

SUBJECT: UPDATE ON PIONEER WATER COMPANY SHARE WATER

SOURCE: Public Works Department – Field Services Division

COMMENT: At the August 6, 2013, City Council meeting, Council approved giving notice to Pioneer Water Company (PWC) that the City would not be renewing the 5-year agreement set to expire in February of 2014.

The agreement was for the mutual benefit of both parties. The City obtained rights to PWC's flood release water from Success Dam in exchange for not utilizing our right to water from our PWC share ownership. PWC also agreed to abandon its pipeline along Henderson Avenue from Plano Street to Fourth Street, which was needed to facilitate a City construction project at that time. Also, the City provided a permanent spill location at the City's Muller field reservoir for PWC's systems excess water.

The agreement was structured to continue in force for succeeding 5-year periods unless one party notified the other of its intention not to renew with at least six months written notice.

With the Success Dam elevation restrictions changing recently, and the potential for a reduction in available flood release waters, staff felt that negotiating a new agreement should be explored with PWC, to again, find an agreement that is mutually beneficial. Although the current agreement expires February 2014, two conditions in the agreement remain in effect in perpetuity. Condition 1) The Henderson Avenue pipeline shall remain abandoned. Condition 2) PWC has use of the City's Mueller Field Reservoir as a permanent spill location for PWC's excess water.

Staff met with the PWC board and its representatives and no new agreement was developed. The PWC board's only message was that it hoped the City would not exercise its rights to the City's PWC share water and to consider the economic impact this action might have on the rest of PWC shareholders. With the City exercising its rights to take delivery of the water, there will be less water available to the remaining users. Staff indicated we would relay this concern to Council.

Since no new agreement was developed with PWC, staff has been exploring the best options for utilizing the City's PWC share water. Staff has had discussions with the various irrigation districts in the area and some private individuals that have expressed interest in what the City is going to do with its PWC share water.

Staff hopes to complete its analysis on the options within the next two months and present its findings to Council.

RECOMMENDATION: Informational only.

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Dir BBL Appropriated/Funded N/A CM J

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