



AGENDA MEMORANDUM

Future Item for the City Council Meeting of December 10, 2013
Action Item for the City Council Meeting of December 17, 2013

DATE: December 2, 2013

TO: Ronald L. Olson, City Manager

FROM: Gustavo Gonzalez, P.E., Director of Water Utilities
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Approving a reservation agreement with Valero Refining – Texas, L.P. for recycled water

CAPTION:

Motion authorizing the City Manager or designee to execute an Agreement for Exclusive Reservation of Recycled Water (the “Reservation”) with Valero Refining – Texas, L.P. (Valero) for 4 million gallons per day (mgd) of recycled water.

PURPOSE:

- (a) Obtain Council’s review and decision on the question of whether to grant Valero an exclusive reservation for 4 mgd of recycled water; and
- (b) Obtain Council’s authority to execute the Reservation Agreement

BACKGROUND AND FINDINGS:

Valero is interested in exploring the possibility of receiving and using the City’s recycled water for cooling tower and other industrial use applications at both of its local refineries doing business as the Valero Corpus Christi West Refinery and the Valero Corpus Christi East Refinery.

Valero proposes a period of time for evaluation, equipment pilot testing and water quality testing to confirm suitability of the Recycled Water and any onsite treatment cost for the intended industrial applications.

To allow Valero time to perform the necessary evaluations and testing, Valero proposes an Agreement for Exclusive Reservation of Recycled Water (the “Reservation”). Under the Reservation, Valero would pay the City a reservation fee of \$100,000.00 and, in exchange, the City would reserve, for Valero’s exclusive benefit, the capacity for delivery of up to 4 million gallons per day (mgd) of recycled water from the new Broadway Wastewater Treatment Plant (BWWTP), or 4 mgd recycled water from any of our other wastewater treatment plants, in the event that the City is no longer operating the BWWTP.

Under the terms of the Reservation, the City agrees not to enter into any other agreement or reservation for the 4.0 mgd of recycled water from the BWWTP or an amount of recycled water that

would in any way restrict the City’s ability to furnish Valero 4.0 mgd of recycled water. Before the Reservation expires, Valero agrees that it will inform the City if it intends to enter into one or more recycled water agreements for either or both of its local refineries.

ALTERNATIVES:

1. Authorize the Reservation as proposed.
2. Request changes to the proposed Reservation.
3. Deny authority to execute the Reservation.
4. Deny authority to execute the Reservation and motion to direct staff to issue an RFP for industrial use of the City’s recycled water

OTHER CONSIDERATIONS:

The City’s wastewater treatment plants produce recycled water that is classified as Type II reclaimed water. TCEQ has granted the City certain authority to deliver its recycled water for the Type II uses allowed under Chapter 210 of the Texas Administrative Code (TAC).

Some of the City’s golf course and cemetery customers use the City’s recycled water for the Type II-allowable use of irrigating their golf courses and cemeteries. Although the law also allows for the use of Type II for cooling towers and other industrial applications, none of the City’s industrial district customers are using the City’s recycled water at this time.

CONFORMITY TO CITY POLICY:

This item conforms to City’s policy to obtain Council’s approval and authority to grant an interest in real property or the city asset of water, which is considered to be a real property-like asset. For our purposes here, the term water as used in this section includes treated wastewater, also known as “effluent,” or “recycled water.”

An industrial water customer’s use of the City’s recycled water for allowable industrial uses is consistent with the City’s water conservation policies.

EMERGENCY / NON-EMERGENCY:

Non-emergency

DEPARTMENTAL CLEARANCES:

FINANCIAL IMPACT:

Operating Revenue Capital X Not applicable

Fiscal Year 2013-2014	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget				
Encumbered / Expended Amount				
This item				

Future Anticipated Expenditures				
BALANCE				

COMMENTS:

RECOMMENDATION:

Approval of the Reservation as proposed.

LIST OF SUPPORTING DOCUMENTS:

Agreement for Exclusive Reservation of Recycled Water Valero