

# **LCRA Interruptible Water Rates for Calendar Year 2024**

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**Water Operations Committee  
Meeting**

**Nov. 15, 2023**



# Water Rates Review

- **For rate-setting purposes, costs are divided into the following four categories:**
  - River management – operations and maintenance expenses of managing the river system
  - Water debt obligation – annual debt service and coverage
  - Irrigation canals water delivery – agriculture and Gulf Coast industry
  - Other adjustments:
    1. Firm revenue-funded capital
    2. Firm revenue requirement offsets – STP Nuclear Operating Company revenue and City of Austin Lake Travis diversions revenue

# Water Rates Review (Continued)

- **Firm pays for:**
  - Allocated portion of river management (78.7%)
  - Water debt obligation (100%)
  - Other adjustments and revenue requirement offsets (100%)
- **Interruptible pays for:**
  - Allocated portion of river management (21.3%) – Gulf Coast and Lakeside agricultural divisions only
  - Irrigation debt (100%)
  - Irrigation canals water delivery (100%)

# What's Changed From 2023 Rate?

- **Firm and interruptible operations and maintenance costs updated**
  - Based on fiscal year 2023 actual results
  - Adjusted for known and measurable changes
    - 3.5% base labor increase; market adjustments; benefits increase; new hires; open positions
    - For interruptible, electric costs adjusted to reflect calendar year 2024 estimate of acres and water use
    - Other adjustments, including outside services and materials costs

# What's Changed From 2023 Rate?

## (Continued)

- **Firm and interruptible billing units updated**
  - Firm
    - Latest contractual reservations
    - Projections of use, based primarily on three-year averages of actual use. Exceptions for customers with clear year-over-year growth in use
  - Interruptible
    - Acres based on three-year rolling average of actual acres
    - First season water use per acre based on statistical analysis that considers rainfall, temperature, evaporation, etc.

# Garwood Agricultural Division

## CY 2023 Acres and Water Use

	First Season Rice	Second Season Rice	Row Crop	Wildlife	Pasture
Number of contracts serviced	55	47	0	27	0
Acres serviced	20,012.8	16,333.9	0	3,406.3	0
Water delivered (acre-feet)	45,842.7	29,918.6	0	4,453.1	0
Water use per acre (a-f per acre)	2.291	1.832	0	1.307	0
Number of contracts in surcharge	4	15	0	3	0

# Interruptible Billing Units – CY 2024

		Gulf Coast	Lakeside	Garwood	How Derived
Acres					
	Rice – first season	8,956	22,893	19,922	Three-year averages: <ul style="list-style-type: none"> <li>First season rice, turf: Gulf Coast and Lakeside – 2020, 2021, 2022 Garwood – 2021, 2022, 2023</li> <li>Second season rice: Gulf Coast and Lakeside – 2019, 2020, 2021 Garwood – 2021, 2022, 2023</li> </ul>
	Rice – second season	3,762	11,908	15,770	
	Turf	1,700			
Times: water use per acre (a-f per acre)*					
	Rice – first season	2.826	1.848	1.998	Statistical analysis
	Rice – second season	1.346	1.165	1.243	Three-year weighted averages: <ul style="list-style-type: none"> <li>Gulf Coast and Lakeside – 2019, 2020, 2021</li> <li>Garwood – 2021, 2022, 2023</li> </ul>
	Turf	0.710			
Equals: billing units (a-f)*					
	Rice – first season	25,310	42,311	39,814	
	Rice – second season	5,065	13,875	19,601	
	Turf	1,206			
	<b>Total interruptible billing units</b>	<b>31,581</b>	<b>56,186</b>	<b>59,415</b>	

\*Water use is delivered to the field

# Gulf Coast Agriculture Rate – CY 2024

(Dollars in thousands)	CY 2024 Rate	CY 2023 Rate	Variance – Favorable (Unfavorable)	
			Amount	Percent
Water delivery costs	\$2,334	\$2,282	(\$52)	(2.3%)
Add: allocated river management costs	\$1,221	\$1,158	(\$63)	(5.4%)
<b>Total costs – full-cost recovery</b>	<b>\$3,555</b>	<b>\$3,440</b>	<b>(\$115)</b>	<b>(3.3%)</b>
Less: Agriculture Reserve Funds used	(\$1,154)	(\$1,094)	\$60	5.5%
<b>Total costs</b>	<b>\$2,401</b>	<b>\$2,346</b>	<b>(\$55)</b>	<b>(2.3%)</b>
<b>Divided by: billing units (a-f)</b>	<b>31,581</b>	<b>31,581</b>	<b>0</b>	<b>0.0%</b>
<b>Equal: rate (dollars per a-f)</b>				
Water delivery costs	\$73.90	\$72.26	\$1.64	2.3%
River management costs	\$38.67	\$36.67	\$2.00	5.5%
<b>Total full-cost recovery rate</b>	<b>\$112.57</b>	<b>\$108.93</b>	<b>\$3.64</b>	<b>3.3%</b>
Less: Agriculture Reserve Funds used	(\$36.53)	(\$34.63)	(\$1.90)	(5.5%)
<b>Total Gulf Coast agriculture rate (1)</b>	<b>\$76.04</b>	<b>\$74.30</b>	<b>\$1.74</b>	<b>2.3%</b>

(1) Proposed CY 2024 rate is 9.5% higher than the CY 2022 rate, the last year customers received water



# Gulf Coast Industrial Rate – CY 2024

(Dollars in thousands unless otherwise noted)	Gulf Coast Industrial Billing Units (a-f)		CY 2024 Rate
	Use (1)	Less: Losses	
<b>Gulf Coast costs allocated to industry</b>			<b>\$930</b>
Divided by: Gulf Coast industrial billing units (a-f)			
Underground Services Markham – losses at 23%	9,442	(2,212)	7,230
OQ Chemicals Corporation – losses at 23%	4,820	(1,109)	3,711
Total billing units – delivered to facility	14,262	(3,321)	<b>10,941</b>
<b>Gulf Coast industrial distribution rate (dollars per a-f)</b>			<b>\$85.05 (2)</b>

(1) Use volumes billed at firm rate

(2) Increase of \$8.47 per a-f, or 11.1% from current rate of \$76.58 per a-f

# Lakeside Rate – CY 2024

(Dollars in thousands)	CY 2024 Rate	CY 2023 Rate	Variance – Favorable (Unfavorable)	
			Amount	Percent
Water delivery costs	\$3,292	\$3,117	(\$175)	(5.6%)
Add: allocated river management costs	\$2,173	\$2,060	(\$113)	(5.5%)
<b>Total costs – full-cost recovery</b>	<b>\$5,466</b>	<b>\$5,117</b>	<b>(\$288)</b>	<b>(5.6%)</b>
Less: Agriculture Reserve Funds used	(\$1,193)	(\$1,002)	\$191	19.1%
<b>Total costs</b>	<b>\$4,272</b>	<b>\$4,175</b>	<b>(\$97)</b>	<b>(2.3%)</b>
<b>Divided by: billing units (a-f)</b>	<b>56,186</b>	<b>56,186</b>	<b>0</b>	<b>0.0%</b>
<b>Equal: rate (dollars per a-f)</b>				
Water delivery costs	\$58.59	\$55.48	\$3.11	5.6%
River management costs	\$38.67	\$36.67	\$2.00	5.5%
<b>Total full-cost recovery rate</b>	<b>\$97.26</b>	<b>\$92.15</b>	<b>\$5.11</b>	<b>5.5%</b>
Less: Agriculture Reserve Funds used	(\$21.22)	(\$17.85)	(\$3.37)	(18.9%)
<b>Total Lakeside rate</b>	<b>\$76.04</b>	<b>\$74.30</b>	<b>\$1.74</b>	<b>2.3%</b>

(1) Proposed CY 2024 rate is 9.5% higher than the CY 2022 rate, the last year customers received water

# Distribution Rate for Temporary Firm Customers Receiving Water From the Irrigation Canal System

(Dollars in thousands)	CY 2024 Rate	CY 2023 Rate	Variance – Favorable (Unfavorable)	
			Amount	Percent
Water delivery costs – Gulf Coast agriculture	\$2,334	\$2,282	(\$52)	(2.3%)
Water delivery costs – Lakeside	\$3,292	\$3,117	(\$175)	(5.6%)
<b>Total costs – combined Gulf Coast agriculture and Lakeside</b>	<b>\$5,626</b>	<b>\$5,399</b>	<b>(\$227)</b>	<b>(4.2%)</b>
Divided by: billing units (a-f)				
Gulf Coast agriculture	31,581	31,581	0	0.0%
Lakeside	56,186	56,186	0	0.0%
<b>Total billing units – combined Gulf Coast agriculture and Lakeside</b>	<b>87,767</b>	<b>87,767</b>	<b>0</b>	<b>0.0%</b>
<b>Equal: rate – combined Gulf Coast and Lakeside (dollars per a-f)</b>	<b>\$64.10</b>	<b>\$61.52</b>	<b>\$2.58</b>	<b>4.2%</b>
<b>Equal: rate – Gulf Coast only (dollars per a-f) (1)</b>	<b>\$73.90</b>	<b>\$72.26</b>	<b>\$1.64</b>	<b>2.3%</b>

(1) Gulf Coast only rate proposed – all contracts under this category historically in the Gulf Coast irrigation system

# Garwood Rate – CY 2024

(Dollars in thousands unless otherwise noted)	CY 2024 Rate	CY 2023 Rate	Variance – Favorable (Unfavorable)	
			Amount	Percent
Water delivery costs	\$2,602	\$2,394	(\$208)	(8.7%)
Add: allocated river management costs	n/a	n/a	n/a	n/a
<b>Total costs</b>	<b>\$2,602</b>	<b>\$2,394</b>	<b>(\$208)</b>	<b>(8.7%)</b>
<b>Divided by: billing units (a-f)</b>	<b>59,415</b>	<b>56,386</b>	<b>3,029</b>	<b>5.4%</b>
<b>Equal: rate (dollars per a-f)</b>				
Water delivery costs	\$43.79	\$42.46	\$1.33	3.1%
River management costs	n/a	n/a	n/a	n/a
<b>Garwood rate – weighted average</b>	<b>\$43.79</b>	<b>\$42.46</b>	<b>\$1.33</b>	<b>3.1%</b>
Garwood rate – one lift (81% of total volume)	\$42.32	\$41.04	\$1.28	3.1%
Garwood rate – two lifts (19% of total volume)	\$50.17	\$48.64	\$1.53	3.1%

# CY 2024 Rates

## Key Issues

- **Interruptible**

- CY 2024 proposed Gulf Coast and Lakeside rates are 9.5% higher than CY 2022 – the last year they received water – and 2.3% higher than the CY 2023 Board-approved rates
- \$19.7 million Rate Stabilization Fund
  - Projected to use \$4.1 million in CY 2023 (includes lost supplemental), leaving a balance of \$15.6 million by end of CY 2023
  - If curtailment continues into CY 2024, projected to use \$7 million (includes lost supplemental), leaving a balance of \$8.6 million by end of CY 2024
- \$13 million Agriculture Reserve Fund
  - Current balance of \$6.7 million
    - Projected to use \$2.3 million in 2024
    - Projected to be depleted by end of 2028

# **Proposed CY 2023 Interruptible Rules, Rates and Drought Contingency Plan Changes**

- **Reviewing and considering potential changes to the following:**
  - Water ordering procedures
  - Minimum field preparation requirements to receive water
- **No changes to the DCP are anticipated**

# **CY 2024 Interruptible Rules, Rates and Drought Contingency Plan Implementation Summary and Timeline**

- **Interruptible rates – increasing**
- **Agriculture Drought Contingency Plan and contract rules**
  - Post on website for review and comment in December 2023
  - Close comment period in early January 2024
  - Consider approval at Jan. 24, 2024, Board meeting
- **Interruptible water availability – driven by conditions on March 1, 2024**



