

MEMORANDUM

To: Mayor and City Council Members
Douglas Faseler, City Manager

From: Rick Cortes, Assistant City Manager

Subject: Wholesale Water Supply Contract between the City of Seguin and New Braunfels Utilities

Date: June 26, 2018

In an effort to take advantage of its available surplus water resources, and mitigate proposed water increases projected in previous rate studies, staff searched for potential customers in need of water resources. In its search for potential customer, city staff met with both Springs Hills and New Braunfels Utilities (NBU). Because of these meeting, NBU has advised the City of Seguin of its desire to obtain up to 3,000-acre ft. of potable water on an annual basis, allowing the NBU to supplement its existing water supply sources. Similar to Niagara, this agreement will allow the City to keep rates as low as possible, for as long as possible, while still making necessary improvements to our water system infrastructure.

City staff determined that the City's Water System and sources of supply has the capacity to produce, treat, and deliver water in excess of Seguin's immediate needs, and its needs in the future, and that Seguin would benefit from the delivery of water to NBU during the term of this proposed contract. Currently the City of Seguin has 15,200-acre ft. annually of available water resources that includes, run of river, Canyon, and SSLGC water. This amount will increase up to 17,458 once the Guadalupe Project is online. Currently, we are utilizing approximately only 7,000-acre ft. of these resources. Based on Seguin's water service area as determined by its Certificates of Convenience and Necessity (CCN) issued by TCEQ, projections indicate that the City water system has the necessary water resources to fulfill this request.

The primary water resources that will be utilized to fulfill this request are from the City's Surface Water Rights, although the City of Seguin has the ability to utilize its portion of the SSLGC water if necessary. The City of Seguin is allotted 7,200-acre ft. annually of surface water; through Fiscal Years 2013 to 2017, the City experienced a high use of surface water of 4,078-acre ft., to a low use of 3,413-acre ft. The average usage of surface water during this period was approximately 3747-acre ft. Based on this determination, Staff is recommending the approval of the agreement. Highlights of the agreement are as follow:

- NBU will initially take 1,100-acre ft. annually through the existing City of Seguin/Springs Hills interconnection located on Hwy 123 under this “take or pay” contract until the new Seguin NBU Point of Delivery is completed.
- After the new point of Delivery is completed, NBU’s “take of pay” amounts will increase annually by 500-acre ft. until the “take or pay” amount reaches 2,500-acre ft.
- Upon mutual agreement of the City of Seguin and NBU, the amount can increase to 3,000-acre ft.
- NBU will be responsible for construction of all necessary infrastructure to the point of delivery.
- NBU responsible for costs of metering and SCADA equipment
- Rate = \$3.19 per 1,000 gallons until new Point of Delivery is completed then can be adjusted annually up to 2.5%.
- Initial term of contract is 20 years, and is renewable for two consecutive 5-year terms.
- City of Seguin staff in conjunction with NBU staff and consultants are currently working on the location for the “Point of Delivery”.

Staff recommends approval and will be available to answer any questions at the June 26, 2018 Council Meeting.