



Stakeholder Input to TWDB on HB 4 Rule Development from the Central Texas Water Coalition – 3/31/2014

Introduction

The Central Texas Water Coalition (CTWC), a non-profit corporation organized for the purpose of constructively addressing water issues in the Lower Colorado River Basin by advocating for the preservation and conservation of the water supply in the lakes and rivers of this basin, is pleased to provide input to the Texas Water Development Board (TWDB) for consideration during development of its administrative rules implementing the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund (SWIRFT). We appreciate the transparency of the process and the extensive efforts to reach all interested stakeholders.

New water supply is critical to the Lower Colorado Regional Water Planning Group (Region K), as evidenced by the need for the Texas Commission on Environmental Quality (TCEQ) to issue emergency orders relating to the release of stored water from the Highland Lakes for 2012, 2013 and 2014. The TCEQ issued these orders to address imminent threats to public health and safety caused by a lack of adequate water supply in the Colorado River Basin. More recently, the Lower Colorado River Authority (LCRA) has imposed additional outdoor watering restrictions on its municipal and domestic customers.

These extraordinary measures to protect water supply are clear indications that the current water planning methods have failed. The Lower Colorado Regional Water Planning Group (Region K) Plan adopted in 2011, under review for prioritization, identified no unmet needs until the 2030 timeframe. This is particularly worrisome since the inflow deficit into the Highland Lakes since 2008, in comparison to the period from 1947 to 1957, indicates a shortfall of 1.5 million acre-feet or approximately 250,000 acre-feet per year. (See Attached Report, *Further Evidence for the Need to Change the Approach to Water Planning in the Colorado Basin*, March 31, 2014). The projects listed in the current Region K Plan are insufficient to address this enormous shortfall.

CTWC's comments offer input on prioritization and also insights and information on core issues of concern regarding the State's Water Planning Process, which provides the basis upon which the current rule project builds. Fundamental issues related to the development of Regional and State Water Plan project lists should be addressed so that the prioritization of critical water supply projects will occur in an educated and well-founded manner.

Background and General Comments

Water planning in Texas has as its foundation the assumption of homogeneity – the notion that future hydrologic conditions will continue as they have occurred in the past. The corollary to this idea is that if planners demonstrate impacts of current water management practices using past hydrology, then these demonstrated impacts are to be similar to what is to be expected in the future.

One problem with this method of planning, however, is that it does not consider the possibility that streamflows could be significantly lower than observed in the past. But that possibility has come to pass. Using statistical analysis techniques, CTWC has shown that recent multiple-years of historically low inflows indicate that the hydrology of the Highland Lakes has changed to a new, much drier regime. Inflows to the Highland Lakes since 2008 have been, on average, far lower than the inflows for the period 1940-2007. In fact, the same statistical analysis techniques suggest that based on historical hydrological patterns, the chances of experiencing the recent Highland Lakes inflow patterns was nearly one in one billion, indicating that the assumption of homogeneity is not valid under current circumstances in Region K. To put this another way, the recent low inflows to the Highland Lakes are so unlikely based on the current water planning assumptions used in Texas, that it appears that Texas' water planning assumptions may no longer be adequate to plan for and protect our water supplies.

A second, yet related, problem caused by reliance upon long-term historical average inflow numbers is that future patterns in streamflow (over months and years) may not mimic the patterns observed in the past. Again, this can result in serious consequences for conventional water planning methods.

A persistence of these lower inflows presents continuing risks to the viability of the \$100 billion Central Texas economy and places a real threat on a water provider's ability to continue supplying water to its customers, even with strict water conservation measures in place. Preparations for these possibilities requires careful planning and a move away from a reliance on historical hydrologic data to a more realistic assessment of flows that have occurred and are likely to continue over the next several years.

The Lower Colorado River Basin is now in the third year of TCEQ-issued emergency orders, which have cut off most water normally supplied to interruptible customers. However, water supplies have actually continued to significantly decline, indicating that more safeguards are needed to protect firm customer supply. We can no longer assume that the future will be like the past. Texas' approach for long-range water supply planning must change as well, to be more flexible, nimble and transparent.

Specific Comments

How to measure the financial capacity of the applicant to repay?

- The applicant's plans to pay for a proposed project should be a major factor in prioritizing projects. A major complication arises when water is not equally priced between user groups, particularly when the pricing for water provided is too low to cover new water supply and/or replacement projects. If the proposed revenue sources for repayment rely upon wholesale or retail water rate collections, those rates should be scrutinized to ensure that they are appropriate and adequate to repay the loan. If they are inadequate, the project's priority should be reduced accordingly.

How to score the emergency need of the project?

- Conditions exist in the Lower Colorado River Basin that have required the TCEQ's issuance of emergency orders to protect public health and safety. TWDB regulations should specifically include consideration of the issuance of emergency orders in a Region to be served by a proposed project in prioritizing that project. A project's priority should increase if an emergency order is issued to address a water supply crisis, such as one resulting from a change in hydrology or water supply interruption, that affects the Region in which the project is proposed. A project's priority should *dramatically* increase if emergency orders are needed on a multi-year basis. Projects that will address unplanned variations from prior hydrologic patterns, such as the dramatically reduced inflows to the Highland Lakes over the last seven years, should also be given a high priority and developed on an accelerated basis.
- The Lower Colorado River Basin is in dire need of new, planned infrastructure to provide large volumes of water supply for needs throughout the basin, and, at the same time, to reduce the pressures on the Highland Lakes to meet those needs. TWDB should focus on population growth in specific areas as well as hydrologic factors in determining the urgent need for local water supply projects. In Central Texas, the population is growing at such a rapid pace that it will be a challenge to meet these needs in a timely manner. Projects that are ready to implement to serve immediate demands and shortages should be given priority.

How to measure or score the demonstrated or projected effect of the project on water conservation?

- High priorities should be given to projects that develop, produce, and convey water most efficiently, and projects that lead to major reduction in water losses. For new projects, priority should be given to projects that provide water with little or no water loss in the process.

- Water rates should be included in the analysis and used to drive conservation. Water rates designed to incentivize conservation have been proven effective at actually increasing water conservation by rate payers. Projects to be funded by water rates that are not designed in an incline-block or other rate design that encourages conservation for any user class should be discounted in priority. Conversely, projects designed primarily for the benefit of user classes who pay lower rates than other user classes should be carefully scrutinized, as it is unclear how users paying low rates create sufficient revenues to pay for the projects that benefit them or to sustain routine usage in a water-limited environment.
- A project that requires conservation by one user class but grants the benefits of that conservation to another user class should receive lower priority than a project with a direct conservation benefit to the users who have conserved. This would encourage projects in which local conservation results in a local benefit, encouraging the greatest level of commitment to conservation by water users. Water users should be able to see and realize the benefits of their conservation, versus having that conserved water shipped off to support non-conservation users that have not demonstrated a strong willingness to pay for and implement conservation improvements.

How to measure or score the priority of the project by the regional planning group?

- Regulations must be designed to ensure that the Regional Water Planning Groups have actively utilized and promoted a transparent and integrated planning process across the Region, with well-publicized processes and proposals that actively engage and educate the stakeholders and gain their buy-in.
- The Regional Planning Group's ranking should be a major consideration in the TWDB's review of a proposed project, but it should not be the only factor. In some cases, affected stakeholders may not have a strong voice within a Regional Planning Group, and the Regional Planning Group's overall consensus may not include a variety of other considerations and views. It is important for the TWDB to exercise its independent review of a project and to invite and consider public comment in a manner that allows broader input on such important matters.

How to measure or score a project's impact on the economy?

- Texas prides itself on its strong economy, even during a nation-wide economic downturn, and its business-friendly atmosphere. In order to attract business and industry to the state and retain and grow those already here, it is imperative that the

Comments of Central Texas Water Coalition
SWIFT/SWIRFT Rulemaking Project

State of Texas take an active role in ensuring water supplies adequate to support our strong and growing economy. To that end, water supply proposals that protect major businesses, economic development, jobs and tax bases should be given high priority.

CTWC thanks the TWDB for this early opportunity to provide input into the development of rules to implement the new state water plan funds. We look forward to working with you throughout the process.

Sincerely,



Jo Karr Tedder
President, Central Texas Water Coalition

Attachment: Report: *Further Evidence for the Need to Change the Approach to Water Planning in the Colorado Basin*, March 31, 2014.

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