

# **LCRA Water Rates for Calendar Year 2021**

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**LCRA Board Meeting  
Dec. 15, 2020**



# Water Rates Review

- **For rate-setting purposes, costs are divided into the following four pools:**
  - River management – operations and maintenance expenses
  - Water debt obligation – debt service and coverage
  - Irrigation canals water delivery – agriculture and Gulf Coast industry
  - Other adjustments:
    1. Additional revenue-funded capital
    2. Firm revenue requirement offsets – STP Nuclear Operating Company revenue, City of Austin Lake Travis diversions revenue, Lometa lease 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%)
  - Other adjustments and revenue requirement offsets (100%)
- **Interruptible pays for:**
  - Allocated portion of river management (21.3%) – Gulf Coast and Lakeside irrigation divisions only
  - Irrigation debt (100%)
  - Irrigation canals water delivery (100%)

# **Water Rates Review (Continued)**

- **River management cost allocation statistics updated to 2020 Water Management Plan**
  - Allocated portion of river management to interruptible (Gulf Coast and Lakeside only): 21.3%
    - Includes Arbuckle Reservoir
    - Includes additional drought years 2014 to 2016

# Water Rates Review (Continued)

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

2015 WMP: 20.7%

2020 WMP: 21.3%

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 allocation difference is minimal: about \$100,000

# What's Changed From 2020 Rate?

- **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 Rate?**

## **(Continued)**

- **River management cost allocation updated**
  - Eight-year transition to full-cost recovery of allocated river management costs to interruptible
  - CY 2021 is year six of the eight-year transition
- **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

# Total Firm Costs – CY 2021

(Dollars in thousands)	CY 2021 Rate	CY 2020 Rate	Variance – Favorable (Unfavorable)	
			Amount	Percent
River management costs	\$14,871	\$14,263	(\$608)	(4.3%)
Water debt obligation	\$6,549	\$6,455	(\$94)	(1.5%)
Other adjustments	\$4,803	\$5,165	\$362	7.0%
Less: interruptible share of river management – full-cost allocation	(\$2,980)	(\$2,769)	\$211	7.6%
<b>Total firm costs</b>	<b>\$23,243</b>	<b>\$23,114</b>	<b>(\$129)</b>	<b>(0.6%)</b>



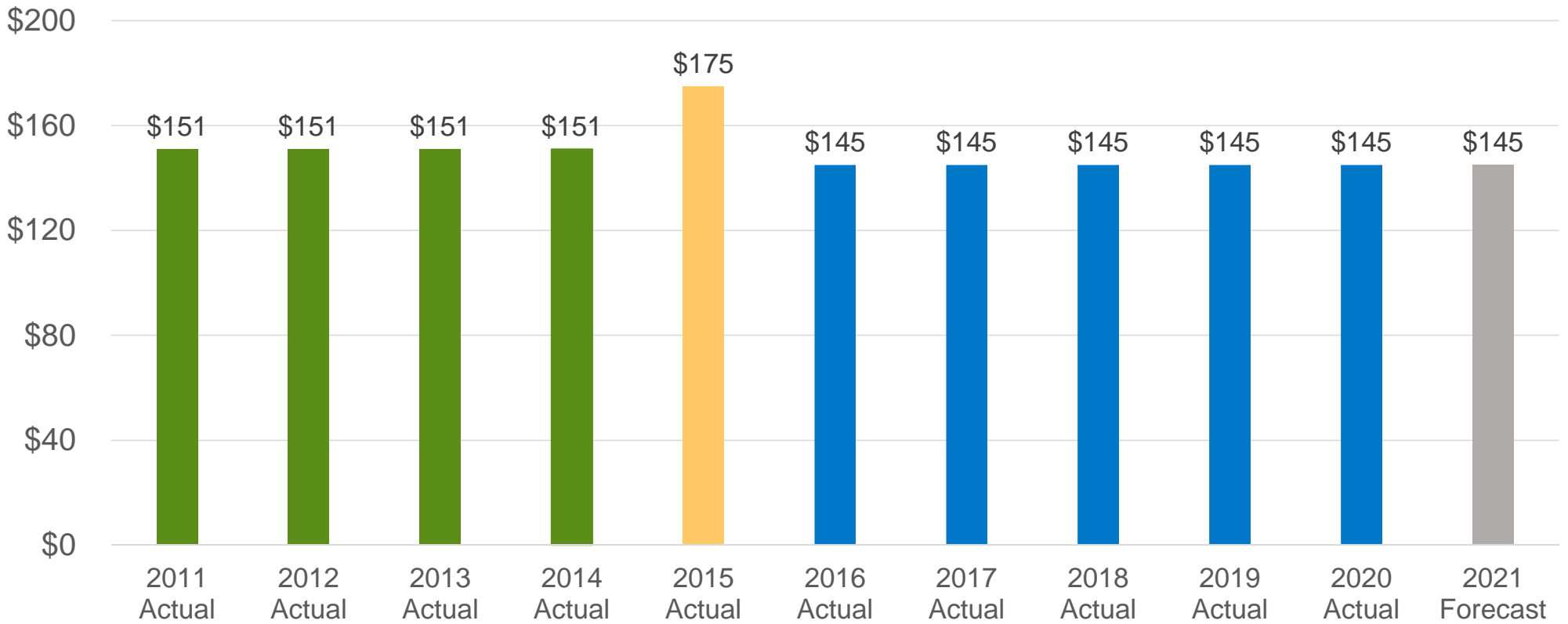
# Firm Billing Units – 2021 Rate

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 Firm Billing Units
			B Use	C (A-B)*50% Reservation	D (B+C) Total Billing Units	
LCRA generation	LCRA gen	40,000	13,531	13,235	<b>26,766</b>	16.7%
Cedar Park, City of	Municipal	23,000	15,700	3,650	<b>19,350</b>	12.1%
Leander, City of	Municipal	24,000	9,035	7,483	<b>16,518</b>	10.3%
Brazos River Authority	Municipal	25,000	338	12,331	<b>12,669</b>	7.9%
Underground Services Markham	Industrial	11,621	7,537	2,042	<b>9,579</b>	6.0%
Pflugerville, City of	Municipal	12,000	5,051	3,475	<b>8,526</b>	5.3%
Travis County WCID No. 17	Municipal	8,800	7,513	DOES NOT PAY	<b>7,513</b>	4.7%
West Travis County PUA	Municipal	9,000	5,761	1,619	<b>7,380</b>	4.6%
Fayette Power Project – Austin Energy	Industrial	7,500	3,063	2,218	<b>5,281</b>	3.3%
Oxea Corporation	Industrial	5,334	4,072	631	<b>4,703</b>	2.9%
Domestic use and temporary contracts	DU/temp	4,594	4,579	0	<b>4,579</b>	2.9%
Travis County MUD No. 4	Municipal	3,501	2,112	695	<b>2,807</b>	1.8%
Lakeway MUD No. 1	Municipal	3,069	2,292	388	<b>2,680</b>	1.7%
Bastrop Energy Partners	Industrial	3,220	1,591	814	<b>2,405</b>	1.5%
Horseshoe Bay, City of	Municipal	2,225	2,018	103	<b>2,121</b>	1.3%
Lago Vista, City of	Municipal	6,500	1,510	DOES NOT PAY	<b>1,510</b>	0.9%
All others (98 contracts)	Various		17,289	8,623	<b>25,912</b>	16.1%
<b>Total firm billing units</b>			<b>102,992</b>	<b>57,307</b>	<b>160,299</b>	<b>100.0%</b>

# Firm Rate – CY 2021

(Dollars in thousands unless otherwise noted)	CY 2021 Rate	CY 2020 Rate	Variance – Favorable (Unfavorable)	
			Amount	Percent
River management costs	\$14,871	\$14,263	(\$608)	(4.3%)
Less: river management costs allocated to interruptible	(\$2,980)	(\$2,769)	\$211	7.6%
Add: water debt obligation	\$6,549	\$6,455	(\$94)	(1.5%)
Add: other adjustments				
Cash-funded capital	\$6,112	\$6,365	\$253	4.0%
STP Nuclear Operating Company – revenue offset	(\$985)	(\$990)	(\$5)	(0.5%)
City of Austin Lake Travis diversions revenue – revenue offset	(\$592)	(\$597)	(\$5)	(0.8%)
Lometa lease – revenue offset	(\$123)	(\$95)	\$28	29.5%
Interruptible’s share of river management paid by firm during transition	\$391	\$482	\$91	18.9%
<b>Total firm costs</b>	<b>\$23,243</b>	<b>\$23,114</b>	<b>(\$129)</b>	<b>(0.6%)</b>
Divided by: <b>firm billing units (a-f)</b>	<b>160,299</b>	<b>159,410</b>	<b>889</b>	<b>0.6%</b>
<b>Equals: firm rate (\$ per a-f)</b>	<b>\$145.00</b>	<b>\$145.00</b>	<b>\$0.00</b>	<b>0.0%</b>

# Firm Rate (\$ per a-f)



# Rate Stabilization Fund

- Established in 2016 as a “lesson learned” from the drought and the drought rate from 2015
- Goal of providing insurance against short-term rate shock for extraordinary events such as major drought
- Initially established with target of two years of fixed costs in irrigation
- Balance: \$19.7 million

# Lakeside CY 2020 Acres and Water Use

	First Season Rice	Second Season Rice	Wildlife
Number of contracts	61	37	14
Number of contracts not serviced	1	0	1
Acres contracted	21,460	13,042	1,205
Acres contracted not serviced	0	0	289
Acres serviced	21,460	13,042	916
Water delivered (a-f)	35,598	15,228	1,322
Water use per acre (a-f per acre)	1.659	1.168	1.443
Number of contracts in penalty	1	0	3

# Gulf Coast CY 2020 Acres and Water Use

	First Season Rice	Second Season Rice	Turf	Row Crop	Aquaculture	Wildlife	Hay/Pasture
Number of contracts	27	18	6	8	1	15	1
Number of contracts not serviced	0	0	0	0	0	1	0
Acres contracted	9,590	5,035	1,670	1,476	192	1,327	50
Acres contracted not serviced	0	0	0	0	0	289	0
Acres serviced	9,590	5,035	1,670	1,476	192	1,038	50
Water delivered (a-f)	25,998	7,556	1,347	407	258	1,192	17
Water use per acre (a-f per acre)	2.711	1.501	0.806	0.276	1.344	1.149	0.341
Number of contracts in penalty	1	0	0	0	0	1	0

# Garwood CY 2020 Acres and Water Use

	First Season Rice	Second Season Rice	Row Crop	Wildlife	Hay/Pasture
Number of contracts	58	46	1	27	2
Number of contracts not serviced	1	0	1	0	2
Acres contracted	19,856	17,890	177	3,912	11
Acres contracted not serviced	100	1,744	177	688	11
Acres serviced	19,756	16,146	0	3,224	0
Water delivered (a-f)	37,999	19,483	0	3,830	0
Water use per acre (a-f per acre)	1.923	1.207	0.000	1.188	0.000
Number of contracts in penalty	0	0	0	3	0

# Interruptible Billing Units – CY 2021

	Lakeside	Gulf Coast	Garwood	How Derived
<b>Acres</b>				
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		
<b>Times: water use per acre (a-f per acre)*</b>				
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		
<b>Equals: billing units (a-f)*</b>				
Rice – first season	38,855	26,947	35,943	
Rice – second season	12,574	6,187	16,744	
Turf		1,310		
<b>Total interruptible billing units</b>	<b>51,428</b>	<b>34,444</b>	<b>52,687</b>	

\*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)				
Water delivery costs	\$54.48	\$49.49	\$4.99	10.1%
River management costs – full-cost recovery	\$34.70	\$31.61	\$3.09	9.8%
Total full-cost recovery rate	\$89.18	\$81.10	\$8.08	10.0%
Less: amount paid by firm during transition of river management costs	(\$4.56)	(\$5.50)	\$0.94	17.1%
Less: Agriculture Reserve Fund used*	(\$18.48)	(\$12.60)	(\$5.88)	(46.7%)
Total Lakeside rate	<b>\$66.14</b>	\$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)				
Water delivery costs	\$69.56	\$69.66	(\$0.10)	(0.1%)
River management costs – full-cost recovery	\$34.70	\$31.61	\$3.09	9.8%
Total full-cost recovery rate	\$104.26	\$101.27	\$2.99	3.0%
Less: amount paid by firm during transition river management costs	(\$4.56)	(\$5.50)	\$0.94	17.1%
Less: Agriculture Reserve Fund used*	(\$33.56)	(\$32.77)	(\$0.79)	(2.4%)
Total Gulf Coast agriculture rate	<b>\$66.14</b>	\$63.00	\$3.14	5.0%

\*CY 2020 LCRA Strategic Reserves used

# Gulf Coast Industrial Rate – CY 2021

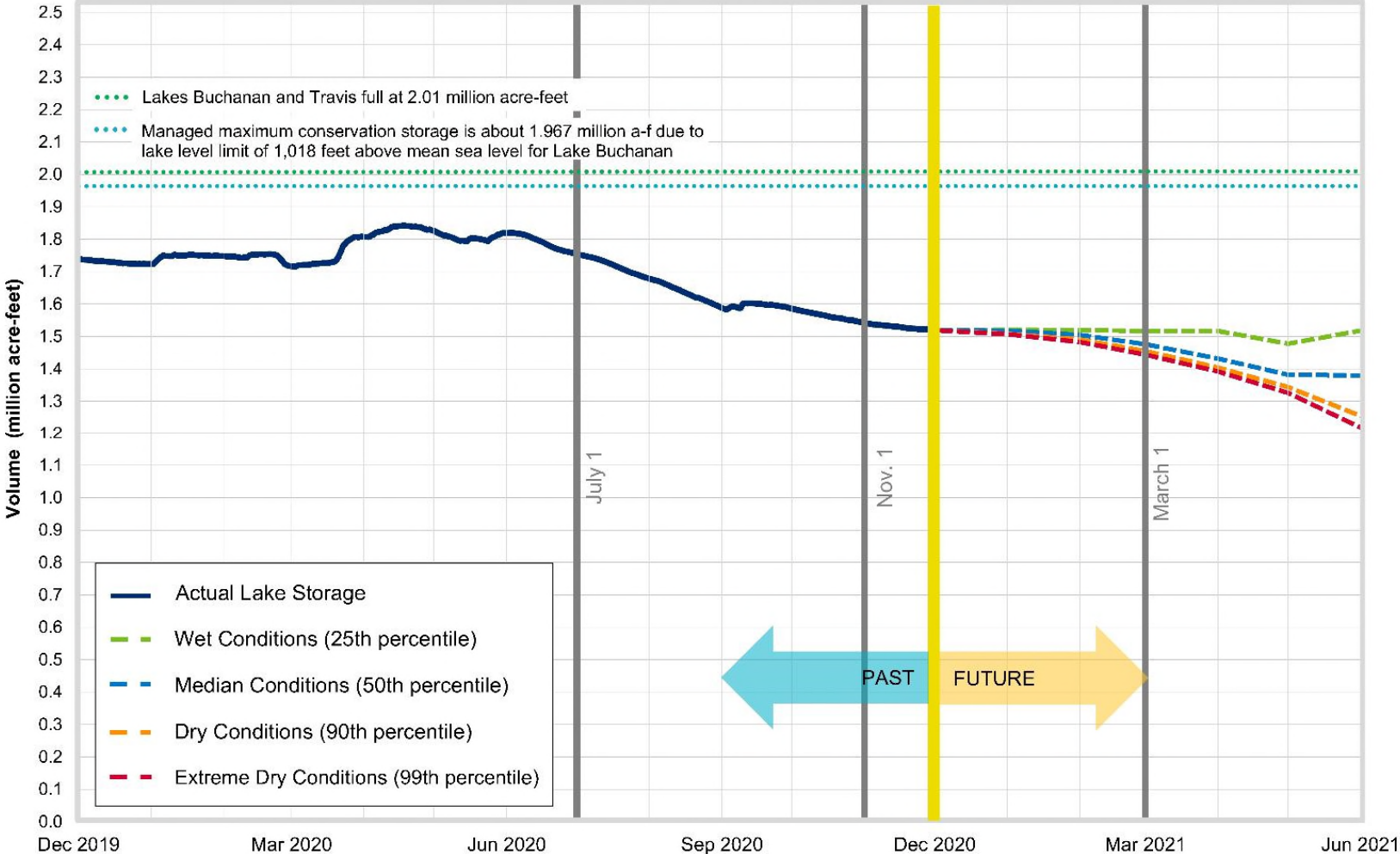
(Dollars in thousands unless otherwise noted)	CY 2021 Rate
Gulf Coast costs allocated to industry	\$654
Less: pumping charge – charged separately	(\$33)
Amount to be recovered through Gulf Coast industrial distribution rate	\$621
Divided by: Gulf Coast industry use (a-f)	8,086
Gulf Coast <u>industrial</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%)
Less: amount paid by firm during transition of river management costs	n/a	n/a	n/a	n/a
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)				
Water delivery costs	\$39.65	\$38.74	\$0.91	2.3%
River management costs – full-cost recovery	n/a	n/a	n/a	n/a
Total full-cost recovery rate	\$39.65	\$38.74	\$0.91	2.3%
Less: amount paid by firm during transition of river management costs	n/a	n/a	n/a	n/a
Garwood rate – weighted average	<b>\$39.65</b>	\$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%

### Lakes Buchanan and Travis Total Combined Storage Projections



Date: Dec. 1, 2020  
 Note: One acre-foot equals 325,851 gallons

# **Drought Contingency Plan and Contract Rules**

- **DCP allocates interruptible stored water under the Water Management Plan**
- **Interruptible Agriculture Contract Rules spell out the “how”**

# **Proposed CY 2021 Drought Contingency Plan, Rule and Rate Changes**

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



# **CY 2021 Rule, Rate and Drought Contingency Plan Implementation Summary and Timeline**

- **Firm rates – no change for CY 2021**
- **Interruptible rates – increasing**
- **Agriculture DCP and contract rules**
  - Post on website for review and comment mid-December 2020
  - Comment period closing about Jan. 8, 2021
  - Agenda Jan. 20 Board meeting
- **Interruptible water availability – driven by conditions March 1, 2021**

# Questions?

