



Meeting Date: March 28, 2024 **Agenda Type:** Action Items

From: Michael G. Short, P.E.
Director of Water Services
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Director of Water Services and
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Submitted by: Michael G. Short, P.E.
Director of Water Services
and Compliance **Approved by:** Ryan Kelso
Chief Executive Officer

RECOMMENDED ACTION: Discuss and Consider Authorizing CEO or His Designee to Negotiate and Execute a Treated Water Sharing Agreement with Guadalupe Blanco River Authority for the Resale of Water from the Gonzales Carrizo Water Supply Project on a Temporary Basis

BACKGROUND

On January 25, 2018, the New Braunfels Utilities (“NBU”) Board of Trustees approved entering into the Gonzales Carrizo Water Supply (“GCWSP”) Project Treated Water Supply Agreement (the “Supply Agreement”) with Guadalupe Blanco River Authority (“GBRA”). The Supply Agreement established the terms governing NBU’s purchase of 8,000 acre-feet per year (“AFY”) of treated water supply. The current anticipated delivery of this supply is to begin in the Summer of 2024.

On June 27, 2018, GBRA contracted with Alliance Regional Water Authority (“Alliance”) to construct and operate groundwater treatment and transportation facilities (the “Project”) to provide up to 15,000 AFY to GBRA customers (Goforth Special Utility District, the City of Lockhart, and NBU collectively the “Initial Customers”) to include the 8,000 AFY to NBU as described in the Supply Agreement. Subsequently, GBRA executed separate Gonzales Carrizo Water Supply Project Treated Water Supply Agreements with County Line Special Utility District, Goforth Special Utility District, Maxwell Special Utility District, and Camino Real Utility Company, LLC (collectively referred to as “Expansion Customers”) in 2022 to supply up to an additional 8,757 AFY of treated water from an expansion of the Project (the “Expanded Project”). However, the Expanded Project and the resulting extra water will not be available for the Expansion Customers until 2028.

Some of the Expansion Customers have determined that they need a temporary source of treated water while they await the completion of the Expanded Project. NBU and the City of Lockhart have individually determined that they have contracted with GBRA under their respective agreements for a volume of treated water from the Project that may not all be needed for use within their utility systems prior to January 1, 2029. NBU has determined the amount of water NBU does not need until after January 1, 2029, to be 4,000 AFY. GBRA proposes to purchase and resell on a temporary basis (the “Water Sharing

Agreement”) up to 4,000 AFY of NBU’s Project water as described in the Supply Agreement. GBRA also proposes to purchase and resell on a temporary basis 500 AFY of the City of Lockhart’s Project water.

The Water Sharing Agreement, among other things, requires GBRA to make its best effort to resell up to 4,000 AFY of NBU Project water on a temporary basis to terminate December 31, 2028, pay NBU a shared fixed rate for shared water sold equivalent to the Project’s debt service currently estimated at \$668.79 per AFY, resell at a minimum 500 AFY within 180 days of executing the Water Sharing Agreement, and pay an administrative fee of five (5) percent on water sold.

Staff has determined that it is in NBU’s best interest to authorize GBRA to deliver the shared water to its customers on a short-term, temporary basis. Staff recommends approval of the Water Sharing Agreement.

This item is being presented to the Board because it creates an agreement between NBU and GBRA.

FINANCIAL IMPACT

The Water Sharing Agreement allows NBU to offset a portion of the current debt service payments it makes to GBRA under the terms of the Water Supply Agreement for water NBU does not need until after December 31, 2028. Assuming the potential range of water volume sold, NBU could save anywhere between \$1.4MM. to 11.2MM.

LINK TO STRATEGIC PLAN

Customers and Community

Financial Excellence

Stewardship

EXHIBITS

1. Water Sharing Agreement
2. Presentation