Ratification of the 2020 Rates for the Replacement Water Supply Agreements (2-Tier Contracts)

Presented by
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Chief Financial Officer

Meeting Date: January 27, 2020
Ratification of 2-Tier Rates

- Replacement Water Supply Agreements (2-Tier) were created as the negotiated settlement of a rate case filed in 1991.
- There are fourteen 2-Tier agreements, 98,999 ac-ft.
- Referred to as 2-Tier because there are two rates.
  - Activated Water (Election water) rate.
  - Not Activated (Option-water) at $\frac{1}{2}$ the Election rate.
Ratification of 2-Tier Rates

• In July we present the estimated 2020 2-Tier rate in our Customer meetings and Board meeting.

• Annual Rate Increase is calculated using the change in the Consumer Price Index (CPI) for the month of November from 1990 base CPI in a defined formula per the agreement.

• The November CPI is published in mid to late December, therefore the 2-Tier rate is calculated at this time for 2020.

• Letters are sent out to the 14 customers in December notifying them of the proposed new 2-Tier rates.
Ratification of 2-Tier Rates

• The proposed new 2020 rates require Board ratification in January.

• Proposed rate increase:
  ▪ Activated Water (Election water) $27.58 to $27.82
  ▪ Not Activated (Option-water) $13.79 to $13.91

• Once approved we bill the 2-Tier customers.
Ratification of 2-Tier Rates

“BE IT RESOLVED that the Board of Directors of the Brazos River Authority hereby ratifies the 2020 rates of $27.82 per acre-foot for Election Use Water and $13.91 per acre-foot for Option Use Water as adjusted in accordance with the formula stated in the existing Replacement Water Supply Agreements.”
Brazos River Authority