



STAFF REPORT

TO: TMWA Board of Directors
THRU: Lori Williams, General Manager
FROM: Scott Estes/Mark Foree/Jeff Tissier/John Erwin
DATE: January 8, 2008
SUBJECT: First Reading of Proposed Changes to Rate Schedule WSF - Water System Facility Charges – Scott Estes, Mark Foree, Jeff Tissier and John Erwin

RECOMMENDATION

Staff recommends approval of the revisions to Rate Schedule WSF - Water System Facility Charges as shown on the *attached Table 1* with an effective date of March 1, 2008. These rates would apply to all Water Service Agreements executed on or after the effective date.

DISCUSSION

This is the first reading of the proposed revisions to fees contained in Rate Schedule WFS - Water System Facility Charges. Rate Schedule WSF includes Facility Charges and Feeder Main Fees which TMWA collects from new development to reimburse the utility for facility improvements required to meet the demands of new growth. A brief discussion of the major proposed revisions to Rate Schedule WSF is presented below. The existing and proposed revised rates are attached (*Attachment 2*) to this report for detailed review.

The proposed revisions to Schedule WSF are needed so that the rates reflect current and actual costs of installing mains, storage and treatment facilities. Board review, pursuant to the calendar of meetings presented below will lead to final approval of the revisions effective March 1, 2008.

December 4, 2007	Presentation and Input from the Technical Advisory Committee
December 12, 2007	Public Workshop on proposed changes
January 8, 2008	Presentation and Input from Standing Advisory Committee (continued from December 4, 2007 meeting)
January 16, 2008	TMWA Board First reading and discussion
February 20, 2008	TMWA Board Second reading and approval

In addition, TMWA directly notified the Builder’s Association of Northern Nevada (BANN) of the proposed revisions on November 16, 2007 and followed up with a delivery of all calculations, worksheets and references on November 19, 2007. In response to a BANN request, TMWA made a formal presentation to a BANN subcommittee on December 11, 2007. Also, all customers with a current water service application or agreement with TMWA were notified in early December about the Public Workshop and the Board Meeting schedule for the proposed fee changes.

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Feeder Main Fees and associated feeder main charge areas were originally implemented as approved by the Board in February 2002. The Supply/Treatment and Storage ("STS") Facility Charges were first implemented in June 2003. Feeder Main Fees and STS Facility Charges were initially revised in March 2005 and updated again in November 2006.

The attached 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. Changes to the current Feeder Main Fee area boundaries are not proposed at this time.

Feeder Main Fees and STS Facility Charges increased significantly in November 2006, primarily due to the increased cost of construction. Review of construction bids received by TMWA over the last twelve months, as compared to engineering estimates, indicate that pipeline costs have not changed significantly; pumping facility costs have increased moderately; and, water storage tank costs are in-line with current engineering estimates.

The currently proposed increases in the Feeder Main Fees and STS Facility Charges are primarily a result of replacing estimated costs with actual costs; incorporating new estimates for pumping facilities; 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 Facility Charges will apply only to applications for new or expanded water service, and do not affect the cost to serve existing customers.

1 Feeder Main Fees

- a In the past, Feeder Main Fee collections outpaced expenditures, thus no carrying or finance charge was incurred or proposed. However, expenditures now or soon will exceed collections in several Feeder Main Areas including Area 4 (Spanish Springs), Area 5 (The Vistas), Area 8 (North Virginia) and Area 10 (Stead-Silver Lake). The relatively large finance charges proposed for Areas 5, 8 and 10 are primarily the result of recent significant construction costs and the fact that TMWA will have to carry the cost of construction for the foreseeable future.
- b As discussed during the previous revisions incorporated in November 2006, the methodology used to allocate the Sparks Feeder Main projects was modified to reflect the relative difference in demand in Spanish Springs as compared to development further south in the older sections of Sparks. Previous methodology relied more upon the location of the improvements rather than where the supply had to be delivered. Therefore, "by design" there is a slight decrease in the Area 2 Feeder Main Fee and increases to the Area 4 and Area 5 Feeder Main Fees. However, as mentioned above, the significantly larger increase to the proposed Area 5 Fee is primarily due to incorporating actual improvement costs of facilities constructed over the last year.

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2 Supply/Treatment Facility Charge

- a The proposed increase in this facility charge can be attributed to significant increases in the engineering cost estimates to construct the Mogul Bypass and Chalk Bluff Phase 4, and, to a lesser extent, increases in the estimated cost of the Sparks Groundwater Treatment Plant and several groundwater wells. The increase for the Sparks Groundwater Treatment Plant is actually a correction of an error that was discovered in the 2006 analysis by The Builder's Association of Northern Nevada (BANN's) consultant.

3 Storage Facility Charge

- a This facility charge is proposed to decrease slightly. This is primarily due to the fact that cost estimates for future projects did not increase and in several cases decreased slightly to reflect current market conditions.

The cost estimates utilized to develop the Facility Charges and Feeder Main Fees are not adjusted for inflation; therefore, it is necessary to analyze these charges and fees on a regular basis. By doing so, TMWA is also able to review the timing of capacity projects and more accurately reflect current market conditions and adjust costs accordingly. Based on the latest demand projections and the current development market conditions, staff is recommending that the next phase of the Sparks Feeder Main proceed as scheduled, but that the Verdi improvements be delayed until actual development plans materialize in the Verdi area. Staff will continue to review and incorporate opportunities to delay improvements identified in the Capital Improvement Plan as long as there are no reductions in service levels.

TABLE 1 – PROPOSED FEEDER MAIN FEES AND FACILITY CHARGES

Area	Feeder Main Area Descriptions	Existing Fee ⁽¹⁾	Proposed Base Fee	Proposed Finance Charge	Total Proposed Fee	Increase	% Increase
1	South Truckee Meadows	\$ 955	\$ 971	\$ 0	\$ 971	\$ 16	2%
2	Sparks-East Reno	\$ 1,578	\$ 1,553	\$ 0	\$ 1,553	\$ (25)	(2)%
2A	Sparks-Inside McCarran Ring	\$ 789	\$ 776	\$ 0	\$ 776	\$ (13)	(2)%
3	NW Reno-Northgate/Mogul	\$ 1,214	\$ 1,472	\$ 0	\$ 1,472	\$ 258	21%
4	Sparks-Pyramid/Spanish Springs	\$ 2,337	\$ 2,631	\$ 66	\$ 2,697	\$ 360	15%
5	Sparks-The Vistas	\$ 2,965	\$ 3,677	\$ 577	\$ 4,254	\$ 1,289	43%
6	Sun Valley-Sullivan	\$ 1,303	\$ 1,355	\$ 0	\$ 1,355	\$ 52	4%
7	NW Reno-Mogul-Verdi	\$ 4,882	\$ 4,876	\$ 0	\$ 4,876	\$ (6)	0%
8	Sierra-North Virginia	\$ 2,596	\$ 3,665	\$ 450	\$ 4,115	\$ 1,519	59%
9	Lakeridge-Plumas	\$ 1,291	\$ 1,474	\$ 0	\$ 1,474	\$ 183	14%
10	Stead-Silver Lake	\$ 6,048	\$ 5,814	\$ 1,050	\$ 6,864	\$ 816	13%
	Existing System Wide Charges						
	Supply-Treatment Facility Charge Unit Cost	\$3,236 ⁽²⁾	\$3,620	\$ 114	\$3,734	\$ 498	15%
	Storage Facility Charge Unit Cost	\$1,240 ⁽²⁾	\$1,004	\$ 213	\$1,217	\$ (23)	(2)%

Notes to Table:

- Existing Feeder Main Fees became effective on November 16, 2006. The existing Feeder Main Fees do not include any finance charges.
- The existing Supply-Treatment Facility Charge includes a finance charge of \$324 per Gallon Per Minute (GPM). The existing Storage Facility Charge Unit Cost includes a finance charge of \$233 per GPM.

Truckee Meadows Water Authority

RATE SCHEDULES

WSF – WATER SYSTEM FACILITY CHARGES

APPLICABILITY

Pursuant to procedures set forth in Rule 5, the addition of new Service or Modified Service to existing water system Facilities in order to provide water Service to a particular Service Property(ies) subject to the following charges. Charges are based on the Maximum Day flow estimated in gallons per minute (gpm) by the Authority to serve the Service Property(ies) multiplied by these charges. The following water system Facility charges will be assessed where applicable and as identified in the Water Service Agreement.

A. Feeder Main Charge by Charge Area

1	South Truckee Meadows	\$ 955 <u>971</u> .00	per gpm
2	Sparks-East Reno	1,578 <u>1,553</u> .00	per gpm
2A	Sparks- East Reno-A <u>Inside McCarran Blvd</u>	789 <u>776</u> .00	per gpm
3	Northwest Reno – Northgate/Mogul	1,214 <u>1,472</u> .00	per gpm
4	Sparks – Pyramid/Spanish Springs	2,337 <u>2,697</u> .00	per gpm
5	Sparks – The Vistas	2,965 <u>4,254</u> .00	per gpm
6	Sun Valley-Sullivan Pump Zones	1,303 <u>1,355</u> .00	per gpm
7	Northwest Reno – Verdi	4,882 <u>4,876</u> .00	per gpm
8	Sierra-North Virginia Pump System	2,596 <u>4,115</u> .00	per gpm
9	Lakeridge-Plumas Pump System	1,291 <u>1,474</u> .00	per gpm
10	Stead – Silver Lake	6,048 <u>6,864</u> .00	per gpm

B. Supply and Treatment Facility Charge ~~\$3,236.00~~ 3,734 per gpm

“Supply and Treatment Facility Unit Cost” is the unit cost in dollars per gpm of Maximum Day Demand, representing the cost to construct and finance supply/treatment improvements identified in the Authority’s facility plan.

C. Storage Facility Charge ~~\$1,240.00~~ 1,217 per gpm

“Storage Facility Unit Cost” is the unit cost in dollars per gpm of Maximum Day Demand, representing the cost to construct and finance storage improvements identified in the Authority’s facility plan.

NOTE: The approximate boundaries of the Feeder Main Charge Areas are depicted by number on the included map. Please note that because TMWA’s distribution system undergoes frequent modification, Feeder Main Charge Area boundaries are subject to frequent adjustment. TMWA attempts to keep a current map posted on its website, at www.tmh2o.com; however, this map may not show sufficient detail to depict Charge Areas precisely. The Authority will determine, at the time of application, the Feeder Main Charge Area and associated Feeder Main charges to serve the Applicant’s Service Property(ies), and said charges will be collected when the Water Service Agreement is executed.