

LCRA Firm Water and Gulf Coast Industrial Rates for Calendar Year 2025

**Water Operations Committee
Meeting**

Sept. 18, 2024

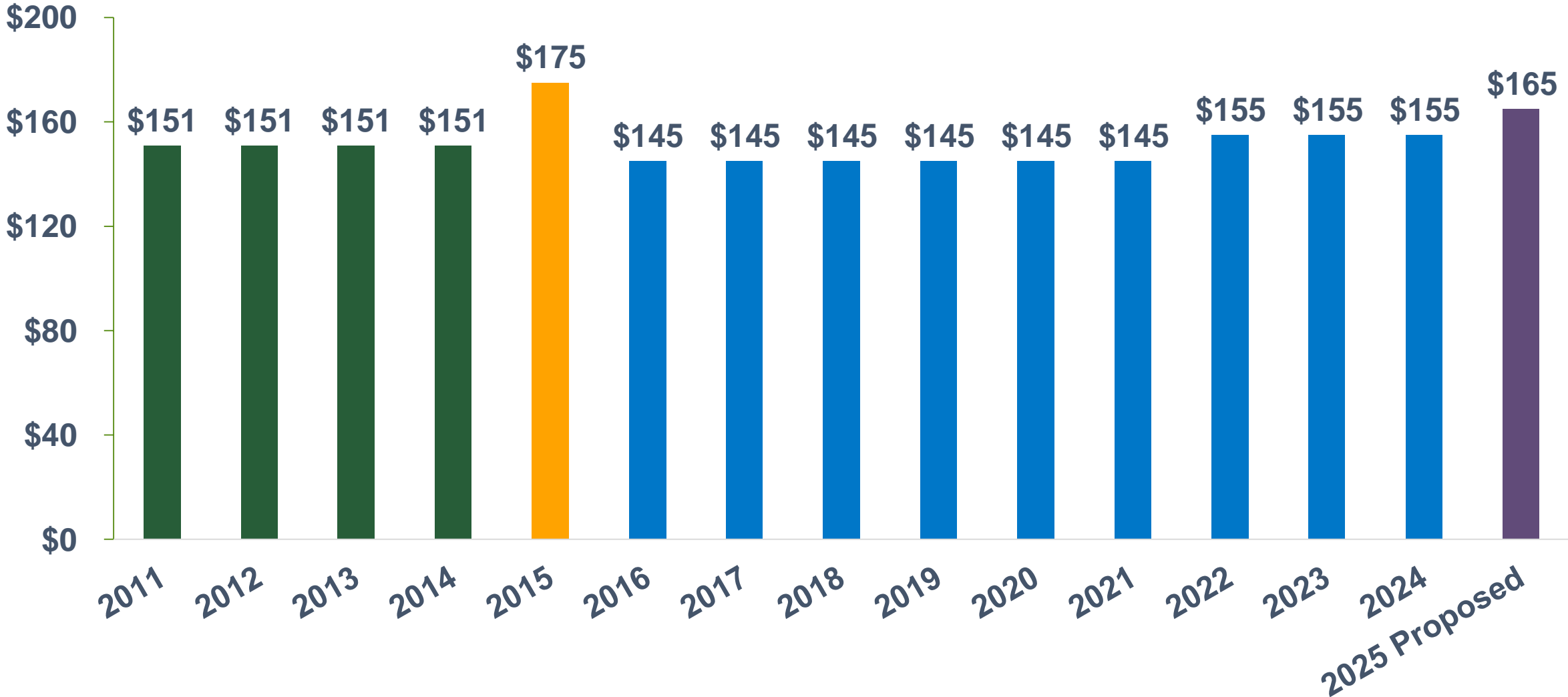


Firm Water Rate Increase Need

- **Reasons for firm water rate increase**
 - Fund new water supply projects – LCRA funding of new supply projects over the next five years
 - Fund ongoing water supply dam upgrades – Funding for continued LCRA dam upgrades over the next five years
 - Overall cost increases – Increased costs for labor and outside services, as well as need for greater conservation expenditures and other initiatives

Firm Water Use Rate History*

(Dollars per acre-foot)



*Water use rate is applied to volume of water diverted at the river; most firm water contracts also pay a reservation rate equal to one-half of the use rate applied to the volume of water reserved but not used

Firm Water Rate Review

- **Costs are divided into the following categories for firm water rate-setting purposes:**
 - River management (78.7%) – Operations and maintenance expenses of managing the river system
 - Water debt obligation (100%) – Annual debt service and coverage for water supply dam improvements, new supply projects
 - Other adjustments (100%):
 1. Firm revenue-funded capital
 2. Firm revenue requirement offsets – STP Nuclear Operating Company revenue and City of Austin Lake Travis diversions revenue

Changes From the Current Firm Rate

- **All cost categories updated**
- **River management operations and maintenance costs updated**
 - Based on fiscal year 2024 actual results (July 23-June 24)
 - Adjusted for known and measurable changes
 - 4% labor increase; market adjustments; benefits increase; new hires; open positions
 - Other adjustments, including outside services, commodity costs, etc.
- **Water debt obligation updated**
- **Other adjustments updated**
- **Firm billing units updated**
 - Latest contractual reservations

River Management Costs

(Dollars in thousands)	Calendar year 2025 Rate	CY 2024 Rate	Variance – Favorable (Unfavorable)		Explanation/Comments
			Amount	Percent	
Labor	\$8,776	\$8,394	(\$382)	(5%)	Market adjustments; 4% salary and benefits increase; new hires/open positions
Enterprise expense	\$5,004	\$4,363	(\$641)	(15%)	<ul style="list-style-type: none"> Increased information technology, cybersecurity Increased risk management Increased physical security Lower capitalized Enterprise costs
Outside services	\$2,406	\$1,549	(\$857)	(55%)	<ul style="list-style-type: none"> New firm billing system Increased outside legal costs
Materials and supplies	\$254	\$208	(\$46)	(22%)	
Water right permit/regulatory fees	\$273	\$245	(\$28)	(11%)	Includes state water right permit and Lost Pines Groundwater District permit
Electric	\$93	\$36	(\$57)	(158%)	Includes portion of Arbuckle Reservoir electric costs
Telephone and other utilities	\$13	\$14	\$1	7%	
Property insurance	\$132	\$118	(\$14)	(12%)	
Other expenses	\$143	\$214	\$71	33%	
Bad debt expense	\$100	\$100	\$0	0%	
Computer hardware/software	\$137	\$33	(\$104)	(315%)	
Public Service Fund expense	\$1,203	\$1,086	(\$117)	(11%)	3% of total firm revenue requirement
Resource Development Fund expense	\$748	\$673	(\$75)	(11%)	2% of total firm revenue requirement
Total river management costs	\$19,282	\$17,033	(\$2,249)	(13%)	

Allocation of River Management Costs Between Firm Water and Interruptible Water

(Dollars in thousands)	Total River Management Costs – 2025 Rate		Allocated to Firm Water		Allocated to Interruptible Water		How Costs are Allocated Between Firm Water and Interruptible Water
			Amount	Percent	Amount	Percent	
Labor	\$8,776		\$6,907	78.7%	\$1,869	21.3%	River management allocator
Enterprise expense	\$5,004		\$3,938	78.7%	\$1,066	21.3%	River management allocator
Outside services	\$2,406		\$2,053	85.3%	\$353	14.7%	River management allocator, except for new firm water billing system (100% firm)
Materials and supplies	\$254		\$200	78.7%	\$54	21.3%	River management allocator
Water right permit/regulatory fees	\$273		\$215	78.7%	\$58	21.3%	River management allocator
Electric	\$93		\$73	78.7%	\$20	21.3%	River management allocator
Telephone and other utilities	\$13		\$10	78.7%	\$3	21.3%	River management allocator
Property insurance	\$132		\$104	78.7%	\$28	21.3%	River management allocator
Other expenses	\$143		\$112	78.7%	\$31	21.3%	River management allocator
Bad debt expense	\$100		\$100	100.0%	\$0	21.3%	100% firm
Computer hardware/software	\$137		\$108	78.7%	\$29	21.3%	River management allocator
Public Service Fund expense	\$1,203		\$1,098		\$105		3% of firm revenue requirement
Resource Development Fund expense	\$748		\$678		\$70		2% of firm revenue requirement
Total river management costs	\$19,282		\$15,596		\$3,686		

Water Debt Obligation* – 100% to Firm Water CY 2025 Debt Service and Coverage

(Dollars in thousands)	CY 2025 Rate	CY 2024 Rate	Variance – Favorable (Unfavorable)	Explanation/Comments
Long-term debt – scheduled debt service	\$5,209	\$5,332	\$123	
Tax-exempt commercial paper interest expense and line of credit fees	\$1,950	\$1,464	(\$486)	Comprised of: 1) Tax-exempt commercial paper interest on new capital spending for CY 2025 2) Credit line fees
Total debt service	\$7,159	\$6,796	(\$363)	
Debt service coverage – 25 points	\$1,790	\$1,699	(\$91)	
Total water debt obligation	\$8,949	\$8,495	(\$454)	

*Does not include debt service related to Arbuckle Reservoir paid for by LCRA Resource Development Fund; CY 2025 expected debt service for Arbuckle Reservoir is \$19.1 million

Other Adjustments – 100% to Firm

(Dollars in thousands)	CY 2025 Rate	CY 2024 Rate	Variance – Favorable (Unfavorable)	Explanation/Comments
Cash-funded capital	\$9,580	\$8,295	\$1,285	
South Texas Project Nuclear Operating Company – Firm revenue requirement offset	(\$985)	(\$985)	\$0	STPNOC pays \$17.90 per acre-foot for a minimum of 55,000 a-f per year
City of Austin Lake Travis diversions – Firm revenue requirement offset	(\$531)	(\$553)	\$22	City of Austin pays \$20 per a-f for Lake Travis diversions
Total other adjustments	\$8,064	\$6,757	\$1,307	

Firm Water Billing Units – 2025 Rate

Largest 16 Firm Water Customers in Terms of Billing Units (represents 80% of total firm water billing units)	Customer Type	A Maximum Annual Quantity (a-f)	Firm Water Billing Units (a-f)			Percent of Total Firm Billing Units
			B Use	C Reservation (A-B)*50%	D Total (B+C)	
Leander, City of	Municipal	31,000	12,195	9,402	21,597	10.9%
Cedar Park, City of	Municipal	23,000	19,650	1,675	21,325	10.8%
LCRA Generation	LCRA Generation	23,000	15,465	3,768	19,233	9.7%
Pflugerville, City of	Municipal	24,000	7,588	8,206	15,794	8.0%
Brazos River Authority	Municipal	25,000	4,228	10,386	14,614	7.4%
West Travis County Public Utility Agency	Municipal	13,500	8,158	2,671	10,829	5.5%
Underground Services Markham, LP	Industrial	11,621	9,054	1,283	10,337	5.2%
Travis County Water Control and Improvement District No. 17	Municipal	11,300	9,002	0	9,002	4.6%
OQ Chemicals Corporation	Industrial	8,748	4,762	1,983	6,765	3.4%
HIF USA	Industrial	12,642	0	6,321	6,321	3.2%
Fayette Power Project – Austin Energy	Industrial	7,500	3,960	1,770	5,730	2.9%
Domestic Use/Temporary/Landscape, Irrigation and Recreation	Domestic use/ Temporary/ Landscape, Irrigation and Recreation	5,027	5,001	13	5,014	2.5%
Horseshoe Bay, City of	Municipal	4,450	2,381	1,035	3,416	1.7%
Lago Vista, City of	Municipal	4,500	1,639	1,430	3,069	1.6%
Travis County Municipal Utility District No. 4	Municipal	3,501	2,523	489	3,012	1.5%
Lakeway MUD No. 1	Municipal	3,069	2,454	307	2,761	1.4%
All others (109 contracts)			25,712	13,096	38,808	19.7%
Total firm billing units			133,792	63,835	197,627	100.0%

Firm Water Rate Calculation

(Dollars in thousands unless otherwise noted)	CY 2025 Rate	CY 2024 Rate	Variance – Favorable (Unfavorable)	
			Amount	Percent
River management costs	\$19,282	\$17,033	(\$2,249)	(13%)
Less: River management costs allocated to interruptible	(\$3,686)	(\$3,394)	\$292	9%
Subtotal – net river management costs to firm water	\$15,596	\$13,639	(\$1,957)	(14%)
Add: Water debt obligation	\$8,949	\$8,495	(\$454)	(5%)
Add: Other adjustments:				
Cash-funded capital	\$9,580	\$8,295	(\$1,285)	(16%)
STPNOC – revenue offset	(\$985)	(\$985)	\$0	0.0%
City of Austin Lake Travis diversions – revenue offset	(\$531)	(\$553)	(\$22)	(4%)
Total firm water costs	\$32,609	\$28,891	(\$3,718)	(13%)
Divided by: firm water billing units (a-f)	197,627	186,399	11,228	6%
Equals: firm rate (Dollars per a-f)	\$165.00	\$155.00	\$10.00	6.5%

**Gulf Coast Industrial Rate
and
Distribution Rate for
Temporary Firm Customer**

Total Gulf Coast – Agriculture and Industry Water Delivery

(Dollars in thousands)	CY 2025 Rate	CY 2024 Rate	Variance Favorable (Unfavorable)		Comments/Explanation
			Amount	Percent	
Labor	\$1,005	\$1,073	\$68	6%	
Debt service and coverage	\$140	\$152	\$12	8%	
Enterprise expense	\$792	\$741	(\$51)	(7%)	
Electric service	\$541	\$347	(\$194)	(56%)	Includes full year of Arbuckle Reservoir electric
Telephone and other utilities	\$9	\$6	(\$3)	(50%)	
Outside services	\$48	\$110	\$62	56%	
Capital expenditures	\$378	\$414	\$36	9%	
Transportation	\$89	\$110	\$21	19%	
Materials and supplies	\$178	\$182	\$4	2%	
Public Service Fund expense	\$97	\$95	(\$2)	(2%)	
Resource Development Fund expense	\$15	\$11	(\$4)	(36%)	
Other	\$16	\$23	\$7	30%	
Total Gulf Coast	\$3,308	\$3,264	(\$44)	(1%)	

Gulf Coast Cost Allocation – CY 2025

- **Gulf Coast provides water to two industrial customers on the canal system – Underground Services Markham and OQ Chemicals**
 - Underground Services Markham and OQ pay a separate water delivery charge in addition to the firm water diverted at the river
- **Gulf Coast costs are allocated between agriculture and industry based on relative projected water use for CY 2025**
 - 25.1% industry, 74.9% agriculture*

Projected Gulf Coast Water Use – CY 2025 (a-f)				Percent of total
Industry	Underground Services Markham	OQ Chemicals	Total	
Total industry – delivered to plant	6,933	3,666	10,599	25.1%
Agriculture – delivered to field			31,581	74.9%
Total Gulf Coast			42,180	100.0%

*Compared with CY 2024 allocation of 25.7% industry and 74.3% agriculture

Allocation of Gulf Coast Water Delivery Costs

(Dollars in thousands)	Total Gulf Coast – 2025 Rate		Allocated to Agriculture		Allocated to Industry		How Allocated Between Agriculture and Industry
			Amount	Percent	Amount	Percent	
Labor	\$1,005		\$753	74.9%	\$252	25.1%	Gulf Coast relative water use
Debt service and coverage	\$140		\$105	74.9%	\$35	25.1%	Gulf Coast relative water use
Enterprise expense	\$792		\$598	75.5%	\$194	25.5%	Gulf Coast relative water use and irrigation labor
Electric	\$541		\$316	58.4%	\$225	41.6%	Independent calculation based on Gulf Coast agriculture expected acres/water use and Gulf Coast industry relatively fixed
Telephone and other utilities	\$9		\$7	74.9%	\$2	25.1%	Gulf Coast relative water use
Outside services	\$48		\$36	74.9%	\$12	25.1%	Gulf Coast relative water use
Capital expenditures	\$378		\$284	74.9%	\$94	25.1%	Gulf Coast relative water use
Transportation	\$89		\$67	74.9%	\$22	25.1%	Gulf Coast relative water use
Materials and supplies	\$178		\$133	74.9%	\$45	25.1%	Gulf Coast relative water use
Public Service Fund expense	\$97		\$70	72.3%	\$27	27.7%	3% of revenue requirement
Resource Development Fund expense	\$15		\$0	0.0%	\$15	100.0%	Gulf Coast industry only; Gulf Coast agriculture does not pay
Other	\$16		\$12	74.9%	\$4	25.1%	Gulf Coast relative water use
Total Gulf Coast	\$3,308		\$2,381		\$927		

Gulf Coast Industrial Rate – CY 2025

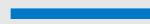
(Dollars in thousands unless otherwise noted)	CY 2025 Rate	CY 2024 Rate	Variance Favorable (Unfavorable)	
			Amount	Percent
Gulf Coast costs allocated to industry	\$927	\$930	\$3	Less than 1%
Divided by: Gulf Coast industrial billing units (a-f)	10,599	10,941	(342)	(3%)
Gulf Coast industrial distribution rate (Dollars per a-f)	\$87.52	\$85.05	\$2.47	2.9%

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

(Dollars in thousands unless otherwise noted)	CY 2025 Rate	CY 2024 Rate	Variance – Favorable (Unfavorable)	
			Amount	Percent
Water delivery costs – Gulf Coast agriculture	\$2,381	\$2,334	(\$47)	(2.0%)
Total costs	\$2,381	\$2,334	(\$47)	(2.0%)
Divided by: billing units (a-f)				
Gulf Coast agriculture	31,581	31,581	0	0.0%
Total billing units	31,581	31,581	0	0.0%
Equal: rate (Dollars per a-f)	\$75.39	\$73.90	\$1.49	2.0%



Supporting Slides



Agricultural Reserve Fund and Rate Stabilization Fund Activity

(Dollars in millions)	Agricultural Reserve Fund		Rate Stabilization Fund				
	Uses (Sources)	Ending balance		Uses (Sources) – if full delivery in CY 2025	Ending balance – if full delivery in CY 2025	Uses (Sources) – if curtailed in CY 2025	Ending balance – if curtailed in CY 2025
Beginning balance		\$13.0			\$19.7		\$19.7
FY 2021 – actual	\$2.2	\$10.8		\$0.0	\$19.7	\$0.0	\$19.7
FY 2022 – actual	\$1.6	\$9.2		\$0.0	\$19.7	\$0.0	\$19.7
FY 2023 – actual	\$2.4	\$6.8		\$1.2	\$18.5	\$1.2	\$18.5
FY 2024 – actual	\$0.0	\$6.8		\$3.8*	\$14.7	\$3.8*	\$14.7
FY 2025 – forecast from FY 2025 business plan	\$1.7	\$5.1		\$2.9	\$11.8	\$7.3	\$7.4
FY 2026 – forecast from FY 2025 business plan	\$2.0	\$3.1		\$0.0	\$11.8	\$3.1	\$4.3
FY 2027 – forecast from FY 2025 business plan	\$1.9	\$1.2		\$0.0	\$11.8	\$0.0	\$4.3
FY 2028 – forecast from FY 2025 business plan	\$1.2	\$0.0		(\$0.9)	\$12.7	(\$0.9)	\$5.2
FY 2029 – forecast from FY 2025 business plan	\$0.0	\$0.0		(\$2.0)	\$14.7	(\$2.0)	\$7.2

*Recognized \$6.8 million in 2024 in firm revenues; placed \$3 million back into RSF at year end (\$6.8 million-\$3 million = \$3.8 million)

River Management Cost Allocation Percentages

2025 Demands	2020 Water Management Plan			Water Availability During Two Historic Drought Periods (a-f)		Percent of Total – Combined Periods
	1945-1957	2007-2016	Combined Periods			
Gulf Coast Agriculture	82,073	61,172	143,245		10.0%	
Lakeside Agriculture	89,501	72,015	161,516		11.3%	
Subtotal – Gulf Coast and Lakeside Agriculture	171,574	133,187	304,761		21.3%	
Garwood Agriculture	90,673	88,740	179,413		12.5%	
Pierce Ranch Agriculture	21,325	16,601	37,926		2.6%	
City of Austin – Municipal and Industrial	193,833	188,225	382,058		26.6%	
LCRA Generation	14,704	15,044	29,748		2.1%	
Austin – Power Plant	11,484	11,625	23,109		1.6%	
Gulf Coast Industry	13,879	13,554	27,433		1.9%	
Other Municipal and Industrial	111,261	109,038	220,299		15.4%	
Hydropower/Other Releases Not Customer Specific	20,000	20,000	40,000		2.8%	
South Texas Project Nuclear Operating Company	1,294	0	1,294		n/a*	
Environmental	115,985	73,672	189,657		13.2%	
Total – LCRA Managed Water	766,012	669,686	1,435,698		100.0%	

*STPNOC excluded – dedicated supply not accessible by others