

AGREEMENT FOR THE SALE OF SURPLUS POTABLE WATER AND EMERGENCY POTABLE WATER WITH THE CITY OF NORCO

Public Utilities Department

City Council Meeting
March 3, 2020

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BACKGROUND

1. November 14, 2016 – Board of Public Utilities approved construction of the Arlington Avenue 16-inch Water Main Extension Project
2. September 2017 – Project completed
3. February 12, 2019 – City Council approved an agreement for the sale of Emergency Potable Water with Norco

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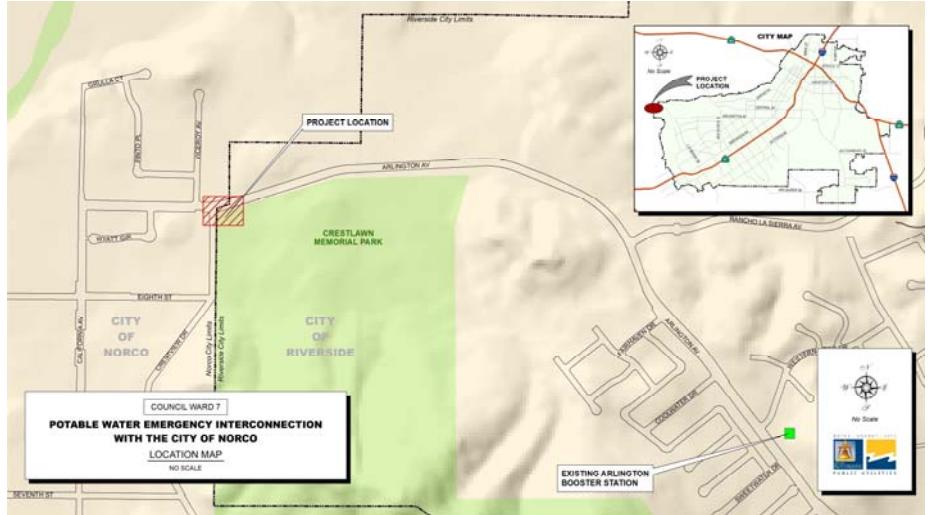


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INTERCONNECTION LOCATION



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DISCUSSION

Terms of Agreement include:

1. Expand the use of local water supplies for Norco and RPU
2. Improve reliability to both Cities in the event of a loss of water; Emergency water not to exceed 60 calendar days without written approval

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DISCUSSION

3. Deliveries to Norco are secondary to RPU's retail customers and any other existing obligation or commitment
4. RPU to produce, treat, and convey about 1,000 AFY of its export right to Norco for 5 years

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DISCUSSION

5. For each acre-foot of Surplus Water sold, RPU will charge Norco the delivery cost plus a commodity cost
 - a. Pricing will be set 12 months prior to deliveries for the year
 - b. Delivery Cost Components:
 - i. Energy costs associated with wells and booster stations
 - ii. Operations and Maintenance costs associated with supply and transmission
 - iii. Capital recovery charge associated with the Waterman wells and supply transmission pipelines, distribution system, reservoirs, and booster stations
 - iv. Estimated at \$592 per AF

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DISCUSSION

c. Commodity Cost:

- i. Based on a "Shared Benefit Methodology"
- ii. Establishes an all-inclusive price that equally splits the difference between RPU's rate to deliver Norco Water, less Norco's weighted average transmission cost to boost into their system, and MWD's Tier 1 cost
- iii. Equation for calculating the Surplus Water price is as follows:

$$\frac{(\text{Water Delivery Cost} + \text{MWD's Tier 1 Cost})}{2} = \text{Surplus Water Price}$$

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DISCUSSION

$$\frac{(\$592/AF + \$1,050/AF)}{2} = \$821 \text{ per AF}$$

- d. RPU would be paid about \$229 per AF for the use of its export rights above the delivery cost (i.e. commodity price)
- e. Norco would save about \$229 per AF (e.g. \$1,050 - \$821) as compared to purchasing imported water from MWD
- f. both RPU and Norco split the savings equally
- g. Pricing will be set 12 months prior to deliveries for the year

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FISCAL IMPACT

1. RPU would receive approximately \$821,000 annually from delivering Surplus water to Norco
2. Revenue anticipated to increase each subsequent year
3. Surplus Water sales may exceed \$4,000,000 over the term of this agreement

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RECOMMENDATIONS

That the City Council:

1. Approve the agreement for the Sale of Surplus Potable Water and Emergency Potable Water with the City of Norco for a five-year term;
2. Authorize the City Manager, or designee, to execute the Agreement including the ability to make minor non-substantive changes; and
3. Review, upon approval, the availability of surplus water during year four (4) of the proposed agreement.

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