

LCRA Board Minutes Digest - August 22, 2007 (cont'd.)

- 07-128 Adoption of the report of the Water Utility Audit Subcommittee of the LCRA Board of Directors, and directive to staff to implement the subcommittee conclusions, guidance and recommendations. Approval of the use of previously identified available funds for application in the Hill Country Region to increase equity in existing water and wastewater systems.
- 07-129 Approval of items related to the Hill Country Region water and wastewater rates.
- 07-130 Adoption of changes to the Camp Swift and Lost Pines Rate District in LCRA's Schedule for Rates, Fees, Charges and Terms and Condition of Retail Wastewater Service.
- 07-131 Adoption of the proposed retail water and wastewater rates for customers of the West Travis County Regional System, including the rate districts of Bee Cave, Bee Cave South, Homestead/Meadowfox and Highway 290/HPR.
- 07-132 Declaration of an approximate 24.214-acre tract of land, being a portion of the LCRA Parcel Travis South-30 in Burnet County, "nonessential," and authorization for the general manager or his designee to convey the land to Christopher Harte, all contingent upon the conveyance of an approximate 8.5-acre tract to LCRA.
- 07-133 Approval of the credit to customers of FY 2007 Above-Budget Net Revenues in accordance with LCRA Board Policy 301 - Financial Policy.
- 07-134 Authorization for the general manager to negotiate and execute a supplemental water supply agreement with the City of Austin.

MINUTES OF THE REGULAR MEETING OF THE  
BOARD OF DIRECTORS OF THE  
LOWER COLORADO RIVER AUTHORITY

Austin, Texas

August 22, 2007

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of the Lower Colorado River Authority (LCRA) convened in a regular meeting at 9:27 a.m. on Wednesday, August 22, 2007, at the principal office of LCRA, 3700 Lake Austin Boulevard, Hancock Building, Board Room, Austin, Travis County, Texas. The meeting was open to the public, and the following directors were present, constituting a quorum:

Wilkerson  
Abell  
Granberg  
Carlton  
Carter  
Dickerson  
Garrett  
Long  
McCasland  
Moser  
Nettleship  
Raun  
Wallace  
Wilke

Absent: Matthews

Chair Wilkerson convened the meeting at 9:27 a.m., and he announced that items 1 and 20 relating to the Brushy Creek Regional Wastewater System would be pulled from the agenda.

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The Board next approved resolutions honoring seven former employees who recently retired from LCRA.

07-105 Upon motion by Director Garrett, seconded by Director Long, the Board unanimously approved a resolution (attached hereto as Exhibit A) honoring Bill Marx.

07-106 Upon motion by Director Wallace, seconded by Director Long, the Board unanimously approved a resolution (attached hereto as Exhibit B) honoring Ken Brothers.

07-107 Upon motion by Director Granberg, seconded by Director Carlton, the Board unanimously approved a resolution (attached hereto as Exhibit C) honoring Bob Foster.

07-108 Upon motion by Director Carlton, seconded by Director Wallace, the Board unanimously approved a resolution (attached hereto as Exhibit D) honoring Rodolfo "Rudy" Gorena.

07-109 Upon motion by Director Nettleship, seconded by Vice Chair Abell, the Board unanimously approved a resolution (attached hereto as Exhibit E) honoring William Benno "Bil" Kahanek.

07-110 Upon motion by Director Wallace, seconded by Director Garrett, the Board unanimously approved a resolution (attached hereto as Exhibit F) honoring Barney Kneese.

07-111 Upon motion by Director Wallace, seconded by Director Nettleship, the Board unanimously approved a resolution (attached hereto as Exhibit G) honoring C. Walter May, P.E.

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General Manager Joe Beal and Chair Wilkerson next presented Foundation Value Safety Awards for 2007 to employees who have demonstrated leadership and exceeded job expectations to improve safety in the workplace. Ed Castro, a park construction worker in Community Services, earned the individual award for designing and fabricating a tool that improves efficiency and safety during fence construction. Greg Johnson, Mickey Supak, Zach Holub, Gordon Lott and Bruce Heinrich, employees of Transmission Services Line and Right of Way Maintenance, earned the team award for developing a tool to remove bolts safely when changing brush shredder blades.

Chair Wilkerson recognized Paula DiFonzo, chief executive officer of New Braunfels Utilities; Bob Loth, general manager of Central Texas Electric Cooperative; and Tommy Tynes of Texas State Representative Valinda Bolton's office.

General Manager Joe Beal gave his monthly update on recent issues and events related to LCRA, including the LCRA Environmental Laboratory's 25<sup>th</sup> anniversary; update on Ross Phillips' medical status; and recent intense rain, lake levels and flood operations.

Chief Financial Officer John Meismer presented the monthly financial report for July 2007. Becky Meyer, manager of Business and Financial Services, presented the LCRA FY 2007 Business Plan fourth quarter update.

Director Dickerson moved, seconded by Vice Chair Abell, that the Board approve Consent items 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17 and 19, included in the August 22 Board agenda book. There were no seminars or conferences presented for approval (Agenda Item 18). The Board unanimously approved the Consent Agenda by a vote of 14 to 0, as follows:

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07-112 Authorization for the general manager or his designee to negotiate and execute the following contracts and change orders in a manner consistent with the descriptions contained in Agenda Item 4 [attached hereto as Exhibit H], as recommended by staff: Contract No. 2217 (HVB AE Power Systems Inc.), Contract No. 2218 (Mitsubishi Electric Power Products Inc.), Contract No. 2215 (United Scaffolding Inc.), Contract No. 2216 (Basic Industries of South Texas Ltd.), Contract No. 2214 (Clean Harbors Inc.) and Contract No. 49114 (Mustang Machinery Company Ltd.).

07-113 Approval to increase the rate for contract irrigation water for CCNG Development Company, L.P., from \$1.10 per thousand gallons to \$1.35 per thousand gallons, as recommended by staff in Agenda Item 5 [attached hereto as Exhibit I].

07-114 Authorization for staff to convey an LCRA-owned irrigation canal bridge in Matagorda County to the abutting landowner and grant the landowner an access easement to cross LCRA's canal property to accommodate the bridge, as recommended by staff in Agenda Item 6 [attached hereto as Exhibit J]. The abutting landowner will grant to LCRA an access easement authorizing LCRA personnel and equipment to use the bridge to perform irrigation duties and other activities as needed. This action has been reviewed by the Gulf Coast Irrigation District staff and determined to not adversely affect LCRA irrigation operations.

07-115 Authorization for staff to negotiate and execute a standard water contract with Peacock Ranch, L.P., for municipal use of LCRA's firm water supply for a term of 40 years at a maximum annual quantity of 1,169 acre-feet, as recommended by staff in Agenda Item 7 [attached hereto as Exhibit K].

07-116 Declaration, by a vote of 14 to 0, of an approximate 0.279-acre tract of land and an approximate 0.22-acre tract of land, being portions of LCRA Tract Travis South-05 in Travis County, "nonessential" (being no longer necessary, convenient or of beneficial use to the business of LCRA), and authorization for the general manager or his designee to convey the land to the adjacent property owners, as recommended by staff in Agenda Item 8 [attached hereto as Exhibit L].

07-117 Declaration, by a vote of 14 to 0, of an approximate 0.087-acre tract of land, being a portion of the LCRA Parcel Buchanan East-18 in Burnet County, "nonessential" (being no longer necessary, convenient or of beneficial use to the business of LCRA), and authorization for the general manager or his designee to convey the land to the adjacent property owners, as recommended by staff in Agenda Item 9 [attached hereto as Exhibit M].

07-118 Declaration, by a vote of 14 to 0, of an approximate 0.09-acre tract of land, being a portion of the LCRA Parcel Buchanan West-09 in Llano County, "nonessential" (being no longer necessary, convenient or of beneficial use to the business of LCRA), and authorization for the general manager or his designee to convey the land to the adjacent property owners, as recommended by staff in Agenda Item 10 [attached hereto as Exhibit N].

07-119 Declaration, by a vote of 14 to 0, of an approximate 0.847-acre tract of land and an approximate 0.693-acre tract of land, being portions of LCRA Tract Travis South-22 in Burnet County, "nonessential" (being no longer necessary, convenient or of beneficial use to the business of LCRA), and authorization for the

general manager or his designee to convey the land to the adjacent property owners, as recommended by staff in Agenda Item 11 [attached hereto as Exhibit O].

07-120 Declaration, by a vote of 14 to 0, of an approximate 0.23-acre tract of land, being a portion of the LCRA Parcel Buchanan West-19 in Llano County, "nonessential" (being no longer necessary, convenient or of beneficial use to the business of LCRA), and authorization for the general manager or his designee to convey the land to the adjacent property owners, as recommended by staff in Agenda Item 12 [attached hereto as Exhibit P].

07-121 Declaration, by a vote of 14 to 0, of an approximate 0.15-acre tract of land, two approximate 0.04-acre tracts of land, and an approximate 0.03-acre tract of land, being a portion of the LCRA Parcel Buchanan East-16 in Burnet County, "nonessential" (being no longer necessary, convenient or of beneficial use to the business of LCRA), and authorization for the general manager or his designee to convey the land to the adjacent property owners, as recommended by staff in Agenda Item 13 [attached hereto as Exhibit Q].

07-122 Declaration, by a vote of 14 to 0, of an approximate 0.014-acre tract of land, consisting of two tracts of land being an approximate 0.0092-acre portion and an approximate 0.0048-acre portion of the LCRA Parcel Inks West-02 in Llano County, "nonessential" (being no longer necessary, convenient or of beneficial use to the business of LCRA), and authorization for the general manager or his designee to convey the land to the adjacent property owners, as recommended by staff in Agenda Item 14 [attached hereto as Exhibit R].

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07-123 Approval of an amended written outside counsel agreement with Graves, Dougherty, Hearon & Moody, P.C., as recommended by staff in Agenda Item 15 [attached hereto as Exhibit S].

07-124 Approval of the FY 2007 fourth quarter report of legal fees and expenses for outside counsel, as recommended by staff in Agenda Item 16 [attached hereto as Exhibit T].

07-125 Approval of directors' fees and expenses and reimbursement of directors for such fees and expenses, as recommended by staff in Agenda Item 17 [attached hereto as Exhibit U].

07-126 Approval of the minutes of the June 5, 2007, meeting (Agenda Item 19).

07-127 Suzanne Zarling, executive manager of Water Services, presented for consideration a staff recommendation, described in Agenda Item 21 [attached hereto as Exhibit V], that the Board approve the FY 2008 Budget for the Hutto Wastewater System. Upon motion by Director Nettleship, seconded by Director Garrett, the recommendation was unanimously approved by a vote of 14 to 0.

07-128 Marcus Pridgeon, chief operating officer, presented for consideration a staff recommendation, described in Agenda Item 22 [attached hereto as Exhibit W], that the Board adopt the report of the Water Utility Audit Subcommittee of the LCRA Board of Directors, and direct staff to implement the subcommittee conclusions, guidance and recommendations. Further, that the Board approve the use of previously identified available funds for application in the Hill Country Region to increase equity in existing water and wastewater systems. Upon motion by Director



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Nettleship, seconded by Director Raun, the recommendation was unanimously approved by a vote of 14 to 0.

Directors Wallace, Granberg, McCasland, Carlton and Chair Wilkerson each made comments generally emphasizing the significant amount of time and effort that the subcommittee members and staff put into this assignment and the difficult nature of the issues. The subcommittee was chaired by Director Nettleship and included Chair Wilkerson, Vice Chair Abell and directors Moser, McCasland and Wallace.

07-129 Marcus Pridgeon presented for consideration a staff recommendation, described in Agenda Item 23 [attached hereto as Exhibit X], that the Board approve the following items related to Hill Country Region water and wastewater rates:

- Creation of the Hill Country Water Rate District;
- Adoption of one regional water rate for residential and nonresidential customers in the Hill Country Water Rate District;
- Adoption of a School District customer class and a water rate in the Hill Country Water Rate District;
- Adoption of a Multiunit Residential customer class and a water rate in the Hill Country Water Rate District;
- Creation of a Ridge Harbor Wastewater Rate District and adoption of rates;
- Creation of a Lometa Wastewater Rate District and adoption of rates; and
- Approval of various administrative changes.

The proposed changes become effective the first billing cycle after October 1, 2007.

Upon motion by Director Wallace, seconded by Vice Chair Abell, the recommendation was unanimously approved by a vote of 14 to 0.

07-130 Marcus Pridgeon presented for consideration a staff recommendation, described in Agenda Item 24 [attached hereto as Exhibit Y], that the

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Board adopt changes to the Camp Swift and Lost Pines Rate District in LCRA's Schedule for Rates, Fees, Charges and Terms and Condition of Retail Wastewater Service. The proposed amendments become effective the first billing cycle after Oct. 1, 2007. This motion increases wastewater rates for the Camp Swift and Lost Pines Rate District and approves additional administrative changes and amendments.

Don Simmons addressed the Board in opposition to Agenda Item 24. He read a statement [attached hereto as a part of Exhibit Y] on behalf of the River Chase Estates, located in Bastrop. Suzanne Zarling responded to Director Raun's question about the increased demand on the wastewater system which necessitated a plant expansion.

Upon motion by Director Granberg, seconded by Director Garrett, the recommendation was unanimously approved by a vote of 14 to 0.

07-131 Marcus Pridgeon presented for consideration a staff recommendation, described in Agenda Item 25 [attached hereto as Exhibit Z], that the Board adopt the proposed retail water and wastewater rates for customers of the West Travis County Regional System, including the rate districts of Bee Cave, Bee Cave South, Homestead/Meadowfox and Highway 290/HPR.

This motion:

- Increases water rates to be implemented in three interim steps for all retail customers in these rate districts, including residential, nonresidential, irrigation and multiunit residential customers.
- Eliminates the 1,000-gallon minimum for water rates.
- Inserts a new water rate tier from 20,001 gallons to 25,000 gallons.
- Sets water rates for nonresidential customers in the Highway 290/HPR rate district.
- Increases wastewater rates in three steps in the Bee Cave rate district, including residential and nonresidential customers.
- Approves minor administrative changes.

The first step of the rate increase becomes effective for all water and wastewater gallons billed on or after October 1, 2007. The second step of the rate increase becomes effective on October 1, 2008, and the third step would become effective on Oct. 1, 2009. Staff requested the Board's approval of all three steps of the proposed water and wastewater rate increase and the administrative changes.

The following individuals addressed the Board in opposition to Agenda Item 25: Caroline Murphy, Mayor of Bee Cave; Stephen England, President of the Uplands Homeowners Association (HOA); Fred Goff, President of the Lake Pointe HOA; Larry Fox, President of West Travis County Municipal Utility District (MUD) No. 5; Jennie Braasch, resident of the Falconhead subdivision; Bob Dorsett, President of the Falconhead HOA; Robert Salgo, President of MUD No. 3; Pat Sinnott, resident of the Lake Pointe subdivision; and Darrell Thornley, resident of the Lake Pointe subdivision. Murphy, England, Goff, Fox, Salgo and Thornley each provided written statements [attached hereto as a part of Exhibit Z] to the Board.

Director McCasland commented on the challenging situation of the proposed rate increases. He noted two important factors to consider when comparing the rates of one system to another system, including the age of the system and the taxing authority of the entity operating the system.

In response to Director Nettleship's question of whether staff had any additional comments, Marcus Pridgeon read an excerpt from the Barrington-Wellesley Group, Inc. (BWG) audit report that approved of the LCRA cost allocations. General Manager Joe Beal then offered his thoughts and his commitment to customer service and communications.

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Vice Chair Abell noted the relative ranking of the proposed increased rates when compared to other local area water and wastewater utilities that use taxes to pay for wet utility costs. Director Wallace offered his thoughts about the need for rate increases now, then asked Marcus Pridgeon to describe the rates of the Lake Pointe area customers before and after LCRA acquired the water and wastewater system, which Pridgeon described. Director Moser asked about the collection of impact fees. Pridgeon responded that this issue had been considered in the BWG audit and that staff would look hard at impact fees soon.

Director Nettleship said that the Board will continue to look at policies relating to impact fees and cost allocation methodology, and that the items for action - Water Utility Audit Subcommittee Report and the proposed rate increases - before the Board today are important steps in ensuring that LCRA owns and operates a financially self-sustaining water and wastewater utility. Chair Wilkerson commented on the Board's consideration given to customers' input as evidenced by the significant amount of time the Water Utility Audit Subcommittee and the Board has spent on the issues concerning the water and wastewater utility. He noted that the Board had requested the independent audit of the water and wastewater utility and also selected the audit firm.

Upon motion by Director Nettleship, seconded by Director Moser, the Board, by a vote of 14 to 0, unanimously approved Agenda Item 25, as recommended by staff.

The Board further directed staff to meet with Mayor Murphy and staff of Bee Cave to understand their analysis of the proposed rate increase and to report back to the Board results of the meeting.

During the Board's consideration of agenda items 22 through 25, several Board members commented on the significant amount of time that the Audit Subcommittee had spent concentrating on many details of LCRA's water and wastewater utility, and that they viewed the adoption of the recommendations in the audit report as a first step. Board members assured customers that the Board would continue to monitor the issues affecting the water and wastewater utility.

Chair Wilkerson recessed the meeting for a short break at approximately 12:05 p.m., and he reconvened the meeting at approximately 12:11 p.m. Chair Wilkerson recognized Bobby Waid, general manager of Bandera Electric Cooperative; Billy Marricle, general manager of San Bernard Electric Cooperative; and Susan Nold of State Senator Kirk Watson's office.

07-132 Frank Morgan, manager of Community Services, presented for consideration a staff recommendation, described in Agenda Item 26 [attached hereto as Exhibit AA], that the Board declare an approximate 24.214-acre tract of land, being a portion of the LCRA Parcel Travis South-30 in Burnet County, "nonessential" (being no longer necessary, convenient or of beneficial use to the business of LCRA), and authorize the general manager or his designee to convey the land to Christopher Harte, all contingent upon the conveyance of an approximate 8.5-acre tract to LCRA.

Upon motion by Director Carter, seconded by Director Moser, the recommendation was unanimously approved by a vote of 14 to 0.

07-133 John Meismer presented for consideration a staff recommendation, described in Agenda Item 27 [attached hereto as Exhibit BB], that the Board approve

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the credit to customers of FY 2007 Above-Budget Net Revenues in accordance with LCRA Board Policy 301 - Financial Policy.

Paula DiFonzo, chief executive officer of New Braunfels Utilities, offered her comments about wholesale electric service issues. She urged the Board to scrutinize rates, noted concerns about costs and proposed rate designs and cost of service rates, expressed concerns about shifting risks to customers, and urged imposition of greater controls and transparency. A transcript of Paula DiFonzo's comments is attached hereto as a part of Exhibit BB.

Upon motion by Director Moser, seconded by Director Granberg, the Board, by a vote of 14 to 0, unanimously approved Agenda Item 27.

Chair Wilkerson declared the meeting to be in executive session at 12:37 p.m., pursuant to sections 551.071, 551.072 and 551.086 of the Texas Government Code (Open Meetings Act). Executive session ended, and Chair Wilkerson declared the meeting to be in public session at 1:01 p.m.

07-134 Director Granberg read a proposed motion that the Board authorize the general manager to negotiate and execute a supplemental water supply agreement with Austin consistent with the following limitations:

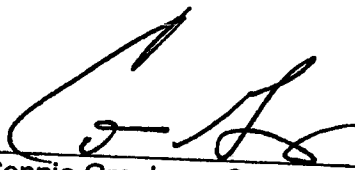
1. The agreement must maintain future Board discretion to make decisions regarding water supply development, rates and policy.
2. The agreement must not restrict LCRA's ability to continue to plan for and consider its other customer needs, including any implementation of recommendations that may result from the Water Supply Resource Planning effort that is currently under way.
3. The agreement must allow LCRA to recover from Austin the fair and reasonable cost of service in a manner that is not detrimental to other LCRA customers.
4. The agreement must establish a framework for evaluating future water supply options and addressing cost recovery while preserving flexibility for

both parties to respond to changing conditions throughout the lengthy term of the agreement.

5. The agreement must be consistent with the terms set forth in the Settlement Agreement regarding quantity, location and timing of Austin's use of any water to be provided by LCRA.
6. The agreement must ensure that Austin will use the water only for its own purposes.
7. The agreement must allow the City of Austin to pursue alternative water supplies.
8. The agreement must support the City of Austin's efforts to implement water conservation.
9. The terms of the agreement with Austin should reflect terms that LCRA should be willing to offer to any customer seeking a similar arrangement with LCRA for long-term water supply planning and development.

The motion was seconded by Director Carter and approved by the Board by a vote of 13 to 1, with Director Dickerson voting no.

There being no further business to come before the Board, the meeting was adjourned at approximately 1:04 p.m.

  
\_\_\_\_\_  
Connie Granberg, Secretary  
LCRA Board of Directors

## FOR ACTION

### **25. Amend LCRA Rate Schedule - West Travis County Region Rate Districts**

#### **Proposed Motion**

Adopt the proposed retail water and wastewater rates for customers of the West Travis County (WTC) Regional System, including the rate districts of Bee Cave, Bee Cave South, Homestead/Meadowfox, and Highway 290/HPR. This motion will:

- Increase water rates to be implemented in three interim steps for all retail customers in these rate districts, including residential, nonresidential, irrigation and multiunit residential customers
- Eliminate the 1,000-gallon minimum for water rates
- Insert a new water rate tier from 20,001 gallons to 25,000 gallons
- Set water rates for nonresidential customers in the Highway 290/HPR rate district
- Increase wastewater rates in three steps in the Bee Cave rate district, including residential and nonresidential customers
- Approve minor administrative changes

The first step of the rate increase would become effective for all water and wastewater gallons billed on or after Oct. 1, 2007. The second step of the rate increase would become effective on Oct. 1, 2008, and the third step would become effective on Oct. 1, 2009. Staff requests approval of all three steps of the proposed water and wastewater rate increase and the administrative changes.

#### **Budget Status and Fiscal Impact**

The proposed rates will provide revenue needed to accomplish the FY 2008 Business Plan. The FY 2008 Business Plan assumed revenues would be generated from a two-step rate increase. The proposed three-step rate increase will result in a reduction of revenue but will be managed with funds available to LCRA.

#### **Summary**

Staff hired an independent rate consultant to complete a cost of service study for the WTC water and wastewater systems and allocate costs to customer classes. Staff used the cost of service revenue requirements by customer class to construct a proposed rate structure.

Based on the revenue shortfalls predicted by the cost of service study, staff had prepared to discuss the need to increase rates with the Board at the Sept. 19, 2006, Water Utility Committee



Meeting. The Board delayed consideration of the rate increases in order to provide time to evaluate other options and consider the findings in the BWG management audit of the Water and Wastewater Utility Services. Following the Board's approval of the FY 2008 Business Plan in May, staff mailed letters to customers explaining rate increase proposals on June 12. Staff presented the proposed rate plan to the City of Bee Cave City Council on June 26. A public meeting was held on June 27 to solicit public input and to answer customer questions about the Water and Wastewater Utility Service and the proposed rates. Comments regarding the proposed rate increase received from customers have been delivered to Board members under separate cover. Based upon comments received and to address customer concerns, staff has revised the proposal to include a three-year phase-in of the rate increase instead of the two-year phase-in originally proposed. This will help mitigate the impact of the proposed rate increases in the short term.

#### ***Water System***

The WTC Water System provides retail and wholesale water service to customers in western Travis County and northern Hays County. The proposed rates would affect retail customers and would not affect wholesale customers.

Retail water customers pay a monthly base charge and a volume charge based on water use. The proposal would increase both the base and volume charges. The proposed rate structure would strengthen the conservation incentive of the existing rate structure: the volume charge would increase with higher levels of water consumption. All customer classes – residential, nonresidential, irrigation and multiunit residential – would experience rate increases. Rates in the WTC Water System were last increased in FY 2003 (for Bee Cave and Bee Cave South rate district customers) and FY 2004 (for Highway 290/HPR rate district customers). The proposed rate increase would be the second increase since LCRA purchased the water system in 1994.

The median residential water usage in the WTC Water System is just below 10,000 gallons per month. For a residential customer using 10,000 gallons in the Bee Cave and Bee Cave South rate districts, the fully implemented rate would result in a monthly bill of \$82.65, reflecting an increase of \$29.95 per month over the current charges. For residential customers in the Highway 290/HPR rate district and the Homestead/Meadowfox rate district, the rate would result in a monthly bill of \$108.50, reflecting an increase of \$33.30 per month over the current bill for the same water use. The increases would be phased in over the three-year implementation period.

#### ***Wastewater System***

The WTC Wastewater System provides wholesale and retail wastewater services to businesses and residents within the City of Bee Cave area, including the neighborhoods of Lakepointe, Spanish Oaks and Falconhead. The proposed increase will affect retail customers only.

Retail wastewater customers pay a monthly base charge and a volume charge, and the proposed rates would increase both the base and the volume charges. The rates would increase for all customer classes, residential and nonresidential. The proposed rates would continue the existing winter-averaging calculation method. Rates in the WTC Wastewater System were last increased in FY 2005. The proposed rate increase would be the second increase since LCRA acquired the wastewater system in 2000.

For a residential customer, with a winter average of 10,000 gallons, the fully implemented rate would result in a monthly bill of \$109.50, reflecting an increase of \$52 per month over the current charges. The increases would be phased in over the three-year implementation period.

#### **Presenter(s)**

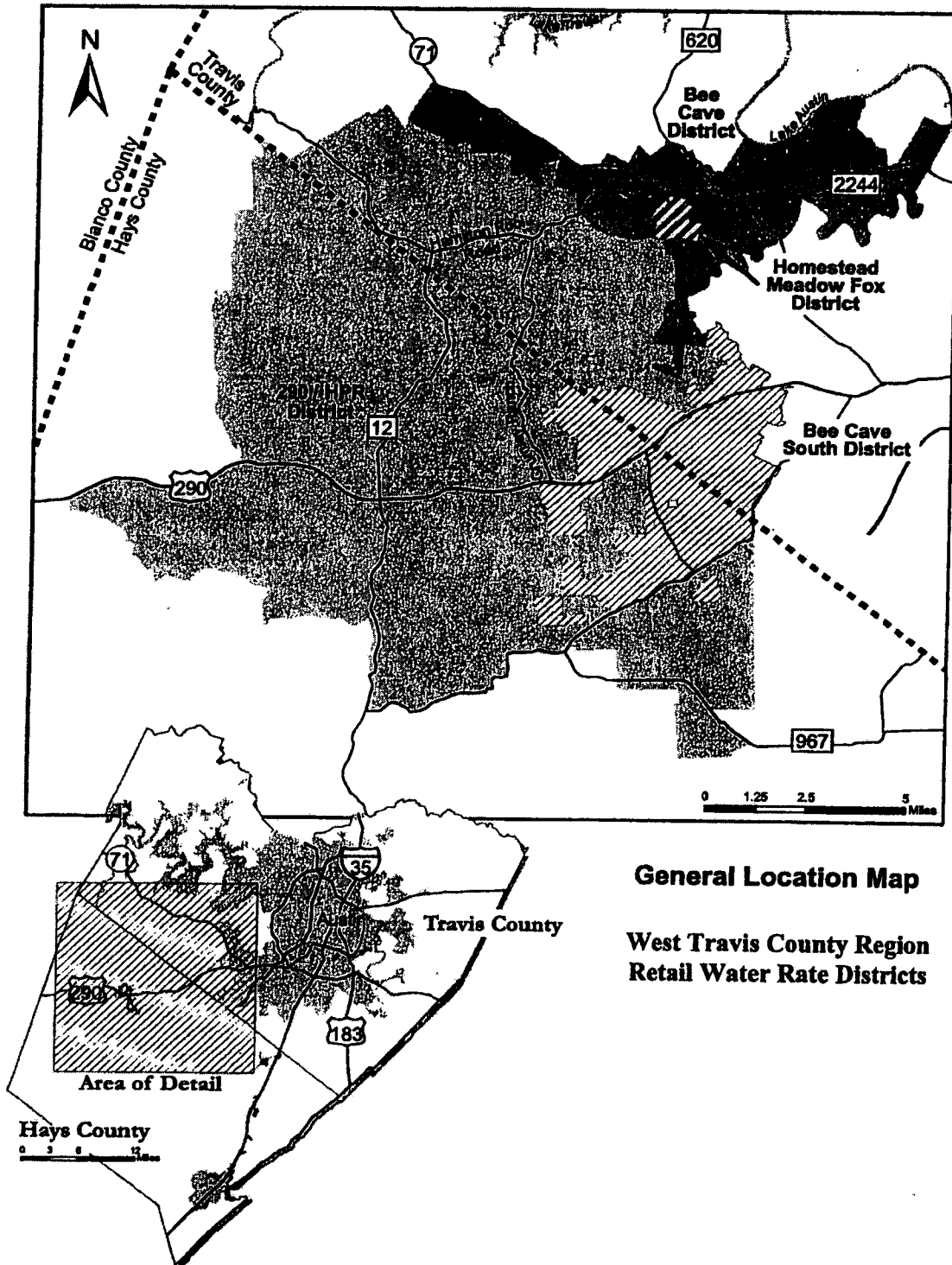
Marcus Pridgeon

Assistant General Manager and Chief Operating Officer

**Exhibit (s)**

- A - West Travis County Water System Map
- B - Bee Cave and Bee Cave South Residential Rate Table
- C - Bee Cave and Bee Cave South Small Commercial Rate Table
- D - Bee Cave and Bee Cave South Large Commercial and Multi-Use Rate Table
- E - Bee Cave and Bee Cave South Irrigation Rate Table
- F - Highway 290/HPR/Homestead-Meadowfox Residential Rate Table
- G - Highway 290/HPR/Homestead-Meadowfox Small Commercial Rate Table
- H - Highway 290/HPR/Homestead-Meadowfox Large Commercial Rate Table
- I - West Travis County Wastewater System Map
- J - Bee Cave Wastewater Rate Table

# **EXHIBIT A**



**EXHIBIT B**

**Bee Cave/Bee Cave South Rate District  
Water Rates  
Residential Customers**

<b>Monthly Minimum Charges</b>				
<b>Meter Size</b>	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
5/8"	\$27.50	\$30.00	\$31.65	\$31.65
3/4"	\$41.25	\$45.00	\$47.50	\$47.50
1"	\$55.00	\$75.00	\$79.15	\$79.15
1 1/2"	\$110.00	\$150.00	\$158.25	\$158.25
2"	\$176.00	\$240.00	\$253.20	\$253.20
3"	\$352.00	\$480.00	\$506.40	\$506.40
4"	\$550.00	\$720.00	\$791.25	\$791.25
6"	\$825.00	\$1,500.00	\$1,582.50	\$1,582.50
8"	\$1,375.00	\$2,000.00	\$2,532.00	\$2,532.00
12"	\$3,300.00	\$3,500.00	\$3,639.75	\$3,639.75

<b>Volume Charge per 1,000 gallons (all meter sizes)</b>							
<b>Existing Above 1,000 gallons</b>		<b>Proposed 2007 All Volumes</b>		<b>Proposed 2008 All Volumes</b>		<b>Proposed 2009 All Volumes</b>	
<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>
1,001 – 10,000	\$2.80	0 – 10,000	\$3.30	0 – 10,000	\$3.80	0 – 10,000	\$5.10
10,001 – 25,000	\$3.50	10,001 – 20,000	\$4.10	10,001 – 20,000	\$5.00	10,001 – 20,000	\$6.30
		20,001 – 25,000	\$4.60	20,001 – 25,000	\$6.00	20,001 – 25,000	\$8.60
25,001 – 50,000	\$5.75	25,001 – 50,000	\$6.70	25,001 – 50,000	\$8.10	25,001 – 50,000	\$10.30
50,001 and above	\$6.50	50,001 and above	\$8.50	50,001 and above	\$10.20	50,001 and above	\$13.00

# **EXHIBIT C**

## **Bee Cave/Bee Cave South Rate District Nonresidential Water Rates Customers with 5/8" and 3/4" Meters**

Monthly Minimum Charges				
Meter Size	Existing	Proposed 2007	Proposed 2008	Proposed 2009
5/8"	\$27.50	\$30.00	\$31.65	\$31.65
3/4"	\$41.25	\$45.00	\$47.50	\$47.50

Volume Charge per 1,000 gallons (all meter sizes)							
Existing (More than 1,000 Gallons)		Proposed 2007 (All Volumes)		Proposed 2008 (All Volumes)		Proposed 2009 (All Volumes)	
Gallons	Charge	Gallons	Charge	Gallons	Charge	Gallons	Charge
1,001 - 10,000	\$2.80	0 - 10,000	\$3.30	0 - 10,000	\$3.80	0 - 10,000	\$5.10
10,001 - 25,000	\$3.50	10,001 - 20,000	\$4.10	10,001 - 20,000	\$5.00	10,001 - 20,000	\$6.30
		20,001 - 25,000	\$4.60	20,001 - 25,000	\$6.00	20,001 - 25,000	\$8.60
25,001 - 50,000	\$5.75	25,001 - 50,000	\$6.70	25,001 - 50,000	\$8.10	25,001 - 50,000	\$10.30
50,001 or more	\$6.50	50,001 or more	\$8.50	50,001 or more	\$10.20	50,001 or more	\$13.00

**EXHIBIT D**

**Bee Cave/Bee Cave South Rate District  
Nonresidential Water Rates  
Customers with Meters of 1" and Greater**

<b>Monthly Minimum Charges</b>				
<b>Meter Size</b>	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
1"	\$62.00	\$80.60	\$100.75	\$117.20
1 ½"	\$110.00	\$165.00	\$198.00	\$207.90
2"	\$176.00	\$211.20	\$264.00	\$299.40
3"	\$352.00	\$528.00	\$633.60	\$665.30
4"	\$550.00	\$832.50	\$999.00	\$1,049.00

<b>Volume Charge per 1,000 gallons (all meter sizes)</b>							
<b>Existing (More than 1,000 Gallons)</b>		<b>Proposed 2007 (All Volumes)</b>		<b>Proposed 2008 (All Volumes)</b>		<b>Proposed 2009 (All Volumes)</b>	
<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>
1,001 - 55,000	\$3.00	0 - 55,000	\$3.30	0 - 55,000	\$4.25	0 - 55,000	\$5.30
55,001 or more	\$5.75	55,001 or more	\$7.50	55,001 or more	\$8.10	55,001 or more	\$10.20
1,001 - 75,000	\$3.00	0 - 75,000	\$3.30	0 - 75,000	\$4.25	0 - 75,000	\$5.30
75,001 or more	\$5.75	75,001 or more	\$7.50	75,001 or more	\$8.10	75,001 or more	\$10.20
1,001 - 100,000	\$3.50	0 - 100,000	\$3.90	0 - 100,000	\$4.25	0 - 100,000	\$5.30
100,001 or more	\$5.75	100,001 or more	\$7.50	100,001 or more	\$8.10	100,001 or more	\$10.20

**Multiunit Residential and Multiple Use Facilities Rates**

	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
<b>Monthly Minimum Charge</b>	**	**	**	**
<b>Volume Charge</b>	\$5.25	\$6.15	\$7.50	\$9.40

\*\*Same as Monthly Minimum Residential Charge based on Meter Size

**EXHIBIT E**

**Bee Cave/Bee Cave South Rate District  
Water Rates  
Irrigation Customers**

<b>Monthly Minimum Charges</b>				
<b>Meter Size</b>	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
5/8"	\$27.50	\$30.00	\$31.65	\$31.65
3/4"	\$41.25	\$45.00	\$47.50	\$47.50
1"	\$55.00	\$75.00	\$79.15	\$79.15
1 1/2"	\$110.00	\$150.00	\$158.25	\$158.25
2"	\$176.00	\$240.00	\$253.20	\$253.20
3"	\$352.00	\$480.00	\$506.40	\$506.40
4"	\$550.00	\$720.00	\$791.25	\$791.25
6"	\$825.00	\$1,500.00	\$1,582.50	\$1,582.50
8"	\$1,375.00	\$2,000.00	\$2,532.00	\$2,532.00
12"	\$3,300.00	\$3,500.00	\$3,639.75	\$3,639.75

<b>Volume Charge per 1,000 gallons (all meter sizes)</b>							
<b>Existing (More than 1,000 Gallons)</b>		<b>Proposed 2007 (All Volumes)</b>		<b>Proposed 2008 (All Volumes)</b>		<b>Proposed 2009 (All Volumes)</b>	
<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>
1,001 - 10,000	\$2.80	0 - 10,000	\$3.30	0 - 10,000	\$3.80	0 - 10,000	\$5.10
10,001 - 25,000	\$3.50	10,001 - 20,000	\$4.10	10,001 - 20,000	\$5.00	10,001 - 20,000	\$6.30
		20,001 - 25,000	\$4.60	20,001 - 25,000	\$6.00	20,001 - 25,000	\$8.60
25,001 - 50,000	\$5.75	25,001 - 50,000	\$6.70	25,001 - 50,000	\$8.10	25,001 - 50,000	\$10.30
50,001 or more	\$6.50	50,001 or more	\$8.50	50,001 or more	\$10.20	50,001 or more	\$13.00

**EXHIBIT F**

**290/HPR/Homestead-Meadowfox Rate Districts  
Water Rate  
Residential Customers**

<b>Monthly Minimum Charges</b>				
<b>Meter Size</b>	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
5/8" or 3/4"	\$50.00	\$54.00	\$57.50	\$57.50
1"	\$75.00	\$82.50	\$86.25	\$86.25
1 1/2"	\$125.00	\$137.50	\$143.75	\$143.75
2"	\$176.00	\$240.00	\$287.50	\$287.50
3"	\$352.00	\$480.00	\$506.40	\$506.40
4"	\$550.00	\$720.00	\$791.25	\$791.25
6"	\$825.00	\$1,500.00	\$1,582.50	\$1,582.50
8"	\$1,375.00	\$2,000.00	\$2,532.00	\$2,532.00
12"	\$3,300.00	\$3,500.00	\$3,639.75	\$3,639.75

<b>Volume Charge per 1,000 gallons (all meter sizes)</b>							
<b>Existing (More than 1,000 Gallons)</b>		<b>Proposed 2007 (All Volumes)</b>		<b>Proposed 2008 (All Volumes)</b>		<b>Proposed 2009 (All Volumes)</b>	
<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>
1,001 – 10,000	\$2.80	0 – 10,000	\$3.30	0 – 10,000	\$3.80	0 – 10,000	\$5.10
10,001 – 25,000	\$3.50	10,001 – 20,000	\$4.10	10,001 – 20,000	\$5.00	10,001 – 20,000	\$6.30
		20,001 – 25,000	\$4.60	20,001 – 25,000	\$6.00	20,001 – 25,000	\$8.60
25,001 – 50,000	\$5.75	25,001 – 50,000	\$6.70	25,001 – 50,000	\$8.10	25,001 – 50,000	\$10.30
50,001 or more	\$6.50	50,001 or more	\$8.50	50,001 or more	\$10.20	50,001 or more	\$13.00



**EXHIBIT G**

**290/HPR/Homestead-Meadowfox Rate District  
Nonresidential Water Rate  
Customers with 5/8" and 3/4" Meters**

Monthly Minimum Charges				
Meter Size	Existing	Proposed 2007	Proposed 2008	Proposed 2009
5/8" or 3/4"	\$50.00	\$54.00	\$57.50	\$57.50

Volume Charge per 1,000 gallons (all meter sizes)							
Existing (More than 1,000 Gallons)		Proposed 2007 (All Volumes)		Proposed 2008 (All Volumes)		Proposed 2009 (All Volumes)	
Gallons	Charge	Gallons	Charge	Gallons	Charge	Gallons	Charge
1,001 – 10,000	\$2.80	0 – 10,000	\$3.30	0 – 10,000	\$3.80	0 – 10,000	\$5.10
10,001 – 25,000	\$3.50	10,001 – 20,000	\$4.10	10,001 – 20,000	\$5.00	10,001 – 20,000	\$6.30
		20,001 – 25,000	\$4.60	20,001 – 25,000	\$6.00	20,001 – 25,000	\$8.60
25,001 – 50,000	\$5.75	25,001 – 50,000	\$6.70	25,001 – 50,000	\$8.10	25,001 – 50,000	\$10.30
50,001 or more	\$6.50	50,001 or more	\$8.50	50,001 or more	\$10.20	50,001 or more	\$13.00

**EXHIBIT H**

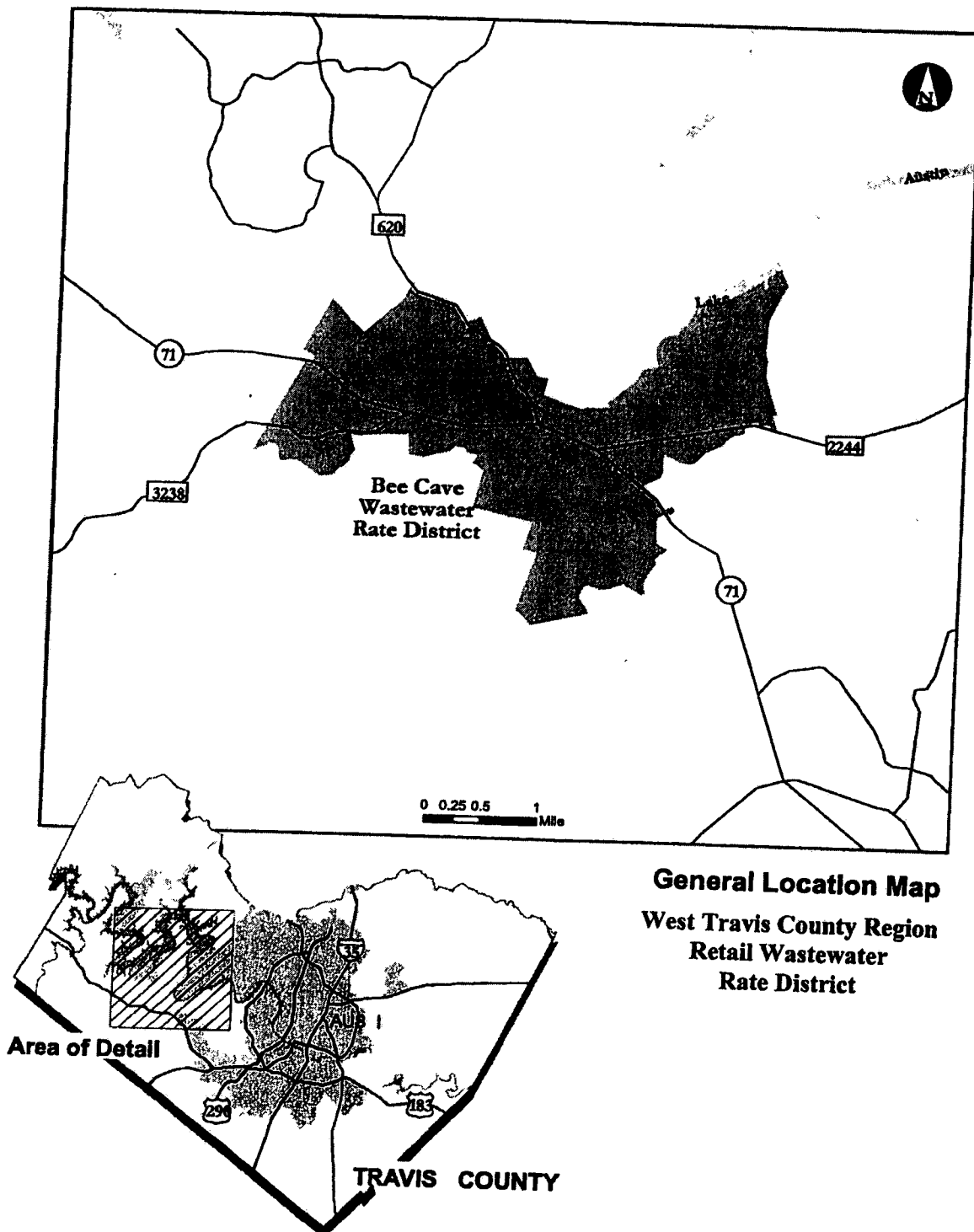
**290/HPR Rate District  
Nonresidential Water Rates  
Customers with Meters of 1" and Greater**

<b>Monthly Minimum Charges</b>				
<b>Meter Size</b>	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
1"	**	\$100.60	\$108.25	\$136.60
1 ½"	**	\$173.75	\$207.00	\$217.90
2"	**	\$219.95	\$273.00	\$309.40
3"	**	\$536.75	\$642.60	\$675.30
4"	**	\$841.25	\$1,008.00	\$1,059.00

<b>Volume Charge per 1,000 gallons (all meter sizes)</b>							
<b>Existing (More than 1,000 Gallons)</b>		<b>Proposed 2007 (All Volumes)</b>		<b>Proposed 2008 (All Volumes)</b>		<b>Proposed 2009 (All Volumes)</b>	
<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>	<b>Gallons</b>	<b>Charge</b>
1,001 - 55,000	**	0 - 55,000	\$3.30	0 - 55,000	\$4.25	0 - 55,000	\$5.30
55,001 or more	**	55,001 or more	\$7.50	55,001 or more	\$8.10	55,001 or more	\$10.20
1,001 - 75,000	**	0 - 75,000	\$3.30	0 - 75,000	\$4.25	0 - 75,000	\$5.30
75,001 or more	**	75,001 or more	\$7.50	75,001 or more	\$8.10	75,001 or more	\$10.20
1,001 - 100,000	**	0 - 100,000	\$3.90	0 - 100,000	\$4.25	0 - 100,000	\$5.30
100,001 or more	**	100,001 or more	\$7.50	100,001 or more	\$8.10	100,001 or more	\$10.20

\*\*Customers currently pay the residential rate for service.

**EXHIBIT I**



**EXHIBIT J****Bee Cave/Bee Cave South Rate District  
Wastewater Rates****Residential Customers**

	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
Minimum Charge	\$21.50	\$30.00	\$40.00	\$52.00
Flow Charge per 1,000 gallons*	\$3.60	\$4.00	\$4.75	\$5.75

**Nonresidential Customers**

	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
Minimum Charge per LUE*	\$36.00	\$50.00	\$65.00	\$80.00
Flow Charge per 1,000 gallons**	\$5.75	\$6.00	\$6.25	\$7.25

**Multiunit/Multiple Use Customers**

	<b>Existing</b>	<b>Proposed 2007</b>	<b>Proposed 2008</b>	<b>Proposed 2009</b>
Minimum Charge per LUE*	\$36.00	\$45.00	\$60.00	\$72.00
Flow Charge per 1,000 gallons**	\$5.75	\$6.00	\$6.25	\$7.25

\*Living Unit Equivalent

\*\*Flow Charge is based on 100% of the amount of water consumed by the non-residential, multiple use facility and multi-unit residential customer as measured by the potable water meter.

**SZ-10**

LCRA Board of Directors  
Minutes Digest  
March 22, 2006

- 06-50 Approval of a resolution recognizing Kerr County for its 150th anniversary.
- 06-51 Authorization for the general manager or his designee to negotiate and execute the following contracts and change orders:
- Contracts No. 41526 (Austin Engineering Co. Inc.), No. 41591 (R.C.E. Heat Exchangers LLC), No. 1989 (Alstom Power Inc.), No. 1990 (Motion Industries), No. 41527 (GE Energy Management Services Inc.), No. 1981 (GE Supply), No. 41648 (PBS&J), and No. 1983 (Amada America Inc.).
- Change Order No. 1 to Contract No. 1479 (ABB Ltd.) and Change Order No. 1 to Contract No. 1526 (Dailey & Wells Communications Inc.).
- 06-52 Approval of the Capital Improvement Project Authorization Request for the West Travis County Regional Water System Uplands Water Treatment Plant 2006/2007 Improvements and Plant Expansion Engineering Services project, subject to capital project funding approval in a separate agenda item.
- 06-53 Approval of the Capital Improvement Project Authorization Request for the engineering and construction costs related to the expansion of the existing Hutto Wastewater Treatment Plant and closure of an existing wastewater lagoon, subject to capital project funding approval in a separate agenda item.
- 06-54 Approval of amendment of the Board commitments reserving firm water from the combined firm yield of lakes Buchanan and Travis and any other source available to LCRA for LCRA's water utilities to increase the amount to 10,888 acre-feet (AF) of water annually for a period of 40 years for municipal purposes and in the amount of 700 AF annually for a period of 10 years for recreational purposes.
- 06-55 Declaration of an approximate 0.508-acre tract of land, being a portion of LCRA Tract Buchanan West-05 in Llano County, "nonessential," and authorization for the general manager or his designee to convey the land to the adjacent property owner.
- 06-56 Declaration of an approximate 0.038-acre tract of land, being a portion of LCRA Tract Buchanan West-05 in Llano County, "nonessential," and authorization for the general manager or his designee to convey the land to the adjacent property owner.

- 06-57 Declaration of an approximate 4.12-acre tract of land, being a portion of LCRA Tract Travis South-05 in Travis County, "nonessential," and authorization for the general manager or his designee to convey the land to the adjacent property owner.
- 06-58 Approval of the Capital Improvement Project Authorization Request for the acquisition of an access easement to the Colorado River and the construction of a new river access site in Bastrop County near McKinney Roughs Nature Park, subject to capital project funding approval in a separate agenda item.
- 06-59 Approval of the Capital Improvement Project Authorization Request for the Kingsbury and Smithson Valley Radio Site Upgrade Project, subject to capital project funding approval in a separate agenda item.
- 06-60 Approval of the Capital Improvement Project Authorization Request for the Enhanced Data Gateway Upgrade Project, subject to capital project funding approval in a separate agenda item.
- 06-61 Approval of directors' fees and expenses.
- 06-62 Approval of amendments to the LCRA Bylaws (to delete references to deputy general managers and replace them with the appropriate corresponding term under the new LCRA organizational structure).
- 06-63 Approval of the minutes of the February 15, 2006, meeting.
- 06-64 Approval of the use of available funds from FY 2005 of \$5.3 million as outlined below:
- \$1.3 million to fund Community Development Partnership Program grants in FY 2007.
  - \$1 million to fund Partnership In Parks grants in FY 2007.
  - \$1.875 million for retirement of LCRA system debt.
  - \$1.125 million for credit to LCRA wholesale electric customers.
- 06-65 Approval of the following items related to the House Bill 1437 program:
- 1) Approval of the HB 1437 Application Guidelines, including eligibility criteria, evaluation and award criteria, and the cost-sharing agreement proposed to provide funding to eligible farmers; and
  - 2) Authorization for the general manager or his designee to enter into contracts with eligible farmers for HB 1437 funding.

- 06-66      Authorization for the general manager or his designee to prepay and defease outstanding debt with available funds and to negotiate and execute agreements necessary to set up an escrow account and verify the transaction.
  
- 06-67      Authorization for the general manager or his designee to prepay and defease outstanding transmission services contract revenue debt with available LCRA Transmission Services Corporation funds and to negotiate and execute agreements necessary to set up an escrow account and verify the transaction.
  
- 06-68      Approval of funding for the following capital projects listed in the Capital Funding Report: Pope Bend River Access Site (near McKinney Roughs Nature Park in Bastrop County), Hutto Wastewater Treatment Plant - 0.95 MGD to 1.70 MGD Expansion, West Travis County Regional System Uplands Water Treatment Plant 2006/2007 Improvements and Plant Expansion Engineering Services, Kingsbury and Smithson Valley Radio Site Upgrade, and Enhanced Data Gateway Upgrade.



MINUTES OF THE REGULAR MEETING OF THE  
BOARD OF DIRECTORS OF THE  
LOWER COLORADO RIVER AUTHORITY

New Ulm, Texas

March 22, 2006

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of the Lower Colorado River Authority (LCRA) convened in a regular meeting at 8:31 a.m. on Wednesday, March 22, 2006, at The Falls, 1750 North Falls Drive, Conference Center, New Ulm, Austin County, Texas. The meeting was open to the public, and the following directors were present, constituting a quorum:

Wilkerson  
Granberg  
Carlton  
Carter  
Cavazos  
Dickerson  
Matthews  
McCasland  
Moser  
Nettleship  
Raun  
Wallace

Absent: Abell  
Garrett  
Long

Chair Wilkerson convened the meeting at 8:31 a.m. and led the Board in pledges of allegiance to the United States and Texas flags.

Director Nettleship reported on the Water Utility Committee meeting held yesterday at 2:47 p.m. Director Moser reported on the Energy Operations Committee

meeting held yesterday at 4:40 p.m. Director Nettleship was elected to serve as vice chair of the Energy Operations Committee.

06-50 General Manager Joe Beal presented for consideration a staff recommendation that the Board approve a resolution recognizing Kerr County for its 150th anniversary. Upon motion by Director Cavazos, seconded by Director Dickerson, the following resolution was unanimously approved:

WHEREAS, the Sixth Texas Legislature established the County of Kerr on January 26, 1856, and named it after Republic of Texas soldier, legislative leader and pioneer Major James Kerr; and

WHEREAS, early pioneers were drawn to the area in the 1840s to make shingles from cypress trees along the beautiful Guadalupe River; and

WHEREAS, the county celebrates its rich cultural history with important influences from American Indians, African Americans, Mexican Americans and German Americans; and

WHEREAS, Kerr County draws many visitors for its musical and artistic events and in 2006 marks the 35<sup>th</sup> annual Kerrville Folk Festival; and

WHEREAS, Kerr County became an early center of the exotic game industry, and Kerrville is the headquarters of the Exotic Game Association; and

WHEREAS, the H-E-B Grocery Company was founded in Kerrville, which also is the home base of James Avery Craftsman and Mooney Airplane Company; and

WHEREAS, Kerr County prospers from its mix of agriculture, tourism and manufacturing, and as a site for children's camps, retirement communities and country retreats and further as a health-care center; and

WHEREAS, the Lower Colorado River Authority has provided wholesale electricity and other services and enjoyed a mutually beneficial relationship with Kerr County residents for more than 50 years;

NOW, THEREFORE, BE IT RESOLVED that the LCRA Board of Directors recognizes the people of Kerr County on the occasion of the county's 150th anniversary, thanks them for their valued partnership with LCRA, and wishes them a successful celebration.

General Manager Joe Beal gave his monthly update on recent issues and events related to LCRA, which included a discussion on legislative issues, including a recent meeting with Senator Averitt. Executive Manager Dan Kuehn announced the hiring of a new Thomas C. Ferguson Power Plant manager - Deborah Powell. General Counsel Thomas Mason reminded the Board about the open meetings training DVD and Texas Ethics Commission annual financial disclosure statement filing deadline/extension.

Chief Financial Officer John Meisner presented the monthly financial report for February 2006.

Director Dickerson moved, seconded by Director Carlton, that the Board approve Consent Agenda items 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, and 15, included in the March 22, 2006, Board agenda book. There were no seminars or conferences presented for approval this month (Agenda Item 13). The Board unanimously approved the Consent Agenda by a vote of 12 to 0, as follows:

06-51 Authorization for the general manager or his designee to negotiate and execute the following contracts and change orders in a manner consistent with the description contained in this agenda item, as recommended by staff in Agenda Item 2 [attached hereto as Exhibit A]:

Contracts No. 41526 (Austin Engineering Co. Inc.), No. 41591 (R.C.E. Heat Exchangers LLC), No. 1989 (Alstom Power Inc.), No. 1990 (Motion Industries), No. 41527 (GE Energy Management Services Inc.), No. 1981 (GE Supply), No. 41648 (PBS&J), and No. 1983 (Amada America Inc.).

Change Order No. 1 to Contract No. 1479 (ABB Ltd.) and Change Order No. 1 to Contract No. 1526 (Dailey & Wells Communications Inc.).

06-52        The Capital Improvement Project Authorization Request for the West Travis County Regional Water System Uplands Water Treatment Plant 2006/2007 Improvements and Plant Expansion Engineering Services Project, subject to capital project funding approval in a separate agenda item, as recommended by staff in Agenda Item 3 [attached hereto as Exhibit B].

06-53        The Capital Improvement Project Authorization Request for the engineering and construction costs related to the expansion of the existing Hutto Wastewater Treatment Plant and closure of an existing wastewater lagoon, subject to capital project funding approval in a separate agenda item, as recommended by staff in Agenda Item 4 [attached hereto as Exhibit C].

06-54        Amendment of the Board commitments reserving firm water from the combined firm yield of lakes Buchanan and Travis and any other source available to LCRA for LCRA's water utilities to increase the amount to 10,888 acre-feet (AF) of water annually for a period of 40 years for municipal purposes and in the amount of 700 AF annually for a period of 10 years for recreational purposes, as recommended by staff in Agenda Item 5 [attached hereto as Exhibit D].

06-55        Declaration, by a vote of 12 to 0, of an approximate 0.508-acre tract of land, being a portion of LCRA Tract Buchanan West-05 in Llano County, "nonessential" (being no longer necessary, convenient, or of beneficial use to the business of LCRA), and authorization for the general manager or his designee to convey the land to the adjacent property owner, as recommended by staff in Agenda Item 6 [attached hereto as Exhibit E].

06-56 Declaration, by a vote of 12 to 0, of an approximate 0.038-acre tract of land, being a portion of LCRA Tract Buchanan West-05 in Llano County, "nonessential" (being no longer necessary, convenient, or of beneficial use to the business of LCRA), and authorization for the general manager or his designee to convey the land to the adjacent property owner, as recommended by staff in Agenda Item 7 [attached hereto as Exhibit F].

06-57 Declaration, by a vote of 12 to 0, of an approximate 4.12-acre tract of land, being a portion of LCRA Tract Travis South-05 in Travis County, "nonessential" (being no longer necessary, convenient, or of beneficial use to the business of LCRA), and authorization for the general manager or his designee to convey the land to the adjacent property owner, as recommended by staff in Agenda Item 8 [attached hereto as Exhibit G].

06-58 The Capital Improvement Project Authorization Request for the acquisition of an access easement to the Colorado River and the construction of a new river access site in Bastrop County near McKinney Roughs Nature Park, subject to capital project funding approval in a separate agenda item, as recommended by staff in Agenda Item 9 [attached hereto as Exhibit H].

06-59 The Capital Improvement Project Authorization Request for the Kingsbury and Smithson Valley Radio Site Upgrade Project, subject to capital project funding approval in a separate agenda item, as recommended by staff in Agenda Item 10 [attached hereto as Exhibit I].

06-60 The Capital Improvement Project Authorization Request for the Enhanced Data Gateway Upgrade Project, subject to capital project funding approval in

a separate agenda item, as recommended by staff in Agenda Item 11 [attached hereto as Exhibit J].

06-61 Directors' fees and expenses and reimbursement of directors for such fees and expenses, as recommended in Agenda Item 12 [attached hereto as Exhibit K].

06-62 Approval, by a vote of 12 to 0, of amendments to the LCRA Bylaws as described in Exhibit A of this agenda item (to delete references to deputy general managers and replace them with the appropriate corresponding term under the new LCRA organizational structure), as recommended by staff in Agenda Item 14 [attached hereto as Exhibit L].

06-63 The minutes of the February 15, 2006, meeting [Agenda Item 15].

06-64 Chief Financial Officer John Meisner presented for consideration a staff recommendation, described in Agenda Item 19 [attached hereto as Exhibit M], that the Board approve the use of available funds from FY 2005 of \$5.3 million as outlined in this agenda item. After discussion by the Board, upon motion by Director Moser, seconded by Director Nettleship, the Board unanimously approved the use of available funds from FY 2005 of \$5.3 million as outlined below:

- \$1.3 million to fund Community Development Partnership Program grants in FY 2007.
- \$1 million to fund Partnership In Parks grants in FY 2007.
- \$1.875 million for retirement of LCRA system debt.
- \$1.125 million for credit to LCRA wholesale electric customers.

Chair Wilkerson recessed the LCRA Board meeting at 9:40 a.m. for a meeting of the 2030 Committee and he reconvened the LCRA Board meeting at 11:41 a.m.

06-65 Kyle Jensen, manager of River Operations, presented for consideration a staff recommendation, described in Agenda Item 16 [attached hereto as Exhibit N], that the Board approve the following items related to the House Bill 1437 program:

- 1) Approve the HB 1437 Application Guidelines (provided under separate cover and attached hereto as a part of Exhibit N), including eligibility criteria, evaluation and award criteria, and the cost-sharing agreement proposed to provide funding to eligible farmers; and
- 2) Authorize the general manager or his designee to enter into contracts with eligible farmers for HB 1437 funding.

Upon motion by Director Carter, seconded by Director Raun, the Board unanimously approved the recommendation by a vote of 10 to 0, with Director Matthews recusing himself from deliberation and voting on this item due to his ownership of property that could be affected by this item (Director Matthews previously filed a conflict of interest affidavit, a copy of which is attached hereto as a part of Exhibit N). Director Dickerson was absent for voting on this item and the remainder of the meeting.

Suzanne Zarling, executive manager of Water Services, presented Agenda Item 17 - the proposed Cedar Park - Leander - Round Rock Regional Water Supply Project.

Frank Morgan and Chuck Weaner, Community Services, presented Agenda Item 18 - the proposed Central Texas Recycling Association and the Recycling Alliance of Texas merger.

06-66 Chief Financial Officer John Meisner presented for consideration a staff recommendation, described in Agenda Item 20 [attached hereto as Exhibit O], that the Board adopt a resolution, attached hereto as a part of Exhibit O, and authorize the

general manager or his designee to prepay and defease outstanding debt with available funds and to negotiate and execute agreements necessary to set up an escrow account and verify the transaction. Meisner explained that staff 's recommendation includes the use of available funds of \$10.075 million as outlined below:

- \$5.4 million from FY 2004 for retirement of LCRA system debt.
- \$3.2 million from FY 2004 for the strategic investment fund. Staff requests that the Board grant approval for these funds, which were originally approved for the strategic investment fund, to be used for retirement of LCRA system debt.
- \$1.875 million from FY 2005 for retirement of LCRA system debt.

Upon motion by Director Moser, seconded by Director Carter, the recommendation was unanimously approved by a vote of 11 to 0.

06-67 Chief Financial Officer John Meisner presented for consideration a staff recommendation, described in Agenda Item 21 [attached hereto as Exhibit P], that the Board adopt a resolution, attached hereto as a part of Exhibit P, and authorize the general manager or his designee to prepay and defease outstanding transmission services contract revenue debt with available LCRA Transmission Services Corporation funds and to negotiate and execute agreements necessary to set up an escrow account and verify the transaction. Upon motion by Director Matthews, seconded by Director Carlton, the recommendation was unanimously approved by a vote of 11 to 0.

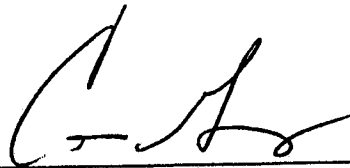
06-68 Chief Financial Officer John Meisner presented for consideration a staff recommendation, described in Agenda Item 22 [attached hereto as Exhibit Q], that the Board Approve funding for the following capital projects listed in the Capital Funding Report: Pope Bend River Access Site (near McKinney Roughs Nature Park in Bastrop County), Hutto Wastewater Treatment Plant - 0.95 Million Gallons per Day to 1.70



Million Gallons per Day Expansion, West Travis County Regional System Uplands Water Treatment Plant 2006/2007 Improvements and Plant Expansion Engineering Services, Kingsbury and Smithson Valley Radio Site Upgrade, and Enhanced Data Gateway Upgrade. Upon motion by Director Carter, seconded by Director Moser, the recommendation was unanimously approved by a vote of 11 to 0.

Chair Wilkerson declared the meeting to be in executive session at 12:27 p.m., pursuant to sections 551.071 and 551.086 of the Texas Government Code (Open Meetings Act). Executive session ended and Chair Wilkerson declared the meeting to be in public session at 12:41 p.m.

There being no further business to come before the Board, the meeting was adjourned at approximately 12:41 p.m.

A handwritten signature in black ink, appearing to read 'C. Granberg', is written over a horizontal line.

Connie Granberg, Secretary  
LCRA Board of Directors

## FOR CONSENT

### **5. Amendment to Commitments of Stored Water for Municipal and Recreational Purposes**

#### **Proposed Motion**

Approve amendment of the Board commitments reserving firm water from the combined firm yield of lakes Buchanan and Travis and any other source available to LCRA for LCRA's water utilities to increase the amount to 10,888 acre-feet (AF) of water annually for a period of 40 years for municipal purposes and in the amount of 700 AF annually for a period of 10 years for recreational purposes.

#### **Budget Status and Fiscal Impact**

This amendment will have no impact on LCRA's capital expenditures or LCRA staffing. Raw water revenues from this amendment will increase by approximately \$325,000, which will be paid by customers of the water utility.

#### **Summary**

In accordance with LCRA's Water Management Plan and under LCRA's water rights, the LCRA Board of Directors must adopt resolutions defining any commitment of water to be used by LCRA itself. The water reservations made in these resolutions are made on the same terms and conditions as LCRA's standard firm raw water contracts.

LCRA previously reserved firm water separately for various LCRA water utility systems. In April 2005, LCRA adopted a single municipal use resolution reserving firm raw water for all LCRA surface water utility systems. A separate resolution for recreational golf course use (typically irrigation) for all LCRA surface water utility systems was also approved at that time. The customers of LCRA's water utility systems pay rates that include the costs for the raw water rates and reservation fees for reserved raw water. LCRA has a separate reservation for water it diverts for landscape irrigation at its Lake Buchanan and the General Office Complex. These reservations for LCRA's office are not affected by this item.

This proposed amendment will increase the amount of water reserved from 5,588 to 10,888 AF for municipal use per year and increase the amount of water reserved from 350 to 700 AF for recreational use per year for all LCRA water utility systems.

Currently, the LCRA has 31,230 AF of firm water supply in lakes Buchanan and Travis that has not been committed to other firm customers nor held in reserve by the Board. LCRA also has

significant run-of-river water rights currently used to supply interruptible water for irrigation, portions of which may be used in the future to meet increased firm demands.

**Exhibit(s)**

A - Municipal Use Resolution

B - Recreational Use Resolution

**EXHIBIT A**

**Resolution for Commitment of Stored Water  
LCRA Water and Wastewater Utilities  
Municipal Use  
March 22, 2006**

WHEREAS, the Lower Colorado River Authority (LCRA) is the owner of Certificate of Adjudication Nos. 14-5478 (as amended) and 14-5482 (as amended), which are the water rights for lakes Buchanan and Travis, respectively; and

WHEREAS, these water rights require that the LCRA Board of Directors adopt a resolution defining any commitment of water to be used by LCRA itself under these water rights; and

WHEREAS, the LCRA is authorized to and does divert and use water under its lakes Travis and Buchanan water rights for its surface water utilities for municipal purposes;

NOW, THEREFORE, BE IT RESOLVED that the Board in its regular meeting held on March 22, 2006, commits and reserves a total of 10,888 acre-feet of raw water annually from the combined firm yield of lakes Buchanan and Travis to be used for municipal purposes in accordance with the terms and conditions of LCRA's current standard form municipal use raw water sale contract.

**EXHIBIT B**

**Resolution for Commitment of Stored Water  
LCRA Water and Wastewater Utilities  
Recreational Use**

March 22, 2006

WHEREAS, the Lower Colorado River Authority (LCRA) is the owner of Certificate of Adjudication Nos. 14-5478 (as amended) and 14-5482 (as amended), which are the water rights for lakes Buchanan and Travis, respectively; and

WHEREAS, these water rights require that the LCRA Board of Directors adopt a resolution defining any commitment of water to be used by LCRA itself under these water rights; and

WHEREAS, the LCRA is authorized to and does divert and use water under its lakes Travis and Buchanan water rights for its surface water utilities for recreational purposes;

NOW, THEREFORE, BE IT RESOLVED that the Board in its regular meeting held on March 22, 2006, commits and reserves a total of 700 acre-feet of raw water annually from the combined firm yield of lakes Buchanan and Travis to be used for recreational purposes in accordance with the terms and conditions of LCRA's current standard form recreational use raw water sale contract.

**SZ-11**

FOR ACTION

## 14. Amend LCRA Raw Water Rates

### Proposed Motion

Amend LCRA's raw water rates effective Jan. 1, 2007, as presented in Exhibit A.

### Budget Status and Fiscal Impact

Approval of the amended rates will allow LCRA to recover costs of providing flood management, water supply, water resource protection and other river management related services. The proposed rate increases and resulting revenues are included in the Water Services FY 2007 Business Plan.

### Summary

LCRA sells raw water from both its firm and interruptible water supplies. LCRA's firm supply includes water that will be available unless the watershed experiences a drought worse than the drought of record. LCRA's interruptible water supply includes water that is subject to interruption or curtailment in accordance with the LCRA Water Management Plan.

The current firm water rate for municipal, industrial, irrigation, recreational, domestic and other beneficial use customers is \$115 per acre-foot. This rate has been in place since Jan. 1, 2005. LCRA has 164 contracts or commitments that are subject to this Board-adopted rate. This number includes Board resolutions for firm water reserved at LCRA's own power plants, water utilities and other facilities. The current rate for non-firm, interruptible raw water is \$4.93 per acre-foot.

Each year, staff reviews the costs of providing flood management, water supply, water resource protection and other river management services. A 9.5 percent rate increase is included in LCRA's FY 2007 Business Plan, to meet the revenue requirements for providing these services. The proposed firm water use rate is \$126 per acre-foot.

Reservation, inverted block and interruptible water rates, established by the LCRA Board in previous years, also will be increased by 9.5 percent. The reservation rate applies to firm water reserved each year by a customer but not used. The inverted block rate applies to firm water that a customer has used above the customer's yearly reserved amount.

LCRA implemented a communication plan to inform raw water customers of the proposed rate increases and respond to customer questions and concerns. Staff proposes that the increased rates take effect Jan. 1, 2007. All revised rates are shown in Exhibit A.

**Presenter(s)**

Suzanne Zarling  
Water Services Executive Manager

Karen Bondy, P.E.  
River Services Manager

**Exhibit(s)**

A - Schedule of Proposed, Amended LCRA Raw Water Rates



**EXHIBIT A**

**Schedule of Proposed, Amended LCRA  
Raw Water Rates  
(Dollars per Acre-Foot)**

<b>Customer Group</b>	<b>Rate Type</b>	<b>Current</b>	<b>2007 *</b>
Firm Raw Water for Municipal, Industrial, Irrigation, Agricultural, Mining, Recreational, Domestic or other Beneficial Use	Use	\$115.00	\$126.00
	Reservation	\$57.50	\$63.00
	Inverted Block	\$219.00	\$239.40
Non-Firm Raw Water for Irrigation, Agricultural, or other Beneficial Use	Interruptible Use	\$4.93	\$5.40

\* Effective Jan. 1, 2007

06-164 Suzanne Zarling, executive manager of Water Services, presented for consideration a staff recommendation, described in Agenda Item 14 [attached hereto as Exhibit L], that the Board approve amended LCRA raw water rates. Upon motion by Vice Chair Abell, seconded by Director Cavazos, the recommendation was unanimously approved by a vote of 15 to 0. Vice Chair Abell noted that Board members have discussed and considered this item at prior Committee meetings.

06-165 Andrea Handy, executive manager of Human Resources, presented for consideration a staff recommendation, described in Agenda Item 15 [attached hereto as Exhibit M], that the Board authorize the general manager or his designee to implement benefit design proposals and negotiate and execute contracts for group benefits and insurance to provide comprehensive coverage for employees, retirees, dependents and LCRA Board members, with all contracts beginning January 1, 2007, for terms ranging from one year with renewal options to a maximum of five years. Upon motion by Director Carter, seconded by Director Garrett, the recommendation was unanimously approved by a vote of 15 to 0.

06-166 Becky Meyer, manager of Business and Financial Services, presented for consideration a staff recommendation, described in Agenda Item 16 [attached hereto as Exhibit N], that the Board approve funding for the following capital projects listed in the Capital Funding Report: Smithwick Mills New Well and Transmission Line, Tom Miller Responsive Reserve, and Competitive Electric Project.

Chair Wilkerson declared the meeting to be in executive session at 10:45 a.m., pursuant to sections 551.071 and 551.086 of the Texas Government Code (Open Meetings Act). Executive session ended, and Chair Wilkerson declared the meeting to be in public session at 11:28 a.m.