Austin American-Statesman
statesman.com

PRINT THIS

Click to Print

SAVE THIS | EMAIL THIS | Close

ENVIRONMENT

LCRA provides water to wide area, but does it have enough?

Central Texas authority determines where Colorado River supply flows, and who gets it. But as population and demand grow, how long can LCRA satisfy our thirst?

By Asher Price
AMERICAN-STATESMAN STAFF
Sunday, March 02, 2008

"We came to the river, which has a guard on either side of luxuriant trees, nut trees, ash trees, poplars, elms, willows, mulberries and wild grapevines much taller and thicker than those of Castile. It has sand banks which mark how high it rises, a quarter of a league wide. The water is of the best we have found." — an account of the Colorado River by a 1709 Spanish expedition

Three hundred years after the first European explorers came upon the verdant Colorado, it can no longer be called a natural waterway. It is an engineered one, and its levers are pulled from the Austin headquarters of the Lower Colorado River Authority.

The lights turn on for more than 1 million Texans because of the LCRA. Though its empire was built on electricity, much of its clout is now tied to water.

The LCRA decides who gets water and who doesn't in an increasingly wide swath of Texas, from subdivisions in Blanco to power plants in Fayette County to oystermen on Matagorda Bay. That power over the tap has enabled the suburbanization of much of the Hill Country by sending water to communities that cannot grow without it.

"Every bit of (new) development (in northern Hays and western Travis counties) is dependent on LCRA water," said environmental consultant Ken Manning, who headed the LCRA's water quality protection department during the 1990s and says he still holds the agency in high regard. "It's affected the pace and intensity."

That pace continues unabated. The state water management plan anticipates that this region will grow from just over 1 million people now to nearly 2.7 million by 2060, and 70 percent of their water will come from the Colorado. Municipal water demand will double, to 144 billion gallons a year. Industrial expansion in the river's southernmost counties — including the two proposed nuclear reactors in Matagorda County — will also need more water.

Already, the LCRA is committed to "firm" water contracts providing as much as 165 billion gallons a year, even in time of drought. Yet its two main reservoirs, Lake Travis and Lake Buchanan, have a drought yield of 145 billion gallons. That's a shortfall of 20 billion gallons.

Don't worry, the LCRA says — less than one-third (46 billion gallons) of the lakes' yield has ever been used in any year, and it will be decades before the rest is called upon. By then there will be other schemes to slake our region's thirst: desalination plants, reallocation of agricultural water to urban areas, even a pipeline many miles downriver to reverse the flow of the river back upstream.

Since its inception, the LCRA has never questioned what it termed its "obligation" to sell water to all who can buy it: from the small town of Cottonwood Springs to the defense contractor BAE Systems to the Pedernales Country Club. Its past two general managers saw water as something that could be developed and sold. Its board of directors has historically viewed development favorably.

But in November, a new general manager took the helm: Tom Mason, a lawyer who's been at the agency for 20 years and has a background of working on environmental causes. Three months later, Mason quietly made the public acknowledgment that the resources of Texas' largest river are being tapped out.

In a February workshop attended by staff and board members, Mason told the board that it needs to figure out "if and how it is going to continue to provide water that has been an engine for economic development in Central Texas, when water in the Highland Lakes is largely (spoken) for."

That statement, delivered without fanfare, marks a "huge" departure from the LCRA's previous stance, Manning said. "We've always been told we've got more than enough water for all the industrial and municipal needs anybody could imagine," he said.

A 'quasi-public' entity

As a nonprofit with no taxing authority, the LCRA is often described as a "quasi-public" entity. Many argue that the agency has it both ways: wielding massive power without being held accountable for the results.

"You need three elements to build: water, power and a transportation network," said John Scanlan, a former LCRA board member. "Anyone who supplies any of those three is in land-use planning. If it gets in the business of supplying water, it has to be responsible for the consequences."

Unlike other arbiters of land use, such as city councils and county commissioners courts, the LCRA is run by a governor-appointed board that does not answer to voters. Wall Street figures its bond ratings; the Public Utility Commission approves its wholesale electricity rates; the state environmental agency reviews its water and wastewater rates.

Though periodic sunset reviews are standard for state agencies and some other quasi-public bodies, at least a half-dozen attempts by lawmakers to bring the LCRA under review have failed. In the 2007 legislative session, several lawmakers tried again. But House and Senate committee leaders never got on board, and the LCRA bill went nowhere.

In January, Lt. Gov. David Dewhurst charged the Senate Natural Resources Committee with an interim study of all 14 of the state's river authorities to determine whether they should be subjected to legislative review.

"The decisions LCRA makes impact local and even state budgets," said Rep. Donna Howard, D-Austin, who helped carry the sunset legislation. "Without some kind of oversight and coordination here, those decisions have risks being made in a vacuum."

From now to eternity

The LCRA began, like the Tennessee Valley Authority, as a Depression-era project paid for with federal money. It built a half-dozen dams to tame the Colorado, which rises and falls entirely within the state, carrying nearly 600 billion gallons a year to Matagorda Bay.

Today, the river authority has 2,280 employees, an annual payroll of about $156 million and revenue of more than $1.1 billion. It operates more than 40 parks, preserves and nature centers. It hands out grants to entities such as volunteer fire departments, helping build solid allegiances among local officials throughout about 30 counties it serves with water.

Thanks to its dams, the Colorado is the most dependable source of water — termed "surface water" — in the rocky Hill Country, where groundwater aquifers are vulnerable to depletion.

"We could not do without surface water," said Mike Skelton, the project manager of Boot Ranch, a golf course community near Fredericksburg. "We will rely on surface water to eternity."

This part of the state was once bound by natural constraints: Where wells were insufficient and pipelines did not stretch to rivers, people in large numbers did not go.

The LCRA changed that.

It began in the late 1970s, environmental activist Mary Arnold said, when developers began organizing municipal utility districts outside the city's fringe. After Austin refused to service these developments, the LCRA stepped in. "It was the beginning of coziness with developers," Arnold said.

These districts, known as MUDs, were built close to the Highland Lakes. The LCRA sold them raw water, and the MUDs put up the money to treat the water and build the pipelines to their subdivisions.

Now the LCRA, at its own expense, brings the water to developers. The cost is recouped over decades from homeowners and businesses who buy into the developments and pay for LCRA water.

Why the change? A main reason, current and former LCRA officials say, was self-preservation. Deregulation of the electric power industry was all the rage in the 1990s, and the LCRA feared that investor-owned utilities would steal its wholesale electric customers — the cash cows for its billion-dollar operation.

"The feeling was," Manning said, "we need to diversify our revenue stream. How many different ways can we partner with customers to become indispensable to them?"

Water was an easy answer, given the ascendance of General Managers Mark Rose, whose father had run the Texas Water Development Board, and then Joe Beal, an engineer who had specialized in delivering water to developers.

In 1992, the LCRA began buying up far-flung water and wastewater systems that were often in bad shape. In 1994, it acquired the Uplands water treatment plant in western Travis County, expanded its capacity tenfold and sent pipelines marching across the Hill Country. Development in the Bee Cave and Dripping Springs area surged, and the LCRA is already planning a second treatment plant there.

By the time the Legislature finally deregulated the state's electric utility industry in 1999, the LCRA was on a spending spree. It bought the Lometa water system, with 2,700 customers way out in Lampasas, San Saba, Mills and Burnet counties. It built sewer systems in Rollingwood and West Lake Hills, saving those close-in communities from failing septic tanks and a building moratorium.

Philosophically, some LCRA managers saw these acquisitions as a natural expansion of the agency's regional role and a fulfillment of its public service mission; practically speaking, they were meant to ensure its survival.

The LCRA's fear that it would be undone by deregulation proved groundless. The debt it incurred to expand its water empire, however, is real: $350 million so far. With revenues of $44 million a year, it has no hope of self-sufficiency for a decade or more.

"Eventually we'll recover the full cost," Mason said. "But it's not about making money. They're a low-margin enterprise, with not a high rate of return. It's largely about public service."

The LCRA now has the headaches of maintaining 39 small water and wastewater systems; even Rose, the former general manager, admits his regret at having gotten into the retail water business. The LCRA hasn't bought any more systems since 2005, and Mason has suggested that the board keep it that way.

"We don't want to dig a hole any bigger than we have to," he said.

A dual mission

In 2000, after the Sunset Canyon subdivision complained that its wells were going dry, the river authority sent a pipeline down U.S. 290 toward Dripping Springs, opening the way for Belterra and other large developments that will have close to 5,000 houses. In 2005, another pipeline followed up Hamilton Pool Road to serve 1,600 houses. A third pipeline along Texas 71 will serve Sweetwater (1,700 houses) and other subdivisions; all are connected to the Uplands treatment plant.

"Population growth is beyond the LCRA's control, but providing the infrastructure associated with this growth is part of our mission," board member Connie Granberg said at the 2004 meeting in which the controversial line was approved.

The LCRA's self-stated mission is actually twofold: providing "reliable low-cost utility and public services" and acting as "an environmental authority to ensure the protection and constructive use of the area's natural resources." In the zeal to sell water, critics say, the second part of that mission has gotten short shrift.

The river authority helped pay for a 2005 study on northern Hays County and western Travis County that called for limits on development, but the density made possible by the Hamilton Pool Road pipeline is "the antithesis to using infrastructure decisions to minimize growth in the Hill Country," Manning said. "The LCRA not only totally distanced itself from regional planning, but it actually undermined such efforts."

"The pipelines were already under way by that time," Mason said. "We're an infrastructure provider, not a land-use authority."

The 15-member board of directors is composed mostly of party loyalists named by a Republican governor with close ties to home builders. Ray Wilkerson, who was chairman until January, is a developer; the new chairwoman, Becky Klein, is an attorney with a law firm whose specialties include real estate development and water law.

Late last year, the board surprised many observers when it elevated Mason, the river authority's general counsel, to the post of general manager.

"He's not in the same vein as previous general managers in terms of where he's coming from," said Myron Hess, manager of the Texas Water Program at the National Wildlife Federation.

Mason says one of his goals is to bring more transparency to the agency — more straight shooting about the financial, environmental and political implications of water and power deals. At last month's meeting, at least one board member publicly thanked Mason for the clarity of his presentations on the challenges facing the river authority.

When the board asked tough questions in the past, it didn't always get the information it needed to make decisions, Manning recalled. "The staff didn't want to be the bearer of any bad tidings," he said.

Even as Mason signals a reassessment of its aggressive pursuit of water customers, the LCRA remains bullish on water, as seen by a proposed deal to send up to 49 billion gallons of Colorado water to San Antonio each year.

The LCRA says it would use the billions in revenue to finance new reservoirs for Central Texas and encourage water conservation, but downriver users worry about maintaining enough river flow to keep the bays and estuaries healthy. Oysters, red drum and flounder, among other species, need a delicate mix of fresh and salt water to spawn and develop.

"The Colorado River is very important to a good quality product," said Buddy Treybig, the owner of Arnold's Seafood in Matagorda County. "The river's natural, and it wasn't meant to support cities."

But, of course, the river does. Now the question is whether it can continue to drive the growth of an entire region.

After years of headlong expansion, the LCRA's water business accounts for only 6 percent of its total revenue but 14 percent of its debt load. Though those numbers underscore Mason's contention that it isn't in the water business for the

money, they're also ammunition for those who challenge the justification for its water empire.

To Mason, they're one of the "realities of balancing a public service mission with the realities of operating a nonprofit business. Looked at another way, the question is, 'How much public service can we afford?' "

Area's thirst increases

According to state estimates, water demand in Central Texas will grow rapidly this century as people flock to the area.

2010 2060

Travis 2.5 billion gallons 89 billion gallons

Hays 673 million gallons 6.1 billion gallons

Williamson 1 billion gallons 31 billion gallons

Bastrop 1.4 billion gallons 9.5 billion gallons

Caldwell 201 million gallons 2.1 billion gallons

Water in these counties does not necessarily come from the Colorado River.

asherprice@statesman.com; 445-3643

Find this article at:
http://www.statesman.com/news/content/news/stories/local/03/02/0302lcra.html

Click to Print

SAVE THIS | EMAIL THIS | Close

Check the box to include the list of links referenced in the article.