

Agenda Item: {{section.number}}F

May 2, 2022

TO: THE ENGINEERING, OPERATIONS, AND WATER RESOURCES COMMITTEE

Director Gracie Torres

Director Fauzia Rizvi

FROM: Tim Barr, Deputy General Manager

CONSIDER APPROVAL OF AN IMPORTED WATER SUPPLY AND SYSTEM CAPACITY AGREEMENT BETWEEN THE RANCHO CALIFORNIA WATER DISTRICT AND THE WESTERN MUNICIPAL WATER DISTRICT

RECOMMENDATION:

Staff requests that the Engineering, Operations, and Water Resources Committee recommend the Board of Directors:

1. Authorize the General Manager to execute an Imported Water Supply and System Capacity Agreement with Rancho California Water District.

EXECUTIVE SUMMARY:

The City of Murrieta has defined a specific area within Western Municipal Water District's Murrieta Retail Service Area as an Innovation Zone and desires to see the area develop. No municipal facilities exist within the undeveloped areas of the Innovation Zone. Rancho California Water District has transmission facilities with excess capacity that are adjacent to the Innovation Zone and could be used to deliver imported water to the area.

BUDGET IMPACT:

Execution of this agreement has no budget impact.

DETAIL:

The City of Murrieta (City) has defined a specific area within Western Municipal Water District's (Western) Murrieta Retail Service Area as an Innovation Zone and desires to see the area develop and bring jobs to the region. This area is generally west of the 215/15 Freeway, east of Jefferson Avenue, north of Elm Street, and south of Guava Street. There are no municipal facilities within

the undeveloped areas of the Innovation Zone. Western desires to provide potable water service to new development when it occurs in the area in the most expeditious and cost-effective manner. Rancho California Water District (Rancho) currently has facilities with excess capacity that could be used to convey imported water from the Metropolitan Water District of Southern California to a point or points of delivery at the edge of Western's service area allowing Western to provide potable water service to the Innovation Zone without building alternative transmission facilities within its service area.

The purpose of the agreement is to facilitate delivery of the imported water secured and paid for by Western through existing facilities owned by Rancho to Western's Murrieta Service Area to provide potable water service to the Innovation Zone. Western will be solely responsible for providing retail water service in the Innovation Zone. 3.1.6.1. Western is also responsible for all non-Rancho capacity charges, annexation fees, and other fees associated with delivery of water service within the Innovation Zone.

Rancho has existing, unused and available capacity in its potable water transmission system, which is sufficient to deliver an average demand of 250,000 gallons per day (gpd) or 280 acre-feet per year (AFY) to the Innovation Zone. Rancho also has sufficient capacity within its facilities to deliver maximum day flows for summer peaking at about 500,000 gpd, plus an additional 4,000 gpm for four (4) hours at a minimum residual pressure of 20 psi to this area, at the point(s) of connections.

The design of interconnections and master meters will be based on Rancho's design standards. Western will be responsible for the design, permitting, environmental compliance, and construction of and all costs associated with the interconnections, master meter and water infrastructure within the Innovation Zone.

The agreement sets the per acre-foot rate to utilize the Rancho system to transport imported water to the Innovation Zone as well as the capacity charge "buy-in" cost. The charges listed in the agreement are based on Rancho's fiscal year 2021-2022 operating and maintenance costs as well as the current capacity charges. All costs and charges will be adjusted annually based on the then current costs and charges. The following figure shows the current compensation calculations.

Figure 1 – Compensation Calculations

| | | |
|---|-----------------------|------------------|
| Ongoing Costs | | |
| Based on 280 AFY | | |
| Expense Type | \$ per AF | Total \$ |
| Replacement | \$193.65 | \$54,222 |
| O&M | \$165.00 | \$46,201 |
| Total | \$358.65 | \$100,422 |
| 1. Costs will be adjusted annually based on then-current operating and system replacement costs. | | |
| Capacity Charges | | |
| | CFS | |
| | Purchase/Lease | |
| | Scenario | |
| A MSA Capacity Purchase (MDD CFS) | 0.85 | |
| B Total Santa Rosa 1305 zone MDD CFS flows at buildout* | 148.65 | |
| C Total Flows (MDD CFS) [A+B] | 149.50 | |
| D MSA CFS Share of Total Flows [A/C] | 0.6% | |
| E SR T&D <i>Adjusted Net Asset Value</i> | \$211,063,367 | |
| F Cost per 1 CFS MDD | \$1,411,795 | |
| G MSA Capacity Purchase Gross Value [D*E] | \$1,200,026 | |
| *Flows include contract service areas | | |
| 2. Capacity Charges will be assessed based on RANCHO's then-current charges at the time of payment. | | |

The attached draft agreement has three exhibits that identify, 1. the Murrieta Innovation Zone, 2. the approximate locations of interconnection(s), and 3. the compensation calculations.

Entering into the agreement with Rancho does not require Western to construct the interconnections or utilize Rancho's system to deliver services with the Innovation Zone. If construction of connections to Rancho's system for service to the Innovation Zone have not commenced, this Agreement may be terminated by either party with 90-day written notice to the other party. The agreement to support the Innovation Zone does not preclude Western and Rancho from pursuing additional opportunities to interconnect or partner on other projects to deliver water in support of the region. Staff envisions a more regionally located interconnection in the future to provide imported water supplies to the growing service area. Provisions for this action will be considered in a separate agreement at a later date.

Reason for Action:

Rancho has facilities with excess capacity adjacent to the Innovation Zone and could be used to deliver imported water to the area more cost effectively than Western constructing its own

parallel facilities.

Solution:

execute an Imported Water Supply and System Capacity Agreement with Rancho California Water District.

STRATEGIC PRIORITIES REFERENCE:

This action aligns with Western's Strategic Priorities: Resource Management, Financial Stewardship, and Superior Service.

PROPOSED DATE OF ACTION:

If approved by the Committee, this item is scheduled for consideration by the full Board of Directors at their meeting on May 18, 2022.

LEGAL COUNSEL REVIEW:

Legal counsel is reviewing the agreement and will complete review prior to returning to the full Board for consideration.

Respectfully submitted by:

Tim Barr, Deputy General Manager

Attachment:

1. Draft Agreement with Exhibits