

Industrial Distribution Rates and Interruptible Agricultural Water Rates, Rules and Drought Contingency Plan for Calendar Year 2021

**LCRA Board Meeting
Jan. 20, 2021**



Water Rates Discussion Timeline

Date	Meeting	Topics
Dec. 10, 2019	LCRA Board of Directors meeting	<ul style="list-style-type: none">• Discussion of draft projected water rates, rules and Drought Contingency Plan for calendar year 2020• River management cost allocation• Use of Agriculture Reserve Fund
Jan. 21, 2020	Water Operations Committee meeting	
Jan. 22, 2020	LCRA Board meeting	<ul style="list-style-type: none">• Board approved water rates, rules and Drought Contingency Plan for CY 2020
May 20, 2020	Business and capital plans work session and LCRA Board meeting	<ul style="list-style-type: none">• Included Board-approved rates for CY 2020• Included projected rates for CY 2021 and beyond, subject to change based on actual and projected costs and billing units• Included use of the Agriculture Reserve Fund to hold the annual rate increases to 5% per year

Water Rates Discussion Timeline

(Continued)

Date	Meeting	Topics
Aug. 19, 2020	LCRA Board meeting	<ul style="list-style-type: none">• Board approved funding of the Agriculture Reserve Fund with \$13 million from management reserves
Dec. 15, 2020	LCRA Board meeting	<ul style="list-style-type: none">• Discussion of draft projected water rates, rules and Drought Contingency Plan for CY 2021• River management cost allocation• Use of Agriculture Reserve Fund
Jan. 20, 2021	LCRA Board meeting	<ul style="list-style-type: none">• Seeking Board approval of water rates, rules and Drought Contingency Plan for CY 2021

What's Changed From 2020 Rates?

- **Operations and maintenance costs updated**
 - Based on fiscal year 2020 actual results
 - Adjusted for “known and measurable” changes
 - 3% labor increase
 - Electric costs adjusted to reflect CY 2021 estimate of acres and water use
 - Nonrecurring retirement payouts excluded

What's Changed From 2020 Rates?

(Continued)

- **River management cost allocation updated**
 - CY 2021 is year six of the eight-year transition to full cost recovery of allocated river management costs to interruptible
- **Firm and interruptible billing units updated**
 - Acres based on three-year rolling average of actual acres
 - 2018, 2019, 2020
 - Water use per acre based on 20+ year statistical analysis
- **Delivery cost allocation at Gulf Coast updated**
- **Temporary distribution rate updated**

Interruptible Billing Units – CY 2021

	Lakeside	Gulf Coast	Garwood	How Derived
Acres				
Rice – first season	20,624	9,190	18,967	Three-year average – 2018, 2019, 2020
Rice – second season	12,005	5,288	14,769	
Turf		1,577		
Times: water use per acre (a-f per acre)*				
Rice – first season	1.884	2.932	1.895	20+ year statistical analysis
Rice – second season	1.047	1.170	1.134	Three-year average – 2018, 2019, 2020
Turf		0.830		
Equals: billing units (a-f)*				
Rice – first season	38,855	26,947	35,943	
Rice – second season	12,574	6,187	16,744	
Turf		1,310		
Total interruptible billing units	51,428	34,444	52,687	

*Water use is delivered to the field

Lakeside Rate – CY 2021

(Dollars in thousands unless otherwise noted)	CY 2021 Rate	CY 2020 Rate	Variance – Favorable (Unfavorable)	
			Amount	Percent
Water delivery costs	\$2,802	\$2,590	(\$212)	(8.2%)
Add: allocated river management costs – full cost recovery	\$1,786	\$1,654	(\$132)	(8.0%)
Total costs – full cost recovery	\$4,588	\$4,244	(\$344)	(8.1%)
Less: amount paid by firm during transition of river management costs	(\$235)	(\$288)	(\$53)	(18.4%)
Less: Agriculture Reserve Fund used*	(\$951)	(\$659)	\$292	44.3%
Total costs	\$3,402	\$3,297	(\$105)	(3.2%)
Divided by: billing units (a-f)	51,428	52,337	(909)	(1.7%)
Equals: rate (\$ per a-f)	\$66.14	\$63.00	\$3.14	5.0%

*CY 2020 LCRA Strategic Reserves used

Gulf Coast Cost Allocation – CY 2021

- **Gulf Coast system provides water to two industrial customers – Underground Services Markham and Oxea**
 - USM and Oxea pay a separate water delivery rate
- **Gulf Coast costs are allocated between agriculture and industry based on relative projected water use for CY 2021**
 - 81% agriculture, 19% industry

Projected Gulf Coast Water Use – CY 2021 (a-f)				% of Total
Industry:	USM	Oxea	Total	
Diverted at river	7,537	4,072	11,609	
Less: losses (~30%)	(2,306)	(1,217)	(3,523)	
Total industry:	5,231	2,855	8,086	19.0%
Agriculture:			34,444	81.0%
Total Gulf Coast:			42,530	100.0%

Gulf Coast Agriculture Rate – CY 2021

(Dollars in thousands unless otherwise noted)	CY 2021 Rate	CY 2020 Rate	Variance – Favorable (Unfavorable)	
			Amount	Percent
Water delivery costs	\$2,396	\$2,456	\$60	2.4%
Add: allocated river management costs – full cost recovery	\$1,195	\$1,115	(\$80)	(7.2%)
Total costs – full cost recovery	\$3,591	\$3,571	(\$20)	(0.6%)
Less: amount paid by firm during transition of river management costs	(\$157)	(\$194)	(\$37)	(19.1%)
Less: Agriculture Reserve Fund used*	(\$1,156)	(\$1,156)	\$0	0.0%
Total costs	\$2,278	\$2,221	(\$57)	(2.6%)
Divided by: billing units (a-f)	34,444	35,258	(814)	(2.3%)
Equals: rate (\$ per a-f)	\$66.14	\$63.00	\$3.14	5.0%

*CY 2020 LCRA Strategic Reserves used

Temporary Distribution Rate – CY 2021

- **Gulf Coast and Lakeside canal systems provide firm water under temporary contracts**
 - Contracts up to 10 a-f per year
 - LCRA does not maintain canals year-round for temporary customers
 - Currently two active contracts
- **Proposed CY 2021 rate: \$60.53 per a-f**
 - Rate set as weighted average delivery cost for interruptible agricultural customers in the two divisions

Gulf Coast Industrial Rate – CY 2021

(Dollars in thousands unless otherwise noted)	CY 2021 Rate
Gulf Coast costs allocated to industry	\$654
Less: pumping charge – charged separately	(\$33)
Amount to be recovered through Gulf Coast industrial distribution rate	\$621
Divided by: Gulf Coast industry use (a-f)	8,086
Gulf Coast <u>industrial</u> distribution rate (\$ per a-f)	\$76.58
Gulf Coast <u>agriculture</u> delivery rate (\$ per a-f)	\$69.56
Gulf Coast industrial distribution rate (\$ per thousand gallons)	\$0.235
Current Gulf Coast industrial distribution rate (\$ per thousand gallons)*	\$0.166
Percent rate increase	41.6%

*Current rate of \$0.166 per thousand gallons last changed effective January 2016

Garwood Rate – CY 2021

(Dollars in thousands unless otherwise noted)	CY 2021 Rate	CY 2020 Rate	Variance – Favorable (Unfavorable)	
			Amount	Percent
Water delivery costs	\$2,089	\$1,997	(\$92)	(4.6%)
Add: allocated river management costs – full cost recovery	n/a	n/a	n/a	n/a
Total costs – full cost recovery	\$2,089	\$1,997	(\$92)	(4.6%)
Total costs	\$2,089	\$1,997	(\$92)	(4.6%)
Divided by: billing units (a-f)	52,687	51,554	1,132	2.2%
Equals: rate (\$ per a-f)				
Garwood rate – weighted average	\$39.65	\$38.74	\$0.91	2.3%
Garwood rate – one lift (81% of total volume)	\$38.32	\$37.44	\$0.88	2.4%
Garwood rate – two lifts (19% of total volume)	\$45.42	\$44.38	\$1.04	2.3%

Proposed CY 2021 Rates and Surcharges (\$ per a-f)

Division	Rice/Turf and Supplemental	Excess Use Surcharge		
		Tier 1 (40%)	Tier 2 (80%)	Tier 3 (150%)
Gulf Coast	\$66.14	\$26.46	\$52.91	\$99.21
Lakeside	\$66.14	\$26.46	\$52.91	\$99.21
Garwood – one lift	\$38.32	\$15.33	\$30.66	\$57.48
Garwood – two lifts	\$45.42			

- Modify the minimum charge to be equal to 33% of the current year's interruptible water rate

Proposed CY 2021 DCP, Rule and Rate Changes

- **Reduce the interruptible stored water allocation for second season if rice customer use through June 30 is less than 1.5 a-f per acre**
 - 50% allocation for use \leq 1.0 a-f per acre
 - 75% allocation for use 1.0-1.5 a-f per acre
- **Require prepayment of minimum charge for:**
 - Customer with unpaid balance as of Feb. 1 from prior year
 - New customer unless the landowner is also party to contract

Summary of Public Input

- **Agricultural DCP, rule and rate changes posted on website for review and comment on Dec. 18; industrial distribution rates similarly posted on Dec. 22**
- **Allowed approximately three weeks for review and comment**
- **Emailed notice to interruptible customers and our interested parties subscription list**
- **Three comments received and provided to the Board for review:**
 - Rates should include greater share of river management costs, including capital costs, and any water ordered but not delivered
 - Canal losses/allocations of interruptible stored water are too high, caps and cutoffs should replace surcharges, drainage/groundwater delivery fees should be higher. Oppose use of Agriculture Reserve Fund
 - Industrial Distribution Rate increase is too much and wasn't noticed enough.

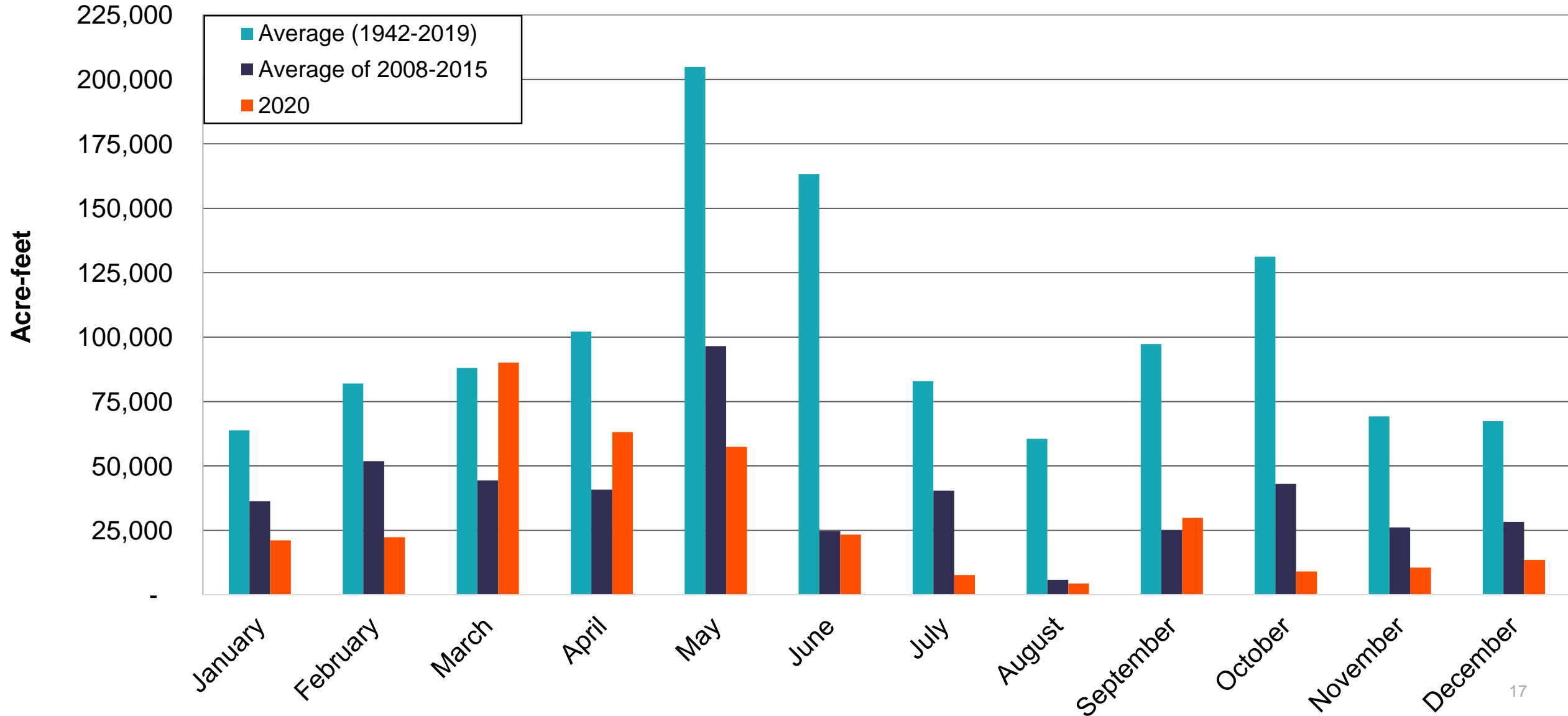
Three Agenda Items Today:

- **Updating our interruptible agricultural Drought Contingency Plan**
- **Updating our interruptible agricultural contract rules**
- **Updating our Gulf Coast industrial and temporary industrial distribution rates**

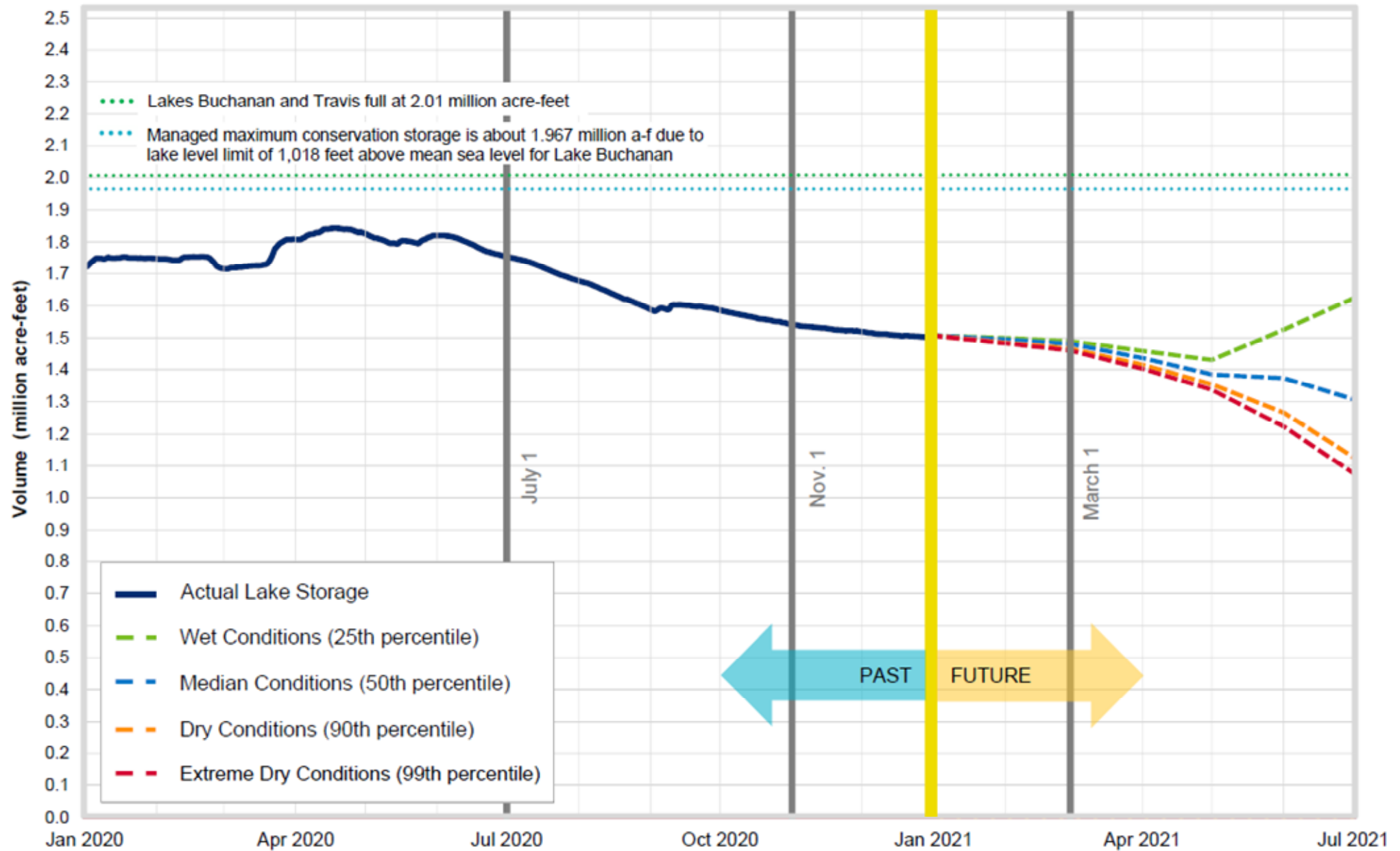
CY 2021 Rule, Rate and DCP Implementation Summary and Timeline

- **Firm rates – no change for CY 2021**
- **Interruptible and industrial/temporary distribution rates – increasing**
- **Agricultural DCP and contract rules – proposed changes**
- **Public input process**
- **Interruptible water availability – driven by conditions March 1, 2021**

Water Flowing Into the Highland Lakes



Lakes Buchanan and Travis Total Combined Storage Projections



Date: Jan. 1, 2021

Note: One acre-foot equals 325,851 gallons

Key Dates for First Season

- **February:** rice and turf intentions and applications due
- **March 1:** Water Management Plan availability determination
- **Mid-March:**
 - Rice and turf contracts due
 - Earliest delivery to rice and turf supplemental contracting starts
 - Evaluate the availability of water to allocate to other division
- **July 1:** second season water availability determination under the WMP



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