

AGENDA



Thursday, November 8, 2007

**Austin Water Utility
RECOMMENDATION FOR COUNCIL ACTION****Item No. 10**

Subject: Authorize City Manager to negotiate and execute a long-term water supply agreement between the City of Austin and the Lower Colorado River Authority (LCRA) to increase the firm water available to Austin by an additional 250,000 acre-feet/year through the year 2100 pursuant to the Settlement Agreement executed on June 18, 2007 between the City and LCRA.

Amount and Source of Funding: No fiscal impact.

Fiscal Note: A fiscal note is not required.

For More Information: Teresa Lutes, 972-0179; Denise Avery, 972-0104

Boards and Commission Action: Recommended by the Water and Wastewater Commission; the Environmental Board; and the Resource Management Commission. Related to item #76.

On June 18, 2007 the City and the Lower Colorado River Authority (LCRA) executed a Settlement Agreement to resolve various disputes between the Parties concerning use of return flows to the Colorado River and pending water rights applications at the Texas Commission on Environmental Quality. As part of the Settlement Agreement, the City and LCRA agreed to negotiate a water supply agreement to meet the City's long-term projected needs for additional municipal water supplies beyond those available under the City's water rights and existing contracts with LCRA which are expected to meet City needs until the year 2050.

Under the terms of the Settlement Agreement, the Supplemental Water Supply Agreement (Agreement) would allow the City to purchase up to an additional 250,000 acre feet of water to meet projected municipal water demands through the year 2100. By the terms of the Agreement, LCRA's commitment to provide the additional 250,000 acre feet will be reduced by any water Austin independently acquires. The Agreement defines this water as New Austin Water.

A draft of the proposed Agreement is included with the back-up materials for this agenda item. The Agreement contemplates the formation of a Water Partnership between the City and LCRA to cooperatively work on long-term water supply planning and the functional operation of the Agreement. The water supply proposed under the Agreement is intended to meet municipal water demands estimated by the Austin Water Utility. The water supplies do not include water for steam electric needs. Should additional water supplies be necessary for steam electric, those needs will be referred to the Water Partnership for review and recommendation to the governing bodies of the City and LCRA.

Key Components of the Agreement

Demand Projections: By December 2010, and every 5 years thereafter, the City will provide water Demand Projections that include demand by decade, type of use, including steam electric, and estimated location of use. These projections will include estimates of conservation amounts and estimates of direct and indirect effluent reuse. The demand projections will have no legal binding effect and are to be used as a planning tool.

The proposed Agreement does not prevent Austin from using a New Austin Water Supply to fulfill all or part of the City's needs. Any amount of water that the City independently acquires will reduce the amount of water that LCRA must provide under the agreement by that same amount.

Supply Increment: The additional 250,000 acre feet of water provided by this Agreement will be divided into smaller discreet portions of water that will be provided over time, (Supply Increments). When the City's water demand reaches 225,000 acre feet under the current contract, the Water Partnership will determine whether to initiate a process to decide whether a Supply Increment is called for, and if so, the amount of supply, timing, and use for the Supply Increment. The Water Partnership will also have flexibility to determine whether a Supply Increment is called for at any other time.

Supply Decision: The Water Partnership will determine the source of supply for a Supply Increment. If water is available from LCRA's system, then the Water Partnership must recommend that supply. If not, then the Partnership must use certain criteria to make a Supply Decision, which includes, among other things, the magnitude of the supply and the potential cost to develop that supply.

No payments by the City are required under the Agreement for water until after Austin and LCRA agree on the Supply Decision and upon the execution of a separate written agreement regarding the Supply Decision. Unless the Parties agree otherwise, once a Supply Decision becomes effective the City may not replace that portion of Supplemental Water with a New Austin Water Supply.

Payment Terms: Payment for water from LCRA's system will begin upon the approval of the Supply Decision by the Parties and may include reservation fees on terms agreed upon by the Parties. Austin will pay the then-current LCRA Board approved fee for firm water for the water it actually uses.

If water is derived from a Potential (possible) or New (possible – already Board approved) LCRA Water Supply to be set aside solely for Austin, the City pays Austin's share of costs for the acquisition, development, study, design construction, permitting, etc of the supply and for the use of the water. The manner of cost recovery and the amount of the actual ownership interest will be recommended by the Partnership and included in the Supply Decision.

Austin will receive credit for indirect reuse of water taken under the Agreement only in the event that credits have not already been taken under the 1999 Contract. Credits would be on a one-to-one ratio if the water under the Agreement comes from the Colorado.