

City of Austin-LCRA Water Partnership 2011 Annual Report

I. Purpose of Annual Report

The City of Austin-Lower Colorado River Authority (LCRA) Water Partnership (Water Partnership) is charged with providing a written Annual Report on the status and direction of water supply discussions as considered by the Water Partnership during the previous year. The Annual Report will eventually document the future decisions related to increases in water supplies as the need develops. However, in 2011, the Water Partnership has primarily focused on water issues other than supply acquisition. Therefore, this Annual Report focuses on and summarizes these efforts.

II. Background on Partnership

A. History

The Water Partnership was created through the June 2007 City of Austin and LCRA Settlement Agreement. The November 2007 Supplemental Water Supply Agreement provides additional details on roles, responsibilities, and expectations related to the Water Partnership, including the establishment of a stakeholder group.

The Water Partnership was formed to provide a cooperative management structure through which Austin and LCRA staff can work to collaborate and more effectively manage both entities' water supplies and resources. The Water Partnership in effect formalizes the on-going meetings between the staffs of the two entities to assure regular communication on matters of mutual concern. Austin and LCRA have recognized the complex and diverse nature of water supply planning and management of water resources in the Lower Colorado River Basin. Through the Partnership, both entities seek to cooperate, improve communication, and avoid future conflicts.

The Partnership and its various committees continue to meet on a regular basis and will continue to work cooperatively on water supply, conservation, quality, and permitting issues. As needed, the Water Partnership will present recommendations to the Austin City Council and LCRA Board for approval.

B. Cooperative management structure

Under the leadership of the Austin City Council and the LCRA Board of Directors, as directed by the City Manager and LCRA General Manager, the Water Partnership is composed of a series of committees headed by the Executive Management Committee (EMC). For reference, a depiction of the general organizational structure of the Water Partnership is shown in **Attachment A**.



Committees: General Purpose

The following are brief descriptions of current committees. Committee members are listed in **Appendix 1**.

Executive Management Committee

The Executive Management Committee (EMC) is composed of two members from the City of Austin, designated by the City Manager, and two members from LCRA, designated by the General Manager.

The Executive Management Committee is responsible for carrying out the purpose and scope of the Water Partnership. This committee oversees the work of the sub-committees, including among other things, evaluation of and implementation of any approved joint water supply strategies.

Technical Committee

The Technical Committee is a standing committee made up of City of Austin and LCRA staff members appointed by the EMC. The committee is charged with developing projections of water demands, coordination on water use reporting, identification and evaluation of water supply alternatives, developing technical analyses and implementation plans for water supply strategies identified for further study, and other technical projects or issues as assigned by the EMC.

Water Conservation Committee

The Water Conservation Committee is a special committee made up of City of Austin and LCRA staff members appointed by the EMC. Consistent with the Settlement Agreement, the Water Conservation Committee developed the Water Conservation Plan which was approved by the EMC. The Water Conservation Committee is also charged with implementing the associated plans and scope of work, as approved by the EMC.

Water Quality Committee

The Water Quality Committee is a special committee made up of City of Austin and LCRA staff members appointed by the EMC. The committee was responsible for developing a proposed plan and scope of work for review and approval of the EMC, in order to implement Section 3.13.1.2 of the November 2007 Supplemental Water Supply Agreement. Section 3.13.1.2 pertains to water quality monitoring and evaluation. In 2010, the Committee developed the report required by Section 3.13 (Water Quality) of the SWSA, entitled LCRA/City of Austin Water Quality Monitoring and Assessment Evaluation. The report was provided to the City Council and LCRA Board, consistent with the agreement. The Water Quality Committee is also charged with implementing the associated plans and scope of work, as approved by the EMC.

Stakeholder Committee

The Stakeholder Committee members, appointed by the Austin City Council and the LCRA Board of Directors, represent a wide-variety of interests including environmental, rate payers, business, agriculture, conservation, industrial, and high growth interests who



are interested in the Parties' water supply discussions. The Stakeholder Committee is charged with providing feedback and input to the EMC, when water supply decisions (as defined by the Supplemental Water Supply Agreement) are under consideration by the EMC.

III. Summary of Year 2011 Activities

A. Highlights of Municipal Water Supply Discussions

There were no formal discussions directed towards securing additional municipal supplies for the City of Austin in the previous year. The current municipal supply contract with LCRA, which was negotiated in 1999, will meet the City's demands up to 325,000 acre-feet per year. To compare, the City's annual diversions for municipal purposes have recently averaged approximately 156,000 acre-feet/year (most recent 5-year average). In 2011, during the worst one-year drought on record, the City's annual diversions for municipal use totaled 168,334 acre-feet. According to the Supplemental Water Supply Agreement of 2007 ("SWSA"), the Water Partnership must determine whether to initiate a long term planning process for additional supplies soon after Austin's municipal demand exceeds 225,000 acre feet per year but may decide to initiate those discussions at an earlier date. Supply planning for Austin's non-municipal water needs may also occur at any time.

B. Highlights of Activities and Discussions

1. LCRA's Water Management Plan Revisions

The LCRA Water Management Plan (WMP) is a TCEQ-approved plan for managing stored water from Lakes Travis and Buchanan for various uses. In 2010 and 2011, the City of Austin participated as a member of the LCRA Water Management Plan Revision Advisory Committee, which was tasked with providing input to LCRA's Board regarding revisions to the WMP. The stakeholder meetings, which started in July 2010, included participants from four main interest groups representing firm customers, interruptible customers (generally agricultural interests), lake (commercial and residential), and environmental interests.

After conducting the 18-month long stakeholder process and receiving extensive public input, in February 2012, LCRA's Board approved a revised WMP for submittal to TCEQ for state review and approval.

2. LCRA's Emergency Response to Drought

In 2011, the lower Colorado River basin experienced the worst single year drought on record. This basin was not alone - the Governor declared a drought emergency across the entire state. Recognizing the severity of this drought and the need to respond effectively, in the fall of 2011, LCRA sought and received emergency relief from TCEQ to depart from the requirements of the 2010 Water Management Plan and to use its run-of-river water rights to meet critical industrial and municipal customer needs during the drought.



LCRA's requests were developed after a public process that considered input from stakeholders and the general public. The relief order authorization became effective December 31, 2011 and is in effect through 2012, unless the Governor's disaster declaration lasts beyond 2012. Under the drought relief measures, LCRA eliminated releases of interruptible stored water for the Lakeside, Gulf Coast and Pierce irrigation operations because under the order releases were not to occur unless lakes Travis and Buchanan rose to 850,000 acre-feet by March 1, 2012. Combined storage levels did not reach 850,000 acre-feet by the March 1, 2012 deadline. The request for emergency relief is not related to LCRA's application to amend the Water Management Plan that was submitted in March 2012.

3. Pro Rata Customer Curtailment

In November 2011, LCRA notified all of its firm customers, including the City of Austin, that if the unprecedented extreme drought were to continue, a drought worse than the drought of record might be declared by LCRA's Board of Directors consistent with the conditions of the 2010 WMP. Such a declaration would result in LCRA instituting a 20 percent pro rata curtailment of its firm customers, like the City of Austin. To prepare for the potential for pro rata curtailment, the City of Austin has been working through an involved process to develop a plan for curtailment of its municipal, steam-electric, and irrigation/recreation water use (for the Waller Creek Tunnel project) consistent with LCRA's pro rata curtailment rules. Although recent rains have made pro rata curtailment less likely in the near term, this process is still underway.

3. City of Austin Demand Projections

The Supplemental Water Supply Agreement (SWSA) contemplates that the City would develop a Demand Projection of its forecasted water use by the end of 2010. To allow for the needed input from the Stakeholder Committee, the EMC agreed to extend the date for submission of the Demand Projection. The City presented the City of Austin Demand Projection to Year 2100 to the Stakeholder Committee on April 14, 2011 for discussion and comments and then submitted the projections to LCRA in May 2011.

4. Water Quality Committee

In accordance with its annual meeting schedule, the Water Quality Committee met on December 6, 2011. The next annual Water Quality Committee meeting is planned for December 4, 2012.

5. Stakeholder Committee

The Stakeholder Committee met on April 14, 2011. The agenda included a presentation and stakeholder input on Austin's Demand Projections to the Year 2100. Also presented and discussed at the meeting was LCRA's Water Supply Resource Plan and Water Management Plan revision process. The Stakeholder Committee currently meets at least once annually.



6. Water Conservation

LCRA and Austin continued to work together to encourage water users throughout central Texas to implement water conservation. Staff agree that programs should strive to be as consistent as possible. LCRA and Austin conservation and communication staff continually work on planning and implementing a wide-range of water conservation programs and maintain open communications to facilitate joint efforts as opportunities arise. With others, LCRA and Austin Water were co-sponsors of the Central Texas Water Conservation Symposium: The Business Case for Water Conservation, which was held in Cedar Park on March 22, 2011. Note that the Water Conservation Committee has moved to a once per year meeting schedule.

7. Water Use Reporting

LCRA and the City of Austin coordinated on water use reporting for the 2010 submittals to TCEQ in March 2011.

8. Waller Creek Tunnel Project

The City of Austin is in the construction stages of a project to address flooding along Waller Creek downstream of Waterloo Park in Central Austin. The core feature of this project will be a tunnel to divert and convey flood water to Lady Bird Lake from a new drop inlet structure in Waterloo Park and two minor inlets along the creek below the park. The EMC and Technical Committee are being kept apprised of the project's progress and any water supply issues that may need to be addressed. A water supply contract for the project, between LCRA and the City of Austin, is in place. The contract provides the City with firm water from the LCRA System for tunnel inundation and recirculation, creek surface losses and park irrigation. The water right permit was granted by TCEQ on January 24, 2012. The project is anticipated to be complete and on line by approximately 2015.

9. Stoneledge Quarry

The City of Austin's Watershed Protection and Development Review Department is considering the use of an inactive quarry adjacent to Little Bear Creek, a tributary of Onion Creek, as a means of recharge enhancement to the Barton Springs segment of the Edwards Aquifer. The intent of the additional recharge is to augment flow at Barton Springs. According to the project design, flash flood events (flows greater than 50 cubic feet per second) on Little Bear Creek would be partially diverted into the quarry and allowed to recharge the underlying aquifer. The City of Austin, LCRA, and Barton Springs Edwards Aquifer Conservation District entered into an interlocal agreement, which was finalized on May 19, 2011.

10. Water Contract Amendment at Fayette Power Project (FPP)

Austin Energy has a separate water contract with LCRA for a portion of its water supply needs at FPP and the Sand Hill Energy Center. In December 2011, this contract was amended to increase the contract quantity from 3500 to 7500 AFY, primarily to address water needs at FPP. The FPP Water Subcommittee also addressed pro rata curtailment



issues in fall 2011 in preparation of submittal to LCRA of separate Customer Curtailment Plans for Austin Energy and LCRA by the February 15, 2012 deadline.

11. LCRA Permit 5731 (Unappropriated Flow Permit) and Draft Amendment 14-5434E (Garwood Amendment)

TCEQ approved LCRA's Unappropriated Flows Permit (Permit No. 5731) on April 20, 2011. The Technical Committee continues to receive updates from LCRA staff on the status of the Garwood Amendment at TCEQ.

12. Joint Reuse Application

Austin and LCRA staff filed the joint reuse application with TCEQ on March 1, 2012. The application is pursuant to the terms of Chapter V of the Settlement Agreement and seeks shared legal rights to store, divert, use and reuse a total of 168,022 AFY of Return Flows, which is the total amount of effluent that would be discharged from Austin's two existing major wastewater treatment plants when they are operated at their current fully permitted capacity.

13. Colorado/Lavaca Basin and Bay Stakeholder Committee (BBASC)

The Environmental Flows Recommendation Report from the Colorado and Lavaca Rivers and Matagorda and Lavaca Bays Basin and Bay Stakeholder Committee, on which both Austin and LCRA staff participated, was submitted to the State on August 30, 2011. TCEQ is scheduled to publish proposed environmental flow standards in early April 2012.

IV. Brief summary of planned year 2012 activities

Upcoming events,

- Annual briefing to Water and Wastewater Commission
- Annual briefing to Austin City Council

Updates to the LCRA Board of Directors to be provided, as needed.

Planned Year 2012 Activities

- Continue coordination on water use reporting
- Continue water supply planning and evaluation
- Continue coordination on water conservation strategies
- Continue coordination regarding LCRA and Austin pending water rights permits at TCEQ, including the Joint Reuse application
- Monitor LCRA's Water Management Plan update review and approval process underway at TCEQ
- Continue coordination on possible pro rata curtailment implementation and monitor ongoing drought conditions
- Continue coordination on Senate Bill 3 implementation and adoption of environmental flow standards for the lower Colorado River basin.



City of Austin and LCRA
WATER PARTNERSHIP

- Continue coordination on Stoneledge Quarry project.

Appendix:

1. Listing of committee members
2. "Exhibit A" from June 18, 2007 Settlement Agreement: COA and LCRA Water Resources Management Partnership

Approved By:



Kyle Jensen
Executive Manager, External Affairs
Lower Colorado River Authority



Robert Goode
Assistant City Manager
City of Austin



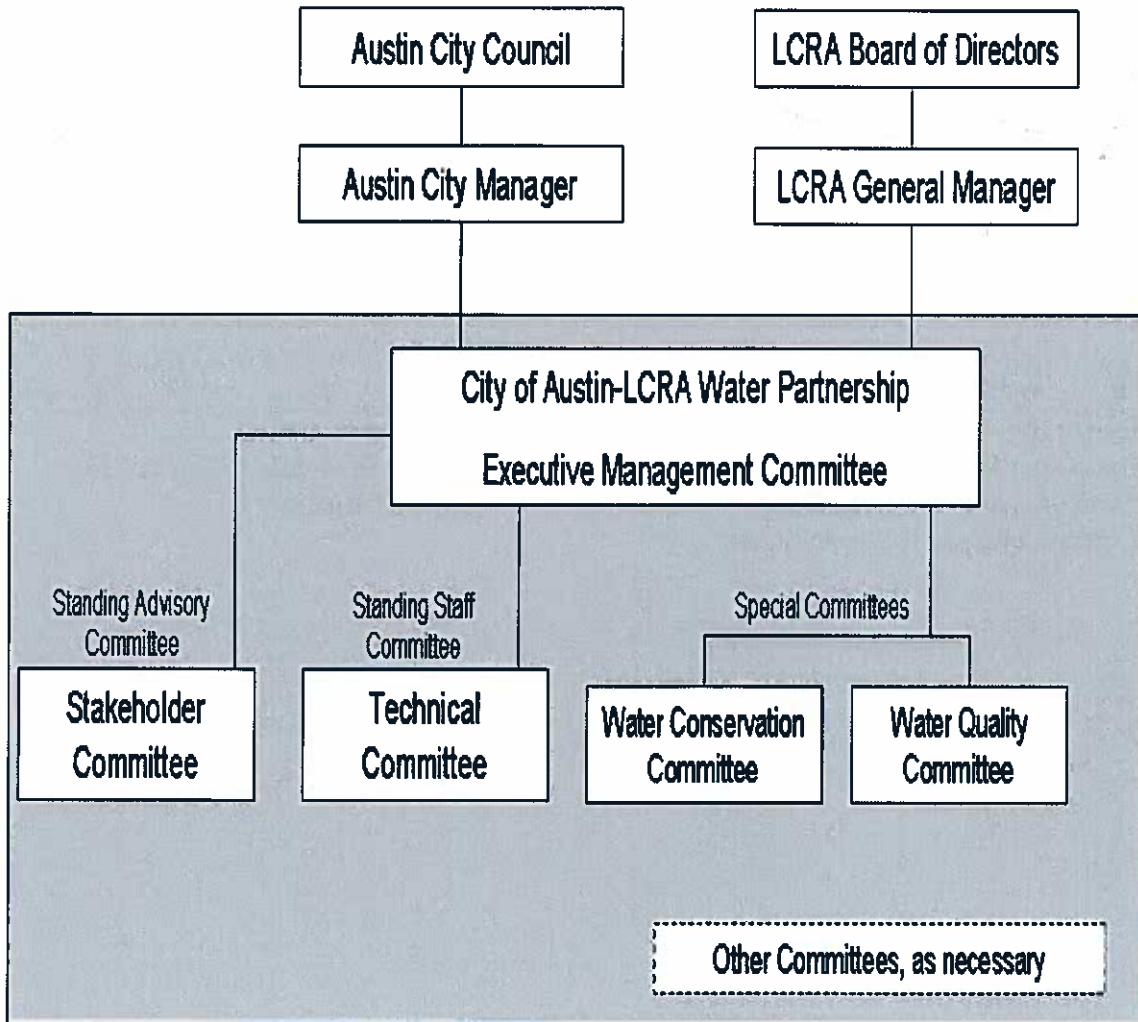
Henry Eby
Executive Manager,
Environmental and Regulatory
Lower Colorado River Authority



Greg Mészáros
Director, Austin Water Utility
City of Austin



City of Austin-LCRA Water Partnership Organization



Attachment A

Appendix



Appendix 1. Committee Members

Executive Management Committee (as of December 2011)

City of Austin

Rudy Garza, Assistant City Manger

Greg Meszaros, Director, Austin Water Utility

LCRA

Suzanne Zarling, Executive Manager, Strategic Resource Planning and Development

Kyle Jensen, Executive Manager, External Affairs

Recent EMC membership changes: In the latter part of 2011, for LCRA, Kyle Jensen, Executive Manager, External Affairs, replaced Becky Motal (now LCRA's General Manager). In early 2012, for Austin, Robert Goode, Assistant City Manager, replaced Rudy Garza and, for LCRA, Henry Eby, Executive Manager, Environmental and Regulatory, replaced Suzanne Zarling.

Technical Committee (as of December 2011)

City of Austin

Daryl Slusher, Assistant Director, Austin Water Utility

Teresa Lutes, Managing Engineer, Austin Water Utility

Ross Crow, Assistant City Attorney, Law Department

LCRA

James Kowis, Manager, Water Supply Planning

Steve Kellicker, Manager, Corporate Finance

Lyn Clancy, Managing Associate General Counsel, Legal Services

Water Conservation Committee (as of December 2011)

City of Austin

Daryl Slusher, Austin Water Utility

Drema Gross, Austin Water Utility

LCRA

Nora Mullarkey, Manager, Water Conservation

Water Quality Committee (as of December 2011)

City of Austin

Daryl Slusher, Austin Water Utility

Mike Personette, Watershed Protection and Development Review

LCRA

Lisa Hatzenbuehler, Manager, Water Resource Protection



Stakeholder Committee (as of December 2011)

Interest Category	Member
Agricultural	Robby Cook
At large	Mary Ann Hefner
Business	Barbara Johnson
Business	Hank Smith
Conservation	Susan Butler
Environmental	Jennifer Walker
Environmental	Lonnie Moore
High Growth	Jon Beall
High Growth	Pete Dwyer
High Growth	Valarie Bristol
Industrial	Sandra Dannhardt
Industrial	Dan Wilcox
Rate Payers	Katherine Woerner
Rate Payers	Marion Sanchez
Recreation	Rod Malone



Appendix 2.

EXHIBIT A - COA and LCRA Water Resource Management Partnership

From the:

**SETTLEMENT AGREEMENT BY AND BETWEEN THE CITY OF AUSTIN
AND THE LOWER COLORADO RIVER AUTHORITY REGARDING JOINT
WATER RESOURCE MANAGEMENT AND THE RESOLUTION OF CERTAIN
REGULATORY MATTERS PENDING AT THE TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY**

EFFECTIVE DATE: JUNE 18, 2007

- 1. Background:** Water is the lifeblood of Central Texas communities. Austin and LCRA have individually employed traditional water management strategies, focusing on solutions that have often unintentionally led to conflict. These conflicts, if left unresolved, may limit the ability of the Parties to meet their responsibilities as major water suppliers. As population growth and economic factors in the region increase the demand for water, the Parties recognize a different approach is needed. Collaborative water management strategies can offer new opportunities to optimize water supply solutions for the region.
- 2. Vision:** Reliable and affordable water, managed in an environmentally responsible and collaborative manner, is critical to the vitality and economy of the region.
- 3. Purpose:** LCRA and Austin, as the two largest water right holders in the lower Colorado River basin, have agreed to develop a cooperative management structure. Through this new approach, the Parties will jointly evaluate and implement strategies to optimize water supplies to meet water needs of their customers and the environment.
- 4. Scope:** The scope of the partnership agreement will include joint water supply planning, as well as the ability to manage both entities' individual raw water supplies as an integrated system. All existing raw surface water supplies, including Return Flows, of each party will be included in this agreement. Future water supplies will be included as approved by the Executive Management Committee.

Day-to-day management and coordination of the river system including flood management, water quality protection and other functions will remain LCRA's



responsibility. Day-to-day water/wastewater utility planning and operations will remain the responsibility of each party.

- 5. Cooperative Management Structure:** The Parties shall establish an Executive Management Committee and Technical Water Resources Planning Subcommittee, with the following structure and responsibilities:

A. Executive Management Committee

- i. Composition: The Executive Management Committee (EMC) will be composed of two representatives each of Austin and LCRA, to be designated by the chief executive officer of each organization.
- ii. Duties and Responsibilities: The EMC will be responsible for carrying out the Purpose and Scope as follows:
 - 1. establishing and implementing strategic goals and policies,
 - 2. approval of joint water supply strategies and implementation plans,
 - 3. continued supervision and oversight of approved joint water supply strategies and implementation plans,
 - 4. obtaining any necessary approvals from and ensuring compliance with requirements of each party's governing body,
 - 5. coordination of communication with internal and external stakeholders,
 - 6. ensuring adherence to the decision-making guidelines set forth below,
 - 7. creation and general supervision of any subcommittees necessary to carry out the Purpose and Scope, and
 - 8. developing standard operating procedures and bylaws for the EMC and any subcommittees.

B. Technical Water Resource Planning Subcommittee. A Technical Water Resource Planning Subcommittee (Technical Subcommittee) shall be established as follows:

- i. Composition: The Technical Subcommittee will be an interdisciplinary committee comprised of members appointed by the EMC.
- ii. Duties and Responsibilities. The Technical Subcommittee will be responsible for:



1. Projections of water demands and identification of a wide array of supply alternatives, including Return Flows, and preliminary recommendation of alternatives for consideration by the EMC for further study.
2. In consultation with the EMC, develop any necessary technical analyses and implementation plans for strategies identified for further study.

C. Decision-making Guidelines

- i. Consensus decisions of the EMC shall be made using interest-based problem solving, mindful of the standards and mutual interests of the Parties as set forth below.
- ii. The standards against which water supply strategies shall be evaluated include:
 1. Improve relationships between Austin and LCRA
 2. Cost effective and provides value to both Parties
 3. Obtain stakeholder input in an effort to fairly address multiple needs of the region
- iii. The mutual interests of the Parties to be addressed by any water supply strategy selected by the EMC include:
 1. maintaining ownership and protecting the value of each party's individual water rights,
 2. preserving water quality and environmental health of the river and bay system,
 3. improving the Parties' relationship and building trust through enhanced information sharing, cooperation, and partnering,
 4. improving water supply certainty, including enhancing reliability and water availability, and
 5. responsible water resource management, mindful of the Parties commitment to a strong water conservation ethic.
- iv. The Parties may, by consensus, modify the standards and mutual interests to be used in making decisions under this agreement.
- v. If the EMC cannot reach a consensus decisions on whether to pursue particular water supply strategies recommended by the Technical Subcommittee, then the EMC shall request a decision from the chief executive officers of each organization.



6. Operating Guidelines:

- A. The Parties agree to designate their representatives to the Water Partnership Executive Management Committee (EMC) within 90 days of the final approval of the Supplemental Water Supply Agreement called for in Paragraph 1V.B of the Settlement Agreement. The Parties also agree to convene an initial meeting of the EMC within 120 days of execution of the Supplemental Water Supply Agreement.
- B. The initial tasks of the EMC include, but are not limited to:
- i. Develop operating procedures and by-laws, to include but not be limited to:
 1. Set meeting schedule to initially include a minimum of one EMC meeting per quarter
 2. Set meeting logistics including chair, chair rotation schedule, meeting location, and record keeping, including meeting minutes, workplans, etc.
 3. Set schedule and process to develop scopes and workplans for tasks to be accomplished by the COA and LCRA Water Resource Management Partnership
 4. Set reporting schedule to include a minimum reporting schedule of at least one report to each the Austin City Council and the LCRA Board every two years
 5. Set regular quarterly meeting format to include, as appropriate, but not be limited to:
 - a. Report by each party on all activities that might affect either party's water rights or water supply, which may include any significant developments in the following:
 - i. status of
 - all water rights applications
 - a water supply development projects (current or proposed Water Management Plan status)
 - any proposed water treatment, wastewater treatment or other related facilities
 - any direct reuse projects
 - water conservation efforts
 - ii. status of joint efforts and suggestions for additional joint effort opportunities
 - iii. updates on studies relevant to water supply availability



City of Austin and LCRA
WATER PARTNERSHIP

- iv. updates on relevant environmental issues and implementation of environmental policies
 - v. relevant legislative updates including new statutes and pending legislation relating to water supply of the Parties
 - vi. Relevant administrative matters before the State Office of Administrative Hearings
 - vii. Updates on significant actions or decisions by the Texas Commission on Environmental Quality
 - viii. Update on water rates revisions
 - ix. Information on water sales, water usage, major diversions, new customers, and projected water demands (short and long-term)
 - x. Update on any LCRA Water Management Plan planned amendments
 - xi. State Region K regional water planning efforts
 - xii. Update on LCRA Board and Austin City Council actions relevant to water supply availability
 - b. Subcommittee reports
 - c. Other items as determined
6. Set meeting process to initially include a minimum of two work sessions per year
- a. Work session tasks may include, but not be limited to:
 - i. develop joint basin management strategies in keeping with the mutual interests of the parties as outlined in Exhibit A. Section 5. C. iii., and updated, as needed, by the EMC.
 - ii. develop plans for joint studies and projects,
 - iii. develop any joint resolutions, proposed agreements,
 - iv. Formulate subcommittees, as needed
 - v. Evaluate on-going efforts of the COA and LCRA Water Resource Management Partnership including a re-evaluation of the scope and purpose, including progress of efforts to meet long-term water supply needs
7. Appoint the Technical Water Resource Planning Subcommittee



8. Develop initial scope and workplan to address the following:
 - a. Develop initial scope of tasks to be accomplished in the initial two years, including but not limited to:
 - i. As per Settlement Agreement Section VII. D., develop proposal to address maintenance of Town Lake levels
 - ii. Establish process to evaluate and implement joint water management strategies to optimize water supplies
 - b. Establish coordination of reporting, operations, and diversions
 - c. Develop a list of matters to be monitored by the EMC
 - d. Develop process for determining future tasks and work plans, once initial tasks are complete, including development of demand projections ("Demand Schedule")

