



TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: John Erwin
DATE: October 6, 2014
SUBJECT: **Public Hearing, Second Reading and Possible Adoption of Resolution No. 215: A Resolution to Adopt a new Rate Schedule FRMWC – Former Washoe County Customer Rates and Charges**

RECOMMENDATION

Staff submits for Second Reading and adoption by resolution a new Rate Schedule -- Former Washoe County Utility Rates and Charges (FRMWC) which establishes customer rates to be charged by TMWA to former Washoe County customers following completion of the pending merger with Washoe County.

Possible Motion: “I move to adopt Resolution 215 to adopt Rate Schedule FRMWC to be effective upon the Closing Date of the consolidation of Washoe County Community Service Water Utility into TMWA.”

INTRODUCTION

This report item involves only Agenda Item 6.c.v -- the proposed adoption of a new customer rate schedule applicable to what will be former Washoe County customers, referred to as rate schedule FRMWC.

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 with the actual close of merger.

DISCUSSION

Pursuant to the terms of the January 29, 2010 Interlocal Agreement Governing the Merger of the Washoe County Department of Water Resources and TMWA (“Merger”), TMWA and the County expressed an intention that, among other things, the Merger have little near-term rate consequences for customers of either entity. In furtherance of that intention, TMWA has agreed to adopt and apply County customer rates for the delivery of water service to what will be former Washoe County customers following the Merger. The proposed schedule FRMWC includes rates for all active, billing service sizes and is identical to the rates these Washoe County customers are currently charged. Specifically, staff is proposing adoption of new Rate Schedule FRMWC in its entirety as set forth and attached to Resolution No. 215.

Under current Washoe County ordinances, Washoe County customers are subject to an automatic annual inflationary rate adjustment based on the Consumer Price Index. TMWA staff is proposing eliminating that automatic annual rate adjustment. Staff proposes that Washoe Customer rates are subject to adjustments from time to time in an amount equal to the percentage increase or decrease of customer charges, usage charges and/or usage tiers, as applicable, adopted by the TMWA Board on equivalent TMWA customer rates.

Unlike the STMGID ILA, the Washoe County ILA does not specifically address right of way tolls. The City of Reno and City of Sparks currently impose by ordinance a 5% right of way toll on TMWA water

customers. Those ordinances only apply to TMWA customers living within the jurisdiction of Reno or Sparks; they do not apply to Washoe County customers living within those same jurisdictions. Washoe County has not adopted a right of way toll at this time, so no right of way toll applies to customers living in unincorporated Washoe County. Following the Merger, those former Washoe County customers living in Reno or Sparks will be obligated to pay the Right of Way toll.

Given the intention of the ILA to have little near-term rate consequences, and given the availability of Washoe County treasury to mitigate any adverse rate impacts on TMWA customers, staff is proposing a temporary right of way toll offset for former Washoe County customers to minimize near term rate impacts. Under the proposed offset, TMWA would provide a credit to offset the right of way toll due under ordinance, which credit would sunset over a five year period.

The proposed rates were provided to Washoe County staff for review and comments received were incorporated into the proposed language. 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 9, 2014, attended by 2 WCWU staff and 6 customers of Washoe County. No other comments, written or otherwise, have been submitted by interested parties with respect to this item.

NOTE: Revisions (redlined in the attachment) were made in the pages of the Second Reading to synchronize the "rate code" acronym used within TMWA's electronic billing system to the rate schedule pages and correct references within the schedule.