

CENTRAL TEXAS



WATER COALITION

QUESTIONS AND COMMENTS FROM CENTRAL TEXAS WATER COALITION REGARDING ACTION ITEMS POSTED FOR LCRA'S DECEMBER 10, 2019 BOARD MEETING Submitted to LCRA on December 9, 2019

On behalf of the Central Texas Water Coalition (CTWC), please consider the following brief comments and questions regarding some of the Items that are listed on the LCRA Board's Agenda for Tuesday, December 10, 2019 in Horseshoe Bay. After reviewing the available backup materials for the December 10th Meeting, we have concerns regarding how the proposed actions may impact the sustainability of the water supplies managed throughout the LCRA system.

More specifically, Items 6 and 7 are action items relating to the Arbuckle Reservoir and the need to increase the funding for its lifetime budget by a total of \$65 million to address the excessive seepage from the reservoir. Instead of a \$250 million lifetime budget for this reservoir project, the project now has a projected lifetime budget of \$315 million. As a result, LCRA is proposing to increase its FY 2020 capital budget by \$32 million. The backup materials indicate that this "proposed amendment to increase the LCRA capital budget authorization in FY 2020 will have no impact on current LCRA rates."

The background materials also indicate a substantial delay in the forecasted operation of the Arbuckle Reservoir. LCRA states that "an additional subsurface seepage cutoff wall will be required to control groundwater transference and allow the reservoir to be refilled. Approximately 15,000 feet in length, this new 125-foot-deep subsurface cutoff wall will be constructed inside the western, northern and southern portions of the reservoir berm. LCRA will use the requested additional budget to fund the construction of the new subsurface cutoff wall and other related items necessary to allow the reservoir to operate safely. Staff anticipates the construction will take up to 26 months, and following filling and testing, **the reservoir should be fully operational in late spring 2022** [emphasis added]."

CTWC respectfully submits the following questions regarding Action Items 6 and 7:

1. Where does LCRA plan to obtain the additional \$65 million over the next three years?
2. How will this money be obtained without affecting the "current LCRA rates" in the FY 2020 Budget?
3. What impact will this increased cost for the Arbuckle Reservoir have on future LCRA water rates, both for Firm and for Agricultural Customers?
4. Does LCRA expect to apply for additional state funding from the Texas Water Development Board?
5. Does LCRA expect to obtain the additional funds from its water customers, its electric customers, or both?

6. As the proposed Water Management Plan appears to include the operation of the Arbuckle Reservoir in its assumptions regarding water available in LCRA's "system," how will LCRA adjust for this in the interim between the effective date of LCRA's new Water Management Plan and the date that this new downstream reservoir's operations will perform as projected in the pending Water Management Plan?

This concern is further highlighted by the latest data on inflows to the Highland Lakes, as shown in the attached graph. Without a significant increase in inflows to the upstream storage reservoirs, it seems that LCRA's operations under a new Water Management Plan could result in unanticipated risks to water availability for all LCRA's customers.

Action Item 8 proposes a significant amendment to LCRA's Finance Policy. The amendment proposes to create a **new Agriculture Reserve Fund** and the item is summarized as follows:

Staff recommends changes to LCRA Board Policy 301 – Finance to add Section 301.609 regarding the creation of a new reserve fund called the Agriculture Reserve Fund. **The fund will be used to provide funds for the purposes of mitigating rate shock to customers** while improving LCRA's flexibility and its ability to meet its customers' future needs. All deposits to this fund and expenditures from it will require Board approval.

The proposed additional Policy language is:

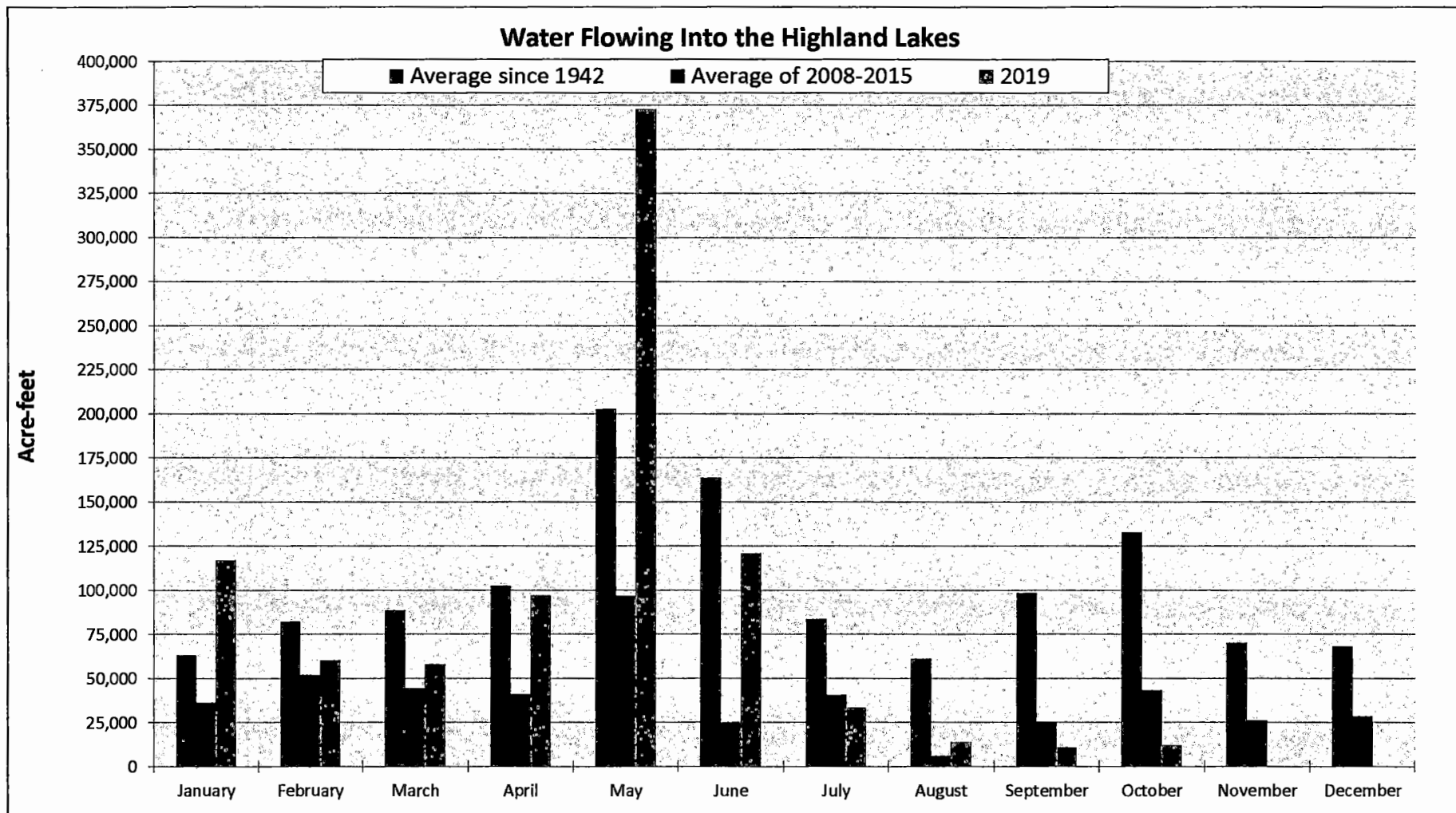
Section 301.609 -- Agriculture Reserve Fund. LCRA will establish a fund specifically to be used for mitigating rate shock to customers. The monies for the Agriculture Reserve Fund may come from any source approved by the Board. The Board must approve all expenditures from the Agriculture Reserve Fund. The Agriculture Reserve Fund is part of the revenue fund and accounted for separately.

CTWC respectfully submits the following questions regarding Action Item 8:

1. How will the new Agriculture Reserve Fund be funded? What revenues will be used to build that fund? Will it come from Firm Water Customers? Agricultural Irrigation Water Customers? Electric Customers? All of the above?
2. Does LCRA expect to create a Reserve Fund to mitigate the shock of rate increases for its Firm Water Customers?
3. Will this new Reserve Fund replace other methods of subsidizing rates for Agricultural Irrigation Customers? or will it serve as an additional method for mitigating water rate increases for this Customer group?

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* Inflows: the estimated amount of water flowing into the Highland Lakes from rivers and streams.

Data for 2018 and 2019 is preliminary and subject to change.

Period: October (acre-feet)
 Since 1942, October Average: **132,669**
 2008-2015, October Average: **43,010**
 October 2019: **11,869**