

# **LCRA Water Rates for Calendar Year 2022**

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**Water Operations Committee  
Meeting**

**Sept. 22, 2021**



# 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 – debt service and coverage
  - Irrigation canals water delivery – agriculture and Gulf Coast industry
  - Other adjustments:
    1. Cash-funded capital
    2. Firm revenue requirement offsets – STP Nuclear Operating Company revenue, City of Austin Water Treatment Plant No. 4 revenue
    3. Interruptible share of river management paid by firm during eight-year transition period

# Water Rates Review (Continued)

- **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

# Water Rates Review (Continued)

- River management cost allocation between firm and interruptible based on statistics from the 2020 Water Management Plan
- Allocation based on water availability during the two historic drought periods: 1945-1957 and 2007-2016
  - Allocated portion of river management to firm: 78.7%
  - Allocated portion of river management to interruptible: 21.3%

# Water Rates Review (Continued)

- River management costs transitioned to interruptible over eight years beginning in calendar year 2016
  - Full-cost allocation to interruptible is 21.3% by year eight, or calendar year 2023
  - Firm pays for difference during transition period

Calendar Year	2016	2017	2018	2019	2020	2021	2022	2023
Transition year:	1	2	3	4	5	6	7	8
Interruptible – 2020 WMP	13.5%	14.7%	15.9%	15.9%	17.1%	18.5%	19.9%	21.3%
Interruptible – 2015 WMP	13.5%	14.7%	15.9%	15.9%	17.1%	18.3%	19.5%	20.7%

# Cost Comparisons

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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"> <li>Greater property insurance: (\$46,000)</li> <li>Greater employee benefits not charged through labor: (\$170,000)</li> <li>Greater IT/Cybersecurity: (\$85,000)</li> </ul>
Outside Services	\$2,063	\$1,003	(\$1,060)	(105.7%)	<ul style="list-style-type: none"> <li>Includes \$543,000 known and measurable adjustment to reflect FY 2022 business plan forecast</li> </ul>
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"> <li>Arbuckle Reservoir electric costs: (\$142,000)</li> <li>30% of Lane City River Plant and 100% of Re-lift Pump Station</li> </ul>
Telephone and other utilities	\$27	\$26	(\$1)	(3.8%)	
Other expenses	\$163	\$219	\$56	25.6%	<ul style="list-style-type: none"> <li>Primarily lower employee business expenses and computer hardware/software: (\$44,000)</li> </ul>
Public Service Fund expense	\$985	\$892	(\$93)	(10.4%)	<ul style="list-style-type: none"> <li>3% of total firm revenue requirement</li> </ul>
Resource Development Fund expense	\$613	\$553	(\$60)	(10.8%)	<ul style="list-style-type: none"> <li>2% of total firm revenue requirement</li> </ul>
<b>Total river management costs</b>	<b>\$16,396</b>	<b>\$14,871</b>	<b>(\$1,525)</b>	<b>(10.3%)</b>	

# 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
<b>Total river management costs</b>	<b>\$16,396</b>	<b>\$13,109</b>	<b>79.9%</b>	<b>\$3,287</b>	<b>20.1%</b>	



# 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
<b>Total debt service</b>	<b>\$6,235</b>	<b>\$5,239</b>	<b>(\$996)</b>	
Debt service coverage – 25 points	\$1,559	\$1,310	(\$249)	
<b>Total water debt obligation</b>	<b>\$7,794</b>	<b>\$6,549</b>	<b>(\$1,245)</b>	

\*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)	<ul style="list-style-type: none"> <li>Equity-funding of new capital spending – debt avoidance</li> </ul>
STP Nuclear Operating Company – firm revenue requirement offset	(\$985)	(\$985)	\$0	<ul style="list-style-type: none"> <li>STP Nuclear Operating Company pays \$17.90 per acre-foot for 55,000 a-f per year minimum</li> </ul>
City of Austin WTP No. 4 – firm revenue requirement offset	(\$627)	(\$592)	\$35	<ul style="list-style-type: none"> <li>City of Austin pays \$20 per a-f for WTP No. 4 Lake Travis diversions</li> </ul>
Corix Lometa lease – firm revenue requirement offset	\$0	(\$123)	(\$123)	<ul style="list-style-type: none"> <li>Paused during Lometa asset sale negotiation</li> <li>CY 2022 is year eight of 15 of lease agreement</li> </ul>
Interruptible share of river management paid by firm during eight-year transition	\$216	\$392	\$176	<ul style="list-style-type: none"> <li>CY 2022 is the seventh year of the eight-year transition to full-cost recovery for interruptible's share of allocated river management costs</li> <li>Firm pays for difference during the transition period</li> </ul>
<b>Total other adjustments</b>	<b>\$5,061</b>	<b>\$4,804</b>	<b>(\$257)</b>	

# 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%)
<b>Total firm costs</b>	<b>\$25,964</b>	<b>\$23,244</b>	<b>(\$2,720)</b>	<b>(11.7%)</b>

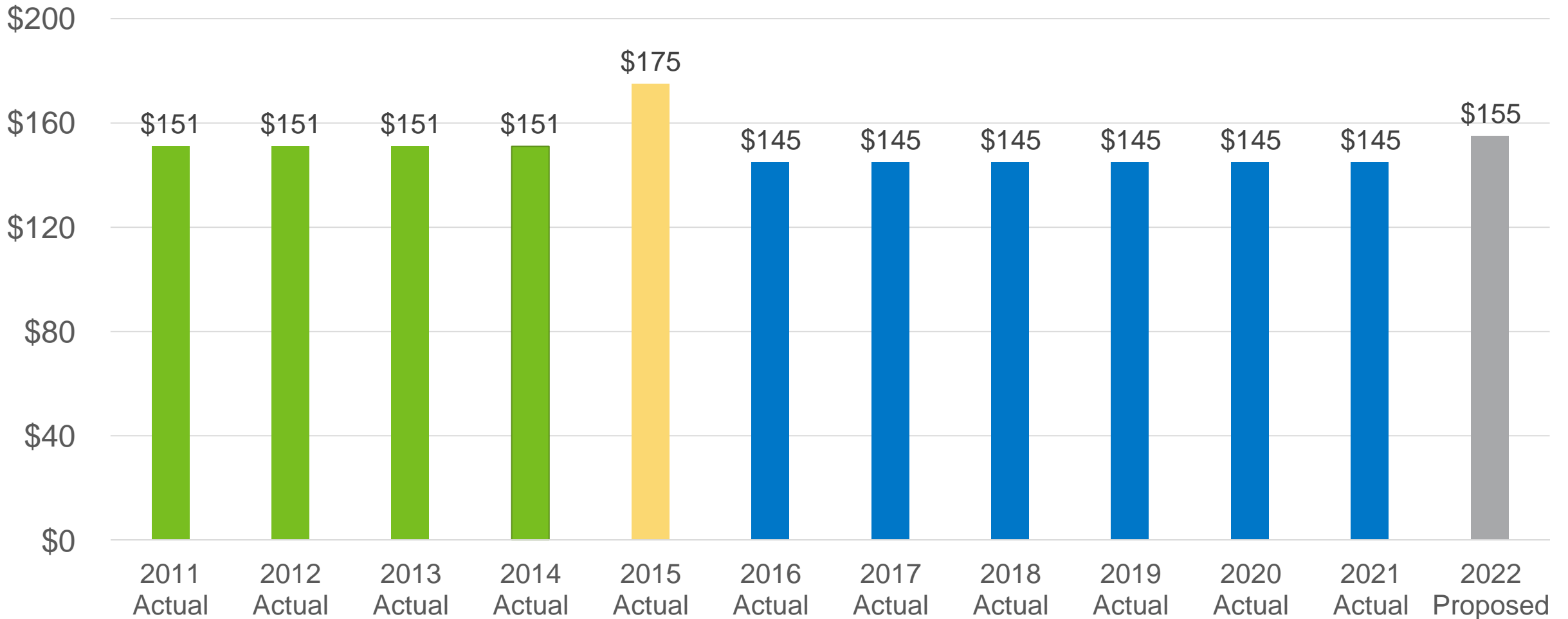
# Firm Billing Units – 2022 Rate

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

# 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%
<b>Total firm costs</b>	<b>\$25,964</b>	<b>\$23,244</b>	<b>(\$2,720)</b>	<b>(11.7%)</b>
Divided by: <b>firm billing units (a-f)</b>	<b>167,510</b>	<b>160,299</b>	<b>7,211</b>	<b>4.5%</b>
<b>Equals: firm rate (\$ per a-f)</b>	<b>\$155.00</b>	<b>\$145.00</b>	<b>\$10.00</b>	<b>6.9%</b>

# 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**

