS' 8-36B: If Ratepayers' 8-36A is denied, in whole or in part, please:

- a. state the date(s) on which Windermere disclosed to CoBank that the objective or result of the pending rate appeal or any other pending or threatened proceeding before any governmental authority is or could be to materially reduce or otherwise materially adversely change any of Windermere's rates for the provision of water and/or waste water services, or otherwise have a material adverse effect on the condition, financial or otherwise, operation, properties, or business of Windermere;
- b. state the complete substance/content of each such disclosure(s);
- c. identify the CoBank personnel to whom such disclosure(s) was made; and
- d. produce a copy of each writing reflecting such disclosure.

RATEPAYERS' 8-37A: Reference Attachment MN-13, paragraph 5.1(c). Admit that Windermere has not given notice to CoBank of the occurrence of an Event of Default or a Potential Default, as defined in the Credit Agreement.

RATEPAYERS' 8-37B: If Ratepayers' 8-37A is denied, in whole or in part, please:

- a. state the date(s) on which Windermere gave such notice(s);
- b. state the complete substance/content of the notice(s);
- c. identify the CoBank personnel to whom such notice(s) was given; and
- d. produce a copy of each writing reflecting such notice(s).

RATEPAYERS' 8-38A: Reference Attachment MN-13, paragraph 5.1(d). Admit that Windermere has not given CoBank notice of (1) any action, suit or proceeding before any court, arbitrator or governmental department,

commission, board, bureau, agency, or instrumentality having jurisdiction over Windermere that, if adversely decided, could result in a Material Adverse Change, or (2) any other matter that could cause a Material Adverse Change, including any decision of any regulatory authority or commission.

RATEPAYERS' 8-38B:

If Ratepayers' 8-38A is denied, in whole or in part, please:

- a. state the date(s) on which Windermere gave such notice(s);
- b. state the complete substance/content of the notice(s);
- c. identify the CoBank personnel to whom such notice(s) was given; and
- d. produce a copy of each writing reflecting such notice(s).

RATEPAYERS' 8-39A:

Admit that Windermere has not given CoBank notice of any change in Windermere's tariff.

RATEPAYERS' 8-39B:

If Ratepayers' 8-39A is denied, in whole or in part, please:

- a. state the date(s) on which Windermere gave such notice(s);
- b. state the complete substance/content of the notice(s);
- c. identify the CoBank personnel to whom such notice(s) was given; and
- d. produce a copy of each writing reflecting such notice(s).

RATEPAYERS' 8-39C:

Admit that Windermere has not given CoBank notice of any change in Windermere's bylaws.

RATEPAYERS' 8-39D:

If Ratepayers' 8-39C is denied, in whole or in part, please:

- a. state the date(s) on which Windermere gave such notice(s);
- b. state the complete substance/content of the notice(s);
- c. identify the CoBank personnel to whom such notice(s) was given; and
- d. produce a copy of each writing reflecting such notice(s).

RATEPAYERS' 8-40A:

Reference Attachment MN-13, paragraph 5.4. Please admit that Windermere has not continuously maintained all of the insurance required under the Credit Agreement.

- RATEPAYERS' 8-40B:** If Ratepayers' 8-40A is denied, in whole or in part, produce copies of the policies reflecting Windermere's insurance coverage in effect at all times since the date of the Credit Agreement.
- RATEPAYERS' 8-41:** Reference Attachment MN-13, paragraph 5.5. Please produce all reports on the condition of Windermere's property furnished to CoBank.
- RATEPAYERS' 8-42:** Reference Attachment MN-13, paragraph 5.10. Please produce the Bylaws and Capital Plan referred to therein and state the amount of equity in CoBank that Windermere has acquired and/or been requested to acquire.
- RATEPAYERS' 8-43A:** Reference Attachment MN-13, paragraph 6.1. Please admit that Windermere's legal debt is not within any of the exceptions listed in paragraphs (a) – (f).
- RATEPAYERS' 8-43B:** If Ratepayers' 8-43A is denied, in whole or in part, please identify the exception(s) Windermere contends is applicable, describe the basis upon which Windermere contends such exception(s) is applicable and state (in dollars and cents) the amount of legal debt within each exception(s).
- RATEPAYERS' 8-44A:** Reference Attachment MN-13, paragraph 6.5. Please admit that Windermere's advances to pay legal fees for or on behalf of current and former directors are not within either of the exceptions listed in paragraphs (a) – (b).
- RATEPAYERS' 8-44B:** If Ratepayers' 8-44A is denied, in whole or in part, please identify the exception(s) Windermere contends is applicable, describe the basis upon which Windermere contends such exception(s) is applicable and state (in dollars and cents) the amount of advance(s) within each exception(s).
- RATEPAYERS' 8-45A:** Reference Attachment MN-13, paragraph 7.1, Attachments MN-11 and MN 14 and Nelson Supplemental Rebuttal Testimony at p. 8, lines 5-10 and p. 9, lines 9-14. Please reproduce in detail Windermere's calculation of the Debt Service Coverage Ratio ("DSCR") applicable for 2020, 2021, 2022 and 2023. For clarity, this request seeks the amount of each and every item included within the formula set forth in paragraph 7.1
- RATEPAYERS' 8-45B:** Reference Attachment MN-13, paragraph 7.1, Attachments MN-11 and MN 14 and Nelson Supplemental Rebuttal Testimony at p. 8, lines 5-10 and p. 9, lines 9-14. Please produce all communications and calculations exchanged between CoBank and Windermere

concerning the calculation of the DCSR, in general or specifically for 2020, 2021, 2022 and 2023.

RATEPAYERS' 8-46:

Reference Nelson Supplemental Rebuttal Testimony at p. 8, lines 5-10 and p. 9, lines 9-14. Please produce the records reflecting all funds set aside in or for purposes of a "debt service reserve account" at any time in connection with each extension of credit by CoBank.

RATEPAYERS' 8-47:

Reference Nelson Supplemental Rebuttal Testimony at p. 8, lines 5-10 and p. 9, lines 9-14. Please state whether Windermere contends its legal debt is, or is not, Long-Term Debt as defined in paragraph 7.1 of CoBank's Credit Agreement and describe in detail the factual and legal basis for its contention.

RATEPAYERS' 8-48:

Reference Attachments MN-11 and MN 14 and Nelson Supplemental Rebuttal Testimony at p. 8, lines 5-10 and p. 9, lines 9-14. Please state (in dollars and cents) the amount of "Staff's proposed standby fees and late fees" and identify the Staff testimony from which Windermere derives such information.

RATEPAYERS' 8-49:

Reference Nelson Supplemental Rebuttal Testimony at p. 10, lines 3-6. Please describe in detail the factual and legal basis for Windermere's contention that it has "legal payment agreements" with the law firms providing outside legal services. For clarity, this request seeks, *inter alia*, the date on which any "payment agreements" were approved by Windermere's board at a duly noticed and properly conducted open meeting and a copy of the meeting minutes for each such meeting.

RATEPAYERS' 8-50:

Reference Attachment MN-13 at paragraph 8.2 and Nelson Supplemental Rebuttal Testimony at p. 10, line 16 – p. 11, line 2. Please describe (by date, substance and CoBank recipient) all oral communications and produce the documents reflecting all written communications between Windermere and CoBank regarding the potential impact of this rate appeal on Windermere's performance of, or ability to perform, its loan covenants and CoBank's potential response thereto. For clarity, this request seeks disclosure of the substance of all communications between Windermere and CoBank as to whether and to what extent CoBank intends to exercise or may be considering exercising any remedies under the Loan Documents, including, without limitation, CoBank's option to declare the outstanding indebtedness immediately due and payable.

RATEPAYERS' 8-51A:

Reference Nelson Supplemental Rebuttal Testimony at p. 11, lines 5-13. Please identify each IOU for which Windermere contends the

shareholders/investors are responsible for such IOU's debt, loan covenants, expenses and other obligations.

RATEPAYERS' 8-51B:

For each IOU identified in response to Ratepayers' 8-51A, please produce the articles, bylaws and other documents Windermere contends creates or imposes such responsibility on the shareholders/investors.

RATEPAYERS' 8-51C:

Admit that the Commission has no authority to require (or permit) the ratepayers of the IOUs identified in response to Ratepayers' 8-51A to pay rates that are not just and reasonable.

RATEPAYERS' 8-51D:

If Ratepayers' 8-51C is denied, in whole or in part, please identify the statutes, regulations, judicial opinions, Commission orders and/or other authority Windermere contends authorizes the Commission to require (or permit) ratepayers of the IOUs to pay rates that are not just and reasonable.

RATEPAYERS' 8-51E:

To the extent not identified in response to Ratepayers' 8-51D, please identify each order in which the ratepayers of an IOU have been required (or permitted) to pay rates (as defined in the Water Code) that are not just and reasonable.

RATEPAYERS' 8-52A:

Reference Nelson Supplemental Rebuttal Testimony at p. 11, lines 5-13. Admit that Windermere is responsible for its debts (including its legal debt), its expenses and the performance of its loan covenants.

RATEPAYERS' 8-52B:

If Ratepayers' 8-52A is denied, in whole or in part, please describe in detail the factual and legal basis for such denial. For clarity, this request seeks, *inter alia*, identification of each provision of Windermere's governing documents and/or applicable state law that purports to impose liability on Windermere's ratepayers for Windermere's debts, expenses and other obligations.

RATEPAYERS' 8-53A:

Reference Nelson Supplemental Rebuttal Testimony at p. 11, lines 5-13. Please state Windermere's contention as to whether the Commission can require (or permit) its ratepayers to pay rates (as defined in the Water Code) that are not just and reasonable on the grounds that Windermere does not have shareholders or other investors.

RATEPAYERS' 8-53B:

Reference Nelson Supplemental Rebuttal Testimony at p. 11, lines 5-13. As and to the extent Windermere contends the Commission can require (or permit) its ratepayers to pay rates (as defined in the Water Code) that ratepayers of other utility providers cannot be

required to pay, please describe the factual and legal basis upon which such treatment is consistent with the constitutional guarantee of equal treatment and/or equal protection under the law.

RATEPAYERS' 8-54A:

Reference Nelson Supplemental Rebuttal Testimony at p. 11, lines 5-13. Identify each order in which the Commission has allowed recovery of expenses that are not reasonable and necessary on the grounds that the vendor/supplier/contractor would not receive payment if the expenses were disallowed.

RATEPAYERS' 8-54B:

Reference Nelson Supplemental Rebuttal Testimony at p. 11, lines 5-13. Identify each order in which the Commission has considered the financial wherewithal of the shareholders/investors (i.e., whether they had the ability to pay disallowed expenses), the legal obligations of the shareholders/investors vis-à-vis the utility and its creditors (i.e., whether they could be held responsible for disallowed expenses), and similar factors as relevant to the determination whether particular expenses are recoverable in rates (as defined in the Water Code).



8140 N Mopac Expy
Bldg 1, Ste 240
Austin, TX 78759
Phone: (512) 479-7900
Fax: (512) 479-7905

September 3, 2020
via email

Mr. Joe Gimenez
Windermere Oaks Water Supply Corporation
424 Coventry Road
Spicewood, TX 78669

Subject: Financial Assessment

Dear Mr. Gimenez:

NewGen Strategies and Solutions, LLC (NewGen) performed a high-level financial assessment of Windermere Oaks Water Supply Corporation (WOWSC) to document the impact of the lawsuits on WOWSC's financial position and provide possible financial policies that may benefit the utility.

Recent History

NewGen reviewed the financial results for 2017, 2018, and 2019 to assess WOWSC's recent financial history. The following tables provide a summary of WOWSC's financial condition as measured by various common benchmarks over the past three years. It is important to recognize that WOWSC's involvement in two lawsuits brought against WOWSC by TOMA Integrity, Inc. and by Rene Ffrench, John Richard Dial, and Stuart Bruce Sorgen have placed significant strain on the financial condition of the utility. Further, WOWSC is currently defending its March 2020 rate change, necessitated by legal expenses, at the Public Utility Commission of Texas (PUCT). WOWSC's future financial condition depends on the duration and outcome of its various legal challenges.

**Table 1
Leverage Ratios**

	2017	2018	2019
Debt to Capitalization			
Debt	\$ 388,064	\$ 357,549	\$ 331,989
Equity	1,177,136	1,179,199	1,128,317
Total	\$ 1,565,199	\$ 1,536,748	\$ 1,460,306
Ratio	25%	23%	23%
Debt to Net Plant Assets			
Debt	\$ 388,064	\$ 357,549	\$ 331,989
Net Asset Value of Plant	1,396,139	1,363,874	1,285,272
Ratio	28%	26%	26%

The debt to capitalization ratio and debt to net plant assets ratio provide an indication of the leverage of the utility. There is not a target leverage ratio that is ideal for all utilities but, generally, the lower the

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leverage ratio, the more financial flexibility the utility has and the easier it is for the utility to finance its capital needs. As a point of reference, in a recent Fitch Ratings report (Fitch Medians)¹, the median value of debt to net plant assets for small systems (defined as utilities serving fewer than 100,000 persons) was 36%. Thus, WOWSC is less leveraged than the Fitch median small system by this metric. It is important to note that WOWSC is significantly smaller than the average system defined as a small system by Fitch.

Table 2
Debt Service Coverage

	2017	2018	2019
Available for Debt Service	\$ 85,606	\$ 91,885	\$ 55,681
Debt Service	50,118	50,104	50,089
Ratio	1.71	1.83	1.11

Debt service coverage is a measure of financial flexibility that judges a utility's financial margin to pay debt service from net revenues after priority expenses, such as operation and maintenance (O&M) expenses, are paid. It is common for utility debt covenants to have a requirement for debt service coverage, such as 1.25. WOWSC's debt service coverage decreased precipitously in 2019 due, in large part, to lawsuit expenses. The Fitch Medians report indicates the median debt service coverage for small systems was 2.6, which is significantly higher than WOWSC's current debt service coverage despite the fact that WOWSC has relatively low leverage. A key benefit of sufficient debt service coverage is that it indicates revenue in excess of cash O&M that can be used to cash fund some portion of capital expenses.

Table 3
Days Cash on Hand

	2017	2018	2019
Actual Results			
Liquid Assets	\$ 144,112	\$ 168,542	\$ 150,994
Less: Capital Expenditure Reserve	(47,158)	(41,983)	(41,983)
Net Unrestricted Reserves	\$ 96,954	\$ 126,559	\$ 109,012
Total Cash Operating Expenses	\$ 291,019	\$ 371,260	\$ 503,795
DCOH	122	124	79
Modified Results if There Were No Lawsuits			
Lawsuit Related Legal Costs ^(a)	\$ -	\$ 25,480	\$ 159,173
Modified Net Unrestricted Reserves	96,954	152,039	293,665
Modified Cash Operating Expenses	291,019	345,780	344,622
DCOH (hypothetical)	122	160	311

(a) Includes costs directly related to ongoing lawsuits as well as general counsel services for Public Information Act requests

¹ Fitch Ratings, 2019 Water and Sewer Medians, Public Finance, November 12, 2018.

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Days cash on hand (DCOH) serves as an indication of liquidity or ability to meet short-term liabilities, particularly under unforeseen hardships. This is generally calculated as current unrestricted cash and investments, divided by annual cash operating expenditures, divided by 365 days in a year. The Fitch Medians report indicates the median DCOH for small systems was 627.

As shown in Table 3, WOWSC's actual DCOH has been declining significantly as a result of lawsuit expenses. Table 3 also shows a hypothetical DCOH based on what NewGen estimates would have been the financial impact if WOWSC had not had the lawsuit expenses (with all else equal). WOWSC took action in February 2020 to increase water and sewer rates to help mitigate the financial impact of the lawsuits. WOWSC's financial condition would be significantly improved, and rates could be lowered, if all outstanding legal disputes were resolved.

Current Conditions

NewGen developed a financial projection for 2020 based on the WOWSC 2020 budget (with a few line items adjusted), current rates, new CoBank loans, and assumed lawsuit expenses, as shown in Exhibit A. The analysis indicates WOWSC will essentially breakeven on a cash basis if lawsuit expenses are limited to approximately \$245,000 in 2020. It is worth noting that WOWSC has been billed for approximately \$169,000 for legal expenses related to the lawsuit as of May 2020. Thus, further financial deterioration is possible if legal expenses do not abate despite the significant increase in rates approved in February 2020.

Financial Policies

It is good governance for utilities to have written financial policies to guide the utility and ensure consistent decision-making over time. NewGen is not aware of any written financial policies for WOWSC. Therefore, we suggest the following possible financial policies for consideration by WOWSC. Not all of these policies may be needed or appropriate. Further, the inclusion of one policy may impact the stated target of another policy. For example, whether or not WOWSC opts to maintain an emergency reserve fund may alter the number of days cash O&M WOWSC targets for its operating reserve. Utilities that employ financial policies, such as the ones suggested below, tend to be rewarded with better interest rates from lenders and more favorable terms for financing. Further, financial policies can help guide consistent, optimal decision-making.

To be clear, the targets listed in the financial policies below are merely suggestions. The actual targets appropriate for each of the policies below should be selected by the WOWSC Board based on WOWSC's priorities, values, and risk tolerance. WOWSC may not need to adopt all of the suggested policies listed below but, rather, may pick and choose the policies that are appropriate for WOWSC.

List of Possible Financial Policies

- The term of debt generally shall not exceed the useful life of the asset financed, and shall not generally exceed 30 years.
- Debt service coverage of at least 1.50x shall be targeted (and actual debt service coverage shall be in compliance with all relevant debt covenants).
- Ongoing routine, preventive maintenance should be funded on a pay-as-you-go basis.
- Capital projects should be financed through a combination of cash, referred to as pay-as-you-go financing (equity contributions from current revenues), and debt. An equity contribution ratio of at least 15% is desirable.

September 3, 2020

Page 4

- The utility shall maintain operating cash reserves equivalent to a minimum of 90 days of budgeted cash operations and maintenance expense.
- The utility shall maintain an emergency reserve with a minimum of 30 days of budgeted cash operations and maintenance expense.
- The utility shall maintain a repair and replacement reserve with a target balance of 50% of current year depreciation.
- Rates shall be designed to generate sufficient revenues to support the full cost of operations and debt; provide debt service coverage and meet other debt covenants, if applicable; and ensure adequate and appropriate levels of reserves and working capital.

New Fair Market Value Process

The 86th Texas Legislature passed House Bill 3542, which established a fair market valuation process that may be used by Class A or Class B water or sewer utilities acquiring another retail public utility (or facilities of another retail public utility).² This new fair market valuation process provides an acquiring utility the opportunity to put more than original cost less depreciation into rate base (i.e., a positive acquisition premium). Rate base for regulated utilities, such as investor-owned utilities (IOUs), is the invested capital on which they are allowed the opportunity to earn a return. Traditional rate regulation limits the primary component of rate base to original cost less depreciation. Thus, the opportunity to put a positive acquisition premium into rate base is attractive to the acquiring rate regulated utility. The presumed goal of House Bill 3542 was to make it more attractive for larger, more efficient and well financed utilities to acquire smaller and/or distressed utilities. The target utilities may be less efficient due to the scale of their operations or may lack access to sufficient funding to invest in facilities to improve service or satisfy regulatory requirements.³ Thus, although a positive acquisition premium may result in higher rates for the customers of the acquired system, there is the potential benefit to customers of more efficient operations and/or improved service or regulatory compliance. Consolidating systems within a larger entity has the potential to achieve greater economies of scale and spread capital cost recovery over more customers, benefiting ratepayers.

While each situation is different, and there can be benefits of IOU ownership, it is important to note that IOUs have structural cost disadvantages as compared with not-for-profit entities, such as WOWSC. First, an IOU's return on investment, as established by the PUCT, includes profit that a not-for-profit entity does not require. Second, the IOU must pay taxes (property taxes, sales taxes, and income taxes) that a not-for-profit entity does not pay. Thus, in order for the IOU to charge the same or similar rates as the not-for-profit entity, the IOU must operate more efficiently than the not-for-profit entity in order to overcome these structural cost disadvantages and still generate a return for its investors. Further, whereas important decisions for WOWSC, such as rate-setting or impacts to community aesthetic, are made by a board that is elected by the customers, customers of IOUs must rely on the PUCT to ensure that rates, policies, and decisions are just, reasonable and in the public interest of all ratepayers. Thus, there is some loss of control that would accompany a transition from WOWSC's current governance structure to IOU ownership.

² The new rules were adopted by the PUCT in Docket No. 49813.

³ NewGen is in no way implying that WOWSC is inefficient or lacks access to sufficient capital funding. These are simply example attributes that are sometimes cited when discussing candidate target utilities under the fair market valuation process.

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We appreciate the opportunity to assist WOWSC. If there are any questions regarding this financial assessment, please feel free to contact me.

Sincerely,

NewGen Strategies and Solutions, LLC

A handwritten signature in black ink, reading "Grant Rabon". The signature is written in a cursive, flowing style.

Grant Rabon, Executive Consultant

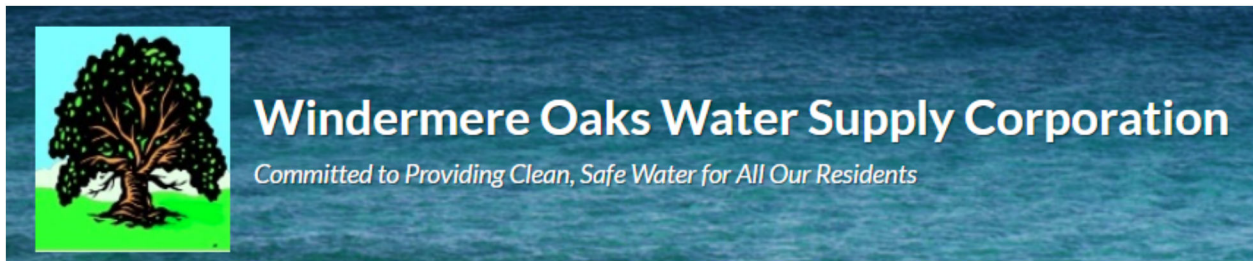
Windermere Oaks Water Supply Corp

Exhibit A

		Actual 2017	Actual 2018	Actual 2019	Budget 2020	Adjustments	Projected 2020	Notes
		A	B	C	E	F	G	H
1	Revenue							
2	Standby Fees	\$ 41,977	\$ 38,959	\$ 44,079	\$ 33,000	\$ 11,079	\$ 44,079	A
3	Service	279,873	341,066	369,541	390,000	145,553	535,553	B
4	Late Charge	6,750	8,575	5,092	5,000		5,000	
5	Membership Transfer Fees	70	350	(1,982)	2,800	(2,800)	-	C
6	Equity Buy-In Fees	24,000	41,800	50,600	27,600	18,400	46,000	D
7	Tap Fees	8,250	16,425	20,700	10,350	13,900	24,250	D
8	Reconnect Fee	35	-	-	-		-	
9	Miscellaneous	-	2,035	59,149	-		-	
10		\$ 360,956	\$ 449,211	\$ 547,180	\$ 468,750		\$ 654,882	
11	Other							
12	Interest Income	\$ 362	\$ 331	\$ 481	\$ 300		\$ 300	
13	Property Sales	-	-	-	-		-	
14		\$ 362	\$ 331	\$ 481	\$ 300		\$ 300	
15								
16	Total Revenue	\$ 361,318	\$ 449,543	\$ 547,661	\$ 469,050		\$ 655,182	
17								
18	Operating Expenses							
19	Operator	\$ 109,800	\$ 116,825	\$ 117,865	\$ 123,375		\$ 123,375	
20	Chemicals	10,425	10,602	12,035	12,450		12,450	
21	Electricity	20,143	21,585	20,922	22,400		22,400	
22	Sludge Removal	8,095	4,521	2,363	5,000		5,000	
23	LCRA Raw Water Fee	8,551	8,468	8,490	9,000		9,000	
24	Lab Fees	5,244	7,166	8,459	6,500		6,500	
25	Website	358	358	-	500		500	
26	New Service Taps	15,455	10,462	20,985	7,200	17,050	24,250	E
27	Bank Charges	481	411	222	600		600	
28	Accounting	4,263	6,465	5,848	17,800		17,800	
29	Billing Services	15,928	14,350	15,679	20,000		20,000	
30	Contract Services	2,657	4,783	3,069	9,000		9,000	
31	Legal and Appraisal	2,247	12,501	7,411	-	7,386	7,386	F
32	Legal - Lawsuit Related	-	25,480	159,173	110,000	135,223	245,223	G
33	Dues and Subscriptions	2,552	1,835	178	4,000		4,000	
34	TCEQ Fees	1,818	1,816	1,816	2,100		2,100	
35	Insurance	12,577	14,083	14,161	21,000		21,000	
36	Meals and Entertainment	-	131	-	500		500	
37	Office Supplies	1,570	1,283	4,707	3,400		3,400	
38	Telephone and Internet	4,156	4,526	6,549	6,000		6,000	
39	Postage and Shipping	2,510	2,094	2,710	5,000		5,000	
40	Equipment Rental	-	-	250	1,500		1,500	
41	Repairs and Maintenance	35,481	76,824	71,060	50,000	11,121	61,121	F
42	Repair Parts	8,468	7,523	6,730	16,000		16,000	
43	Printing	-	2,184	168	1,500		1,500	
44	Interest	15,307	13,603	11,815	14,000	28	14,028	H
45	Taxes - Property	-	-	-	40		40	
46	Meetings and Conferences	2,933	1,382	1,130	2,500		2,500	
47		\$ 291,019	\$ 371,260	\$ 503,795	\$ 471,365		\$ 642,174	
48								
49	Net Income before Depreciation	\$ 70,300	\$ 78,283	\$ 43,866	\$ (2,315)		\$ 13,008	
50								
51	Debt Principal	\$ 34,812	\$ 36,502	\$ 38,274	\$ -	13,008	\$ 13,008	H
52								
53	Net Cash Flow before Cash Capital Outlay	\$ 35,488	\$ 41,781	\$ 5,592	\$ (2,315)		\$ -	I

Notes:

- A Assumed to be the same as in 2019
- B Forecasted based on eight months at current rates and four months at prior rates as well as 10 additional water and sewer customers in 2020
- C Assumed to be \$0 based on recent actual fees
- D Based on 10 water and sewer customers added per year
- E Assumed to be equal to the tap fee revenue
- F Based on an average of the actual results for the last three years
- G Estimate for this analysis; includes costs directly related to ongoing lawsuits as well as general counsel services for Public Information Act requests
- H Based on CoBank estimates for loans in the amounts of \$230,000 and \$150,000
- I Assumes bad debt does not increase significantly



June 24, 2020

Dear WOWSC Member,

We continue to receive third-party validations as to how well your water company is doing. We think it appropriate to share them with you.

First, the Consumer Confidence Report issued by the Texas Commission on Environmental Quality noted our perfect “no violations” compliance with Environmental Protection Agency regulations in 2019. We are pleased with the continuing effort of our manager and operating company to produce water which meets or exceeds state and federal water quality requirements. This is the fourth consecutive year with no violations. View or request a copy of the report at: <https://wowsc.org/water-quality-report>

Second, the Texas Commission on Environmental Quality renewed – for ten years – our wastewater treatment permit. Their customary permit is five years. Our history of successful, compliant operations warranted a 10-year extension. Again, we should all be well pleased with the continuing efforts of our manager and operating company.

Third, CoBank reviewed our financial status, including full disclosure of the lawsuits filed against us, and approved three loans amounting to \$680,000. CoBank is a \$125 billion national cooperative bank lending to companies like ours. With interest rates at historic lows, this is probably the best borrowing environment we will ever see. We will use \$230,000 to refinance an existing 4.75 percent loan at a lower interest rate. Another loan will pay for \$150,000 in conservation, technology, and dispersant field projects. The remaining \$300,000 is available to us in the next year for a new clarifier to replace our 40-year old tank. This approval, despite the extraordinary legal situation, further validates our management of this company.

Despite these successes, there are challenges. The rate increase we were forced to implement in March is being challenged at the Texas Public Utility Commission by allies of people who have sued our corporation. The rate case they filed may cost another \$100,000 or more in unplanned legal expenses. We paid \$167,000 in legal expenses last year, we’ve already paid \$70,000 in legal expenses this year, and we owe about another \$130,000 to our law firms. The lawsuit against us is continuing, and we will be incurring more legal fees through the rest of the year to defend this water company.

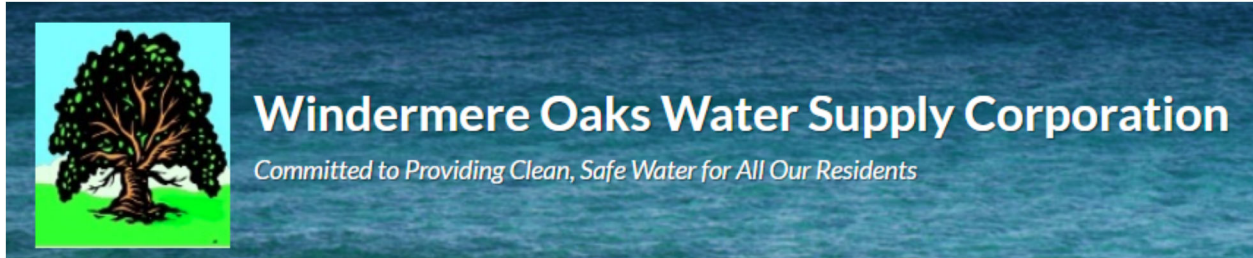
It is unfortunate that our non-profit corporation – and all our rate payers – continue to need such extensive legal representation, but this small group of individuals is unrelenting, despite their track record of failure. If or when they ever stop, we believe that rates can be reduced significantly. Despite these challenges, we will continue to operate this company in the safe, sustainable manner required by law.

Sincerely yours,

A row of five handwritten signatures in black ink. From left to right, they appear to be: 'Jon [unclear]', a stylized 'B', 'Michael Ed Nelson', 'Doreen Taylor', and 'Paul [unclear]'. The signatures are written in a cursive, flowing style.

WOWSC Board

Exhibit 2



November 6, 2020

Dear WOWSC Member,

An interesting summer passed by and we thought an update on the water company in order.

First, our neighborhood is growing and the water company is preparing for it. Between homes and hangars, we've added 46 new taps in the last few years. These require us to produce an approximate average of 400,000 more gallons of water per month. To facilitate this growth, we received an LCRA grant for \$14,000, to add to our \$34,000 investment, to fund recycling projects at our water and wastewater plants. Once complete, this will save us about 200,000 gallons of treated water per month, so that we can provide service to our new neighbors and members without adding a lot of new storage capacity.

But we are also in the process of purchasing a new clarifier. Ours is about 30-years-old and is showing its age – and inadequacy to meet our growth. Its' nine-foot height lacks the capacity of the 30-foot clarifier Ridge Harbor built a few years ago. And they do not even have 250 taps yet. Over the last few months, we have brought in tanker trucks to address system shortages due to heavy use, broken pipes, and the inability of our clarifier to keep up with demand. A new clarifier will cost \$300-500,000, so we are proceeding carefully. But we have \$300,000 in financing already approved from a lender at these record-low interest rates. We should be in shape for installing this by next summer.

Second, we continue to focus on our company's financial health, which we believe to be in good condition. We have enclosed a report which describes metrics we are using. The report also shows the impacts of the legal fees needed to respond to lawsuits against us, including what-if scenarios as though the legal fees had not been incurred. The report also describes the impact of selling our company to a for-profit corporation – namely higher fees to all of us due to corporate overhead, taxes, and profit allowances of new state laws. The water board does not want to see that occur. We will be adopting policies that explain in even more detail to members and future Boards how the corporation manages its finances.

Third, we continue to suffer the financial impact of lawsuits filed against the corporation. One lawsuit alleges a lengthy list of inappropriate actions by the 2015-16 Board related to sale of land in the airport. This suit is terribly expensive because of its expansive scope of allegations. Moreover, since the plaintiffs have been unwilling to settle since our October 26, 2019 open meeting to amend and supersede the 2016 contract, we will not be able to collect \$20,000 that the title company offered to resolve the matter. Another suit is the rate case filed at the Public Utility Commission, signed by the three plaintiffs – John Richard Dial, Stuart Bruce Sorgen, and Rene Ffrench – in the land sale case and filed by their allies. An ally to the plaintiffs also intervened in a lawsuit that was on the verge of being

completed, in a case which the WOWSC has reached an agreement to settle in our favor with the Attorney General; that plaintiff's intervention is prolonging the use and expense of legal services in that matter. All legal fees spent defending the corporation are passed on to our 279 ratepayers, and we discuss reasons for this in an enclosed document. Large fees spread among our small ratepayer base creates higher monthly water rates. Even the legal fees defending the 2020 rate case to the Public Utility Commission will at some point be directly paid by members, possibly in the form of higher rates. The WSC would very much like to see all of these matters put behind us, so that the WSC, its board, and its financial resources can be fully dedicated to the most important task at hand – running a strong and responsive Water Supply Corporation. (An enclosed Q&A documents addresses these legal challenges in more depth.)

Fourth, as previously mentioned, the Board was approved for \$680,000 in loans, of which we have received \$350,000 at 3.75% interest rate for 20 years. This new loan paid off a higher-interest loan for the wastewater treatment plant and funds various long-term projects. The longer-term, lower-interest loan cut our monthly debt payment in half, freeing up funds for operational needs, including legal services.

Finally, we are proceeding cautiously in the Covid-19 era. We continue to ensure that our treatment processes keep up with national guidelines. And we continue to have open meetings on Zoom, so that our corporation does not suffer any liability claims from someone becoming grievously ill at an in-person meeting. We are complying with Governor Gregg Abbott's orders allowing teleconference calls for organizations like ours. Our insurance would neither cover the legal fees or settlement from any Covid-19 related claims against the company, so we are not taking chances.

We hope this letter and the enclosed report provides a meaningful look into the water company's current condition. Please contact any of your Board members with questions.

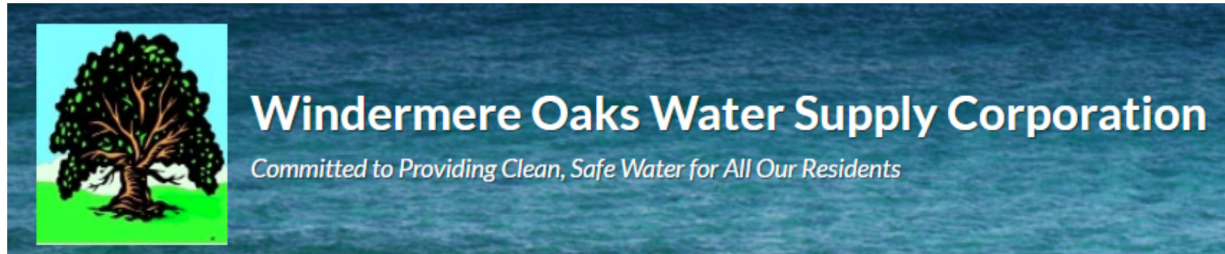
Sincerely,



Joe Gimenez Patricia Gerino Mike Nelson

Dorothy Taylor

Rich Schaefer



February 16, 2022

Dear WOWSC Member,

Lots of great news for our neighborhood water company, the Windermere Oaks Water Supply Corporation (WOWSC), and its customers. Here goes:

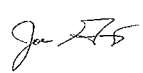
- Members have a new, more convenient way to pay their bills. It's the PayStar online payment module for instant online pay using credit or debit cards. There's a small processing fee involved, but at least 30 members each month are already using it and seem to like it. Try it at www.wowsc.org/bill-payment
- All state and federal water quality tests, administered and monitored by the Texas Commission on Environmental Quality (TCEQ), continued to pass muster with regulators. Perfect again in 2021.
- Similarly, TCEQ inspections of WOWSC water and wastewater plants uncovered nothing – no violations in 2021.
- A new 125,000-gallon storage tank will be installed in the next few months. Once running, we will take our current 125,000-gallon tank offline and convert it into a clarifier tank. Our manager found a nearby water system that will give us tens of thousands of dollars' worth of equipment for conversion. We're saving a lot this way.
- Our two conservation projects succeeded in 2021 to reduce water we pull from the lake. We used only 47 acre-feet of water in 2021 compared to 68 acre-feet in 2020. We're more efficient now and that saves money every year going forward. In case you're wondering, there's 326,000 gallons in one acre-foot.
- The company earned regulatory approval for some zebra-mussel filter systems we want to try. We've been doing various tests to gauge the zebra-mussel problem and we will start with some small test solutions. As always, keeping costs down is our main goal.
- **Legal matter one – Winding down.** We raised rates in March 2020 to pay for the expensive litigation which three members caused when they sued the corporation and eight board directors. Then their ally "ratepayer representatives" lodged yet another costly legal battle at the Public Utility Commission because of the necessary rate increases. The rate protest proceedings have finished, and we are waiting on judgments at the Public Utility Commission. Regardless of who "wins," everyone loses. Rates will likely increase to pay for the legal expenses incurred to defend the WOWSC in this rate appeal, as allowed by Texas law.

- **Legal matter two – WOWSC winning!** Thankfully, insurance coverage may finally kick in soon. We had to sue the insurance company to get them to pay what they should. In early February, we received a very favorable ruling, that WOWSC's filing for insurance coverage for claims made in the pending lawsuit was *correct*, and the insurer was *wrong* to deny our claim for coverage and must cover the WOWSC claim and pay its defense costs. This could result in our insurer paying off a significant portion of WOWSC's outstanding legal obligations. Not sure when, or how much – there is an appeals process – but we are optimistic. This first ruling was entirely in our favor. This could allow the company to decrease your water bills at some point sooner than we thought.
- **Legal matter three – Mostly won, nearly over.** In May 2021, the WOWSC won successful defense against claims in the lawsuit which caused rates to increase. This unequivocal win – a "TAKE NOTHING" order – shut down much of the case and has dramatically reduced monthly legal billings. **Remember that this lawsuit was not filed by the company.** The company had to defend eight current and former Board members. The ruling dismissed and cleared all the claims against seven of the eight of any further court proceedings. A trial for matters related to the eighth Board member starts August 22. State law requires the company to pay for the legal defense of innocent volunteer Board members. That is the case here. It would not have happened if the company had not been sued.

Our Board president is working on a video presentation of the operations report he will give at the March 19 annual meeting. We will send out notice of that video when ready, hopefully the first week of March. All the information above will be given in more detail.

Sincerely,

WOWSC Board



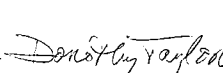
Joe Gimenez



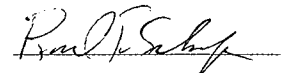
Patricia Gerino



Mike Nelson



Dorothy Taylor



Rich Schaefer



July 7, 2022

Dear Windermere Oaks Customers:

Lots of news regarding your Windermere Oaks Water Supply Corporation, so here goes:

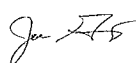
- **Receive Water Bills by Email** – You may now sign up to receive your bills via email. Online payments were enabled in November 2021, but we now have the capability of sending your bills directly to your email box. Due to state laws, you have to opt-in to this service. Look for a green “Bill Payment” button on <https://wowsc.org> to set up email delivery. Also see enclosed flier.
- **Sixth Straight Year of Excellent Water Quality Reports** – The Consumer Confidence Report issued by the Texas Commission on Environmental Quality noted our perfect “no violations” compliance with Environmental Protection Agency regulations in 2021. We are pleased with the continuing effort of our manager and operating company to produce water which meets or exceeds state and federal water quality requirements. This is the sixth consecutive year with no violations. View or request a copy of the report at: <https://wowsc.org/water-quality-report>
- **Hot Summer, Stage 1 of Drought Contingency Plan** -- The Lower Colorado River Authority has announced that certain triggers have been met for the implementation of voluntary neighborhood water conservation. The WOWSC draws water from Lake Travis so members’ compliance is requested. Please limit outside watering to twice per week, between 8 p.m. and 7 a.m. Watering days for residential addresses ending in ODD numbers are Monday and Thursday. Addresses ending in EVEN numbers should water only on Tuesday and Friday.
- **New Customers, New Equipment, Larger Customer Base** – A 4-home barndominium community across from the Exeter gate requested water service from WOWSC and the Board approved its application in June. Their developer, by agreement, will pay all costs associated with constructing the waterline extension to the community, which we estimate to be \$365,000. Once complete, the developer will convey the new infrastructure to the WOWSC, and WOWSC will gain four new customers, including about \$23,460 in equity buy-in, membership and water tap fees before they begin monthly service. All told, the water company gains nearly \$400,000 in new infrastructure and future expected revenue – all at no cost to the water company.

- **New Storage Tank Installed** – The water company has a brand new 125,000 gallon storage tank at the plant. Once the new tank is piped up, we will take the old storage tank offline and convert it to become a new clarifier. The current 30-year old clarifier needs servicing and its 33,000 gallon capacity has been hard pressed to keep pace with community growth. This completes another item on the company's five-year plan – from 2014.
- **New Water Service Reliability Agreement** – The water company worked out an 'emergency interconnection agreement' with Corix Utilities so that, if ever needed, the WOWSC could receive supplemental water from Corix's Ridge Harbor water plant. If stored water in Windermere gets low, the WOWSC can draw on the interconnection at a reasonable cost. It is like an insurance policy to ensure non-interrupted service to WOWSC members during this hot dry period.
- **Legal Matters** – Two cases aimed by members against the water company are proceeding. One case regarding the 2015 land sale is scheduled for trial on August 22nd in Burnet County Court. The second case at the Public Utility Commission is continuing at the Commissioners' request. The Commissioners remanded the case to the State Office of Administrative Hearings to better understand underlying facts regarding characteristics of WOWSC customers, and to determine whether—under those facts and applicable law—a single uniform rate is appropriate. They want the Administrative Law Judges to perform a complete analysis under the relevant statute as to whether the rates are just and reasonable. The WOWSC had hoped the Commission would deny and dismiss the rate appeal so as to reduce legal fees incurred to defend its rate structure.
- **Still Hopeful on the Insurance Case** – WOWSC brought suit against its insurance company and won in February. The insurance company appealed the judgment to the Fifth Circuit federal court because it may result in them paying \$300,000 or more to the WOWSC. A decision could be several more months ahead, but the WOWSC attorneys and Board are hopeful for this outcome. As discussed at the annual meeting in March, the Board would be able to consider reducing rates quickly if a positive ruling is confirmed at the Fifth Circuit.

That's all for now, and we will be sure to update as events warrant.

Sincerely,


WOWSC Board



Joe Gimenez



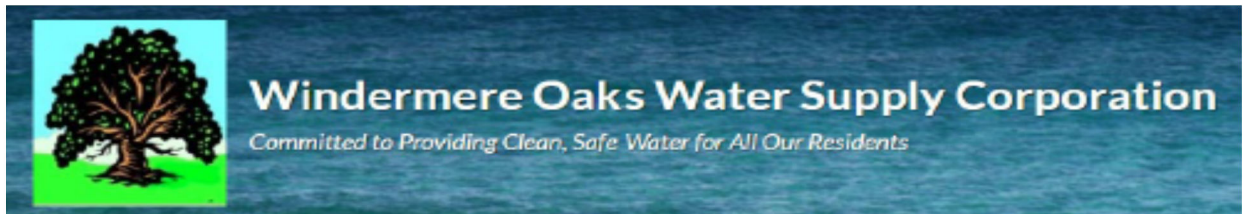
Mike Nelson



Dorothy Taylor



Rich Schaefer



September 23, 2022

WOWSC members,

At the annual meeting in March, the WOWSC Board President described recent requests for service from nearby developers. These new business opportunities would require an expansion of the WOWSC water system but would also ultimately spread WOWSC's costs across a larger customer base and thus lower bills. These are important issues that require careful consideration of the WOWSC Board. Given the nature of these requests, we are seeking input from the membership before pursuing any non-standard service agreement with these nearby developers. Please accept this overview of how the company will assist our members in evaluating these opportunities.

The goal is to take a slow, methodical approach to evaluate these opportunities, while informing the WOWSC membership of the impacts and other factors to consider, before making an informed decision on whether to extend service.

We plan to hold virtual informational work sessions to ensure the Board is fully informed as it considers these opportunities, and to ensure our customer-members are also in the loop and informed. These work sessions will be held via Zoom, and will be made accessible to the full community, though a quorum of the WOWSC Board will not be present and no decisions will be made at these work sessions. The primary purposes of these will be to receive information relevant to considering these opportunities.

For example, we plan to hold one-hour conversations via Zoom with representatives of the Lower Colorado River Authority, the Central Texas Water Coalition, the Texas Rural Water Association, the Texas Commission on Environmental Quality, Corix Utilities, and others. The meetings will be recorded and posted on YouTube for WOWSC members to view at their convenience. We will also invite representatives of the developments coming to our region to provide Zoom and in-person presentations to our membership. Ultimately, the design and construction of any system facilities expansions requested by developers *will be paid by the developers*. The Board will only consider expansions of the WOWSC system that will serve to further update and improve our water production capabilities. Stay tuned for updates on this series of work sessions.

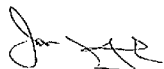
Please know that NO Board decisions have been made regarding these non-standard service requests, and no such decisions will be made without properly noticed meetings that comply with the Texas Open Meetings Act. We anticipate holding one or more Board meetings after this series of Zoom meetings. We will hold some Saturday meetings, with opportunities before and after for you to ask questions and provide input.

Now, onto some other WOWSC news:

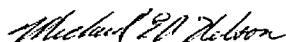
- Our new 125,000-gallon storage tank is piped and being prepared for service. The storage tank provides more capacity and resilience to the WOWSC water system, particularly during daily peak demand. Thank you for your patience one Monday a few weeks ago as we turned off our pumps. The backup interconnection with Ridge Harbor's system, which was approved by the Board in June, allowed the WOWSC to provide continuous, uninterrupted service even with our pumps off.
- The August 22 trial for one 'interested director' in the lawsuit filed by Plaintiffs Dial, Ffrench, and Sorgen against the WOWSC and its directors was postponed until November 14 due to a medical emergency. A pre-trial hearing occurred Aug. 23. The court admonished parties from discussing the particulars of this case in public any more than is necessary, and the WOWSC intends to abide by the judge's instructions. We can share what was reflected in open court: The judge defined the scope of the case she intends to try in November. She made it clear that, because of her May 3, 2021 ruling **dismissing** all of the WOWSC's current directors and all of its former directors (except Dana Martin) as defendants, and because the WOWSC acts only through its directors, she will **not** be considering any claims for relief against the WOWSC; if any money damages are awarded to the WSC by virtue of the plaintiffs' claims against Ms. Martin, the judge did reserve the right to decide how those funds would be allocated, but that would only take place in the event a judgment resulted in funds coming in to the WSC. This significantly narrows the trial, and the WOWSC anticipates that its legal fees will be materially lower than they otherwise would have been. Likewise, the judge **denied** Plaintiffs' attempt to compel the WOWSC's attorneys to testify at trial. This will also save the WSC money. We will of course provide a full update after trial.
- Regarding the rate case (50788) filed against the water company at the Public Utility Commission, the Commissioners on June 30 remanded the case back to the State Office of Administrative Hearings for a complete review under Texas Water Code Section 13.043. The Commissioners believed that the Administrative Law Judges had previously applied the wrong standard of review in recommending dismissal. A prehearing conference was held on Sept. 19 to determine the evidence and hearings needed for the next steps. The parties determined that WSC needs to file supplemental evidence on the characteristics of its class of customers. Currently, parties are putting together a joint proposed procedural schedule to litigate this limited issue.
- A member has filed a complaint (53796) against the WOWSC at the Public Utility Commission regarding its election in March. The complainant is Jeff Walker, the candidate who lost the election 75-73. His pleading seeks to put the WOWSC into investigation and receivership by the State. The complaint lists a number of allegations, with the principal focus being the WOWSC's most recent annual meeting and director's election. The WOWSC Board's position is that the complaint is baseless, and that director's election was conducted in accordance with WOWSC's Bylaws, written election procedures, and the applicable statutory requirements. As such, WOWSC's Board will continue to defend itself. Unfortunately, this filing will increase WOWSC legal bills. Walker also contended that the WOWSC was operating without insurance, which is not a statutory requirement. The Board has since secured insurance, pending final quote on property insurance for flood and fire.

Please be on the lookout for notices regarding the guest-lecture informational series planned for the next few months.

Sincerely,



Joe Gimenez
The WOWSC Legal Subcommittee



Mike Nelson

Windermere Oaks Water Supply Corporation
424 Coventry Rd. PO Box 610, Spicewood, Texas 78669
Billing Questions: (830) 598-7511 Ext 1 windermerewater@gmail.com
Water or Sewer Emergency: Phone (830) 598-7511 Ext 2

5:00 PM
01/10/20
Cash Basis

Windermere Oaks W.S.C. Balance Sheet As of December 31, 2019

	Dec 31, 19
ASSETS	
Current Assets	
Checking/Savings	
10200 Cash in Bank-2100725	48,712.43
10205 · Capital Expenditures Reserve	41,982.58
10400 · MM/Contingency Funds-128546	60,299.43
Total Checking/Savings	150,994.44
Total Current Assets	150,994.44
Fixed Assets	
15402 · Water Plant Generator (New Generator)	35,680.00
15401 · Tennis Village Lift Station (Replace Lift Station)	59,804.86
15000 · Furniture & Fixtures	2,572.62
15100 · Equipment	109,418.15
15200 · Fence	19,017.66
15300 · Water Treatment Facility	191,994.20
15310 · 2004 Water Plant Expansion	6,500.00
15340 · 3-Phase Electrical Upgrade	8,699.00
15350 · 2004 Water Storage Tank	70,649.95
15400 · Improvements	34,888.96
15500 · Building	3,377.58
15600 · Sewer Plant	125,233.87
15650 · Barge Replacement	652.27
15700 · Hydrotank Foundation	9,599.19
15750 · Boat	4,000.00
15800 · Decant Lagoon	18,475.51
15850 · 2014 WW Treatment Plant (Expenditures for WWTP)	788,648.35
15851 · Total Land	
16800 · Lot 253	6,403.75
16900 · Land	54,705.69
Total 15851 · Total Land	61,109.44
15900 · Sewer Plant Bldg new	18,277.70
15950 · 2007 Water Treatment Plant	679,210.33
17000 · Accumulated Depreciation	-848,935.83
Total Fixed Assets	1,398,873.81
Other Assets	
19300 · Standby Fees Delinquent	6,008.00
Total Other Assets	6,008.00
TOTAL ASSETS	1,555,876.25
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
25000 · Water & Sewer Taxes Payable	3,529.84
Total Other Current Liabilities	3,529.84
Total Current Liabilities	3,529.84
Long Term Liabilities	
27500 · Membership Fees Refundabl	107,442.75
27750 · Loan ABT WWTP April 4 2014 (This is first loan for WWTP)	224,546.24
Total Long Term Liabilities	331,988.99
Total Liabilities	335,518.83
Equity	
39005 · Retained Earnings	1,179,198.76
Net Income	41,158.66

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Cash Basis

Windermere Oaks W.S.C.
Balance Sheet
As of December 31, 2019

Total Equity	Dec 31, 19
	1,220,357.42
TOTAL LIABILITIES & EQUITY	1,555,876.25

Windermere Oaks W.S.C.
Profit & Loss Budget Performance
December 2019

5:03 PM
01/10/20
Cash Basis

	Dec 19	Budget	Jan - Dec 19	YTD Budget	Annual Budget
Ordinary Income/Expense					
Income					
40000 · Standby Fees					
40000-5 · Standby Fees - Water	4,098.40	1,375.00	20,730.74	16,500.00	16,500.00
40000-6 · Standby Fees - Sewer	4,098.40	1,375.00	20,730.74	16,500.00	16,500.00
Total 40000 · Standby Fees	8,196.80	2,750.00	41,461.48	33,000.00	33,000.00
40200 · Water & Sewer Services					
40200-5 · Water Services	17,287.35	17,916.66	228,199.16	215,000.00	215,000.00
40200-6 · Sewer Services	11,212.40	11,666.67	141,469.36	140,000.03	140,000.03
40200 · Water & Sewer Services - Other	0.00		-127.42		
Total 40200 · Water & Sewer Services	28,499.75	29,583.33	369,541.10	355,000.03	355,000.03
40300 · Late Charges					
40300-5 · Late Charges - Water	183.80	375.00	3,120.41	4,500.00	4,500.00
40300-6 · Late Charges - Sewer	124.35	250.00	1,972.01	3,000.00	3,000.00
Total 40300 · Late Charges	308.15	625.00	5,092.42	7,500.00	7,500.00
40400 · Membership Fees	0.00		-1,780.32		
40410 · Membership Transfer Fees					
40410-5 · Membership Transfer Fees-Water	0.00	12.50	-160.99	150.00	150.00
40410-6 · Membership Transfer Fees-Sewer	0.00	12.50	-161.01	150.00	150.00
40410 · Membership Transfer Fees - Other	0.00		120.75		
Total 40410 · Membership Transfer Fees	0.00	25.00	-201.25	300.00	300.00
40500 · Equity Buy-in Fees	4,600.00	2,300.00	50,600.00	27,600.00	27,600.00
40600 · Water & Sewer Taps					
40600-5 · Water Taps	862.50	431.25	10,350.00	5,175.00	5,175.00
40600-6 · Sewer Taps	862.50	431.25	10,350.00	5,175.00	5,175.00
Total 40600 · Water & Sewer Taps	1,725.00	862.50	20,700.00	10,350.00	10,350.00
42000 · Insurance Claim Settlements	0.00		59,855.84		
44000 · Regulatory Assessment fee refund					
44000-6 · Regulatory Assess Fee Ref-Sewer	0.00		-660.13		
44000-5 · Regulatory Assess Fee Ref - Wat	0.00		-1,046.69		
Total 44000 · Regulatory Assessment fee refund	0.00		-1,706.82		
46400 · Reconnect fee					
46400-5 · Reconnect Fee - Water	0.00	16.66	0.00	200.00	200.00
46400-6 · Reconnect Fee - Sewer	0.00	16.66	0.00	200.00	200.00
Total 46400 · Reconnect fee	0.00	33.32	0.00	400.00	400.00
49200 · Airport Irrigation Project	0.00		1,000.00		
Total Income	43,329.70	36,179.15	544,562.45	434,150.03	434,150.03
Cost of Goods Sold					
50000 · COS-Operator					
50000-5 · COS Operator - Water	6,475.00	6,682.84	76,346.25	80,194.00	80,194.00
50000-6 · COS Operator - Sewer	3,500.00	3,598.41	41,518.75	43,181.00	43,181.00

Windermere Oaks W.S.C.
Profit & Loss Budget Performance
December 2019

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	Dec 19	Budget	Jan - Dec 19	YTD Budget	Annual Budget
Total 50000 · COS-Operator	9,975.00	10,281.25	117,865.00	123,375.00	123,375.00
57000 · COS-Chemicals					
57000-5 · COS Chemicals - Water	3,273.99	943.25	11,724.07	11,319.00	11,319.00
57000-6 · COS Chemicals - Sewer	311.17	19.25	311.17	231.00	231.00
Total 57000 · COS-Chemicals	3,585.16	962.50	12,035.24	11,550.00	11,550.00
57500 · COS-Electricity					
57500-5 · COS Electricity -Water	824.78	1,116.50	10,576.17	13,398.00	13,398.00
57500-6 · COS Electricity -Sewer	864.02	808.50	10,346.07	9,702.00	9,702.00
Total 57500 · COS-Electricity	1,688.80	1,925.00	20,922.24	23,100.00	23,100.00
58000 · COS-Sludge Removal					
58000-5 · COS-Sludge Removal - Water	277.50	345.00	972.50	4,140.00	4,140.00
58000-6 · COS-Sludge Removal - Sewer	0.00	405.00	1,390.00	4,860.00	4,860.00
Total 58000 · COS-Sludge Removal	277.50	750.00	2,362.50	9,000.00	9,000.00
58500 · LCRA - Raw Water Fee					
58500-5 · COS-LCRA Raw Water Fee - Water	952.13	600.00	4,780.29	7,200.00	7,200.00
58500-6 · COS-LCRA Raw Water Fee - Sewer	634.75	400.00	3,709.41	4,800.00	4,800.00
Total 58500 · LCRA - Raw Water Fee	1,586.88	1,000.00	8,489.70	12,000.00	12,000.00
59000 · COS-Lab Fees					
59000-5 · COS Lab Fees- Water	190.12	346.66	3,206.68	4,160.00	4,160.00
59000-6 · COS Lab Fees- Sewer	416.00		4,947.08		
59000 · COS-Lab Fees - Other	305.00		305.00		
Total 59000 · COS-Lab Fees	911.12	346.66	8,458.76	4,160.00	4,160.00
Total COGS	18,024.46	15,265.41	170,133.44	183,185.00	183,185.00
Gross Profit	25,305.24	20,913.74	374,429.01	250,965.03	250,965.03
Expense					
77600 · Website					
77600-5 · Website - Water	0.00	16.66	0.00	200.00	200.00
77600-6 · Website - Sewer	0.00	16.66	0.00	200.00	200.00
Total 77600 · Website	0.00	33.32	0.00	400.00	400.00
59610 · Install New Service Taps					
59610-5 · Install New Service Taps-Water	760.00	375.00	10,531.06	4,500.00	4,500.00
59610-6 · Install New Service Taps-Sewer	2,633.22	375.00	10,453.90	4,500.00	4,500.00
Total 59610 · Install New Service Taps	3,393.22	750.00	20,984.96	9,000.00	9,000.00
62000 · Bank Charges					
62000-5 · Bank Charges - Water	7.50	25.00	110.92	300.00	300.00
62000-6 · Bank Charges - Sewer	7.50	25.00	103.42	300.00	300.00
62000 · Bank Charges - Other	0.00		7.50		
Total 62000 · Bank Charges	15.00	50.00	221.84	600.00	600.00
62400 · Bookkeeping					
62400-6 · Bookkeeping - Sewer	429.04		2,081.54		

Windermere Oaks W.S.C.
Profit & Loss Budget Performance
December 2019

5:03 PM

01/10/20

Cash Basis

	Dec 19	Budget	Jan - Dec 19	YTD Budget	Annual Budget
62400-5 · Bookkeeping - Water	429.04		2,081.54		
Total 62400 · Bookkeeping	858.08		4,163.08		
62500 · Accounting					
62500-5 · Accounting - Water	0.00	416.66	915.00	5,000.00	5,000.00
62500-6 · Accounting - Sewer	0.00	416.66	770.00	5,000.00	5,000.00
Total 62500 · Accounting	0.00	833.32	1,685.00	10,000.00	10,000.00
62600 · Billing Services					
62600-5 · Billing - Water	900.00	700.00	7,839.62	8,400.00	8,400.00
62600-6 · Billing - Sewer	900.00	700.00	7,839.61	8,400.00	8,400.00
Total 62600 · Billing Services	1,800.00	1,400.00	15,679.23	16,800.00	16,800.00
62800 · Total Contract Services					
62804-5 · Professional Engineer - Water	0.00	208.34	0.00	2,500.00	2,500.00
62804-6 · Professional Engineer - Sewer	0.00	291.66	3,069.00	3,500.00	3,500.00
62806-5 · Consulting Fees - Water	0.00	166.66	0.00	2,000.00	2,000.00
62806-6 · Consulting Fees - Sewer	0.00	83.34	0.00	1,000.00	1,000.00
Total 62800 · Total Contract Services	0.00	750.00	3,069.00	9,000.00	9,000.00
63000 · Legal/Appraisal					
63000-5 · Legal/Appraisal - Water	0.00	600.00	3,707.83	7,200.00	7,200.00
63000-6 · Legal/Appraisal - Sewer	0.00	600.00	3,702.82	7,200.00	7,200.00
63100-5 · Lawsuit 2017/18-Water (2017/18 Lawsuit)	22,812.28	983.34	79,586.41	11,800.00	11,800.00
63100-6 · Lawsuit 2017/18-Sewer	22,812.28	983.34	79,586.40	11,800.00	11,800.00
Total 63000 · Legal/Appraisal	45,624.56	3,166.68	166,583.46	38,000.00	38,000.00
63500 · Dues & Subscriptions					
63500-5 · Dues/Subscriptions - Water	0.00	77.09	89.23	925.00	925.00
63500-6 · Dues/Subscriptions - Sewer	0.00	77.09	89.22	925.00	925.00
63501 · CTWC Subscription	0.00	166.66	0.00	2,000.00	2,000.00
Total 63500 · Dues & Subscriptions	0.00	320.84	178.45	3,850.00	3,850.00
64000 · Regulatory System Fee					
64010-6 · TCEQ Annual Fee - Sewer	0.00	125.00	1,250.00	1,500.00	1,500.00
64020-5 · TCEQ Annual Water System Fee	565.95	62.50	565.95	750.00	750.00
Total 64000 · Regulatory System Fee	565.95	187.50	1,815.95	2,250.00	2,250.00
65500 · Insurance					
65500-5 · Insurance - Water	0.00	666.66	7,080.28	8,000.00	8,000.00
65500-6 · Insurance - Sewer	0.00	666.66	7,080.27	8,000.00	8,000.00
Total 65500 · Insurance	0.00	1,333.32	14,160.55	16,000.00	16,000.00
66000 · Office Supplies					
66000-5 · Office Supplies - Water	970.86	125.00	2,354.62	1,500.00	1,500.00
66000-6 · Office Supplies - Sewer	1,165.78	125.00	2,352.37	1,500.00	1,500.00
Total 66000 · Office Supplies	2,136.64	250.00	4,706.99	3,000.00	3,000.00
66500 · Telephone and Internet					
66500-5 · Telephone/Internet - Water	538.26	250.00	3,356.70	3,000.00	3,000.00

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Windermere Oaks W.S.C. **Profit & Loss Budget Performance** **December 2019**

	Dec 19	Budget	Jan - Dec 19	YTD Budget	Annual Budget
66500-6 · Telephone/Internet - Sewer	165.24	250.00	2,903.54	3,000.00	3,000.00
66500 · Telephone and Internet - Other	0.00		289.20		
Total 66500 · Telephone and Internet	703.50	500.00	6,549.44	6,000.00	6,000.00
67000 · Postage & Shipping Expense					
67000-5 · Postage & Shipping - Water	270.40	166.66	1,327.29	2,000.00	2,000.00
67000-6 · Postage & Shipping - Sewer	270.40	166.66	1,382.68	2,000.00	2,000.00
Total 67000 · Postage & Shipping Expense	540.80	333.32	2,709.97	4,000.00	4,000.00
68000 · Equipment Rental Expense	0.00	83.34	250.00	1,000.00	1,000.00
68500 · Repairs & Maintenance					
68500-5 · Repairs & Maintenance - Water	3,258.84	2,916.66	21,389.26	35,000.00	35,000.00
68500-6 · Repairs & Maintenance - Sewer	1,165.92	833.34	6,923.19	10,000.00	10,000.00
68522-5 · Barge Storm Damage 10/16/18 (Barge only storm damage)	0.00	500.00	42,747.78	6,000.00	6,000.00
Total 68500 · Repairs & Maintenance	4,424.76	4,250.00	71,060.23	51,000.00	51,000.00
68550 · Sludge Removal	0.00		90.00		
68600 · Repair Parts					
68600-5 · Repair Parts - Water	0.00	933.34	6,218.26	11,200.00	11,200.00
68600-6 · Repair Parts - Sewer	139.00	400.00	511.93	4,800.00	4,800.00
Total 68600 · Repair Parts	139.00	1,333.34	6,730.19	16,000.00	16,000.00
69000 · Printing Expense					
69000-5 · Printing Expense - Water	0.00	62.50	84.00	750.00	750.00
69000-6 · Printing Expense - Sewer	0.00	62.50	84.00	750.00	750.00
Total 69000 · Printing Expense	0.00	125.00	168.00	1,500.00	1,500.00
71500 · Interest Expense					
71500-5 · Interest Expense - Water	0.00	1,166.66	971.59	14,000.00	14,000.00
71500-6 · Interest Expense - Sewer	901.72		10,843.43		
Total 71500 · Interest Expense	901.72	1,166.66	11,815.02	14,000.00	14,000.00
72100 · Taxes-Property	0.00	3.34	0.00	40.00	40.00
77500 · Meetings/Conferences					
77500-5 · Meetings/Conferences-Water	50.00	104.16	837.50	1,250.00	1,250.00
77500-6 · Meetings/Conferences-Sewer	50.00	104.16	292.50	1,250.00	1,250.00
Total 77500 · Meetings/Conferences	100.00	208.32	1,130.00	2,500.00	2,500.00
Total Expense	61,203.23	17,078.30	333,751.36	204,940.00	204,940.00
Net Ordinary Income	-35,897.99	3,835.44	40,677.65	46,025.03	46,025.03
Other Income/Expense					
Other Income					
41000 · Interest Income	68.34		481.01		
Total Other Income	68.34		481.01		
Other Expense					
72500 · Depreciation Expense	0.00	4,666.66	0.00	56,000.00	56,000.00
Total Other Expense	0.00	4,666.66	0.00	56,000.00	56,000.00

Windermere Oaks W.S.C.
Profit & Loss Budget Performance
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	Dec 19	Budget	Jan - Dec 19	YTD Budget	Annual Budget
Net Other Income	68.34	-4,666.66	481.01	-56,000.00	-56,000.00
Net Income	<u>-35,829.65</u>	<u>-831.22</u>	<u>41,158.66</u>	<u>-9,974.97</u>	<u>-9,974.97</u>