



STAFF REPORT

TO: Standing Advisory Committee
THRU: Mark Foree, General Manager
FROM: Scott Estes, Director of Engineering
DATE: May 1, 2013
SUBJECT: **Presentation and Request for Input on Revisions to Schedule Water System Fees (WSF) which includes Feeder Main Fees and Facility Charges and Revisions to Rule 5 – Water System Facilities which defines cost and other responsibilities for facilities required to provide new or modified water service.**

RECOMMENDATION

Staff requests the SAC provide input and comments regarding the proposed changes to Water System Facility Charges Rate Schedule (WSF) and Rule 5. Rule 5 defines cost and other responsibilities for water facilities required to provide new or modified water service. Rate Schedule WSF contains Feeder Main Fees and Facility Charges which TMWA collects from new development to reimburse the utility for facility improvements required to meet the demands of new growth.

The proposed revisions to the Rate Schedules are needed to bring the Rate Schedules current to today’s financial and operating environment. Board review, pursuant to the tentative calendar presented below will lead to final approval of the revisions effective July 1, 2013.

May16, 2013	TMWA Board First reading and discussion
June 19, 2013	TMWA Board Second reading and approval

DISCUSSION

A. Schedule WSF Charges

Rule 5 defines cost and other responsibilities for water facilities required to provide new or modified water service. Rate Schedule WSF contains Feeder Main Fees and Facility Charges which TMWA collects from new development to reimburse the utility for facility improvements required to meet the demands of new growth. Feeder Main Unit Costs, Supply and Treatment Facility Unit Costs, and Storage Facility Unit Costs apply only to developers applying for new or expanded water service, and do not affect the costs or rates to serve existing customers. In other words, pursuant to prior Board direction on customer rates: growth pays for growth.

TMWA is proposing updates to Schedule WSF in order to implement applicable cost recovery mechanisms. After a brief discussion of the methodology to calculate the new WSF fees follows, along with a redlined copy of the Schedule WSF.

Table 1 presents a summary of the proposed changes and provides a comparison with existing Fees and Facility Charges. Feeder Main Fees 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 occurring. Facility Charges is a collective term referring to Supply-Treatment Facility Charges and Storage Facility Charges (STS Charges) that generally apply to growth occurring anywhere in the TMWA system. Changes to the current Feeder Main Fee area boundaries are not proposed at this time.

In 2006, during the previous fee review cycle, the Builders Association of Northern Nevada (BANN) hired consultants to thoroughly review TMWA's methodology and calculation of Feeder Main Fees and STS Charges. With the correction of minor errors, the BANN consultants recommended acceptance of the TMWA revisions proposed at that time. TMWA has not changed its methodology and continues to approach the calculation of developer fees as follows:

- Review where the growth is occurring and determine whether the Water Facility Plan (WFP) improvements are still applicable.
- Review the rate of growth and determine if adjustments to the schedule of WFP are necessary.
- Review recent historical facility construction costs and determine if revisions to the facility cost estimates are necessary.
- For facilities constructed since the last Fee review cycle, replace/update the estimated costs with actual construction costs.
- Update demand sold and demand remaining to be sold for all Feeder Main Areas and for the water system as a whole (for STS Fees).
- Update developer fees collected and facility costs remaining for all Feeder Main Areas and for the water system as a whole (for STS Fees).
- If a finance or carrying charge was in effect, the total amount of the finance charge collected must be deducted from the developer fees collected to accurately reflect the remaining facility costs.
- Divide facility costs remaining by the demand remaining to be sold. If facility costs have been undercollected in any Area, divide the undercollected amount by the demand remaining to be sold and add the finance charge to the calculated fee.

Review of historical construction costs and recent construction bids received by TMWA indicate that pipeline costs have not changed significantly; pumping facility costs have increased moderately; and water storage tank costs are in-line with engineering estimates. The proposed increases in the Feeder Main Fees and STS Charges are primarily a result of replacing estimated costs with actual costs; incorporating new facility costs that were not contained in the WFP during the last revision cycle; and revisions to, or the addition of, proposed finance charges.

The facility cost increases are needed to insure that TMWA is reimbursed for the cost to construct improvements to provide additional capacity to serve growth. If adopted, the new Feeder Main Fees and STS Charges will apply only to applications for new or expanded water service, and do not affect the cost to serve existing customers. Based on the latest demand projections, construction of many of the future projects recommended in the WFP will be

delayed as compared to the original WFP projections. Staff will continue to review and incorporate opportunities to delay WFP improvements as long as service levels are not reduced.

Noteworthy changes in Feeder Main Fees include:

- A 25 percent increase in the Area 9 fee can be attributed 100 percent to the finance charge which was added to the base area fee for the first time this review cycle.
- An 18 percent decrease in the Area 10 fee can be attributed to actual facility costs being much less than the original estimates (a decrease of \$700,000 in the numerator) while the denominator (demand remaining to be sold) stayed essentially the same. In addition, the finance charge decreased by about \$400 per Gallons Per Minute (GPM) of demand due to the change in the calculation method (cash-flow method in 2008 vs. actual deficit in collections today).

Changes in the STS Fees are due to:

- The Supply-Treatment Fee increased by 11 percent, or \$429 per GPM, due to a net increase of \$4.7 million in facility costs, primarily because actual costs for the Mogul Bypass, Flumes 1 and 18, and the Railroad Reinforced Concrete Box (RCB) exceeded estimates by about \$6 million (including \$2.5 million for the Burkes Ave RCB, which was not contemplated in 2008).
- The Storage Fee decreased by 23 percent, or \$284 per GPM, due to a net decrease of \$2.7 million in facility costs, primarily resulting from eliminating the Longley Tank (a benefit of future consolidation with Washoe County Department of Water Resources) and moving future Verdi tanks to the Area 7 Fee.

B. Proposed Revisions to Rule 5

With respect to the rules, staff continually monitors the effectiveness of its rules to endeavor to streamline and improve clarity of the language of the rules, to make content relevant to today's operating environment, and to implement applicable cost recovery mechanisms. The attachments for Rule 5 show all proposed revisions in "redline" text. A brief synopsis of the rule with proposed revisions follows below.

Rule 5: Purpose of the Rule: this rule applies to development of land requiring new or modified water service at a service property; this rule specifies the application process and responsibilities of the applicant and of TMWA for costs and facilities.

The proposed revisions to Rule 5 address two basic issues:

- Where a non-residential Applicant requires a modification in water service, such as a tenant improvement, it is normal practice to review the water resource dedications to the current annual water use of the property. If the property has been using more water than has been dedicated, there is a Demand Deficit at the property and the Applicant will be required to dedicate

additional water resources to erase the deficit. Although it has been TMWA's practice to collect Facility Charges for the deficit demand, it was not clearly stated as such in Rule 5. Several text changes are made to clarify that WSF charges will apply to deficit demands. With the change discussed below, WSF charges will also apply to new demand satisfied with water resource credits.

- Previous changes to Rule 5 provided for the creation of a WSF Credit (dollar credit) for projects that had been cancelled or where the TMWA Water Service Agreement had been terminated. This credit could be used to satisfy WSF charges in subsequent TMWA Water Service Agreements anywhere in the TMWA Retail Area. However, since TMWA makes decisions on the timing of capacity improvements in a specific area based on the commitment represented by the payment of WSF charges, it makes sense that the credit be limited to future use within the area for which the fees were paid. Otherwise, an Applicant could potentially take their credit to another Area which could result in additional TMWA expenditures for new capacity there. Therefore, changes are proposed so that WSF Fees remain appurtenant to the property for which they were paid and are not transferrable.

PROPOSED TMWA FEEDER MAIN FEES AND FACILITY CHARGES

Area	Description	Existing Fee ⁽¹⁾	Proposed Base Fee ⁽²⁾	Proposed Finance Charge	Proposed Total Fee	Change \$\$	% Change
1	South Truckee Meadows	\$ 971	\$ 958		\$ 958	\$ (13)	(1)%
2	Sparks-East Reno	\$ 1,553	\$ 1,711		\$ 1,711	\$ 158	10%
2A	Sparks-Inside McCarran Ring	\$ 776	\$ 856		\$ 856	\$ 80	10%
3	NW Reno-Northgate/Mogul	\$ 1,472	\$ 1,527	\$ 49	\$ 1,575	\$ 103	7%
4	Sparks-Spanish Springs	\$ 2,697	\$ 2,652	\$ 225	\$ 2,877	\$ 180	7%
5	Sparks-The Vistas	\$ 4,254	\$ 3,895	\$ 660	\$ 4,555	\$ 301	7%
6	Sun Valley-Sullivan	\$ 1,355	\$ 1,218	\$ 91	\$ 1,309	\$ (46)	(3)%
7	NW Reno-Verdi	\$ 4,876	\$ 5,001		n/a	\$ 125	3%
8	Sierra-North Virginia	\$ 4,115	\$ 3,431	\$ 737	\$ 4,168	\$ 53	1%
9	Lakeridge-Plumas	\$ 1,474	\$ 1,491	\$ 346	\$ 1,838	\$ 364	25%
10	Stead-Silver Lake	\$ 6,864	\$ 4,963	\$ 660	\$ 5,623	\$ (1,241)	(18)%
	Supply-Treatment Facility Charge Unit Cost	\$ 3,734	\$ 3,887	\$ 276	\$ 4,163	\$ 429	11%
	Storage Facility Charge Unit Cost	\$ 1,217	\$ 833	\$ 100	\$ 933	\$ (284)	(23)%

Notes to Table:

1. The existing fees became effective on 3/1/08 and were based on demands added and fees collected through 6/30/07. Existing fees included Finance Charges in Areas 4, 5, 8 & 10 and STS Facility Charges.
2. The proposed fees are based on demands added and fees collected through 6/30/12. Proposed fees are scheduled to go into effect on July 1, 2013 subject to the approval of the TMWA Board of Directors.
3. Area 7 Fee is shown for informational purposes only – the Area 7 fee has been temporarily inactivated.

Truckee Meadows Water Authority

RULE 5

WATER SYSTEM FACILITIES

A. Applicability

1. This Rule defines the responsibilities of the Authority and of the Applicant for the cost and requirements for construction, extension and/or modification of Water System Facilities required to provide new Service or Modified Service to the Applicant's project(s) within the Authority's approved retail service boundary. No Service Property shall be eligible for water service, nor shall Authority have any obligation to provide water service to any Service Property, if the Service Property is located outside Authority's retail service area. Where an Applicant seeks new Service to a Service Property located outside the Authority's retail service area, the Authority may, in its sole discretion, annex the Service Property into the Authority's retail service area on the terms and conditions stipulated in an Annexation Agreement between Authority and Applicant.
2. Definitions. Terms not defined in this section shall have the meaning set forth in Rule 1. As used in this Rule:
 - a. "Applicant" shall mean the legal owner of the Service Property to receive New or Modified Water Service which results in the need for addition to or modification of Water System Facilities.
 - b. "Applicant Installed Facilities" shall mean those Water System Facilities or portions of Water System Facilities required or approved by the Authority for installation by Applicants, and include Project Mains and associated Facilities, Meters or Services.
 - c. "Authority Installed Facilities" shall mean those Water System Facilities or portions of Water System Facilities installed and constructed by the Authority or its agent, and including, but not limited to, supply/treatment improvements, feeder mains, pressure regulating stations, system interties, new pump stations or rebuilds of pump stations, new standby power generators, storage facilities, and retrofit additions.
 - d. "Business Services" shall mean the cost of services provided by the Authority for the benefit of the Applicant associated with providing new Service or Modified Service and may include, but are not limited to, system planning; engineering design; permitting; property, right-of-way, or easement acquisition; design review; material acquisition; bidding and contracting; construction; construction management; inspection; and administrative overheads and financing costs.
 - e-e. "Deficit Demand" shall have the meaning ascribed to such term in Rule 7.
 - e-f. "Effective Date of the Water Service Agreement" shall mean the earlier of (i) the date stated in a Water Service Agreement that it is to become effective or

Added: 03/23/01 Amended: 10/01/03; 03/01/05; 03/01/08; 05/21/09; 05/21/10

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- (4) Supply and Treatment Facility Charge. Applicants shall be responsible for a Supply and Treatment Facility Charge, the amount of which will be based on the following calculation:

Supply and Treatment Facility Charge = Demand multiplied by Supply and Treatment Facility Unit Cost

Where:

Supply and Treatment Facility Charge = Applicant's share of costs to add new or modify existing supply and treatment facilities.

Demand = Excluding fire flow, Applicant's Maximum Day Demand plus any Deficit Demand at the Service Property in GPM ~~(not including fire flow)~~ as determined by the Authority.

Supply and Treatment Facility Unit Cost = unit cost in dollars per GPM of Maximum Day Demand, representing the cost to construct and finance supply/treatment improvements identified by the Authority as set forth in Rate Schedule WSF.

- (5) Storage Facilities. Where, as solely determined by the Authority, storage is required that benefits or serves primarily the Applicant's Project, the Applicant will be solely responsible for financing, constructing and dedicating to the Authority the storage facilities required to serve the Applicant's Project. The Authority, at its option, may require Applicant to oversize said storage facilities; in such case, Authority shall be responsible for Oversizing Costs as provided in Section B.5 of this Rule 5.

- (i) If not required to construct and dedicate storage facilities, the Applicant shall pay the Authority a Storage Facility Charge, the amount of which will be based on the following calculation:

Storage Facility Charge = Demand multiplied by Storage Facility Unit Cost

Where:

Storage Facility Charge = Applicant's share of storage costs including operating, fire and emergency storage components.

Demand = Excluding fire flow, Applicant's Maximum Day Demand plus any Deficit Demand at the Service Property in GPM ~~(not including fire flow)~~ as determined by Authority.

Storage Facility Unit Cost = unit cost in dollars per GPM of Maximum Day Demand, representing the cost to construct and finance storage

Added: 03/23/01 Amended: 10/01/03; 03/01/05; 03/01/08; 05/21/09; 05/21/10

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improvements identified by Authority as set forth in Rate Schedule WSF.

- (6) Feeder Main Facilities. The Applicant is solely responsible for the cost of Feeder Mains required by the Authority to provide the necessary capacity for the requested New or Modified Service. The Authority, at its option, may require Applicant to oversize said Feeder Main facilities; in such case, Authority shall be responsible for Oversizing Costs as provided in Section B.5 of this Rule 5.

- (i) If Applicant's Project is determined to be located in a Feeder Main Charge Area as set forth in Rate Schedule WSF, the Applicant shall pay the Authority a Feeder Main Charge, the amount of which will be based on the following calculation:

Feeder Main Charge = Demand multiplied by the Feeder Main Unit Cost

Where:

Feeder Main Charge = Applicant's share of Feeder Main facility costs.

Demand = Excluding fire flow, Applicant's Maximum Day Demand plus any Deficit Demand at the Service Property in GPM ~~(not including fire flow)~~ as determined by Authority.

Feeder Main Unit Cost = unit cost in dollars per GPM of Maximum Day Demand, representing the cost to construct and finance Feeder Main improvements for the appropriate Charge Area as identified by Authority as set forth in Rate Schedule WSF.

- (7). Pressure Regulator Stations and System Intertie Facilities. If applicable, these facilities may include Meter Facilities. Applicant is solely responsible for the actual cost of these Facilities as required to serve the Applicant's project. Capacity requirements are solely determined by the Authority.
- (8). Standby Power Generator Additions or Retrofits. Applicant is solely responsible for the actual cost of standby power generation additions or retrofits required to provide additional reliable, normal, or fire flow capacity, or provide alternative pumping capacity in compliance with local, State and Federal regulations.

Added: 03/23/01 Amended: 10/01/03; 03/01/05; 03/01/08; 05/21/09; 05/21/10

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- (9). Pump Station Additions or Rebuilds. Applicant is solely responsible for the actual cost of pump station additions or rebuilds required to provide additional reliable, normal, or fire flow capacity, or provide alternative pumping capacity or power sources in compliance with local, State and Federal regulations. Pump station additions or rebuilds and/or standby power installations are not eligible for reimbursement or participation payments from subsequent development.
- e. For projects with total costs as estimated by the Authority of twenty-five thousand dollars (\$25,000.00) or greater, the Applicant shall advance the estimated project costs and, following acceptance and completion of such projects by the Authority, Applicant payments will be adjusted to reflect the actual cost of the project and the Applicant will be billed or reimbursed as applicable. On projects with total estimated costs as estimated by the Authority less than twenty-five thousand dollars (\$25,000.00) the Applicant's cost responsibilities shall be the estimated cost of the project.
- f. Participation Payments. An Applicant whose Project(s) require or will utilize a portion of previously constructed Oversized Facilities shall pay Authority a participation payment based on a proration of the Applicant's project(s)' demand relative to the total capacity of previously installed Oversized Facilities or other appropriate proration as determined by the Authority.
- g. Payment of Schedule WSF Charges. Applicant shall be required to pay WSF charges set forth in Section B.4.d.(4), (5), and (6) above for all Project Demand and Deficit Demand as determined by the Authority.
- h. Schedule WSF Payments Appurtenance. WSF charges paid by an Applicant are appurtenant to the Service Property for which they were paid and are held for the benefit of the Service Property owner, except: (i) where forfeited as a result of retirement of Service(s); (ii) with respect to refunds issued pursuant to Section B.6.c.(1); or (iii) with respect to credits issued pursuant to Section B.6.c.(2).
5. Oversizing Facilities and Oversizing Reimbursements
- a. The Authority may, at its option, require installation of Oversized Facilities, the cost of which Applicant shall be required to advance.
- b. The cost of pump station additions or rebuilds (to existing pump station facilities), standby power installations, pressure regulating stations, system inerties, Project Mains and Feeder Mains sized to meet ~~only~~ the requirements of the Applicant's project are not eligible for reimbursement or participation payments.
- c. Oversizing Reimbursements. Except as otherwise provided in an Annexation Agreement, an applicant is eligible for future reimbursement of Oversizing Costs subject to the following:

Added: 05/21/09 Amended: 05/21/10; 01/19/12

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- b. A Water Service Agreement shall automatically terminate and be null and void without further notice from the Authority (i) on the date and terms stated within the Water Service Agreement; (ii) on the date Applicant provides written notice to the Authority that Applicant's project is canceled; (iii) if Applicant does not commence construction on water facilities required by this Rule and/or the Water Service Agreement within 12 months of the effective date of the Water Service Agreement or within such other deadline contained in the Water Service Agreement; or (iv) on the date approval for the project by the applicable governing body expires or is terminated. Upon the termination of a Water Service Agreement, the Application for the project for new Service or Modified Service shall automatically be deemed rejected or canceled.
- (1) If a rejected or canceled Application for the project is re-submitted, a new Water Service Agreement must be entered into by the Authority and Applicant for the project, which agreement may include different terms and conditions, including different fees and facility charges, than those set forth in the prior terminated Water Service Agreement.
- c. If a Water Service Agreement has been executed by Applicant and Authority, and Applicant has paid all required charges in accordance with Schedule WSF and the Water Service Agreement is subsequently terminated, the Applicant shall be entitled to a cash refund or a dollar credit, as set forth below:
- (1) If the total Schedule WSF charges paid by the Applicant pursuant to the terminated Water Service Agreement are \$50,000 or less and Applicant submits a written request for a refund to the Authority within 60 days after the execution of the Water Service Agreement, Authority will refund the Applicant or Applicant's designated successor or assign such Schedule WSF charges paid by the Applicant, without interest.
- (2) If the total Schedule WSF charges paid by the Applicant pursuant to the terminated Water Service Agreement are more than \$50,000 or the written request for a refund to the Authority is made more than 60 days after the execution of the Water Service Agreement, Authority shall issue a dollar credit to the owner of the Service Property or its Applicant, or Applicant's designated successor or assign, equal to the Schedule WSF charges paid by Applicant, without interest. Dollar credits may be assigned or transferred to other parties only upon notification to and written approval from the Authority. A dollar credit issued pursuant to this subsection can only be applied to Schedule WSF charges applicable to other Water Service Agreement(s) for Application(s) for new Service and Modified Service within the same Feeder Main Area as the Service Property for which the dollar credit was issued. Authority's retail service area. Written as direction to the Authority in writing by the Service Property owner, or its Applicant, or Applicant's designated successor or assign, is required to apply dollar credits to subsequent Water Service Agreement(s). In no event can any dollar credit issued by Authority be converted to a cash refund.

Added: 05/21/09 Amended: 05/21/10; 01/19/12