

LCRA Water Rates for Calendar Year 2022

**Water Operations Committee
Meeting**

Oct. 19, 2021



Water Rates Review

- **Firm pays for:**
 - Allocated portion of river management (78.7%)
 - Water debt obligation (100%)
 - Does not include debt related to irrigation assets
 - Other adjustments and revenue requirement offsets (100%)
- **Interruptible pays for:**
 - Irrigation water delivery (100%)
 - Allocated portion of river management (21.3%) – Gulf Coast and Lakeside agricultural divisions only

Cost Comparisons

Costs for 2022 rate vs. costs for 2021 rate

River Management Costs

(Dollars in thousands)	CY 2022 Rate	CY 2021 Rate	Variance – Favorable (Unfavorable)		Explanation/Comments
			Amount	Percent	
Labor	\$7,243	\$7,246	\$3	0.0%	
Enterprise Support expense	\$4,399	\$4,196	(\$203)	(4.8%)	<ul style="list-style-type: none"> Greater property insurance: (\$46,000) Greater employee benefits not charged through labor: (\$170,000) Greater IT/Cybersecurity: (\$85,000)
Outside Services	\$2,063	\$1,003	(\$1,060)	(105.7%)	<ul style="list-style-type: none"> Includes \$543,000 known and measurable adjustment to reflect FY 2022 business plan forecast
Materials and supplies	\$319	\$292	(\$27)	(9.2%)	
Water right permit fees	\$325	\$325	\$0	0.0%	
Bad debt expense	\$100	\$100	\$0	0.0%	
Electric service	\$159	\$19	(\$140)	(736.8%)	<ul style="list-style-type: none"> Arbuckle Reservoir electric costs: (\$142,000) 30% of Lane City River Plant and 100% of Re-lift Pump Station
Telephone and other utilities	\$27	\$26	(\$1)	(3.8%)	
Other expenses	\$163	\$219	\$56	25.6%	<ul style="list-style-type: none"> Primarily lower employee business expenses and computer hardware/software: (\$44,000)
Public Service Fund expense	\$985	\$892	(\$93)	(10.4%)	<ul style="list-style-type: none"> 3% of total firm revenue requirement
Resource Development Fund expense	\$613	\$553	(\$60)	(10.8%)	<ul style="list-style-type: none"> 2% of total firm revenue requirement
Total river management costs	\$16,396	\$14,871	(\$1,525)	(10.3%)	

Allocation of River Management Costs Between Firm and Interruptible

(Dollars in thousands)	Total RM Costs – 2022 Rate	Allocated to: Firm		Allocated to: Interruptible		How Allocated Between Firm and Interruptible
		Amount	Percent	Amount	Percent	
Labor	\$7,243	\$5,700	78.7%	\$1,543	21.3%	River management allocator
Enterprise Support expense	\$4,399	\$3,462	78.7%	\$937	21.3%	River management allocator
Outside services	\$2,063	\$1,624	78.7%	\$439	21.3%	River management allocator
Materials and supplies	\$319	\$251	78.7%	\$68	21.3%	River management allocator
Water right permit fees	\$325	\$256	78.8%	\$69	21.2%	River management allocator
Bad debt expense	\$100	\$100	100.0%	\$0	0.0%	100% firm
Electric service	\$159	\$125	78.6%	\$34	21.4%	River management allocator
Telephone and other utilities	\$27	\$21	77.8%	\$6	22.2%	River management allocator
Other expenses	\$163	\$129	79.1%	\$34	20.9%	River management allocator
Public Service Fund expense	\$985	\$891		\$94		3% of firm revenue requirement – includes Garwood Agricultural Division revenues
Resource Development Fund expense	\$613	\$550		\$63		2% of firm revenue requirement
Total river management costs	\$16,396	\$13,109	79.9%	\$3,287	20.1%	

Water Debt Obligation* – 100% to Firm

(Dollars in thousands)	CY 2022 Rate	CY 2021 Rate	Variance – Favorable (Unfavorable)	Explanation/Comments
Long-term revenue bonds – scheduled debt service	\$3,598	\$3,604	\$6	
Assume bond-out of \$22 million of outstanding tax-exempt commercial paper	\$1,518	\$0	(\$1,518)	• Bond-out of \$22 million dam rehabilitation and new water supply
Tax-exempt commercial paper – interest expense and line of credit fees	\$1,119	\$1,635	\$516	• Tax-exempt commercial paper interest on new capital spending for CY 2022: \$152,000 • Tax-exempt commercial paper credit line fees: \$967,000
Total debt service	\$6,235	\$5,239	(\$996)	
Debt service coverage – 25 points	\$1,559	\$1,310	(\$249)	
Total water debt obligation	\$7,794	\$6,549	(\$1,245)	

*River management debt only; does not include debt service related to irrigation assets

Other Adjustments – 100% to Firm

(Dollars in thousands)	CY 2022 Rate	CY 2021 Rate	Variance – Favorable (Unfavorable)	Explanation/Comments
Cash-funded capital	\$6,457	\$6,112	(\$345)	• Equity-funding of new capital spending – debt avoidance
STP Nuclear Operating Company – firm revenue requirement offset	(\$985)	(\$985)	\$0	• STP Nuclear Operating Company pays \$17.90 per acre-foot for 55,000 a-f per year minimum
City of Austin WTP No. 4 – firm revenue requirement offset	(\$627)	(\$592)	\$35	• City of Austin pays \$20 per a-f for WTP No. 4 Lake Travis diversions
Corix Lometa lease – firm revenue requirement offset	\$0	(\$123)	(\$123)	• Paused during Lometa asset sale negotiation • CY 2022 is year eight of 15 of lease agreement
Interruptible share of river management paid by firm during eight-year transition	\$216	\$392	\$176	• CY 2022 is the seventh year of the eight-year transition to full-cost recovery for interruptible's share of allocated river management costs • Firm pays for difference during the transition period
Total other adjustments	\$5,061	\$4,804	(\$257)	

Summary – Total Firm Costs

(Dollars in thousands)	CY 2022 Rate	CY 2021 Rate	Variance – Favorable (Unfavorable)	
			Amount	Percent
River management costs	\$16,396	\$14,871	(\$1,525)	(10.3%)
Less: interruptible share of river management – full-cost allocation	(\$3,287)	(\$2,980)	\$307	(10.3%)
Subtotal – river management costs allocated to firm	\$13,109	\$11,891	(\$1,218)	(10.2%)
Water debt obligation	\$7,794	\$6,549	(\$1,245)	(19.0%)
Other adjustments	\$5,061	\$4,804	(\$257)	(5.3%)
Total firm costs	\$25,964	\$23,244	(\$2,720)	(11.7%)

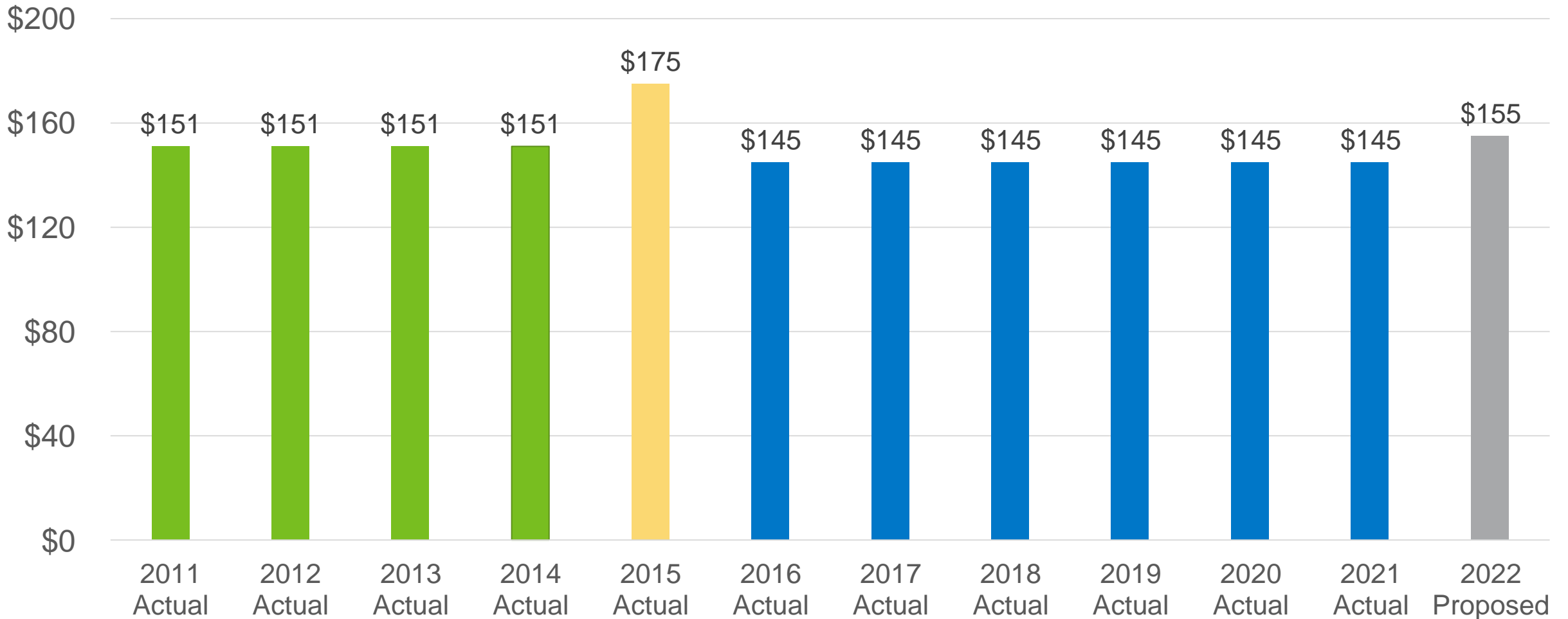
Firm Billing Units – 2022 Rate

Top 16 Firm Customers in Terms of Billing Units (84% of Total Billing Units)	Customer Type	A Maximum Annual Quantity (acre-feet)	Firm Billing Units (a-f)			% of Total Firm Billing Units
			B Use	C (A-B)*50% Reservation	D (B+C) Total Billing Units	
LCRA generation	LCRA gen	40,000	14,895	12,552	27,447	16.4%
Cedar Park, City of	Municipal	23,000	16,956	3,022	19,978	11.9%
Leander, City of	Municipal	24,000	10,958	6,521	17,479	10.4%
Brazos River Authority	Municipal	25,000	693	12,153	12,846	7.7%
Pflugerville, City of	Municipal	12,000	8,639	1,681	10,320	6.2%
Underground Services Markham, LP	Industrial	11,621	6,866	2,377	9,243	5.5%
Travis County Water Control and Improvement District No. 17	Municipal	8,800	7,988	DOES NOT PAY	7,988	4.8%
West Travis County Public Utility Agency	Municipal	9,000	6,323	1,339	7,662	4.6%
Fayette Power Project – Austin Energy	Industrial	7,500	2,795	2,352	5,147	3.1%
OQ Chemicals Corporation	Industrial	5,334	4,955	190	5,145	3.1%
Domestic use and temporary contracts	DU/temp	5,145	5,145	0	5,145	3.1%
Travis County Municipal Utility District No. 4	Municipal	3,501	2,161	670	2,831	1.7%
Lakeway MUD No. 1	Municipal	3,069	2,458	306	2,764	1.7%
Bastrop Energy Partners, LP	Industrial	3,220	1,667	777	2,444	1.5%
Horseshoe Bay, City of	Municipal	2,225	2,162	32	2,194	1.3%
Lago Vista, City of	Municipal	6,500	1,504	DOES NOT PAY	1,504	0.9%
All others (100 contracts)	Various		18,893	8,480	27,373	16.1%
Total firm billing units			115,058	52,452	167,510	100.0%

Firm Rate Calculation

(Dollars in thousands unless otherwise noted)	CY 2022 Rate	CY 2021 Rate	Variance – Favorable (Unfavorable)	
			Amount	Percent
River management costs	\$16,396	\$14,871	(\$1,525)	(10.3%)
Less: river management costs allocated to interruptible	(\$3,287)	(\$2,980)	\$307	10.3%
Add: water debt obligation	\$7,794	\$6,549	(\$1,245)	(19.0%)
Add: other adjustments				
Cash-funded capital	\$6,457	\$6,112	(\$345)	(5.6%)
STP Nuclear Operating Company – revenue offset	(\$985)	(\$985)	\$0	0.0%
City of Austin WTP No. 4 – revenue offset	(\$627)	(\$592)	\$35	5.9%
Corix Lometa lease – revenue offset	\$0	(\$123)	(\$123)	(100%)
Interruptible’s share of river management paid by firm during transition	\$216	\$392	\$176	44.9%
Total firm costs	\$25,964	\$23,244	(\$2,720)	(11.7%)
Divided by: firm billing units (a-f)	167,510	160,299	7,211	4.5%
Equals: firm rate (\$ per a-f)	\$155.00	\$145.00	\$10.00	6.9%

Firm Use Rate History* (Dollars per a-f)



*Use rate is applied to volume of water diverted at the river. Most contracts also pay a *reservation* rate equal to one-half of the use rate applied to the volume of water reserved but not used.

CY 2022 Rates – Key Takeaways/Issues for Firm Rates

- **Inclusion of \$22 million bond-out of existing commercial paper debt, excluding Arbuckle Reservoir-related debt**
 - \$1.898 million annual debt service and coverage
- **Rate stability**
- **Proposed increase to \$155 per a-f effective CY 2022**

Proposed Rate Change Timeline

- *LCRA Board presentation and discussion – September 2021*
- *Firm customer meeting – held Wednesday, Oct. 6*
– 40 attendees
- *Comment period – closed Tuesday, Oct. 12*
- **Board consideration/possible action – Wednesday, Oct. 20**
- **Rates effective – January 2022 billing period**

Summary of Comments

All comments received provided in Board materials

Included topics such as:

- **Timing of the rate change**
- **Increased costs and budget oversight**
- **Domestic customer concerns**
- **Firm rates versus interruptible rates**

