



## STAFF REPORT

**TO:** Board of Directors  
**THRU:** Mark Foree, General Manager  
**FROM:** Scott Estes, Director of Engineering  
**DATE:** October 6, 2014  
**SUBJECT:** **Public Hearing, Second Reading and Possible Adoption of Resolution No. 212: A Resolution to Amend TMWA's Rate Schedule Water System Facility Charges (WSF)**

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### RECOMMENDATION

Staff submits for Second Reading and adoption by resolution the proposed amendments to the TMWA Rate Schedule WSF to facilitate the implementation of the pending merger with Washoe County.

Possible Motion: "I move to adopt Resolution 212 and to amend TMWA's Rate Schedule WSF to be effective upon the Closing Date of the consolidation of Washoe County Community Service Water Utility into TMWA."

### INTRODUCTION

**This report involves only Agenda Item 6.c.ii -- the proposed amendments to the TMWA Rate Schedule WSF.**

In preparation for the merger of Washoe County Community Services Department Water Utility ("WCWU") and the South Truckee Meadows General Improvement District ("STMGID"), staff is recommending changes to TMWA's existing rules and rates, by:

Agenda Item 6.c.i. Amending:

1. Table of Contents
2. Introduction to the Rules
3. Rule 1 Definitions
4. Rule 5 Water System Facilities
5. Rule 7 Dedication of Water Resources and Will-Serve Commitments
6. Rule 9 Service Area Boundaries – Retail
7. Rate Schedule Large Volume Service (LVS)
8. Rate Schedule Firm Standby Partial Requirements (FSPR)

Agenda Item 6.c.i Repealing:

Rule 10 Service Area Boundaries - Wholesale

Agenda Item 6.c.ii Amending:

1. Rate Schedule Water System Facility Charges (WSF)

Agenda Item 6.c.iii Adopting:

1. Rule 10 Mt Rose-Galena Fan Domestic Well Mitigation Program

Agenda Item 6.c.iv. Adopting:

1. Rate Schedule FRMSGID – Former South Truckee Meadows General Improvement District Rates and Charges

Agenda Item 6.c.v. Adopting:

1. Rate Schedule FRMWC – Former Washoe County Water Utility Rates and Charges

The proposed amendments are subject to successful merger. Staff proposes that these changes be adopted now, but that they not become effective until the closing of the Merger, anticipated to occur December 31, 2014. Board review, pursuant to the tentative calendar presented below will lead to final approval of the revisions on October 15, 2014, with the revisions becoming effective upon the actual close of merger.

**DISCUSSION**

In preparation for the merger with Washoe County Community Services Department Water Utility (“Merger”), staff presents for Board consideration proposed revisions to the TMWA’s Rate Schedule WSF. Specifically, staff is proposing amendments to the TMWA Rate Schedule WSF to facilitate the implementation of the pending merger with Washoe County in its entirety as set forth and attached to Resolution No. 212.

Public notices were filed on August 28, 2014. The proposed revisions were presented to the TMWA Standing Advisory Committee for review and comment on September 2, 2014. The SAC did not have comments at that time, but requested the proposed revisions be brought back to the SAC at its October meeting in the event the TMWA Board had revisions or direction for the SAC. Additional public workshops were held on September 10, 2014; attended by 2 WCWU staff, 1 STMGID customer, 2 domestic well owners, and 1 Washoe County customer. No comments, written or otherwise, have been submitted by interested parties with respect to this item.

A summary of the revisions proposed under this agenda item follows.

***Merger Related Revisions to Rate Schedule WSF***

TMWA is proposing amending Schedule WSF to implement applicable cost recovery mechanisms for Washoe County water systems after the close of merger. It is necessary to collect

Facility Charges from new development to reimburse the utility for facility improvements required to meet the demands of new growth. The proposed amendments seek to i) rename “Feeder Main Area Unit Costs” as “Area Facility Unit Costs”; ii) add new Charge Areas in which the Area Facility Unit Costs will apply after the Merger, to capture service areas being added; iii) revising the table of Supply and Treatment Facility Unit Costs to set forth the amount of such costs that will apply to each new Charge Area; iv) revising the table of Storage Facility Unit Costs to set forth the amount of such costs that will apply to each new Charge Area.

The Builders Association of Northern Nevada (BANN) hired consultants to thoroughly review TMWA’s methodology and calculation of Facility Charges in 2006. With the correction of minor errors, the BANN consultants recommended acceptance of the TMWA revisions proposed at that time. TMWA continues to approach the calculation of developer fees utilizing the same methodology. Rule 5 describes what water facilities and Water System Facility Charges the developer will be responsible for. The method of calculating the Facility Charges is given in Rule 5, but Schedule WSF sets forth the actual amount of the applicable Facility Charge Unit Costs.

Schedule WSF only applies to developers seeking new or expanded water service, and does not affect the costs or rates to serve existing customers. Schedule WSF furthers prior Board direction that growth pays for growth.

Staff does not propose any change to the facility charges applicable to TMWA’s existing service area.

The attached redline rule presents the proposed changes. Area Facility Charges are applied on a geographic basis and are based on the cost to expand the capacity of the water system in specific areas where growth is anticipated to occur. In addition to the new Area Facility Charges, TMWA Supply-Treatment Facility Charges will generally apply to growth occurring in County systems that are currently served with TMWA wholesale water supplies (Southeast Truckee Meadows, Horizon Hills and Spanish Springs). Because the cost of facilities to implement conjunctive use on the Thomas Creek/Whites Creek and Galena Creek/Mt. Rose fans will benefit both existing customers and growth, it is proposed that Areas 14 and 15 pay 50 percent of the TMWA Supply-Treatment Facility Charge. Growth in Lemmon Valley will continue to depend on local and imported groundwater resources and therefore, will not be subject to TMWA Supply-Treatment Facility Charges. New development that purchases resource capacity from the Fish Springs system (imported groundwater) will be subject to an additional facility cost component which pays for facilities to integrate that supply into the Lemmon Valley distribution system. Lastly, the Heppner Subdivision area located in the northern part of Lemmon Valley will pay a modified Area 13 Facility Charge (no storage costs) plus an additional fee of \$5,490 (not reflected in the Table) for on-site “subdivision” distribution facilities.

TMWA’s analysis used the total supply capacity available to an area from the combined water systems (TMWA and WC). This is a benefit to new business customers (and one of the significant benefits to the consolidation) as it assumes that all available capacity from both systems will be used up and paid for by new development. In some cases, this resulted in lower overall connection fees in the merged utility than presently exist in Washoe County.