



TOWN OF APPLE VALLEY

TOWN COUNCIL STAFF REPORT

To: Honorable Mayor and Town Council **Date:** September 22, 2015
From: Dennis Cron, Assistant Town Manager **Item No:** 18
Subject: IRRIGATION AND COST TO DRILL A NEW WELL - JAMES WOODY PARK
T.M. Approval: _____ **Budgeted Item:** Yes No N/A

RECOMMENDED ACTION:

Authorize staff to prepare and circulate a Request for Proposal and enter into a Professional Services Contract to perform engineering design and construction bidding necessary to install a new irrigation well and associated appurtenant infrastructure at James Woody Park.

SUMMARY:

The cancellation of the Tariff Deviation Rate Agreement between the Town of Apple Valley (Town) and Apple Valley Ranchos Water Company (Ranchos), coupled with Ranchos' imposing a drought surcharge penalty upon its customers, the cost to irrigate James Woody Park has increased substantially. This report will outline the projected increased irrigation cost for James Woody Park. In addition, the estimated cost for design and installation of a new irrigation well at James Woody Park will be discussed.

BACKGROUND:

At the Town Council meeting on August 11, 2015, Council Member Nassif requested a staff report on the increased cost for irrigation water at James Woody Park as a result of the cancellation of the Tariff Deviation Rate Agreement between the Town and Ranchos. In addition, Council Member Nassif requested information on the feasibility of installing a well at James Woody Park for irrigation purposes.

Tariff Deviation Agreement and Cost of Water at James Woody Park

In April of 2004, the Town entered into a Tariff Deviation Rate Agreement with Ranchos for irrigation of James Woody Park. Ranchos proposed the Tariff Deviation Rate Agreement in response to the Town's plan to drill its own irrigation well at the park. The agreement provided that the Town could purchase irrigation water at a reduced

commodity rate and in return, the Town was obligated to lease, “at no charge”, an equal quantity, plus the average percentage of Ranchos’ system water loss, which at that time, was running approximately ten percent (10%). Generally speaking, this required the Town to transfer 110% of the water consumed by the park. Effective July 2, 2015, the California Public Utility Commission approved an advice letter filing, initiated by Ranchos, authorizing Ranchos to cancel the Tariff Deviation Rate Agreement, moving the Town’s irrigation needs into the general non-residential billing structure. This approval was justified “in part” based on Ranchos’ assertion that the Town would not spend the funds necessary to construct its own well.

Prior to the cancellation of the agreement, the Town was billed a commodity rate of \$0.76 per CCF (1 CCF equals 748 gallons) for all irrigation water consumed at James Woody Park. Upon cancellation of the agreement, the Town is now being charged \$3.183 per CCF, a 418% increase in the cost of irrigation water, not including the newly implemented drought surcharge that is also imposed today.

Impact to the Town

For FY 2014-2015, irrigation of James Woody Park consumed 25,412 CCF (58 acre feet) at a total cost of \$38,491.54 and the Town was required to transfer sixty-nine (69) acre feet of the Town’s water rights to Ranchos in addition to the billed amount. These are the figures used in this staff report to evaluate and compare the cost impacts to the Town due to the cancellation of the Tariff Deviation Rate Agreement.

The new commodity rate the Town must pay for irrigation at James Woody Park is \$3.183 per CCF, a \$2.423 increase per billing unit. In addition to the increased commodity rate, Ranchos has implemented a “drought surcharge” of \$0.4770 per CCF. Based solely on the consumption levels of 2014/2015, it is projected to increase the Town’s water costs at James Woody Park to **\$112,186.34**, an increase of **\$73,694.80** annually. The Town will no longer be required to lease, “at no charge”, its water rights to Ranchos. These water rights can instead be used to irrigate James Woody Park; however, it will require the installation of an irrigation well and associated infrastructure within the park.

Installation of a Well to Irrigate James Woody Park

In addition to a report detailing the impact of the increased water rate for irrigation of the Park, Council Member Nassif requested that staff evaluate the cost and potential payback for installation of a new irrigation well at the park.

James Woody Park has five (5) individual irrigation meter locations serving the park. Staff received estimates from multiple contractors for the projected cost to construct a new well at the park and to install appropriate storage and mainline connections. These are only estimates based on assumptions; however, no formal design effort has been performed. The work would require the design, plan preparation and bidding for drilling a new well. Depending on the confirmed production capacity of a new well, additional engineering design effort would be required to determine necessary storage capacity, booster pump

sizing and location, electrical power design and installation of any recommended design options for connecting the well to the existing irrigation system. It may also be considered whether complete replacement of the existing irrigation system should be contemplated at the same time. The estimated total cost of installing a well and its associated components for James Woody Park could run \$750,000.00 to \$900,000.00.

Installation of a new well at James Woody Park will result in some additional, not yet determined, operational costs to the Town for power purchases. A new irrigation well at James Woody Park would eliminate the need to purchase water from Ranchos; instead utilizing the Town's own water rights for this purpose. By pumping its own water, the Town would save an estimated \$112,186.00 annually based on the current Ranchos retail rate. With the potential yearly savings, the payback period for installing a well and associated infrastructure at James Woody Park would be between seven and a half (7-½) to nine and a half (9-½) years based on the current Ranchos retail rates. This payback period calculation does not include potential yearly increases, which stand to further reduce the potential pay-back period.

FISCAL IMPACT:

Undetermined at this time.