

**Texas Sunset Advisory Commission review of Lower Colorado River Authority
Public Meeting December 12, 2018**

My name is Jo Karr Tedder. I am a founder and President of the Central Texas Water Coalition. We represent the businesses, organizations, municipalities and people who live and work around the Highland Lakes, frequently referred to as the "lake people." And sometimes we are referred to as the people "who don't know that Lake Buchanan and Travis were not created to be constant level lakes."

I know we are not popular among those who support the water status quo, but we have chosen to use hard data to stand up and say what many won't say publicly because the monopoly, which LCRA has over water supplies, can be quite intimidating.

And I have to say, after reading the Sunset staff's report, I feel like we were only partially successful in trying to convey our messages. It isn't from lack of effort, and this isn't a comment on the hard work of your staff. We were granted a number of meetings with the staff, and we appreciate all the hard work they clearly invested into this report. But we feel that we did not clearly express our number one concern. I will not make that mistake today.

Let me be very clear. The message Central Texas Water Coalition wants you to hear is that, "we are worried about the future water supply in the Lower Colorado River basin." Period.

Importantly, the report specifically did note that "serious questions continually arise regarding the adequacy of the system of "checks and balances"" in place for LCRA. LCRA is clearly one of the most powerful entities in Texas. It directly impacts the lives of many Texans in its roles as a water and power provider. LCRA holds water rights for 74% of all surface water in the entire Colorado River Basin, and it is now the second largest electric company in Texas.

We were very surprised that it is not a conflict of interest for LCRA Board members to vote on water rates, water contracts and a Water Management Plan that directly affect their personal business holdings.

We have raised many issues, but they are all just part of our overriding concern that the water needs of central Texas be addressed with more effective planning. As this region's population continues to boom, and as weather cycles become more intense, water will become THE issue holding back economic growth and prosperity. Practices should manage the risk of the system to provide for adequate reserves that address periods of severe extended droughts.

We had a brief preview of the future with the drought of 2011, and more recently, when many were forced to dramatically conserve and boil water for days following the October flood.

Testimony by Central Texas Water Coalition

More than anything, we are shocked that no one seems bothered by the fact that **firm users pay 10 times more for raw water than interruptible water users**, or that, (despite what the flow chart on page 18 of the staff report seems to indicate) **interruptible users do not pay their fair share**. Firm users subsidize interruptible users. Worse than the inequity of this is that the low price of interruptible water does not encourage conservation.

We don't want our frustrations to be viewed as an attack on LCRA or downstream agricultural interests. Unfortunately, I know our comments have been viewed as such in the past, and it is time to hit the "reset button" on how we talk about the interruptible users. We do not want to put them out of business, and we respect the fact that they have long-time family histories of farming and producing food.

We would like to publicly acknowledge some of the downstream interests for their efforts to conserve water through laser leveling, standardized delivery structures and some canal rehabilitation. That is something that should be applauded, and further encouraged. Flooding fields, however, should no longer be the solution to growing crops.

And, here is where it gets tricky—trying to voice concerns while trying to not sound demeaning of agriculture.

Low interruptible prices (rates)*, do not promote conservation efforts. Rice and turf farming are high-consumptive farming practices at their core, but we also view the unlined and plant-filled distribution canals as problems. LCRA estimates that in 2017, 24,720 acre-feet was ordered and released from the Highland Lakes for interruptible customers that was not diverted or charged to them. This water was either lost to evaporation, seepage into the banks, or unused because it was no longer needed due to changed conditions. Downstream firm uses had similar losses, (12,892 acre-feet), but the difference is that they paid for the water they ordered.

And, this could go down into the weedy details again so quickly. **But to try to stay on my message, we encourage you to hold LCRA accountable for making ALL WATER CONSUMERS in the basin responsible for conserving water.** We feel fair and equitable pricing will encourage conservation most effectively, but other options could be considered. All customers should cover their operating and infrastructure costs.

I am aware that Sunset staff does not feel that the oversight of raw water rates and water planning is within your purview, but we disagree. LCRA, as the report states, "was created to develop, conserve and protect the water of the lower Colorado River Basin." Determining whether LCRA has adequately implemented and required conservation through water rates and planning are critical to whether LCRA is fulfilling its core mission.

Testimony by Central Texas Water Coalition

Our response to the staff report is mixed.

The positive:

1. We are thankful the staff report supports greater openness and public engagement. We wholeheartedly support those recommendations and ask that you statutorily ensure open information from LCRA and participation rights for all interested parties.

The negative:

1. We request that the 1988 adjudication requirements be included in the LCRA statute, so that the public may be aware of what is already law. Full compliance with applicable statutes is mandatory.
2. As already stated above, we ask you to review the incredibly unfair and wide disparity in raw water rates (referring to what is paid for an acre-foot of water, not counting treatment or delivery, since that is how firm user fees are assessed);
3. We request that you direct LCRA to recover fees such that interruptible users share equally in the costs of reservoirs, dam rehabilitation and all costs.
4. We would clarify that, aside from what staff suggests, CTWC is NOT ASKING FOR CONSTANT LEVEL LAKES. We want to know that water will be available, as contracted to firm users.

Above all, we are not convinced that LCRA is doing everything it could be doing to require and encourage conservation. We have suggested increased pricing because non-discriminatory pricing for firm and interruptible users would encourage conservation. We have looked at the idea of allowing bidding on interruptible water which currently is awarded to rice farmers without public notice. The money could be used as a conservation fund to improve some of the canals and delivery systems downstream, as well as provide money to secure future water supplies basin wide.

We want to be on record as saying that what we want LCRA to do—and what we want this Legislature to do—is ensure that water is being conserved appropriately so that supplies will be available for this fast-growth area in the future—for all uses. The more we conserve, the less we will need expensive pipeline projects, getting into fights with neighbors over groundwater, and all the other issues LCRA is facing currently.

Thank you for the opportunity to submit this testimony.

*Please see our analysis of apples to apples comparison of raw water rates—for firm and interruptible users.



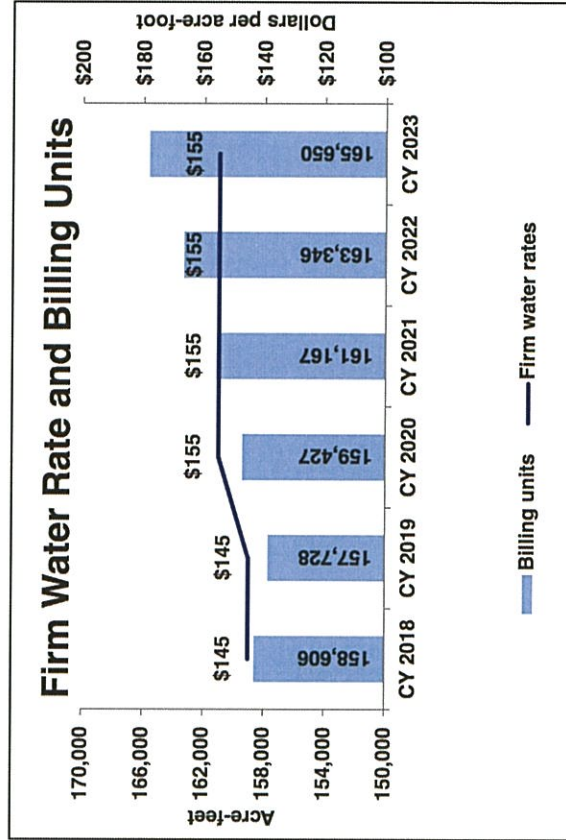
Raw Water Costs¹

Water – Firm Billing Units and Rates

The firm water rate of \$145 per acre-foot is projected to increase to \$155 per acre-foot beginning with the January 2020 billing period.

We are managing costs with a one-year delay in a planned firm water rate increase.

- Billing units are forecast to be relatively flat through calendar year 2019 and then grow at an average of 1.3 percent annually through the plan period.
- Arbuckle Reservoir is expected to begin operations in early calendar year 2019.
- LCRA is identifying funding for the construction of future new regional water supply projects.
- The firm water rate is projected to increase to \$155 per acre-foot beginning with the January 2020 billing period.

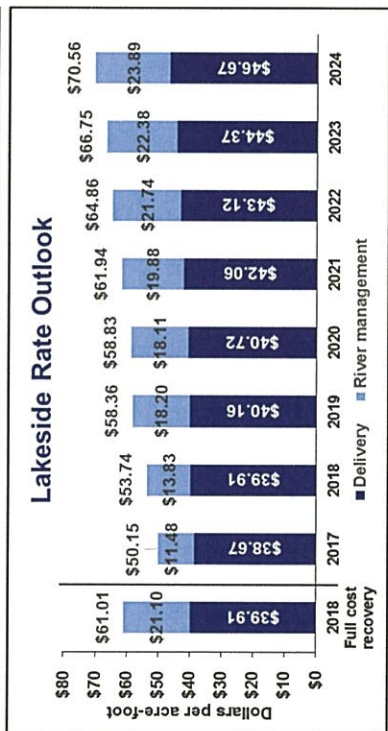
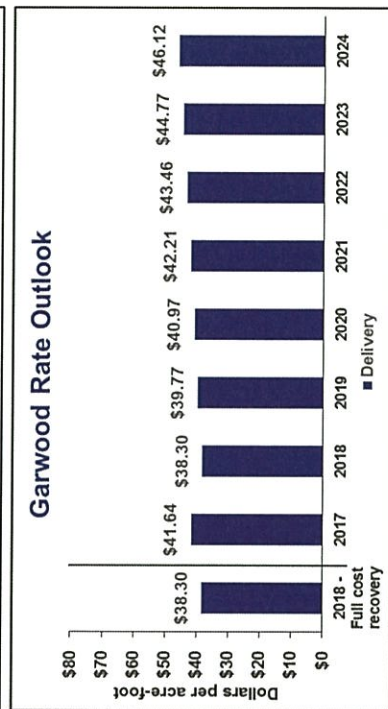
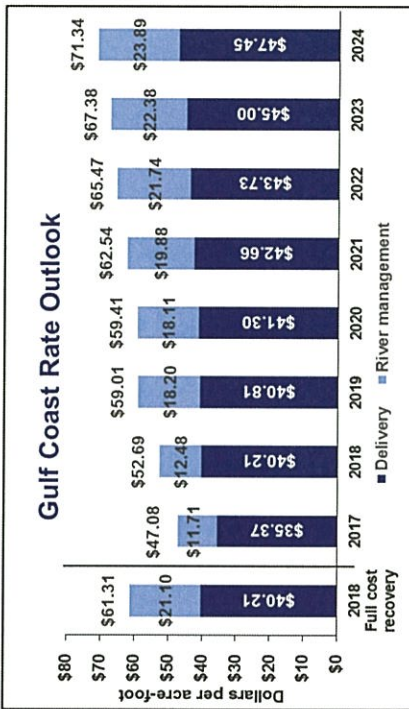


Note: Water supplies managed by LCRA are divided into firm and interruptible water. Firm water is available even during a severe drought. During water shortages, interruptible water is cut back or cut off.

Water – Interruptible Rates

Full cost recovery assumes a gradual approach.

- The Board approved rates for calendar year 2018 in January 2018.
- Rates for Gulf Coast and Lakeside irrigation divisions are projected to increase to gradually recover the divisions' fully allocated shares of river management costs by calendar year 2022, assuming full water availability. The Garwood division is not subject to river management costs. Rates for Gulf Coast, Lakeside and Garwood irrigation divisions are based on full recovery of delivery costs associated with operation of the divisions.
- The rates for 2019 and beyond are subject to change based on actual and projected costs and billing units.



¹LCRA, Fiscal Year 2019 Business and Capital Plans - <https://www.lcra.org/about/financial-highlights/Documents/lcra-fy-2019-business-and-capital-plans.pdf>



November 14, 2018

VIA EMAIL TO JENNIFER.JONES@SUNSET.TEXAS.GOV

Ms. Jennifer Jones
Acting Director
Texas Sunset Advisory Commission
P.O. Box 13066
Austin, Texas 78711

Re: Preliminary Comments of Central Texas Water Coalition on Sunset Advisory Commission's Staff Report on the Lower Colorado River Authority

Dear Ms. Jones:

Thank you for the opportunity to provide our initial, preliminary comments on the 2018-2019 Review Cycle's Sunset Staff Report on the Lower Colorado River Authority. The Central Texas Water Coalition will participate in the upcoming hearings and provide testimony at that time.

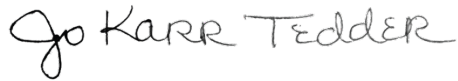
In the interim, please consider the revision of Appendix D of the Sunset Staff Report to more accurately reflect the distinctions between Firm Water and Interruptible Water that are presented on Page 59 of the Report. There is information presented within some of the boxes within the "Firm Water vs. Interruptible Water" Chart that is misleading and should be clarified:

1. Firm Water – Price 2018. Please identify and quantify every component of the Firm Water price that is listed under the second bullet in this box. As we understand it, the Firm Water rates are set to recover expenses such as river management costs, contributions toward LCRA's Rate Stabilization Fund, dam rehabilitation costs, debt service, and subsidies of water rates for Interruptible customers. Clarification of these rate components for this customer group would be helpful in assessing whether these rates (and the rates charged to LCRA's Interruptible Water customers) are fair and reasonable.
2. Interruptible Water – Price 2018. In the first bullet, the price of Interruptible Water is described as ranging from \$37 to \$54 per acre-foot. This is an "all-inclusive" price for on-farm delivery to LCRA's Agricultural Interruptible customers, which is not comparable to the \$145 per acre-foot price for raw water sold to Firm customers. In contrast, LCRA sells raw Interruptible Water to its Gulf Coast and Lakeside Irrigation customers at about \$13.16 per acre-foot, while the Garwood Irrigation operations pay only delivery costs. Please revise this description of Interruptible Water so that there's a meaningful comparison of raw water prices for both customer groups (\$145

vs. \$13). In addition, please identify and quantify the other components of the Interruptible Water rate, such as contributions toward river management costs, canal operations, or canal losses.

We look forward to participating in the Sunset review process. Thank you, and please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Jo Karr Tedder". The signature is written in a cursive style, with the first letters of each name being capitalized and prominent.

Jo Karr Tedder
President, Central Texas Water Coalition

cc: Mr. Erick Fajardo (via email to Erick.Fajardo@sunset.texas.gov)

CENTRAL TEXAS WATER COALITION
P O BOX 328, SPICEWOOD, TX 78669
www.CentralTexasWaterCoalition.org

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