

City of Richland Resolution No. 100-20 temporarily designates virtual locations for all municipal meetings. This meeting will be held remotely via Zoom. Members of the public may attend this meeting by selecting the Zoom link or by calling the phone numbers provided.



Agenda
Utility Advisory Committee Meeting
Tuesday, January 11, 2022
Join the Zoom Meeting [here](#)
Public Telephone Access: (206) 337-9723 or (253) 215-8782
Meeting ID No. 930 7525 3836

Committee Members: Chair Porter, Vice-Chair Gregoire and Members Campbell, Felton, Larkin, Lo Presti and Sanders

Liaisons: Council Liaison Lemley
Staff Liaison Whitney

Regular Meeting - 3:00 p.m.

Call to Order/Attendance:

UAC Chair and Vice Chair Selection:

Approval of Agenda: (Approved by Motion)

Approval of Minutes: (Approved by Motion)

Approval of November 9, 2021, Meeting Minutes

Public Comments:

Items of Business:

2. Status - Each City Utility (15 Minutes)
 - Clint Whitney, Energy Services Director
 - Pete Rogalsky, Public Works Director
 - Tom Huntington, Fire & Emergency Services Director
3. BPA FY 2022 Power Reserves Distribution Clause (10 Minutes)
 - Clint Whitney, Energy Services Director
4. Northwest RiverPartners Lower Snake River Dams (LSRD) Communications Campaign (10 Minutes)
 - Clint Whitney, Energy Services Director
5. Water and Sewer Rates (15 Minutes)
 - Pete Rogalsky, Public Works Director
6. Water and Sewer Facilities Assessment Study (15 Minutes)
 - Pete Rogalsky, Public Works Director
7. Badger Mountain South Water Supply (20 Minutes)
 - Pete Rogalsky, Public Works Director

Unfinished Business:**Other Informational Items:**

8. Capital Work Plan Update (RES)
 - Clint Whitney, Energy Services Director
9. Forward Agenda Planning

Adjournment

Richland Public Library is ADA accessible with special parking and access available at the entrance facing Northgate Drive. Requests for sign interpreters, audio equipment, and/or other special services must be received 48 hours prior to the meeting by calling the City Clerk's Office at 509-942-7389.



UTILITY ADVISORY COMMITTEE AGENDA ITEM COVERSHEET

Meeting Date: 1/11/2022

Agenda Category: Approval of Minutes

Prepared By: Samantha Nolan-White, Administrative Assistant II

Subject:

Approval of November 9, 2021, Meeting Minutes

Department:

Energy Services

Recommended Motion:

Approve the minutes of the Utility Advisory Committee meeting held on November 9, 2021.

Summary:

Attached are the minutes from the Utility Advisory Committee meeting held on November 9, 2021.

Fiscal Impact:

Attachments:

1. 11-09-2021 Meeting Minutes - DRAFT



MINUTES

UTILITY ADVISORY COMMITTEE REGULAR MEETING

Tuesday, November 9, 2021

Zoom - Public Telephone Access: (206) 337-9723 or (253) 215-8782

Meeting ID No. 930 7525 3836

Utility Advisory Committee Regular Meeting – 3:00 p.m

Chair Porter called the meeting to order at 3:02 p.m.

Attendance: Chair Dan Porter, Vice Chair Don Gregoire, Committee Members Charlton Campbell, Larry Felton, Charles LoPresti and James Sanders were remotely present. Committee Member Dave Larkin was absent.

Also remotely present were Council Liaison Phil Lemley, Staff Liaison and Energy Services Director Whitney, Public Works Director Rogalsky, Fire Battalion Chief Van Beek, and Administrative Assistant II Nolan-White.

Approval of Agenda

VICE CHAIR GREGOIRE MOVED AND MEMBER SANDERS SECONDED THE MOTION TO APPROVE THE AGENDA AS PUBLISHED. THE MOTION CARRIED 6-0.

Approval of Minutes

MEMBER SANDERS MOVED AND MEMBER FELTON SECONDED THE MOTION TO APPROVE THE SEPTEMBER 14, 2021, MEETING MINUTES AS PUBLISHED. THE MOTION CARRIED 6-0.

Public Comments

None.

Items of Business

1. Status of Each City Utility
Energy Services Director Whitney and Public Works Director Rogalsky both provided brief updates regarding their respective utilities.
2. Advanced Metering Infrastructure Update
Energy Services Director Whitney provided an update on the progress of the Advanced Metering Infrastructure (AMI) project.
3. Resource Adequacy – 2021 Northwest Power Plan Draft
Energy Services Director Whitney provided and discussed the draft of the 2021 Northwest Power Plan.

4. COVID Supply Chain Issues
Energy Services Director Whitney discussed how supply chain disruptions caused by the ongoing COVID-19 pandemic are affecting Energy Services.
5. Ambulance Utility Rates and Strategic Plan
Fire Battalion Chief VanBeek presented the final draft of the Ambulance Utility Strategic Plan and requested the Committee's support in adopting the plan.

VICE CHAIR GREGOIRE MOVED AND MEMBER SANDERS SECONDED THE MOTION TO SUPPORT STAFF'S RECOMMENDATION TO ADOPT THE MEDICAL AND AMBULANCE SERVICE UTILITY STRATEGIC PLAN (2022-2024). THE MOTION CARRIED 6-0.

6. Forward Planning Discussion
The committee discussed the topics they would like to address during 2022.

Unfinished Business

None.

Other Informational Items

Information on the following items was provided to the committee members for later review:

1. 3Q21 Financials
2. 2021 CWP Status
3. 2022 Capital Work Plan
4. X-energy High Temperature Gas-Cooled Reactors (HTGRs)
5. BPA 115k Line Fire
6. Forward Agenda Planning

Adjournment

Chair Porter adjourned the meeting at 5:13 p.m.

APPROVED:

Dan Porter, Utility Advisory Committee Chair

ATTESTED:

Samantha Nolan-White, Administrative Assistant II

DATE APPROVED:

DATE PUBLISHED:



UTILITY ADVISORY COMMITTEE AGENDA ITEM COVERSHEET

Meeting Date: 1/11/2022

Agenda Category: Items of Business

Prepared By: Clint Whitney, Energy Services Director

Subject:

Status - Each City Utility (15 Minutes)

Department:

Energy Services

Recommended Motion:

This item is for information only.

Summary:

Fiscal Impact:

Attachments:



UTILITY ADVISORY COMMITTEE AGENDA ITEM COVERSHEET

Meeting Date: 1/11/2022

Agenda Category: Items of Business

Prepared By: Clint Whitney, Energy Services Director

Subject:

BPA FY 2022 Power Reserves Distribution Clause (10 Minutes)

Department:

Energy Services

Recommended Motion:

This item is for information only.

Summary:

On December 15, 2021, BPA's Administrator issued a letter announcing a credit for preference firm customers for the federal fiscal year 2022. The credit will be applied monthly to each preference firm wholesale power customer, including the City of Richland. The Reserve Distribution Clause (RDC) credit triggers automatically when BPA's financial reserves exceed certain conditions identified in BPA's Financial Reserve Policy. In this situation it resulted in a credit. However, at other times it can occur as an unplanned Cost Recovery Adjustment Clause (CRAC) expense. The total of the one-time credit for FY 2022 is approximately \$272k. Compared to a typical \$50M annual wholesale power expense, the \$272k credit represents approximately 0.5% of wholesale power expenses. Staff does not recommend any rate adjustment at this time.

Attached is a copy of the letter issued by the BPA Administrator and the distribution of monthly estimated credits for each preference firm wholesale customer.

Fiscal Impact:

Attachments:

1. FINAL RDC Letter
2. Final FY 2022 Power DD Credit Estimates by PF Customer



Department of Energy
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

December 15, 2021

In reply refer to: Finance

Subject: BPA applies Power Reserves Distribution Clause amount to rate relief

I am pleased to announce that BPA will apply the fiscal year 2021 Power Reserves Distribution Clause amount of \$13.7 million to a power rate reduction. The Power RDC will be applied to customers' bills from December 2021 through September 2022. This decision concludes our public process for the FY 2021 RDC.

An important element of our Financial Reserves Policy, the RDC triggers when certain conditions are met. The policy gives the BPA administrator the discretion to apply the RDC amount to rate reduction, incremental capital investment, debt reduction or another high-value purpose.

I based this decision on the economic challenges our customers and their end-users continue to face, in combination with Power Services' strong financial performance and the expectation that its debt-to-asset ratio will continue to decline in FY 2022.

I appreciate the feedback from those who commented on BPA's preliminary decision, shared Nov. 23. All comments supported the draft decision to apply the Power RDC to a rate reduction.

The RDC amount will be returned as a rate credit on Power customer bills from December 2021 through September 2022. The FY 22 non-Slice rate credit will be \$0.38 per megawatt-hour for the last 10 months of the fiscal year (equivalent to an annual reduction of \$0.31 per megawatt-hour). This will reduce the average non-Slice rate by 0.4% compared to the BP-22 Final Proposal – which, as a reminder, was lower than BP-20 rates. As always, rate impacts to individual customers will vary based on the quantity and type of products purchased. Please see the rate calculations and bill credit estimates by customer on the [Rate Adjustments](#) website.

Affordable power is a cornerstone of our region's economy. I hope this decision brings the region some respite during this challenging time.

A handwritten signature in black ink, reading "John L. Hairston". The signature is fluid and cursive, with the first name "John" being particularly prominent.

John L. Hairston
Administrator and CEO

FY 2022 Power Dividend Distribution Credit Estimates by PF Customer net Low Density Discount													
(the amounts below may differ from billed amounts due to rounding)													
	BESID	Preference Customer	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Total
	10005	Alder Mutual	(\$162)	(\$134)	(\$116)	(\$139)	(\$108)	(\$149)	(\$160)	(\$151)	(\$146)	(\$135)	(\$1,400)
	10015	Asotin County PUD #1	(\$174)	(\$144)	(\$125)	(\$149)	(\$116)	(\$160)	(\$171)	(\$162)	(\$157)	(\$145)	(\$1,503)
	10024	Benton County PUD #1	(\$31,787)	(\$26,254)	(\$22,755)	(\$27,165)	(\$21,090)	(\$29,221)	(\$31,223)	(\$29,645)	(\$28,649)	(\$26,475)	(\$274,264)
	10025	Benton REA	(\$16,949)	(\$13,999)	(\$12,133)	(\$14,485)	(\$11,245)	(\$15,581)	(\$16,648)	(\$15,807)	(\$15,276)	(\$14,117)	(\$146,240)
	10027	Big Bend Elec Coop	(\$17,106)	(\$14,128)	(\$12,245)	(\$14,619)	(\$11,349)	(\$15,725)	(\$16,802)	(\$15,953)	(\$15,417)	(\$14,247)	(\$147,591)
	10029	Blachly Lane Elec Coop	(\$4,896)	(\$4,044)	(\$3,505)	(\$4,184)	(\$3,248)	(\$4,501)	(\$4,809)	(\$4,566)	(\$4,413)	(\$4,078)	(\$42,244)
	10044	Canby, City of	(\$6,167)	(\$5,094)	(\$4,415)	(\$5,270)	(\$4,092)	(\$5,669)	(\$6,058)	(\$5,752)	(\$5,558)	(\$5,137)	(\$53,212)
	10046	Central Electric Coop	(\$22,872)	(\$18,891)	(\$16,373)	(\$19,547)	(\$15,175)	(\$21,026)	(\$22,466)	(\$21,331)	(\$20,614)	(\$19,050)	(\$197,345)
	10047	Central Lincoln PUD	(\$47,575)	(\$39,295)	(\$34,058)	(\$40,658)	(\$31,566)	(\$43,735)	(\$46,731)	(\$44,369)	(\$42,879)	(\$39,625)	(\$410,491)
	10055	Albion, City of	(\$121)	(\$100)	(\$87)	(\$103)	(\$80)	(\$111)	(\$119)	(\$113)	(\$109)	(\$101)	(\$1,044)
	10057	Ashland, City of	(\$6,359)	(\$5,252)	(\$4,552)	(\$5,435)	(\$4,219)	(\$5,846)	(\$6,246)	(\$5,931)	(\$5,731)	(\$5,296)	(\$54,867)
	10059	Bandon, City of	(\$2,320)	(\$1,916)	(\$1,661)	(\$1,982)	(\$1,539)	(\$2,132)	(\$2,278)	(\$2,163)	(\$2,091)	(\$1,932)	(\$20,014)
	10061	Blaine, City of	(\$2,656)	(\$2,194)	(\$1,901)	(\$2,270)	(\$1,762)	(\$2,441)	(\$2,609)	(\$2,477)	(\$2,394)	(\$2,212)	(\$22,916)
	10062	Bonniers Ferry, City of	(\$1,615)	(\$1,334)	(\$1,156)	(\$1,380)	(\$1,072)	(\$1,485)	(\$1,587)	(\$1,506)	(\$1,456)	(\$1,345)	(\$13,936)
	10064	Burley, City of	(\$4,271)	(\$3,528)	(\$3,057)	(\$3,650)	(\$2,834)	(\$3,926)	(\$4,195)	(\$3,983)	(\$3,849)	(\$3,557)	(\$36,850)
	10065	Cascade Locks, City of	(\$666)	(\$550)	(\$477)	(\$570)	(\$442)	(\$613)	(\$655)	(\$622)	(\$601)	(\$555)	(\$5,751)
	10066	Centralia, City of	(\$7,401)	(\$6,113)	(\$5,298)	(\$6,325)	(\$4,910)	(\$6,803)	(\$7,269)	(\$6,902)	(\$6,670)	(\$6,164)	(\$63,855)
	10067	Cheney, City of	(\$4,803)	(\$3,967)	(\$3,438)	(\$4,105)	(\$3,187)	(\$4,415)	(\$4,718)	(\$4,479)	(\$4,329)	(\$4,000)	(\$41,441)
	10068	Chewelah, City of	(\$824)	(\$681)	(\$590)	(\$704)	(\$547)	(\$758)	(\$809)	(\$769)	(\$743)	(\$686)	(\$7,111)
	10070	Declo, City of	(\$109)	(\$90)	(\$78)	(\$93)	(\$72)	(\$100)	(\$107)	(\$102)	(\$98)	(\$91)	(\$940)
	10071	Drain, City of	(\$581)	(\$480)	(\$416)	(\$497)	(\$386)	(\$534)	(\$571)	(\$542)	(\$524)	(\$484)	(\$5,015)
	10072	Ellensburg, City of	(\$7,282)	(\$6,015)	(\$5,213)	(\$6,224)	(\$4,832)	(\$6,695)	(\$7,153)	(\$6,792)	(\$6,564)	(\$6,066)	(\$62,836)
	10074	Forest Grove, City of	(\$8,102)	(\$6,692)	(\$5,800)	(\$6,924)	(\$5,376)	(\$7,448)	(\$7,959)	(\$7,556)	(\$7,303)	(\$6,748)	(\$69,908)
	10076	Heyburn, City of	(\$1,463)	(\$1,208)	(\$1,047)	(\$1,250)	(\$970)	(\$1,345)	(\$1,437)	(\$1,364)	(\$1,318)	(\$1,218)	(\$12,620)
	10078	McCleary, City of	(\$1,129)	(\$932)	(\$808)	(\$965)	(\$749)	(\$1,038)	(\$1,109)	(\$1,053)	(\$1,017)	(\$940)	(\$9,740)
	10079	McMinnville, City of	(\$25,850)	(\$21,351)	(\$18,505)	(\$22,092)	(\$17,151)	(\$23,763)	(\$25,392)	(\$24,108)	(\$23,299)	(\$21,530)	(\$223,041)
	10080	Milton, Town of	(\$2,184)	(\$1,804)	(\$1,563)	(\$1,866)	(\$1,449)	(\$2,008)	(\$2,145)	(\$2,037)	(\$1,968)	(\$1,819)	(\$18,843)
	10081	Milton-Freewater, City of	(\$2,936)	(\$2,425)	(\$2,102)	(\$2,509)	(\$1,948)	(\$2,699)	(\$2,884)	(\$2,738)	(\$2,646)	(\$2,445)	(\$25,332)
	10082	Minidoka, City of	(\$30)	(\$25)	(\$22)	(\$26)	(\$20)	(\$28)	(\$30)	(\$28)	(\$27)	(\$25)	(\$261)
	10083	Monmouth, City of	(\$2,540)	(\$2,098)	(\$1,818)	(\$2,170)	(\$1,685)	(\$2,335)	(\$2,495)	(\$2,368)	(\$2,289)	(\$2,115)	(\$21,913)
	10086	Plummer, City of	(\$1,198)	(\$989)	(\$858)	(\$1,024)	(\$795)	(\$1,101)	(\$1,177)	(\$1,117)	(\$1,080)	(\$998)	(\$10,337)
	10087	Port Angeles, City of	(\$13,819)	(\$11,414)	(\$9,893)	(\$11,810)	(\$9,169)	(\$12,704)	(\$13,574)	(\$12,888)	(\$12,455)	(\$11,510)	(\$119,236)
	10089	Richland, City of	(\$31,537)	(\$26,048)	(\$22,577)	(\$26,952)	(\$20,925)	(\$28,991)	(\$30,978)	(\$29,412)	(\$28,424)	(\$26,267)	(\$272,111)
	10091	Rupert, City of	(\$2,861)	(\$2,363)	(\$2,048)	(\$2,445)	(\$1,898)	(\$2,630)	(\$2,811)	(\$2,668)	(\$2,579)	(\$2,383)	(\$24,686)
	10094	Soda Springs, City of	(\$922)	(\$762)	(\$660)	(\$788)	(\$612)	(\$848)	(\$906)	(\$860)	(\$831)	(\$768)	(\$7,957)
	10095	Sumas, Town of	(\$1,106)	(\$914)	(\$792)	(\$945)	(\$734)	(\$1,017)	(\$1,087)	(\$1,032)	(\$997)	(\$921)	(\$9,545)
	10097	Troy, City of	(\$619)	(\$511)	(\$443)	(\$529)	(\$411)	(\$569)	(\$608)	(\$577)	(\$558)	(\$515)	(\$5,340)
	10101	Clallam County PUD #1	(\$21,865)	(\$18,059)	(\$15,652)	(\$18,686)	(\$14,507)	(\$20,100)	(\$21,477)	(\$20,391)	(\$19,707)	(\$18,211)	(\$188,655)
	10103	Clark County PUD #1	(\$49,919)	(\$41,231)	(\$35,736)	(\$42,662)	(\$33,121)	(\$45,890)	(\$49,034)	(\$46,556)	(\$44,992)	(\$41,578)	(\$430,719)
	10105	Clatskanie PUD	(\$11,075)	(\$9,148)	(\$7,928)	(\$9,465)	(\$7,348)	(\$10,181)	(\$10,879)	(\$10,329)	(\$9,982)	(\$9,224)	(\$95,559)
	10106	Clearwater Power	(\$6,723)	(\$5,553)	(\$4,813)	(\$5,746)	(\$4,461)	(\$6,181)	(\$6,604)	(\$6,270)	(\$6,060)	(\$5,600)	(\$58,011)
	10109	Columbia Basin Elec Coop	(\$3,376)	(\$2,789)	(\$2,417)	(\$2,885)	(\$2,240)	(\$3,104)	(\$3,316)	(\$3,149)	(\$3,043)	(\$2,812)	(\$29,131)
	10111	Columbia Power Coop	(\$903)	(\$746)	(\$646)	(\$772)	(\$599)	(\$830)	(\$887)	(\$842)	(\$814)	(\$752)	(\$7,791)
	10112	Columbia River PUD	(\$17,533)	(\$14,481)	(\$12,551)	(\$14,984)	(\$11,633)	(\$16,118)	(\$17,222)	(\$16,351)	(\$15,802)	(\$14,603)	(\$151,278)
	10113	Columbia REA	(\$10,499)	(\$8,672)	(\$7,516)	(\$8,973)	(\$6,966)	(\$9,652)	(\$10,313)	(\$9,792)	(\$9,463)	(\$8,745)	(\$90,591)

(the amounts below may differ from billed amounts due to rounding)													
	BESID	Preference Customer	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Total
	10116	Consolidated Irrigation District #19	(\$69)	(\$57)	(\$49)	(\$59)	(\$46)	(\$63)	(\$68)	(\$64)	(\$62)	(\$58)	(\$595)
	10118	Consumers Power	(\$12,841)	(\$10,606)	(\$9,193)	(\$10,974)	(\$8,520)	(\$11,804)	(\$12,613)	(\$11,976)	(\$11,574)	(\$10,695)	(\$110,796)
	10121	Coos Curry Elec Coop	(\$11,643)	(\$9,616)	(\$8,335)	(\$9,950)	(\$7,725)	(\$10,703)	(\$11,436)	(\$10,858)	(\$10,493)	(\$9,697)	(\$100,456)
	10123	Cowlitz County PUD #1	(\$61,838)	(\$51,076)	(\$44,268)	(\$52,848)	(\$41,029)	(\$56,846)	(\$60,741)	(\$57,671)	(\$55,735)	(\$51,505)	(\$533,557)
	10136	Douglas Electric Cooperative	(\$5,222)	(\$4,313)	(\$3,739)	(\$4,463)	(\$3,465)	(\$4,801)	(\$5,130)	(\$4,870)	(\$4,707)	(\$4,350)	(\$45,060)
	10142	East End Mutual Electric	(\$792)	(\$654)	(\$567)	(\$677)	(\$526)	(\$728)	(\$778)	(\$739)	(\$714)	(\$660)	(\$6,835)
	10144	Eatonville, City of	(\$1,023)	(\$845)	(\$732)	(\$874)	(\$679)	(\$940)	(\$1,005)	(\$954)	(\$922)	(\$852)	(\$8,826)
	10156	Elmhurst Mutual P & L	(\$9,789)	(\$8,086)	(\$7,008)	(\$8,366)	(\$6,495)	(\$8,999)	(\$9,616)	(\$9,130)	(\$8,823)	(\$8,154)	(\$84,466)
	10157	Emerald PUD	(\$6,822)	(\$5,634)	(\$4,883)	(\$5,830)	(\$4,526)	(\$6,271)	(\$6,700)	(\$6,362)	(\$6,148)	(\$5,682)	(\$58,858)
	10158	Energy Northwest	(\$755)	(\$624)	(\$541)	(\$646)	(\$501)	(\$694)	(\$742)	(\$705)	(\$681)	(\$629)	(\$6,518)
	10170	Eugene Water & Electric Board	(\$36,702)	(\$30,315)	(\$26,274)	(\$31,366)	(\$24,352)	(\$33,739)	(\$36,051)	(\$34,229)	(\$33,080)	(\$30,569)	(\$316,677)
	10172	U.S. Airforce Base, Fairchild	(\$1,741)	(\$1,438)	(\$1,247)	(\$1,488)	(\$1,155)	(\$1,601)	(\$1,710)	(\$1,624)	(\$1,569)	(\$1,450)	(\$15,023)
	10173	Fall River Elec Coop	(\$9,207)	(\$7,605)	(\$6,591)	(\$7,868)	(\$6,109)	(\$8,464)	(\$9,044)	(\$8,586)	(\$8,298)	(\$7,668)	(\$79,440)
	10174	Farmers Elec Coop	(\$154)	(\$127)	(\$110)	(\$132)	(\$102)	(\$142)	(\$151)	(\$144)	(\$139)	(\$128)	(\$1,329)
	10177	Ferry County PUD #1	(\$2,637)	(\$2,178)	(\$1,888)	(\$2,254)	(\$1,750)	(\$2,424)	(\$2,590)	(\$2,459)	(\$2,377)	(\$2,196)	(\$22,753)
	10179	Flathead Elec Coop	(\$50,657)	(\$41,841)	(\$36,264)	(\$43,292)	(\$33,611)	(\$46,568)	(\$49,759)	(\$47,244)	(\$45,657)	(\$42,192)	(\$437,085)
	10183	Franklin County PUD #1	(\$18,931)	(\$15,636)	(\$13,552)	(\$16,179)	(\$12,561)	(\$17,403)	(\$18,595)	(\$17,655)	(\$17,063)	(\$15,768)	(\$163,343)
	10186	Glacier Elec Coop	(\$5,374)	(\$4,439)	(\$3,847)	(\$4,593)	(\$3,566)	(\$4,940)	(\$5,279)	(\$5,012)	(\$4,843)	(\$4,476)	(\$46,369)
	10190	Grant County PUD #2	(\$1,576)	(\$1,302)	(\$1,128)	(\$1,347)	(\$1,046)	(\$1,449)	(\$1,548)	(\$1,470)	(\$1,421)	(\$1,313)	(\$13,600)
	10191	Grays Harbor PUD #1	(\$17,552)	(\$14,497)	(\$12,565)	(\$15,000)	(\$11,646)	(\$16,135)	(\$17,241)	(\$16,369)	(\$15,820)	(\$14,619)	(\$151,444)
	10197	Harney Elec Coop	(\$6,315)	(\$5,216)	(\$4,521)	(\$5,397)	(\$4,190)	(\$5,805)	(\$6,203)	(\$5,889)	(\$5,692)	(\$5,260)	(\$54,488)
	10202	Hood River Elec Coop	(\$3,978)	(\$3,285)	(\$2,848)	(\$3,399)	(\$2,639)	(\$3,657)	(\$3,907)	(\$3,710)	(\$3,585)	(\$3,313)	(\$34,321)
	10203	Idaho County L & P	(\$1,743)	(\$1,439)	(\$1,248)	(\$1,489)	(\$1,156)	(\$1,602)	(\$1,712)	(\$1,625)	(\$1,571)	(\$1,451)	(\$15,036)
	10204	Idaho Falls Power	(\$12,387)	(\$10,231)	(\$8,867)	(\$10,586)	(\$8,219)	(\$11,387)	(\$12,167)	(\$11,552)	(\$11,164)	(\$10,317)	(\$106,877)
	10209	Inland P & L	(\$29,227)	(\$24,140)	(\$20,923)	(\$24,978)	(\$19,392)	(\$26,868)	(\$28,709)	(\$27,258)	(\$26,342)	(\$24,343)	(\$252,180)
	10230	Kittitas County PUD #1	(\$2,672)	(\$2,207)	(\$1,913)	(\$2,284)	(\$1,773)	(\$2,457)	(\$2,625)	(\$2,492)	(\$2,409)	(\$2,226)	(\$23,058)
	10231	Klickitat County PUD #1	(\$10,128)	(\$8,365)	(\$7,250)	(\$8,656)	(\$6,720)	(\$9,310)	(\$9,948)	(\$9,446)	(\$9,128)	(\$8,436)	(\$87,387)
	10234	Kootenai Electric Coop	(\$15,486)	(\$12,791)	(\$11,086)	(\$13,235)	(\$10,275)	(\$14,236)	(\$15,212)	(\$14,443)	(\$13,958)	(\$12,898)	(\$133,620)
	10235	Lakeview L & P (WA)	(\$9,765)	(\$8,066)	(\$6,991)	(\$8,345)	(\$6,479)	(\$8,977)	(\$9,592)	(\$9,107)	(\$8,801)	(\$8,133)	(\$84,256)
	10236	Lane County Elec Coop	(\$8,149)	(\$6,731)	(\$5,834)	(\$6,965)	(\$5,407)	(\$7,492)	(\$8,005)	(\$7,600)	(\$7,345)	(\$6,788)	(\$70,316)
	10237	Lewis County PUD #1	(\$13,222)	(\$10,921)	(\$9,465)	(\$11,300)	(\$8,773)	(\$12,155)	(\$12,987)	(\$12,331)	(\$11,917)	(\$11,012)	(\$114,083)
	10239	Lincoln Elec Coop (MT)	(\$3,925)	(\$3,242)	(\$2,810)	(\$3,354)	(\$2,604)	(\$3,608)	(\$3,855)	(\$3,660)	(\$3,537)	(\$3,269)	(\$33,864)
	10242	Lost River Elec Coop	(\$2,678)	(\$2,212)	(\$1,917)	(\$2,289)	(\$1,777)	(\$2,462)	(\$2,630)	(\$2,497)	(\$2,414)	(\$2,230)	(\$23,106)
	10244	Lower Valley Energy	(\$24,252)	(\$20,031)	(\$17,361)	(\$20,726)	(\$16,091)	(\$22,294)	(\$23,821)	(\$22,617)	(\$21,858)	(\$20,199)	(\$209,250)
	10246	Mason County PUD #1	(\$2,560)	(\$2,114)	(\$1,833)	(\$2,188)	(\$1,698)	(\$2,353)	(\$2,515)	(\$2,387)	(\$2,307)	(\$2,132)	(\$22,087)
	10247	Mason County PUD #3	(\$23,031)	(\$19,023)	(\$16,488)	(\$19,683)	(\$15,281)	(\$21,172)	(\$22,623)	(\$21,479)	(\$20,758)	(\$19,183)	(\$198,721)
	10256	Midstate Elec Coop	(\$13,219)	(\$10,918)	(\$9,463)	(\$11,297)	(\$8,771)	(\$12,152)	(\$12,984)	(\$12,328)	(\$11,914)	(\$11,010)	(\$114,056)
	10258	Mission Valley	(\$10,845)	(\$8,957)	(\$7,763)	(\$9,268)	(\$7,195)	(\$9,969)	(\$10,652)	(\$10,114)	(\$9,774)	(\$9,033)	(\$93,570)
	10259	Missoula Elec Coop	(\$7,594)	(\$6,272)	(\$5,436)	(\$6,490)	(\$5,039)	(\$6,981)	(\$7,459)	(\$7,082)	(\$6,845)	(\$6,325)	(\$65,523)
	10260	Modern Elec Coop	(\$7,982)	(\$6,592)	(\$5,714)	(\$6,821)	(\$5,296)	(\$7,337)	(\$7,840)	(\$7,444)	(\$7,194)	(\$6,648)	(\$68,868)
	10273	Nespelem Valley Elec Coop	(\$1,597)	(\$1,319)	(\$1,144)	(\$1,365)	(\$1,060)	(\$1,468)	(\$1,569)	(\$1,490)	(\$1,440)	(\$1,330)	(\$13,782)
	10278	Northern Lights	(\$10,114)	(\$8,354)	(\$7,240)	(\$8,644)	(\$6,711)	(\$9,298)	(\$9,935)	(\$9,433)	(\$9,116)	(\$8,424)	(\$87,269)
	10279	Northern Wasco County PUD	(\$19,666)	(\$16,244)	(\$14,079)	(\$16,807)	(\$13,049)	(\$18,079)	(\$19,318)	(\$18,341)	(\$17,725)	(\$16,380)	(\$169,688)
	10284	Ohop Mutual Light Company	(\$2,929)	(\$2,419)	(\$2,097)	(\$2,503)	(\$1,943)	(\$2,693)	(\$2,877)	(\$2,732)	(\$2,640)	(\$2,440)	(\$25,273)
	10285	Okanogan County Elec Coop	(\$1,839)	(\$1,519)	(\$1,317)	(\$1,572)	(\$1,220)	(\$1,691)	(\$1,806)	(\$1,715)	(\$1,658)	(\$1,532)	(\$15,869)
	10286	Okanogan County PUD #1	(\$13,942)	(\$11,515)	(\$9,980)	(\$11,915)	(\$9,250)	(\$12,816)	(\$13,694)	(\$13,002)	(\$12,565)	(\$11,612)	(\$120,291)

(the amounts below may differ from billed amounts due to rounding)													
	BESID	Preference Customer	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Total
	10288	Orcas P & L	(\$7,073)	(\$5,842)	(\$5,063)	(\$6,044)	(\$4,693)	(\$6,502)	(\$6,947)	(\$6,596)	(\$6,375)	(\$5,891)	(\$61,026)
	10291	Oregon Trail Elec Coop	(\$22,766)	(\$18,804)	(\$16,298)	(\$19,456)	(\$15,105)	(\$20,928)	(\$22,362)	(\$21,232)	(\$20,519)	(\$18,962)	(\$196,432)
	10294	Pacific County PUD #2	(\$4,992)	(\$4,124)	(\$3,574)	(\$4,267)	(\$3,312)	(\$4,589)	(\$4,904)	(\$4,656)	(\$4,500)	(\$4,158)	(\$43,076)
	10304	Parkland L & W	(\$4,261)	(\$3,520)	(\$3,050)	(\$3,642)	(\$2,827)	(\$3,917)	(\$4,186)	(\$3,974)	(\$3,841)	(\$3,549)	(\$36,767)
	10306	Pend Oreille County PUD #1	(\$7,472)	(\$6,171)	(\$5,349)	(\$6,385)	(\$4,957)	(\$6,868)	(\$7,339)	(\$6,968)	(\$6,734)	(\$6,223)	(\$64,466)
	10307	Peninsula Light Company	(\$21,688)	(\$17,914)	(\$15,526)	(\$18,535)	(\$14,390)	(\$19,938)	(\$21,304)	(\$20,227)	(\$19,548)	(\$18,064)	(\$187,134)
	10326	U.S. Naval Base, Bremerton	(\$9,249)	(\$7,640)	(\$6,621)	(\$7,905)	(\$6,137)	(\$8,503)	(\$9,085)	(\$8,626)	(\$8,336)	(\$7,704)	(\$79,806)
	10331	Raft River Elec Coop	(\$10,326)	(\$8,529)	(\$7,392)	(\$8,824)	(\$6,851)	(\$9,492)	(\$10,143)	(\$9,630)	(\$9,307)	(\$8,600)	(\$89,094)
	10333	Ravalli County Elec Coop	(\$5,263)	(\$4,347)	(\$3,768)	(\$4,498)	(\$3,492)	(\$4,838)	(\$5,170)	(\$4,909)	(\$4,744)	(\$4,384)	(\$45,413)
	10338	Riverside Elec Coop	(\$692)	(\$572)	(\$495)	(\$591)	(\$459)	(\$636)	(\$680)	(\$645)	(\$624)	(\$576)	(\$5,970)
	10342	Salem Elec Coop	(\$11,749)	(\$9,704)	(\$8,411)	(\$10,041)	(\$7,795)	(\$10,800)	(\$11,540)	(\$10,957)	(\$10,589)	(\$9,786)	(\$101,372)
	10343	Salmon River Elec Coop	(\$3,557)	(\$2,938)	(\$2,547)	(\$3,040)	(\$2,360)	(\$3,270)	(\$3,494)	(\$3,318)	(\$3,206)	(\$2,963)	(\$30,693)
	10349	Seattle City Light	(\$137,083)	(\$113,225)	(\$98,135)	(\$117,153)	(\$90,954)	(\$126,017)	(\$134,652)	(\$127,846)	(\$123,553)	(\$114,176)	(\$1,182,794)
	10352	Skamania County PUD #1	(\$4,587)	(\$3,788)	(\$3,283)	(\$3,920)	(\$3,043)	(\$4,216)	(\$4,505)	(\$4,277)	(\$4,134)	(\$3,820)	(\$39,573)
	10354	Snohomish County PUD #1	(\$111,999)	(\$92,507)	(\$80,178)	(\$95,716)	(\$74,311)	(\$102,958)	(\$110,013)	(\$104,452)	(\$100,945)	(\$93,284)	(\$966,363)
	10360	South Side Elec	(\$1,951)	(\$1,611)	(\$1,397)	(\$1,667)	(\$1,294)	(\$1,793)	(\$1,916)	(\$1,819)	(\$1,758)	(\$1,625)	(\$16,831)
	10363	Springfield Utility Board	(\$29,006)	(\$23,957)	(\$20,764)	(\$24,789)	(\$19,245)	(\$26,664)	(\$28,491)	(\$27,051)	(\$26,143)	(\$24,159)	(\$250,269)
	10369	Surprise Valley Elec Coop	(\$4,607)	(\$3,806)	(\$3,298)	(\$3,938)	(\$3,057)	(\$4,236)	(\$4,526)	(\$4,297)	(\$4,153)	(\$3,838)	(\$39,756)
	10370	Tacoma Public Utilities	(\$57,916)	(\$47,836)	(\$41,461)	(\$49,495)	(\$38,427)	(\$53,240)	(\$56,888)	(\$54,013)	(\$52,199)	(\$48,238)	(\$499,713)
	10371	Tanner Elec Coop	(\$3,350)	(\$2,767)	(\$2,398)	(\$2,863)	(\$2,223)	(\$3,080)	(\$3,291)	(\$3,124)	(\$3,020)	(\$2,790)	(\$28,906)
	10376	Tillamook PUD #1	(\$17,014)	(\$14,053)	(\$12,180)	(\$14,540)	(\$11,289)	(\$15,640)	(\$16,712)	(\$15,867)	(\$15,335)	(\$14,171)	(\$146,801)
	10378	Coulee Dam, City of	(\$598)	(\$494)	(\$428)	(\$511)	(\$397)	(\$550)	(\$587)	(\$558)	(\$539)	(\$498)	(\$5,160)
	10379	Steilacoom, Town of	(\$1,447)	(\$1,196)	(\$1,036)	(\$1,237)	(\$960)	(\$1,331)	(\$1,422)	(\$1,350)	(\$1,305)	(\$1,206)	(\$12,490)
	10388	Umatilla Elec Coop	(\$31,214)	(\$25,781)	(\$22,345)	(\$26,676)	(\$20,710)	(\$28,694)	(\$30,660)	(\$29,110)	(\$28,133)	(\$25,998)	(\$269,321)
	10391	United Electric Coop	(\$8,792)	(\$7,262)	(\$6,294)	(\$7,514)	(\$5,834)	(\$8,082)	(\$8,636)	(\$8,200)	(\$7,924)	(\$7,323)	(\$75,861)
	10406	U.S. DOE Albany Research Center	(\$139)	(\$115)	(\$100)	(\$119)	(\$92)	(\$128)	(\$137)	(\$130)	(\$125)	(\$116)	(\$1,201)
	10408	U.S. Naval Station, Everett (Jim Creek)	(\$464)	(\$383)	(\$332)	(\$396)	(\$308)	(\$426)	(\$456)	(\$433)	(\$418)	(\$386)	(\$4,002)
	10409	U.S. Naval Submarine Base, Bangor	(\$6,201)	(\$5,122)	(\$4,439)	(\$5,300)	(\$4,114)	(\$5,701)	(\$6,091)	(\$5,783)	(\$5,589)	(\$5,165)	(\$53,505)
	10426	U.S. DOE Richland Operations Office	(\$5,215)	(\$4,307)	(\$3,733)	(\$4,457)	(\$3,460)	(\$4,794)	(\$5,123)	(\$4,864)	(\$4,700)	(\$4,344)	(\$44,997)
	10434	Vera Irrigation District	(\$8,246)	(\$6,811)	(\$5,903)	(\$7,047)	(\$5,471)	(\$7,581)	(\$8,100)	(\$7,691)	(\$7,432)	(\$6,868)	(\$71,150)
	10436	Vigilante Elec Coop	(\$5,343)	(\$4,413)	(\$3,825)	(\$4,566)	(\$3,545)	(\$4,911)	(\$5,248)	(\$4,983)	(\$4,815)	(\$4,450)	(\$46,099)
	10440	Wahkiakum County PUD #1	(\$1,434)	(\$1,184)	(\$1,026)	(\$1,225)	(\$951)	(\$1,318)	(\$1,408)	(\$1,337)	(\$1,292)	(\$1,194)	(\$12,369)
	10442	Wasco Elec Coop	(\$3,766)	(\$3,111)	(\$2,696)	(\$3,219)	(\$2,499)	(\$3,462)	(\$3,699)	(\$3,512)	(\$3,394)	(\$3,137)	(\$32,495)
	10446	Wells Rural Elec Coop	(\$26,837)	(\$22,166)	(\$19,212)	(\$22,935)	(\$17,806)	(\$24,670)	(\$26,361)	(\$25,028)	(\$24,188)	(\$22,352)	(\$231,555)
	10448	West Oregon Elec Coop	(\$2,391)	(\$1,975)	(\$1,712)	(\$2,044)	(\$1,587)	(\$2,198)	(\$2,349)	(\$2,230)	(\$2,155)	(\$1,992)	(\$20,633)
	10451	Whatcom County PUD #1	(\$8,148)	(\$6,730)	(\$5,833)	(\$6,963)	(\$5,406)	(\$7,490)	(\$8,004)	(\$7,599)	(\$7,344)	(\$6,787)	(\$70,304)
	10482	Umpqua Indian Utility Cooperative	(\$893)	(\$738)	(\$639)	(\$763)	(\$593)	(\$821)	(\$877)	(\$833)	(\$805)	(\$744)	(\$7,706)
	10502	Yakama Power	(\$5,270)	(\$4,353)	(\$3,773)	(\$4,504)	(\$3,497)	(\$4,845)	(\$5,177)	(\$4,915)	(\$4,750)	(\$4,390)	(\$45,474)
	13927	Kalispel Tribe Utility	(\$1,204)	(\$994)	(\$862)	(\$1,029)	(\$799)	(\$1,106)	(\$1,182)	(\$1,123)	(\$1,085)	(\$1,003)	(\$10,387)
	10597	Hermiston, City of	(\$3,918)	(\$3,236)	(\$2,805)	(\$3,348)	(\$2,599)	(\$3,602)	(\$3,848)	(\$3,654)	(\$3,531)	(\$3,263)	(\$33,804)
	10706	Port of Seattle - SETAC In'tl. Airport	(\$5,247)	(\$4,334)	(\$3,756)	(\$4,484)	(\$3,481)	(\$4,823)	(\$5,154)	(\$4,893)	(\$4,729)	(\$4,370)	(\$45,271)
	11680	Weiser, City of	(\$1,922)	(\$1,587)	(\$1,376)	(\$1,642)	(\$1,275)	(\$1,767)	(\$1,888)	(\$1,792)	(\$1,732)	(\$1,601)	(\$16,582)
	12026	Jefferson County PUD #1	(\$13,717)	(\$11,330)	(\$9,820)	(\$11,723)	(\$9,101)	(\$12,610)	(\$13,474)	(\$12,793)	(\$12,363)	(\$11,425)	(\$118,356)



UTILITY ADVISORY COMMITTEE AGENDA ITEM COVERSHEET

Meeting Date: 1/11/2022

Agenda Category: Items of Business

Prepared By: Clint Whitney, Energy Services Director

Subject:

Northwest RiverPartners Lower Snake River Dams (LSRD) Communications Campaign (10 Minutes)

Department:

Energy Services

Recommended Motion:

Staff recommends UAC support the use of \$165k funds from Energy Services for the Northwest RiverPartners lower Snake River Dams education campaign.

Summary:

The City utilizes Northwest RiverPartners to keep informed and to focus on river issues as they relate to hydro power. Northwest RiverPartners has had preliminary success with younger generations on an initial education campaign. The timing of this education campaign is ahead of WA Governor Inslee and WA Senator Murray's expected July 2022 deliverable that proposes to replace the benefits of the four Lower Snake River Dams (LSRD). Governor Inslee outlined the strategy in a [December 2021 Policy Brief](#).

Northwest RiverPartners has proposed \$165k of education campaign expenses for the City and similar expenses for other regional utilities. Northwest RiverPartners outlines the timing of the education campaign through a 10 minute video available at: [2021 Northwest RiverPartners Education Campaign](#).

Attached is a brief presentation that will be discussed with staff's recommendation to utilize \$165k of Energy Services funds in support of the LSRD education campaign.

Fiscal Impact:

Attachments:

1. 2022 LSRD Education Campaign



Lower Snake River Dams Education Campaign

Clint Whitney

Energy Services Director

January 11, 2022

AUTOMATIC GENERATION CONTROL ON FEDERAL DAMS



Automatic Generation Control allows federal hydro operators to use the lower Snake River dams to meet electricity demands minute-to-minute while using the Columbia River dams to support wind power. There are 31 federal dams in the Northwest; the 10 largest have AGC capability.

Lower Snake River Dams

Controversy

- Despite scientific evidence showing salmon declines along the entire west coast and areas without dams, the Lower Snake River Dams continue to be emotionally tagged for the decline in salmon and are associated with ongoing federal lawsuits with judicial mandates for spill.
- Congressman Simpson's \$34B Columbia Basin Initiative
- Four-State Governor Solution as a Columbia Basin Collaborative



Background – Council Resolutions

- Res No. 263 (May 1964) – support expediting Lower Snake River Dams (LSRD) for navigation benefits.
- Res No. 44-97 (June 1997) – rejecting drawdowns, removal or breaching of any Snake or Columbia River dams.
- Res No. 85-97 (October 1997) – added to 44-97 oppositions and expressed concern with public involvement opportunities for SE WA.
- Res No. 84-19 (July 2019) – recognized the carbon-free, renewable, low-cost energy of LSRD and authorized education of City customers and Pacific Northwest residents to the benefits of hydropower.



LSRD & City Strategic Plan

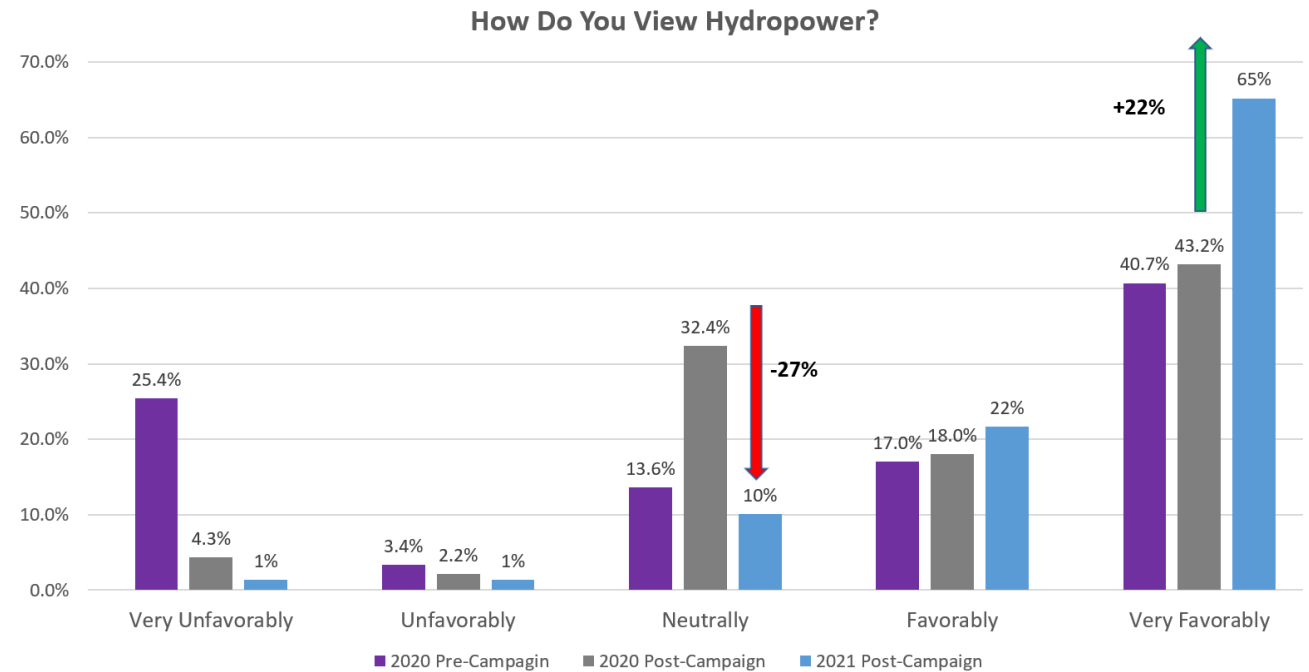
- LSRD support *Financial Stability* of electric ratepayers with energy generation costs close to \$0.0015/kWH from LSRD dams.
- Low-cost energy is a competitive advantage for increasing *Economic Vitality*.
- LSRD are clean, carbon-free generation *Natural Resource* assets.
- Navigation and recreational benefits are *Community Amenities*.



Proposed Education Campaign

Our Power Is Water

- Success for Northwest RiverPartners' preliminary campaign.
- Propose \$165k with extended education campaign through 3Q22.



Recommended Motion & Next Steps

- Staff recommends utilizing \$165k of Energy Services funds to support an education campaign by Northwest RiverPartners for the Lower Snake River Dams.
- Business item on 1/18 for Council consideration of funds for education campaign.



UTILITY ADVISORY COMMITTEE AGENDA ITEM COVERSHEET

Meeting Date: 1/11/2022

Agenda Category: Items of Business

Prepared By: Pete Rogalsky, Public Works Director

Subject:

Water and Sewer Rates (15 Minutes)

Department:

Public Works

Recommended Motion:

Recommend that the City Council implement a ten percent (10%) rate decrease evenly applied across all rate classes for potable water service.

Summary:

This past Fall staff retained the FCS Group to update the water fund rate model and the sewer fund rate model. The models were last updated in 2016 following completion of long range planning studies that evaluated resource and facility adequacy for the period between 2016 and 2035. The water study concluded that the City's current water resource inventory was sufficient to support service throughout the planning period and that the facilities were generally adequate, except for a small number of facility improvements needed to support population and demand growth. The 2016 water rate analysis evaluated the fund's revenue requirements and capital financing needs for the period between 2017 and 2022. The key issues considered in the 2016 water rate analysis were financing a package of large capital improvements and the impending retirement of a substantial portfolio of debt between 2022 and 2024. The utility issued debt in 2017 to support the large capital improvement projects and elected to scale back the ongoing renewal and replacement program to support a strategy of minimizing rate increases leading up to the retirement of the debt portfolio.

The 2021 water rate analysis was performed with the following key issues: 1) resumption of a robust renewal and replacement program; 2) initiation of a system resiliency capital program; 3) a package of growth-supporting facilities; and 4) imminent retirement of a substantial portfolio of debt. The analysis determined that system reserves are in excess of those called for in the City's financial policies and that a rate decrease is prudent. Staff recommends a ten percent (10%) rate decrease effective in June 2022 and a reevaluation of the utility's financial position in 2023 for a possible additional rate decrease in 2024.

The 2021 sewer rate analysis was performed with the following key issues: 1) capital financing needs for the Wastewater Treatment Plant Aeration System Improvements Project; 2) funding for a robust renewal and replacement program as called for in the 2015 General Sewer Plan; and 3) imminent retirement of a substantial portfolio of debt. The analysis determined that these capital programs could be financed without issuance of new debt and that no general rate adjustments were recommended at this time.

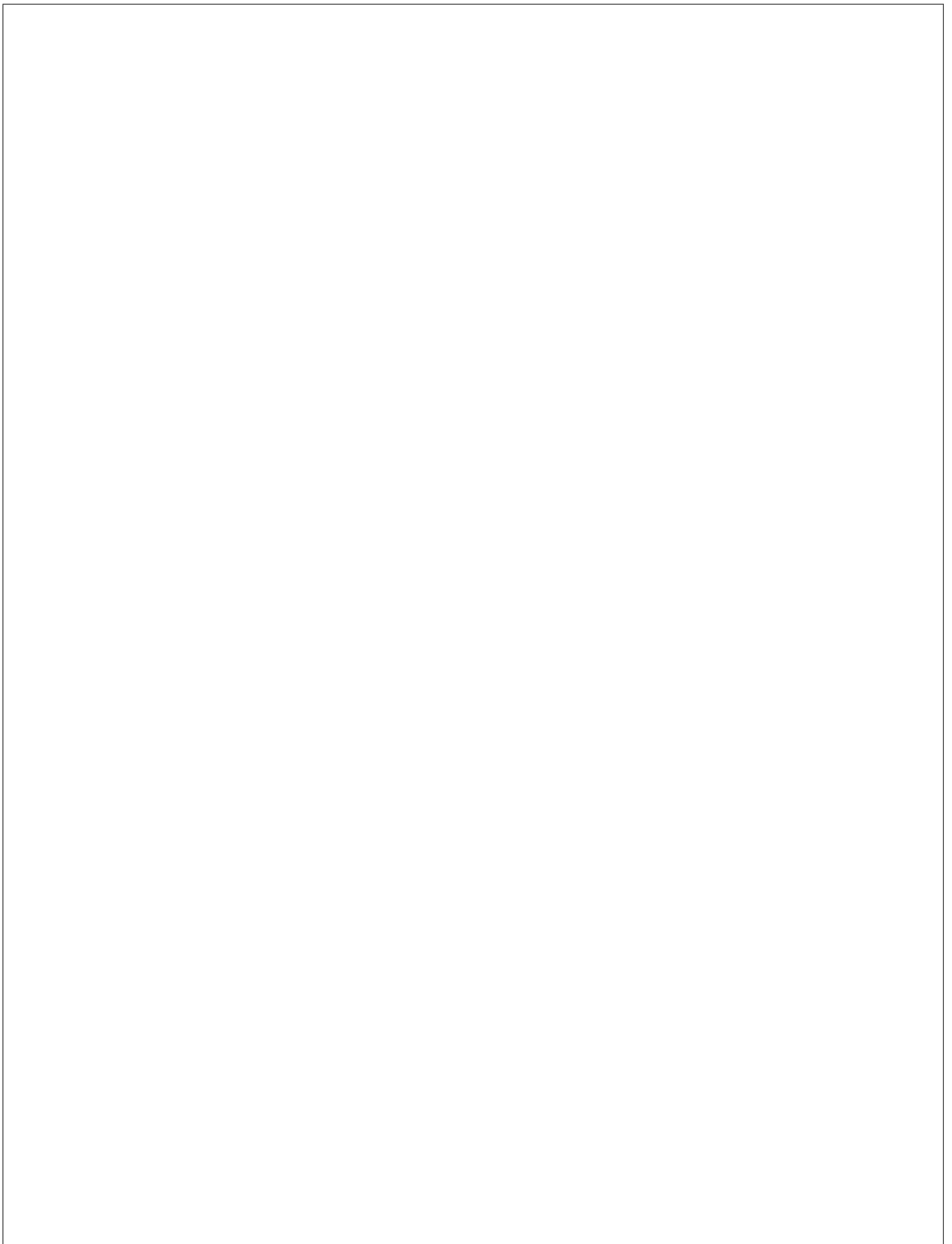
The FCS group and City staff will present the findings of the rate analysis for the water and sewer funds and answer questions from the Utility Advisory Committee.

Fiscal Impact:

See the attached presentation for supporting data.

Attachments:

1. FCS Presentation





Water and Sewer Rate Study





Discussion Overview

- **Background**
- **Overview of the rate setting process**
- **Key assumptions**
- **Fiscal policy targets**
- **Summary of findings**
 - » Water
 - Irrigation
 - » Sewer
- **Connection charges**
- **Next steps**
- **Questions**

Background

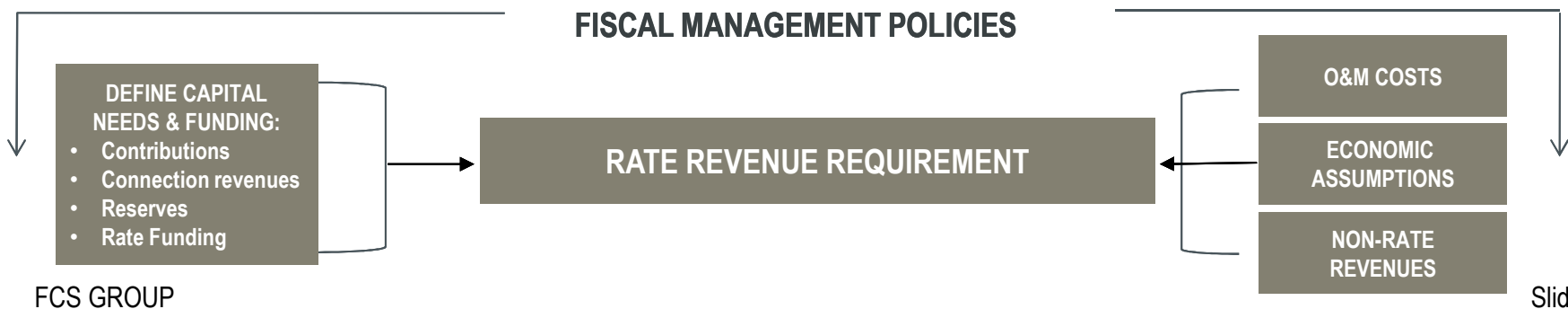
- Last comprehensive rate study for water, irrigation & sewer utilities completed in 2016
- Resulted in a four-year rate strategy for each utility

Utility	2017	2018	2019	2020
Water	2.0%	0.0%	2.5%	0.0%
Irrigation	5.0%	5.0%	4.0%	0.0%
Sewer	0.0%	9.0%	0.0%	9.0%

- Rate strategy included:
 - » System reinvestment funding for water and sewer
 - » Water: Transmission line – 2nd /Yakima, AMI, Intake screening project
 - » Sewer: Solids and influent upgrades
- Revisit rates every 3-5 years to evaluate progress

Revenue Requirement Overview

- **Determine the amount of annual revenue necessary to fund all financial obligations**
 - » Operating and maintenance expenses
 - » Debt service (principal & interest)
 - » Capital costs and funding approach
- **Meet financial parameters and targets**
 - » Target debt service coverage ratios
 - » Maintain target reserve balances
- **Evaluate revenue sufficiency over multi-year period**
- **Develop rate plan to balance financial needs and minimize customer impacts**





Key Assumptions

- **Study period 2022 – 2026**
- **Projected rate revenue based on 2021 budget plus growth**
- **Customer growth**
 - » 1.3% - approximately 325-350 per year
- **2021 budget used as baseline – various escalation factors used for future years:**
 - » Total operating expenses increases approximately 2.6%-3.1% annually
- **No new debt needed to fund capital program for either utility**
 - » Wastewater Aeration Process Upgrades - \$8.8 million in 2022
 - » Water Capital Program focused on Renewal and Replacement, System Resiliency Improvements, and Growth Supporting Facilities



Revenue Requirement: Financial Policies

- Help guide the financial management of the City

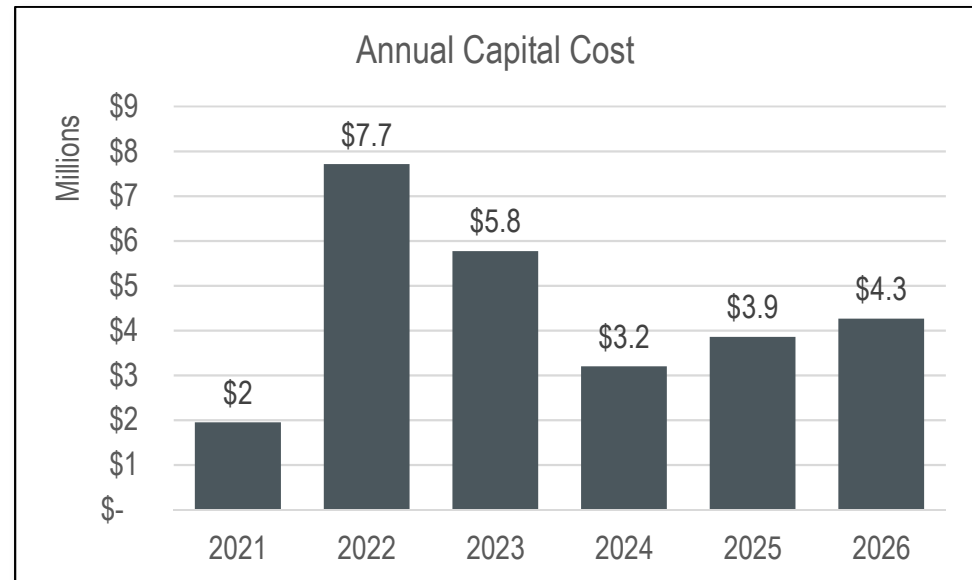
Policy	Purpose	Target
Operating Reserve	To provide sufficient cash flow to meet daily operating expenses (short-term, annual revenue cycles)	<u>45 Days O&M</u> Water: \$1.3 mil - \$1.4 mil Sewer: \$879k- \$995k
Capital Contingency Reserve	To provide a source of funding for emergency repairs, unanticipated capital, and project cost overruns.	<u>0.50% of Plant-In-Service:</u> Water: \$701k- \$703k Sewer: \$518k- \$520k
System Reinvestment Funding	To ensure ongoing system integrity through reinvestment in the system.	Phased in throughout study period for: Water: \$1.4 mil (2022) - \$2.7 mil (2026) Sewer: \$1. mil (2022) - \$2.4 mil (2026)
Debt Service Coverage	To ensure compliance with existing loan/debt covenants and maintain credit worthiness for future debt issuance.	Minimum Bond Covenant Requirement 1.25



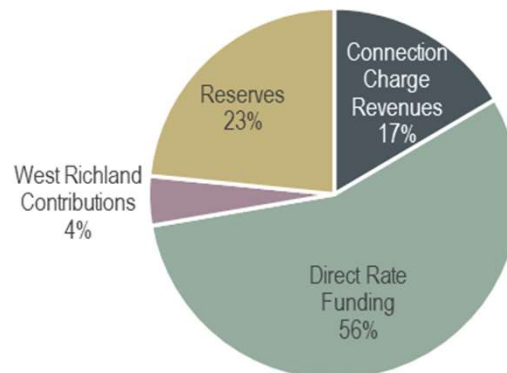
Water Revenue Requirement

Key Components - Water

Description	Water 2021 - 2026
Existing Revenue	\$15.2 mil - \$16.3 mil
O&M Expenses	\$9.9 mil - \$11.3 mil
Existing Debt Service	\$3.5 mil - \$1.1 mil
New Debt Service	\$0
System Reinvestment	\$800k - \$3.0 mil
Total CIP (2021-2026)	\$26.7 million

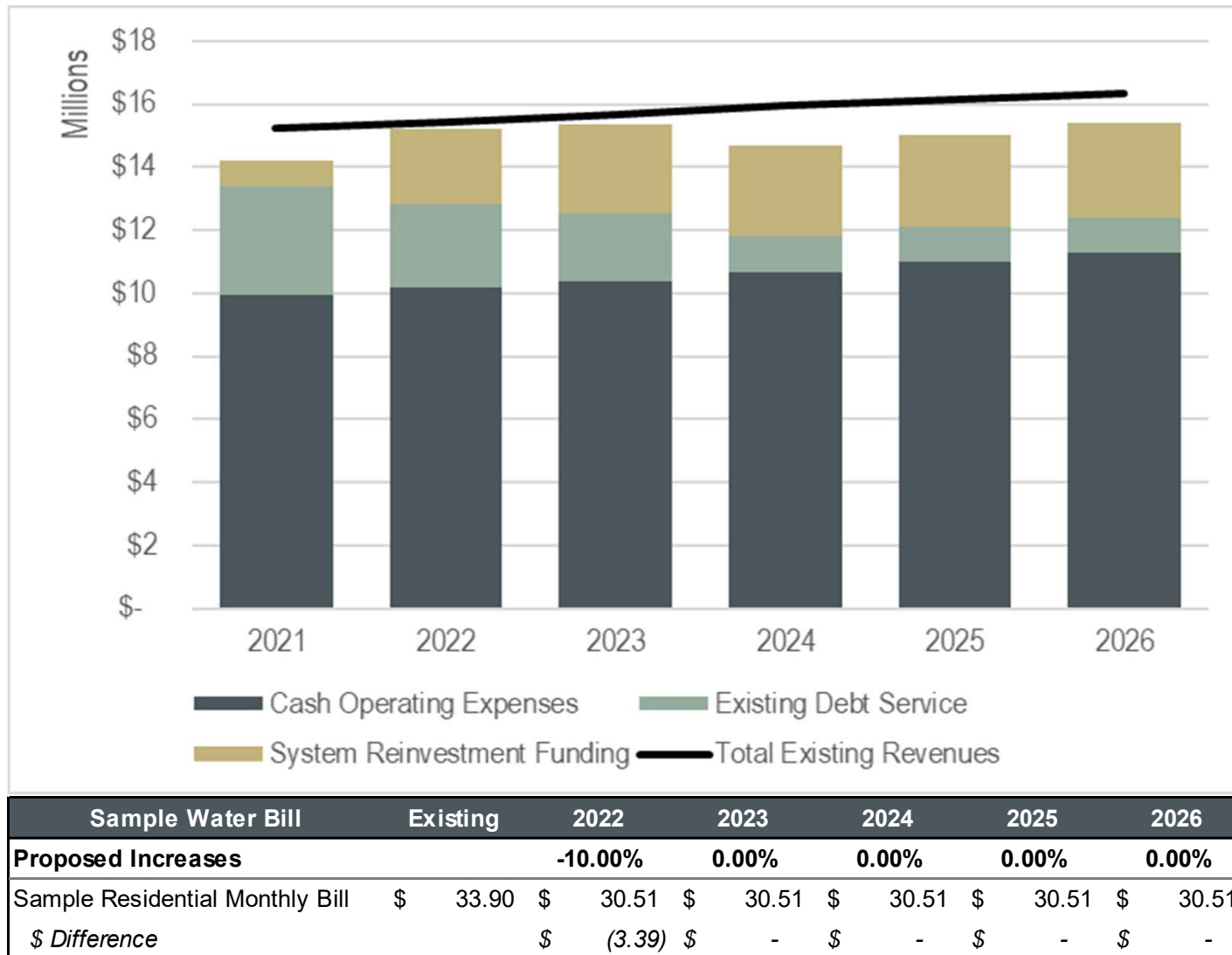


- \$26.7 million in capital projects, funded by reserves, direct rate funding, West Richland contributions and connection charges revenues.**





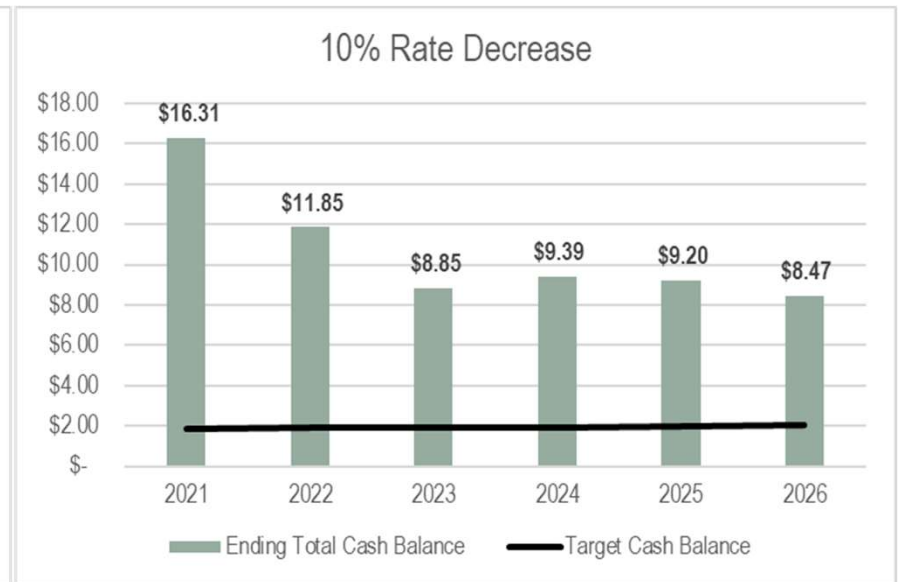
Water Revenue Requirement Summary



Note: assumes 1" or smaller meter and 700 cf of monthly usage

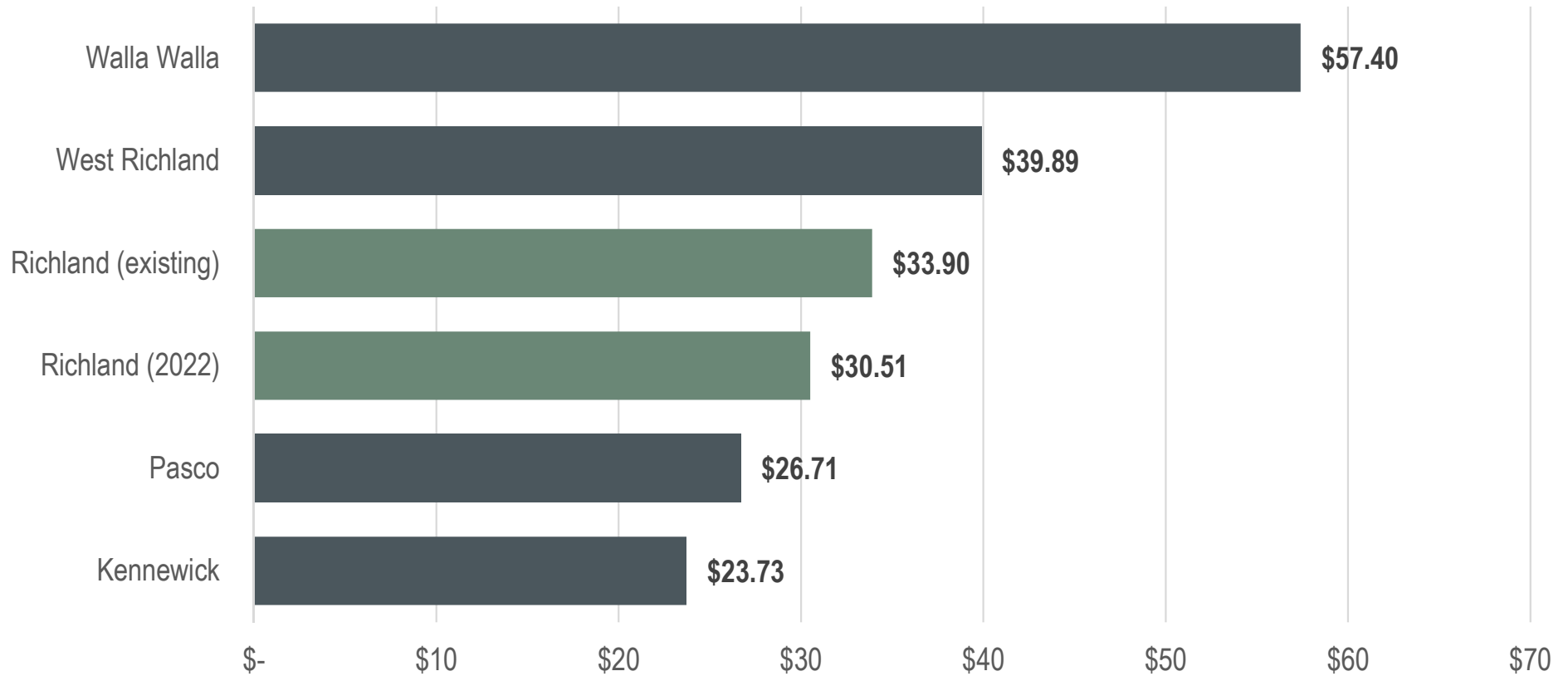
Rate Reduction Summary

- City has managed expenses well over the past several years, keeping operating cost increases between 2-3%
- Growth at the City has been higher than anticipated





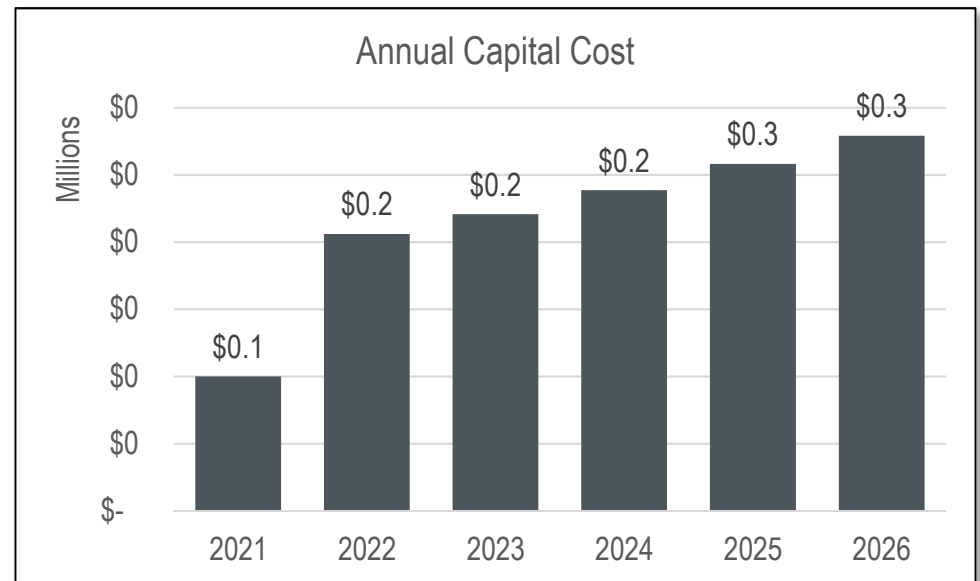
Water Single Family Monthly Rate Comparison



Assumes 1" meter or less and 700 cf monthly usage

Key Components - Irrigation

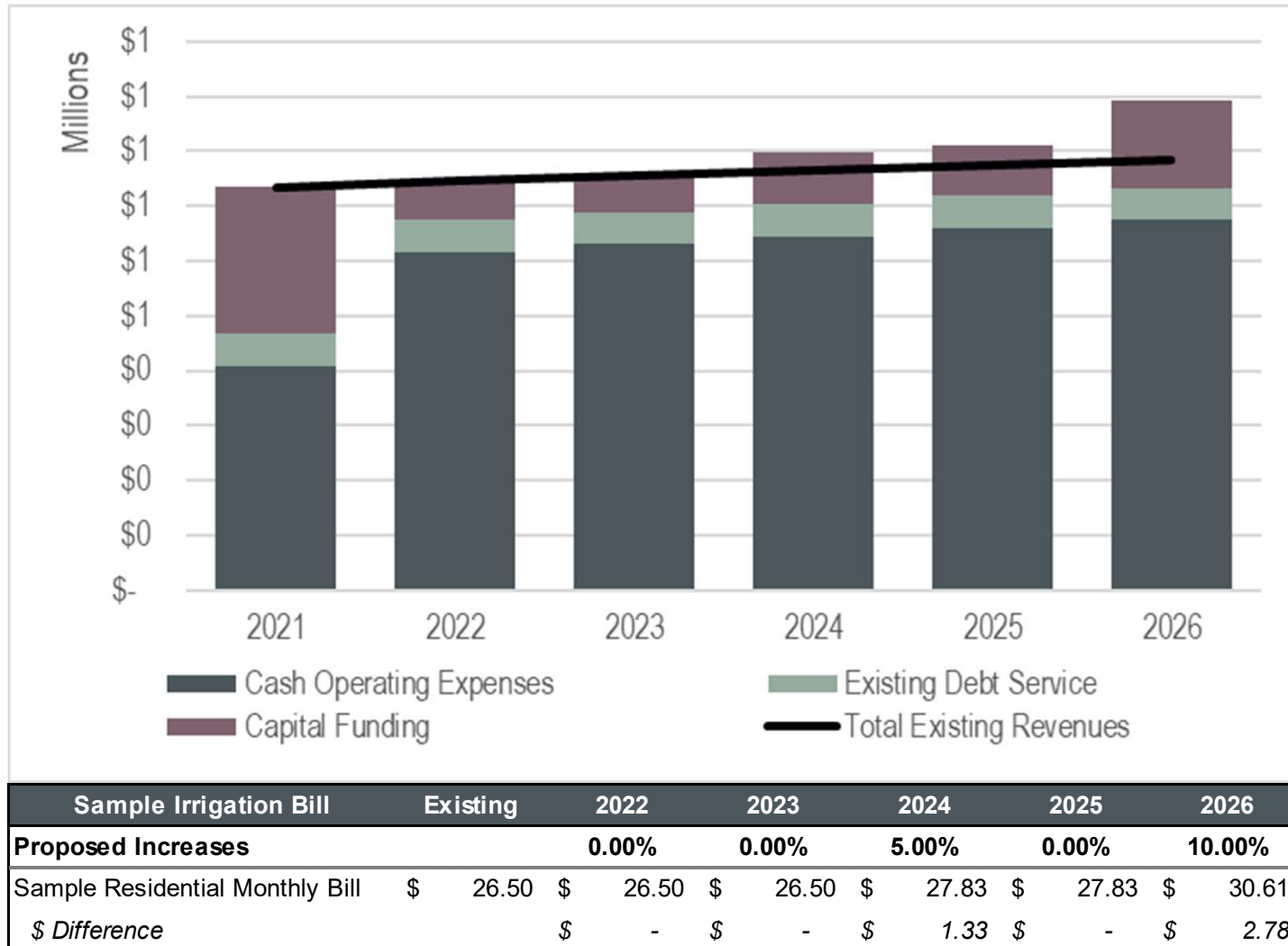
Description	Irrigation 2021 - 2026
Existing Revenue	\$735k - \$784k
O&M Expenses	\$408k - \$676k
Existing Debt Service	\$60k - \$56k
New Debt Service	\$0
System Reinvestment	\$0
Total CIP (2021-2026)	\$1,302,557



- **\$1.3 million in capital projects, funded by reserves and direct rate funding.**



Irrigation Revenue Requirement Summary



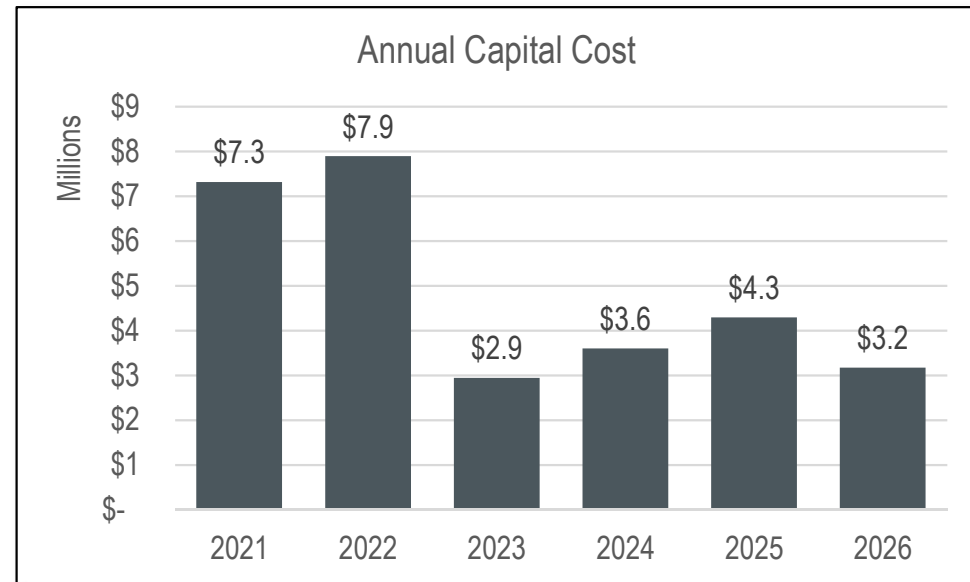
Note: 1 Acre



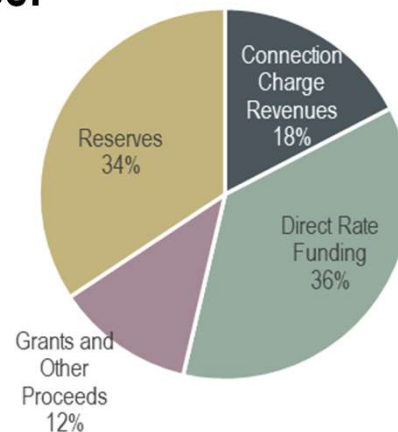
Sewer Revenue Requirement

Key Components - Sewer

Description	Sewer 2021 - 2026
Existing Revenue	\$9.8 mil - \$10.5 mil
O&M Expenses	\$6.9 mil - \$8.1 mil
Existing Debt Service	\$2.0 mil - \$670 k
New Debt Service	\$0
System Reinvestment	\$900 k - \$1.6 mil
Total CIP (2021-2026)	\$29.2 million

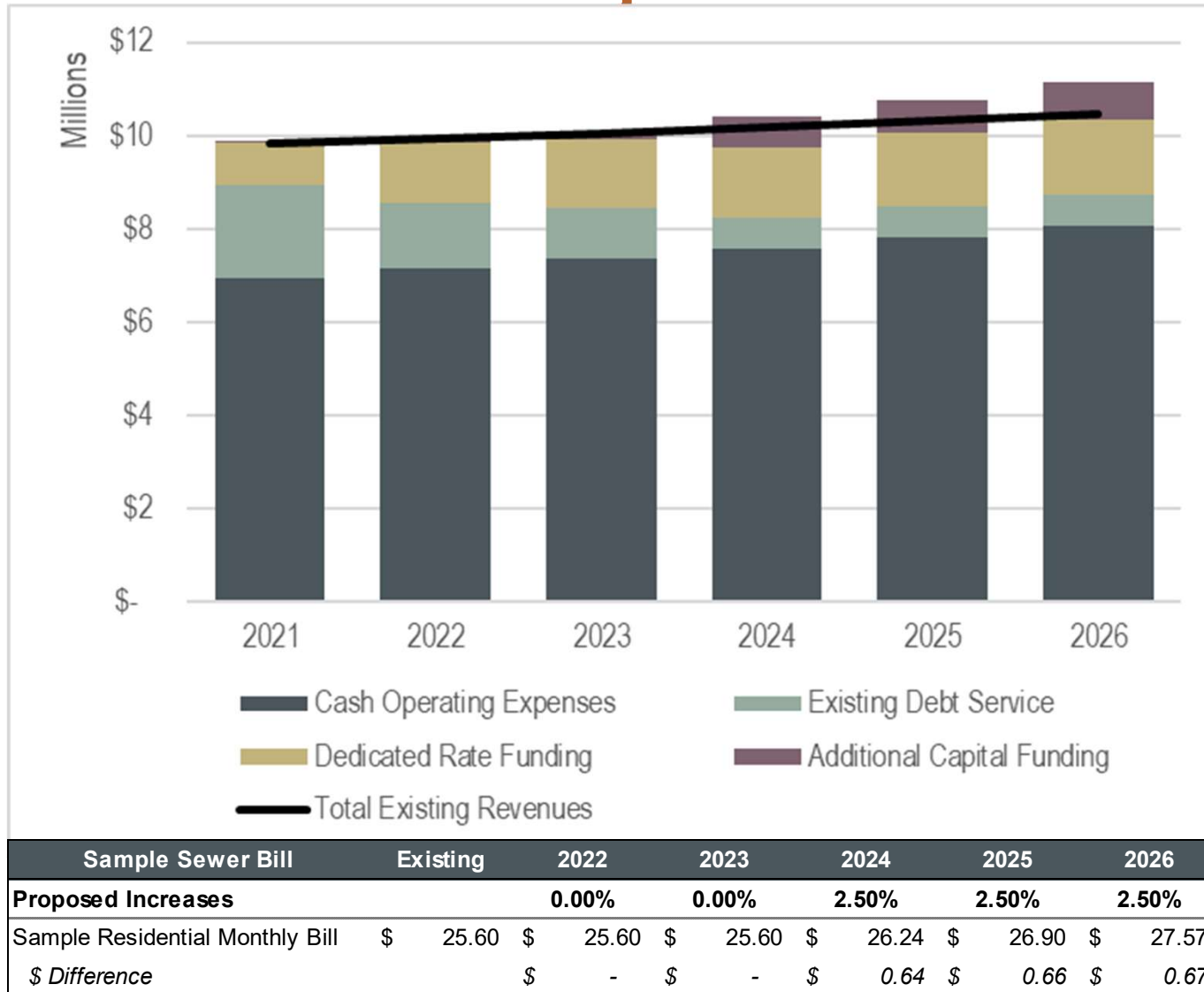


- \$29.2 million in capital projects, funded by reserves, direct rate funding and connection charge revenues.**





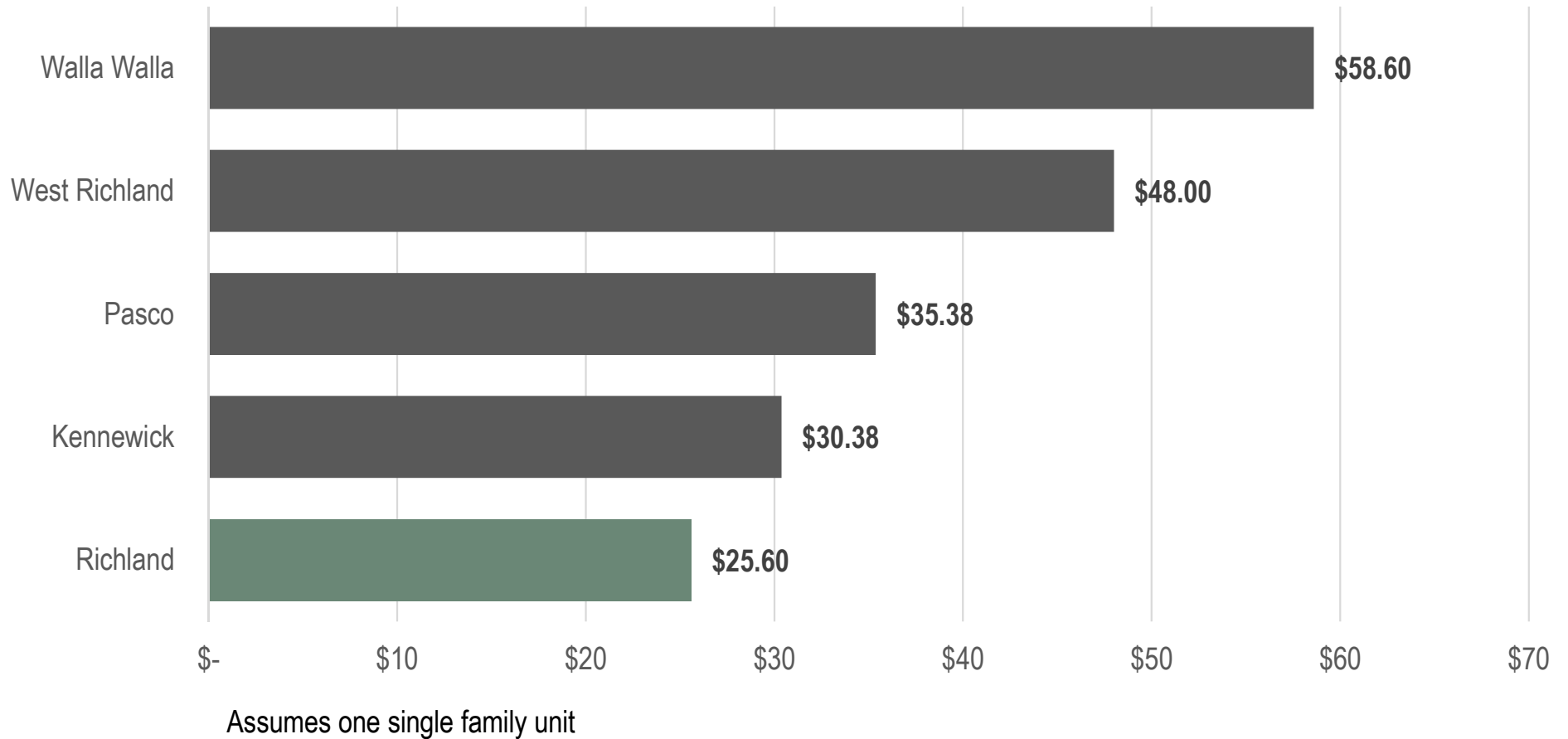
Sewer Revenue Requirement Summary



Note: One Single Family Unit



Sewer Single Family Monthly Rate Comparison





Connection Fees



Connection Fee Overview

- **Revised Code of Washington (RCW) 35.92.025 grants Cities the authority to fix rates and charges for connecting to water systems**
- **One time charge imposed on new development or expanded connection to system as a condition of service**
- **Can be used to fund capital projects or related debt service; may not be used to fund operation and maintenance costs**
- **Represents a prorated share of the cost of providing system capacity**
 - » Offset growth related costs that would not be necessary in absence of customer based growth
- **Based on cost of system infrastructure**
 - » Existing and future

Connection Fee Methodology

- **Connection fees consist of two parts:**

- » Existing Cost Basis – is intended to recognize the current ratepayers' net investment in the original cost of the non-donated system

- Existing assets (original cost)

- Less: meters & services

- Less: contributions (developer donations/grants)

- Plus: interest (maximum 10 years)

- » Future Cost Basis – is intended to include future facilities needed to serve growth, as well as to provide for regulatory system improvements

- Future capital (today's dollars)

- Less: repair & replacement projects



Existing and Future Cost Basis

Existing Cost Basis	Water	Sewer
Plant in Service (Original Cost)	\$ 139,781,424	\$ 103,238,665
less: Meters & services	(23,844,409)	
less: contributions in aid of construction	(17,450,917)	(6,108,277)
plus: interest on net assets	45,422,050	51,302,672
Net Existing Cost Basis	\$ 143,908,149	\$ 148,433,060

Future Cost Basis	Water	Sewer
Capital Improvement Program (2021\$)	\$ 71,035,000	\$ 27,602,000
less: Renewal & replacement projects	(62,412,500)	(20,840,500)
Net Future Cost Basis	\$ 8,622,500	\$ 6,761,500

System Capacity

System Capacity	Water	Sewer
Existing MCEs	29,315	23,984
Unsubscribed MCEs	20,579	12,190
Total MCE Capacity	49,894	36,174

- **Water System capacity: Meter capacity equivalents (MCEs)**
 - » Existing: Based on 2021 count of meters by size
 - » Future: Weighted based on engineering estimate of capacity by system function
- **Sewer System capacity: Meter capacity equivalents (MCEs)**
 - » Existing: Based on 2020 average day flow at WWTP
 - » Future: Based on design capacity of WWTP, less I&I



Connection Fee Calculation

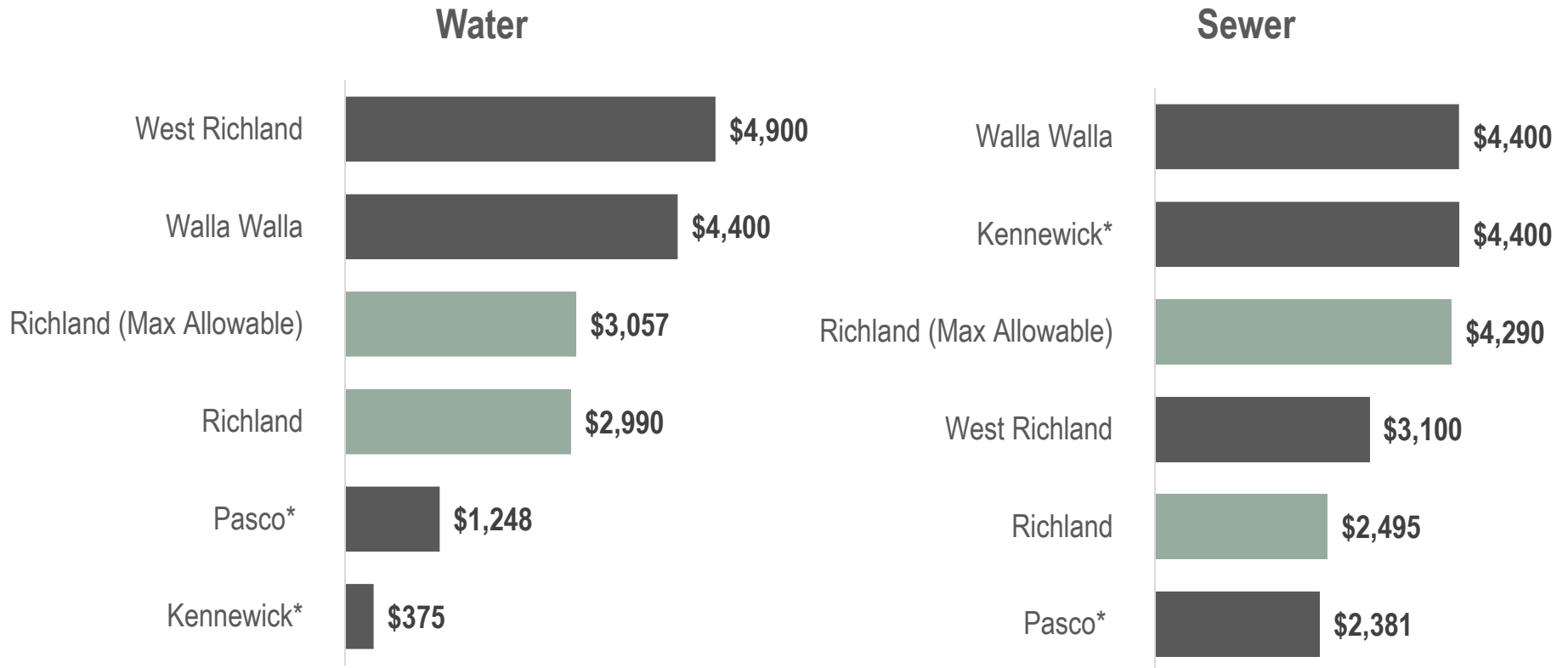
$$\frac{\text{EXISTING \& FUTURE COST}}{\text{TOTAL FUTURE SYSTEM CAPACITY}} = \text{CONNECTION FEE}$$

Connection Fee	Water	Sewer
Existing Cost Basis	\$ 143,908,149	\$ 148,433,060
Future Cost Basis	8,622,500	6,761,500
Total System Cost Basis	\$ 152,530,649	\$ 155,194,560
Allocable MCEs	49,894	36,174
Total Connection Fee per	\$ 3,057	\$ 4,290
<i>Existing Charge:</i>	<i>\$ 2,990</i>	<i>\$ 2,495</i>

- Totals are maximum allowable connection charges for each utility



Connection Charge Comparison



All charges assumed smallest meter size

Richland offers reduced water connection charge for non-irrigation uses (\$2,100)

*Assumes 25 linear feet and 10,000 SF lot

Options for Consideration

- No increase to connection charges
- Increase sewer charge by \$500:

Connection Fee	Existing	Proposed	<i>Difference</i>	
Water	\$ 2,990	\$ 2,990	\$	-
Sewer	\$ 2,495	\$ 2,995	\$	500

- Other?

Next Steps

- **Incorporate feedback**

- » Revenue requirement - move forward with the following:

Utility	2022	2023	2024	2025	2026
Water	-10.0%	0.0%	0.0%	0.0%	0.0%
Irrigation	0.0%	0.0%	5.0%	0.0%	10.0%
Sewer	0.0%	0.0%	2.5%	2.5%	2.5%

- » Connection fees- move forward with the following:

Connection Fee	Existing	Proposed	Difference
Water	\$ 2,990	\$ 2,990	\$ -
Sewer	\$ 2,495	\$ 2,995	\$ 500

- **Rates and connection fees effective June 1, 2022**

Thank you!

Brooke Tacia, Project Manager

425-502-6225

brooket@fcsgroup.com

www.fcsgroup.com



UTILITY ADVISORY COMMITTEE AGENDA ITEM COVERSHEET

Meeting Date: 1/11/2022

Agenda Category: Items of Business

Prepared By: Pete Rogalsky, Public Works Director

Subject:

Water and Sewer Facilities Assessment Study (15 Minutes)

Department:

Public Works

Recommended Motion:

Recommend that the City Council leave water connection fees unchanged and increase sewer connection fees by \$500 for each new single family connection.

Summary:

This past Fall City staff retained the FCS Group to evaluate the assessments levied for new services to the water and sewer systems. These analyses are commonly performed at the same time as a general rate review. Washington State Law prescribes a method for determining the maximum allowable facilities assessments, with local utilities setting these fees in accordance with their policy approach. Funding from the facilities assessments may not be spent on system operations and are thus reserved for capital investments.

The FCS Group determined that the maximum allowable facilities assessments for new water connections was nearly unchanged from the most recent analysis. Since the City's current fees are very near the maximum allowable amount, City staff recommends no change to these fees.

The FCS Group determined that the maximum allowable facilities assessments for new sewer connections was substantially higher than the current fees, thus enabling an increase if the City Council elects to increase these fees. Because of the substantial capital needs of the sewer fund and because Richland's current sewer connection fees are nearly the lowest in our region, staff recommends a modest increase in these fees.

Fiscal Impact:

Based on current building trends staff estimates that the increased sewer connection fee would result in approximately \$150,000 in additional revenue to the sewer fund.

Attachments:



UTILITY ADVISORY COMMITTEE AGENDA ITEM COVERSHEET

Meeting Date: 1/11/2022

Agenda Category: Items of Business

Prepared By: Pete Rogalsky, Public Works Director

Subject:

Badger Mountain South Water Supply (20 Minutes)

Department:

Public Works

Recommended Motion:

This item is for information only.

Summary:

This item will be an opening discussion about water resource deployment, specifically to the Badger Mountain South area. It is likely that a detailed proposal to adjust the current water resource allocation will be developed in the coming months. This discussion will provide background to the Committee and identify key policy issues to be analyzed prior to consideration of a detailed proposal.

Prior to 2010 the area now being developed as the Badger Mountain South Subarea was unincorporated property within the potable water service area of the Badger Mountain Irrigation District (BMID). The BMID held undeveloped water rights sufficient to serve a rural density development on those properties. When the property annexed into the City and was planned as an urban density development additional water resources were needed. The City entered into a water service agreement with the BMID that planned to leverage the available BMID water resources and existing City resources. After more than ten years of development, both inside and outside the City limits, both the BMID and City staff believe there may be good reasons to amend the original agreement.

In this item staff will review the history of the present agreement, the emerging issues that may warrant reconsideration of its terms, and the general implications of changes to the current agreement.

Fiscal Impact:

Attachments:

1. 2009 Retail Water Service Area Agreement with Badger Mountain Irrigation District
2. 2012 Retail Water Service Area Agreement with Badger Mountain Irrigation District

**RETAIL WATER SERVICE AREA AGREEMENT
BETWEEN BADGER MOUNTAIN IRRIGATION DISTRICT
AND THE CITY OF RICHLAND**

C98-09

This Agreement between the Badger Mountain Irrigation District, a municipal corporation (hereinafter referred to as "BMID") and the City of Richland, a municipal corporation (hereinafter referred to as "City") do agree as follows:

W-I-T-N-E-S-S-E-S that:

WHEREAS, Such an Agreement is required in WAC 248-56-730, Service Area Agreements-Requirements, of the Public Water System Coordination Act; and

WHEREAS, the City of Richland and BMID potable water utilities have been organized and established under the provisions of RCW, Laws of the State, for the purpose of constructing and operating potable water supply distribution systems serving the water users within the area as described in their respective Water System Plans; and

WHEREAS, the City of Richland and the BMID both own and operate a water supply distribution system with a capacity capable of serving their present and future customers as shown on their Water System Plans; and

WHEREAS, designation of retail water utility service areas, together with the cooperation of adjacent water utilities, will help assure that time, effort, and money are best used by avoiding unnecessary duplication of service; and

WHEREAS, BMID provides potable water service to a retail service area south of Richland called Rancho Reata as well as the surrounding residential subdivisions; and

WHEREAS, a part of the BMID retail service area is within the City's Urban Growth Boundary Area; and

WHEREAS, the City's retail service area is generally described as all lands within its Urban Growth Area; and

WHEREAS, several independent potable water systems operate within the current City limits and Urban Growth Area; and

WHEREAS, the Badger Mountain Urban Growth Area expansion was added to the City's Urban Growth Area in 2003; and

WHEREAS, the City is presently preparing a specific area plan for the Badger Mountain Urban Growth Area expansion that will be adopted into its Comprehensive Land Use Plan; and

WHEREAS, the City and BMID anticipate that the Badger Mountain Urban Growth Area specific area plan will substantially alter current land use plans resulting in substantially different water service requirements; and

WHEREAS, the City and BMID are required to complete and submit Water System Plan Updates to the Washington State Department of Health in 2009; and

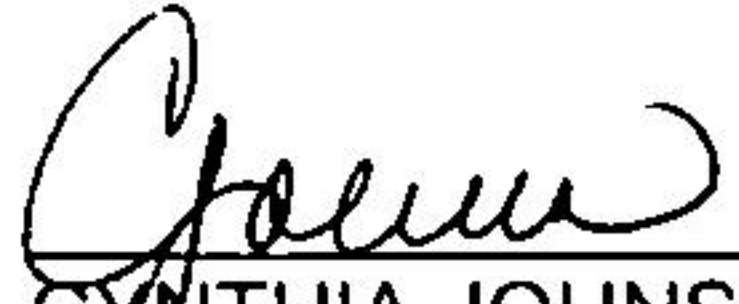
WHEREAS, the Badger Mountain Urban Growth Area specific area plan will likely not be adopted by City Council in 2009.

NOW THEREFORE, the City and BMID hereby agree as follows:

1. The BMID service area shall be as described in Exhibits A.
2. BMID shall, from the effective date of this agreement, use the City's Standard Specifications and Drawings for new water system infrastructure constructed within the City's Urban Growth Area.
3. The City and BMID agree to hydraulically match their upper potable water pressure zones.
4. The City and BMID shall investigate the feasibility of constructing and operating a joint water storage facility to provide Washington State Department of Health required water storage for the Badger Mountain Urban Growth Area expansion.
5. The City and BMID shall investigate the feasibility of an emergency water supply intertie or a wholesale delivery point between their systems in the Badger Mountain Urban Area Growth expansion.
6. The City and BMID agree to coordinate construction plan reviews for water system developments within the defined retail service area and record drawings of finished and accepted construction projects will reside at both agencies. The BMID shall submit new system expansion plans, whether initiated by a private developer or the BMID to the City for plan review. The City shall submit new system expansion plans for projects within BMID's retail service area, whether initiated by a private developer or the City, to BMID for plan review. Both parties will provide plan reviews without charge to the other party. Each agency will be responsible for construction quality control inspections and infrastructure acceptance and maintenance within its own system.
7. At the point the specific area plan for the Badger Mountain Urban Growth Area expansion has been developed the City and BMID agree to re-open this agreement for further discussion and negotiation on possible changes to this agreement.

Approved this 8 date of Oct, 2009.

CITY OF RICHLAND


CYNTHIA JOHNSON
City Manager

BADGER MOUNTAIN
IRRIGATION DISTRICT

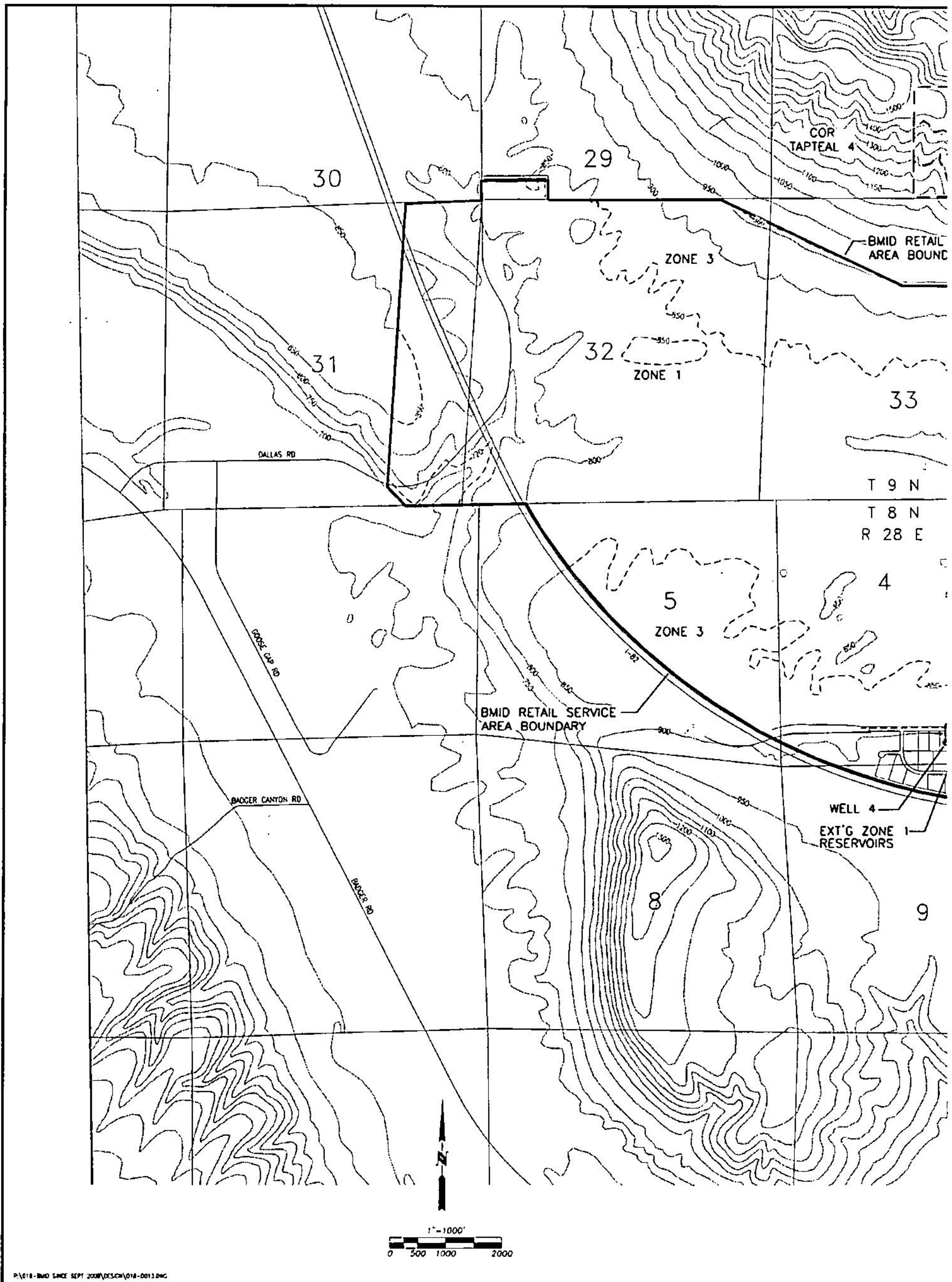

BRAD ANDERSON
Secretary Manager

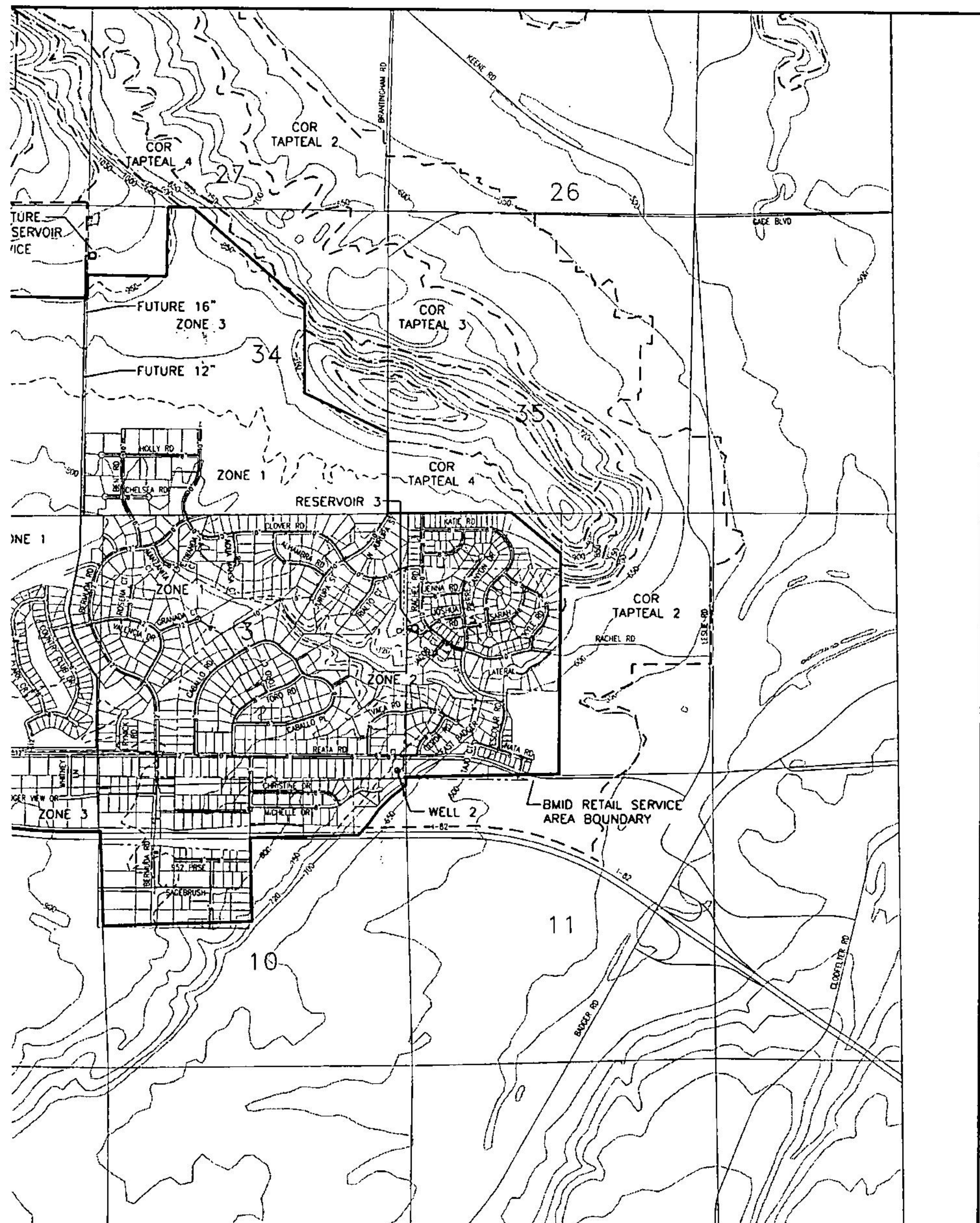
Approved as to Form


THOMAS O. LAMPSON
City Attorney

Attest:


DEBRA BARHAM
City Clerk, Chief Deputy





DATE:
01-08-09
DRAWN BY:
DJR
DWG. NO.
018-0013

**BADGER MOUNTAIN
IRRIGATION DISTRICT**
EXISTING FACILITIES & RETAIL SERVICE AREA

**HALL ENGINEERING
ASSOCIATES**

10 SOUTH ALBURN
KENNEWICK, WA 99338
(509) 582-2200
FAX (509) 586-2897

**RETAIL WATER SERVICE AREA AGREEMENT
BETWEEN
BADGER MOUNTAIN IRRIGATION DISTRICT
AND
CITY OF RICHLAND**

1. DATE AND PARTIES.

This document ("Water Service Area Agreement"), for references purposes only, is dated the 22nd day of March, 2012 ("Agreement Date") and is entered into by and between the City of Richland, a charter 1st class city organized under the laws of the State of Washington (the "City"); and Badger Mountain Irrigation District, a special purpose district organized under the laws of the State of Washington ("BMID"). The City and BMID are sometimes referred to herein individually as "Party" and collectively as "Parties".

2. AUTHORITY.

The City and BMID are entering into the Water Service Area Agreement under the authority and power given to them by the general laws and the constitution of the state of Washington, the City's charter, and the Interlocal Cooperation Act codified as Chapter 39.34 of the Revised Code of Washington relating to interlocal agreement.

3. GENERAL RECITALS AND PURPOSE.

3.1 The City and BMID entered into a retail water service area agreement on October 8, 2009. This Agreement supplements and amends the existing Retail Water Service Area Agreement (hereafter "2009 RWSAA").

3.2 The City and BMID each adopted water system plan updates in 2010 based upon the 2009 RWSAA.

3.3 The City has adopted a sub area plan known as the Badger Mountain Sub Area Plan ("BMSAP") that includes area within the BMID service area.

3.4 On December 7, 2010, the City annexed into the City a portion of the BMSAP area that included a Master Planned Community known as Badger Mountain South ("BMS"), the legal description to which is attached hereto as Exhibit A, and a plat previously approved by Benton County known as Reata Ridge, the legal description to which is attached hereto as Exhibit B.

3.5 Although Reata Ridge and BMS are located within the City, they are also located within the BMID retail water service area. BMID already provides potable water service to Reata Ridge.

3.6 Parts of the BMSAP in general and BMS and Reata Ridge in particular, are located in BMID Water Pressure Zone 1 (hereafter "Zone 1") and in BMID Water Pressure Zone 3 (hereafter "Zone 3").

3.7 BMID currently has inchoate water rights to provide approximately 2300 additional equivalent residential units ("ERUs"), which is less than half of the ERU's that will be needed to service BMS alone at full build out.

3.8 BMID currently has sufficient source and supply within its service area facilities to provide needed fire flow in Zone 1, but does not currently have sufficient facilities to meet urban level fire flow requirements as required by the City within Zone 3.

3.9 The City currently has sufficient water rights and treatment capacity to provide potable water needed to build out BMS.

3.10 The City is currently supporting planning by the BMS developer to extend City potable water infrastructure to BMS to meet urban levels of residential and commercial fire flow.

3.11 The Parties have been discussing the most logical and cost efficient way to deliver retail water service to the BMSAP area in general and to BMS and Reata Ridge in particular.

3.12 The purpose of this Water Service Area Agreement is to supplement the 2009 RWSAA between the City and BMID to set forth a general agreement of the Parties to provide for interties between the two Parties water systems to effectively and efficiently use the water rights, facilities, and other assets of both Parties without unnecessary duplication of efforts.

4. **AGREEMENT TERM.**

The Water Service Area Agreement term shall commence on the Agreement Date and shall extend for 50 years there from, unless earlier terminated as set forth below. The Parties may amend the Water Service Area Agreement by an agreement signed by both Parties. At the expiration of the term, if BMID wants the City to continue to purchase domestic water within BMS, the City shall continue to purchase BMID water at a rate to be negotiated between the Parties that is consistent with the wholesale potable pricing policies of BMID at that time. In no event shall the Water Service Area Agreement be terminated if to do so would impose a risk to the public health and safety, or interrupt potable water service to any area within the BMSAP.

5. DOMESTIC WATER SUPPLY AND LOCATION OF CONNECTION POINTS.

5.1 The Parties will develop two interties. One intertie will provide City water to the BMID Zone 3 to meet urban fire flow requirements, (hereafter referred to as "City Source Intertie"). The second intertie will provide BMID potable water supply to the City (hereafter known as "BMID Source Intertie").

5.2 The City will construct an extension of the City's domestic water system across BMS from the planned City water storage reservoir near Dallas Road and I-182 to the planned City Source Intertie located near the Reata Road right of way. The route of the water line extension will follow the intended locations of the City streets that will be constructed within BMS as development occurs. The City Source Intertie will be located near the intersection of the proposed BMS arterial street connection to Reata Road. The City water system extension and the City Source Intertie shall be owned, operated and maintained by the City. The City shall provide sufficient volume and pressure to the City Source Intertie to provide City of Richland single family residential fire flow in the Zone 3 fire hydrants in Reata Ridge.

5.2.1 BMID may purchase water from the City to provide sufficient volume and pressure to portions of the BMID Water Pressure Zone 3 which are located outside the existing City limits. The City will allow BMID to use utility easements or other available easements to install delivery lines from the City water lines to the Zone 3 properties located outside the existing City limits.

5.2.2 BMID shall not purchase water from the City to provide for customers in BMID Water Pressure Zones 1 and 2 without written authorization from the City's Public Works Director.

5.3 The BMID Source Intertie will be constructed and installed by the City to provide potable water supply to development within BMS. The BMID Source Intertie will be located near the BMID office on the north side of Reata Road at such location agreed to by the Parties considering the engineering for the BMS development.

5.4 The City will purchase water at BMID wholesale rates to supply the BMS development up to the maximum number of ERUs allowed by the BMID Water Permit No. CG4-28960P, which includes G4-24119C, G4-25178C, G4-27884P and G4-28960P, presently estimated at 2300. The City will have operational control over the amount and timing of water purchases from the BMID Source Intertie. The City's selection of water sources to serve the BMS development at any given time will be determined by the City using its criteria which may include cost, water quality, customer service, and operational priorities. The City shall pay the cost of the materials and equipment to construct and install the Interties, and to extend the water line within BMS to the Intertie locations. The BMID Source Intertie shall be owned, operated, and maintained by the BMID. All potable water facilities on the BMID side of the BMID Source Intertie shall be owned, operated and maintained by BMID. The lines and facilities, including a planned pump

station, located on the City side of the BMID Source Intertie shall be owned, operated and maintained by the City.

5.5 The BMID shall develop, maintain, repair and operate adequate potable water source capacity to fulfill its commitment to provide water to the BMS as described above. BMID shall consult with the City before pursuing any action that would reduce the number of ERU's available for service to the BMS. This shall include commitments as described in Section 8 below. The BMID source reliability and redundancy service level for the wholesale supply shall be at the same standard or better than the service level provided to its retail customers.

5.6 As development occurs in other areas within the BMSAP the Parties may determine that further interties are beneficial, and the details of those interties shall be added as an amendment to this Water Service Area Agreement.

6. REQUIRED STATE AND COUNTY APPROVALS.

6.1 The City shall be responsible for obtaining all necessary County and State approvals necessary for the extension of its water system to the City Source Intertie and the BMID Source Intertie.

6.2 Each Party shall be responsible for obtaining approvals for any amendments to their own water system plans by the Washington State Department of Health and/or the Washington State Department of Ecology that may be necessary as a result of entering into this Retail Water Service Area Agreement.

7. MASTER FLOW METERS.

7.1 All water delivered by the City through the City Source Intertie shall be metered by a master flow meter owned by the City and available for inspection by BMID at all reasonable times.

7.2 All water delivered by BMID through the BMID Source Intertie shall be metered by a master flow meter owned by the BMID and available for inspection by the City at all reasonable times.

7.3 The City shall be responsible for furnishing and installing the intertie master flow meters and valves.

7.4 Each Party shall test the accuracy of its respective flow meters at its expense no less frequent than every five years, or as otherwise agreed by the parties and provide reasonable notice and opportunity for the other party to observe the testing. The test results shall be provided in writing to the other party within ten days.

7.5 The master meter installation shall include test ports for testing of the master meter, with appropriate valving and bypass around said meter to facilitate testing.

7.6 Each Party shall be responsible for reading, maintaining, repairing and replacing its master flow meter.

8. WATER QUALITY AND RELIABILITY.

8.1 Each Party shall be responsible for water quality within its respective system.

8.2 Each Party shall supply water through its intertie that meets or exceeds federal and state drinking water quality standards, as those standards may change from time to time.

8.3 Each Party shall share available water quality data on their respective system in a timely manner to support all required reporting.

8.4 Each Party shall maintain, repair, and improve its water supply, treatment and delivery systems as necessary to fulfill its obligations under this agreement.

9. RETAIL WATER SERVICE.

9.1 Subject to the obligation to purchase water from BMID, the City shall be the retail potable water supplier to all areas within BMS and other areas annexed into the City as of the Agreement Date, except for Reata Ridge as shown in Exhibit C.

9.2 BMID shall be the retail potable water supplier to all development within Reata Ridge and the areas in the City's Badger Mountain Sub Area Plan that have not been annexed as of the Agreement Date as shown in Exhibit D.

10. WATER RATES

10.1 The City shall pay the BMID published wholesale water rate at the time the water is provided for water conveyed to the City's water system through the BMID Source Intertie. The BMID wholesale water rate shall be calculated using the method documented by HDR Engineering in its December 20, 2011 technical memo as shown in Exhibit F. BMID's wholesale water rate shall be based on the same cost of operation data as is used to develop BMID retail rates and shall not result in the City subsidizing BMID retail customer costs. BMID's wholesale water rate may include the financing costs for the funds which BMID borrows for infrastructure costs. BMID shall provide the City written notice of its intent to adjust its wholesale water rate a minimum of 120 days in advance of adopting a new rate.

10.1.1 The BMID wholesale water rate, as of the date of this agreement, is \$0.73 per hundred cubic feet. For billing periods during which the City draws water through the BMID Source Intertie, the City shall pay BMID the amount calculated from the equation below. The monthly base meter charge shall be for a meter size no larger than 4-inch. The monthly base meter charge shall be calculated using the same data and

method used to calculate BMID's retail service monthly service charges, but may not exceed the City's published retail base monthly charge for a 4-inch meter. There shall be no charge to the City for months when no water is supplied through the BMID Source Intertie.

$$(\text{BMID Source supply meter read} \times \text{BMID Wholesale Rate}) + \text{Monthly Base Meter Charge} = \text{City payment}$$

10.2 BMID shall pay the City's published wholesale water rate at the time the water is provided for water conveyed to the BMID water system through the City Source Intertie. The City's wholesale water rate shall be calculated using the method documented by HDR Engineering in its January 19, 2012 technical memo as shown in Exhibit G. The City's wholesale water rate shall be based on the same cost of operation data as is used to develop City retail rates and shall not result in the BMID subsidizing City retail customer costs. The City shall provide the BMID written notice of its intent to adjust its wholesale water rate a minimum of 120 days in advance of adopting a new rate.

10.2.1. The City's wholesale water rate, as of the date of this agreement, is \$0.64 per hundred cubic feet. For billing periods during which water is delivered through the City Source Intertie, BMID shall pay the City the amount calculated from the equation below. The monthly base meter charge shall be for a meter size no larger than 4-inch. The monthly base meter charge shall be calculated using the same data and method used to calculate the City's retail service monthly service charges.

$$(\text{City Source supply meter read} \times \text{City Wholesale Rate}) + \text{Monthly Base Meter Charge} = \text{BMID Payment}$$

10.3 Each Party may charge retail water use rates for potable water based upon a cost of service rate schedule duly adopted in accordance with state law. Each Party will provide the other Party with adequate notice to review and respond to any proposed rate increases prior to their adoption.

10.4 Billing and collection of service charges shall be in accordance with the adopted procedures for the Party providing the water.

10.5 BMID shall pay the City a onetime payment of two hundred thousand dollars (\$200,000.00), to be paid on the date the City Source Intertie is operational. This payment is a contribution to the cost of extending the City's domestic water line as provided in Section 5 of this Agreement. BMID shall not be responsible for any other costs for the construction of the extension except as specifically set forth in this Agreement.

11. CONNECTION FEES

11.1 Each party may charge a connection fee for each new retail service provided in its retail service area. BMID may also charge a connection fee for new City retail services located in the BMS area. The BMID connection fee for each new City

retail service located in the BMS shall be calculated using the method documented by HDR Engineering in its December 20, 2011 technical memo as shown in Exhibit H. Each parties' connection fee shall be established based on procedures recommended by the America Waterworks Association and cost of service data from its actual facilities and operations. BMID shall provide the City with 120 days notice of its intent to adjust its connection fee. For development in the BMS the City will collect the BMID connection fee according to its standard practices at the time the fee is due and will remit connection fee revenue to the BMID on a quarterly basis.

11.1.1 The BMID connection fee for City-supplied retail services located in the BMS area, as of the date of this agreement, is \$857 per equivalent residential unit (ERU). The remittance to the BMID will be established according to either "a" or "b" below:

a. If the initial water supply to the BMS is solely through the BMID Source Intertie, with no water supplied from the City's water sources, the connection fees remitted to BMID will be as follows. For the first 120 ERU's developed in the BMS the City will pay BMID \$857. For any ERU's after the first 120 the City will pay BMID \$188.

b. If the initial water supply to the BMS is provided by the City's water sources, the connection fees remitted to BMID will be as follows. For the first 350 ERU's developed in the BMS the City will pay BMID \$300. For any ERU's after the first 350 the City will pay BMID \$192.

11.2 The timing for billing and collection of each parties' retail service connection fees shall be in accordance with the adopted processes and procedures for the Party providing the retail water service.

12. AMENDMENTS.

12.1 The Water Service Area Agreement may be modified, including termination of the Agreement or any part thereof, at any time, By a written agreement executed by both of the Parties.

13. DESIGNATED REPRESENTATIVE FOR EACH PARTY.

13.1 Representative of City. The City Public Works Director shall be the designated person with overall responsibility in connection with administering the Water Service Area Agreement on behalf of the City.

13.2 Representative of BMID. The BMID Secretary-Manager shall be the designated person with overall responsibility in connection with administering the Water Service Area Agreement on behalf of BMID.

14. NOTICES.

14.1 Any notice or communication required by this Water Service Area Agreement between the City and BMID must be in writing, and may be given either personally with evidence of receipt, by registered mail return receipt requested or by express delivery service,. If given personally, or by registered or certified mail, such notice or communication shall be deemed to have been given and received upon actual receipt. Such notices or communications shall be given to the Parties at their addresses set forth below:

To: BMID:

Brad Anderson
Secretary - Manager
Badger Mountain Irrigation District
87525 E. Reata Road
Kennewick, WA 99338

With a copy to:

Thomas A. Cowan Jr.
503 9th Street
Richland, WA 99352
Facsimile: (509) 946-4257

To: City of Richland:

Cindy Johnson
City Manager
City of Richland
505 Swift Blvd.
Richland, WA 99352
Facsimile: (509) 942-7379
Email: cjohnson@ci.richland.wa.us

With a copy to:

Thomas O. Lampson
City Attorney
City of Richland
505 Swift Blvd.
Richland, WA 99352
Facsimile: (509) 942-5669
Email: tlampson@ci.richland.wa.us

With a copy to:

Pete Rogalsky
Public Works Director
City of Richland
840 Northgate Drive
Richland, WA 99352
Facsimile: (509) 942-7468
Email: progalsky@ci.richland.wa.us

14.2 Either Party, by giving 10 days notice, may at any time change its contact information by sending its new contact information to the other Party in the same manner as is provided for sending the other Party notice under the provisions of paragraph 26.2.

15. BINDING EFFECT; ASSIGNABILITY.

15.1 This Water Service Area Agreement shall be binding on the Parties hereto; their successors, and assigns.

16. DISPUTE RESOLUTION.

16.1 The Parties are committed to working diligently in good faith to carry out the intent and purpose of this Water Services Agreement. Thus, the Parties agree that if a dispute arises they will engage in good faith negotiations to resolve the dispute. Such negotiations shall first be conducted at the water utility staff level, and if unsuccessful shall proceed to the City Council and BMID Board level. Should settlement negotiations prove unsuccessful or not be resolved within ninety days either Party may pursue other legal remedies including, but not limited to litigation.

16.2 Jurisdiction and venue for any legal action shall be in the Benton County Superior Court. In no case, except for non-payment of legally adopted service charges or connection fees, shall water service be interrupted, discontinued or terminated because of a pending dispute resolution process.

17. EXHIBITS.

The following are the Exhibits that are a part of the Water Service Area Agreement and are incorporated herein by reference:

- Exhibit A Legal Description for Badger Mountain South
- Exhibit B Legal Description for Reata Ridge
- Exhibit C Legal Description for revised City retail service area
- Exhibit D Legal Description for revised BMID retail service area
- Exhibit E Reata Ridge Fire Flow Agreement between Nor Am Investment, LLC and City of Richland
- Exhibit F BMID Wholesale Water Rate Calculation Method
- Exhibit G City Wholesale Water Rate Calculation Method
- Exhibit H BMID Connection Fee Calculation Method

18. **SEVERABILITY.**

18.1 If any provision of the Water Service Area Agreement is determined to be unenforceable or invalid pursuant to a final decree or judgment by a court of law with jurisdiction, then the remainder of this Water Service Area Agreement not decreed or adjudged unenforceable or invalid shall remain unaffected and in full force and effect, subject to the provisions of paragraph 19.1.

18.2 If any provision or provisions of the Water Service Area Agreement are determined to be unenforceable, then the Parties agree to negotiate in good faith a substitute provision or provisions that would accomplish the intent and purpose of the invalid provision in a method and manner that would be legal.

18.3 In the event of any administrative, legal or equitable action or other proceeding instituted by any person not a party to this Water Service Area Agreement challenging the validity of any provision of the this Water Service Area Agreement, or any subsequent action taken by the Parties to implement the Water Service Area Agreement conditions, the Parties shall cooperate in defending such action or proceeding to settlement or final judgment, including all appeals. Each Party shall select its own legal counsel.

19. **COOPERATION IN EXECUTION OF DOCUMENTS.**

19.1 The Parties agree to properly and promptly execute and deliver any and all additional documents that may be necessary to render this Water Service Area Agreement practically effective. This paragraph shall not require the execution of any document that expands, alters or in any way changes the terms of this Water Service Area Agreement. The Parties agree to work together and in good faith to implement the provisions of the Water Service Area Agreement during the Agreement Term.

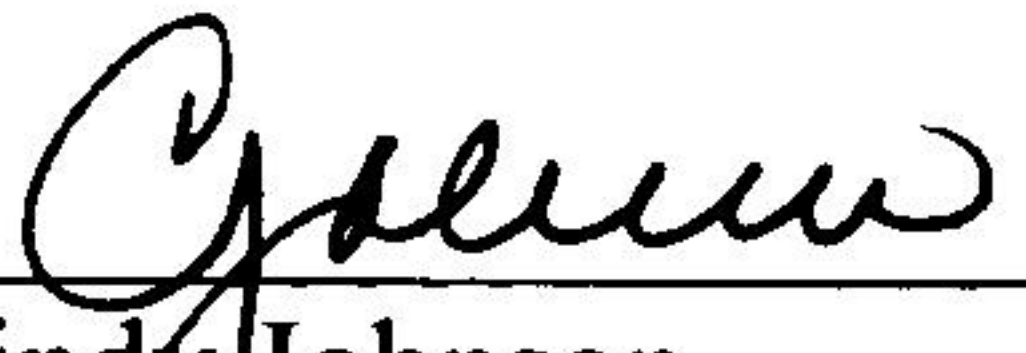
20. **FINAL AND COMPLETE AGREEMENT.**

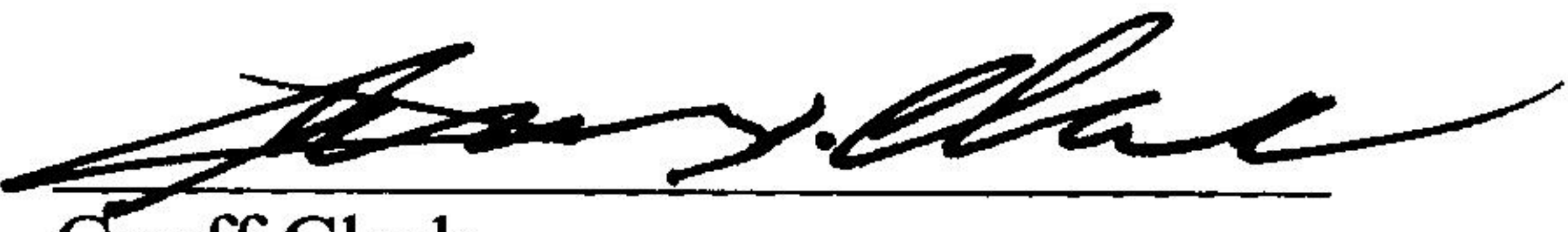
20.1 The 2009 RWSAA and this Water Service Area Agreement constitutes the final and complete expression of the Parties on all subjects relating to the subject matter. These Water Service Area Agreements may not be modified, interpreted, amended, waived or revoked orally, but only by a written document signed by all Parties. No Party is entering into this Water Service Area Agreement in reliance on any oral or written promises, inducements, representations, understandings, interpretations or agreements other than those contained in this Water Service Area Agreement and the exhibits hereto.

20.2 The Water Service Area Agreement, when executed by all Parties, shall be filed with the Benton County Auditor as required by RCW 39.34.040

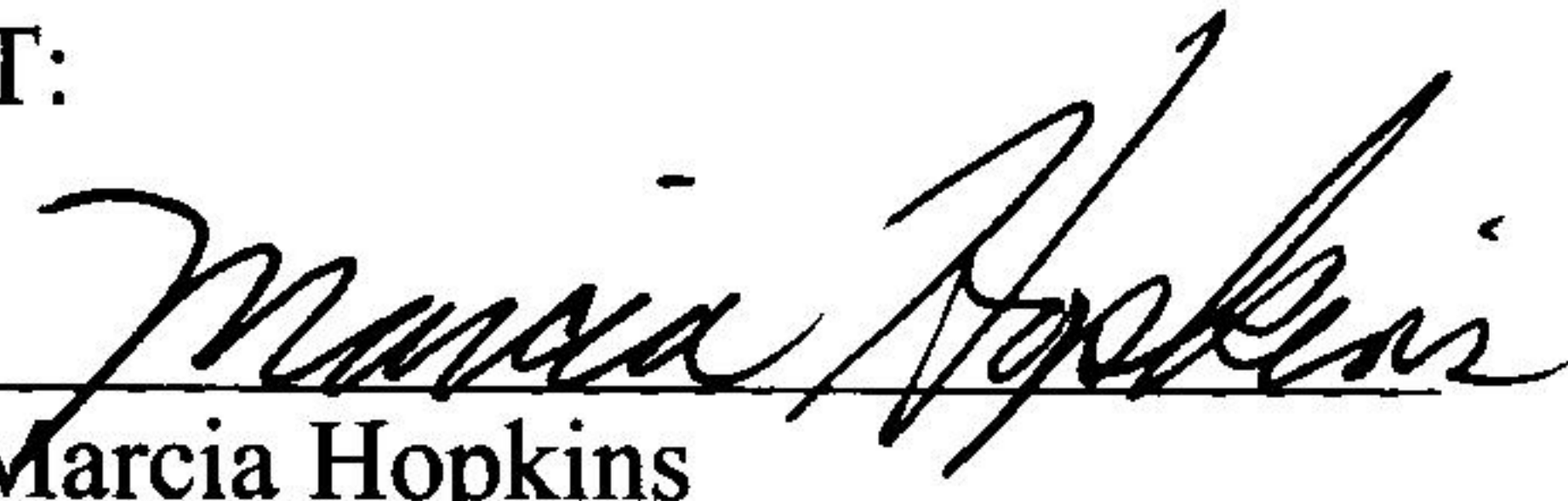
CITY OF RICHLAND:

BADGER MOUNTAIN IRRIGATION
DISTRICT

By: 
Cindy Johnson
City Manager

By: 
Geoff Clark
President

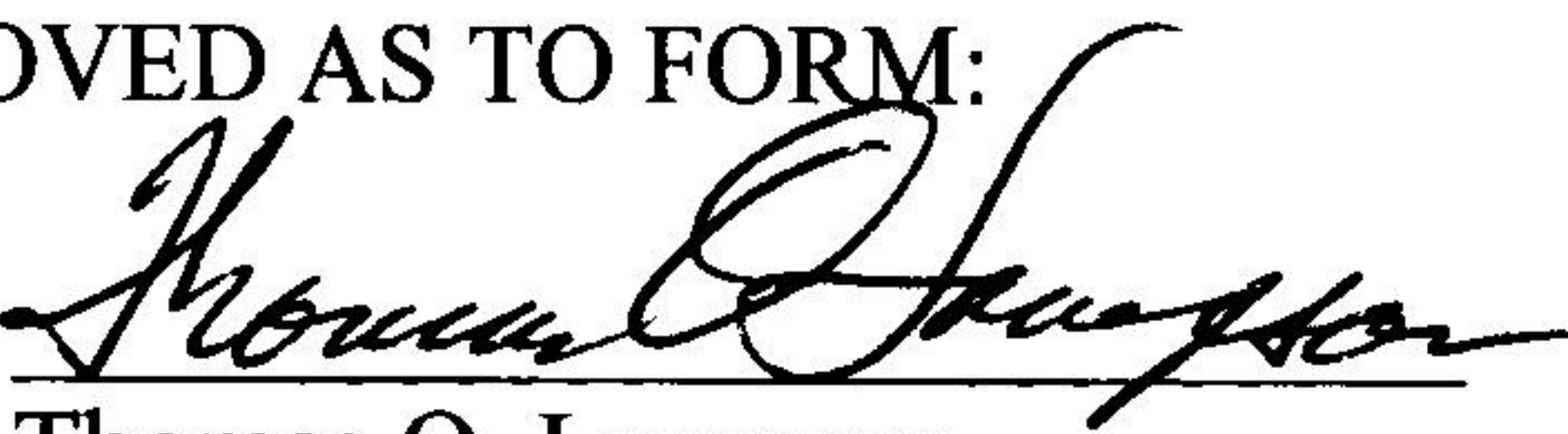
ATTEST:

By: 
Marcia Hopkins
City Clerk

ATTEST:

By: 
Brad B. Anderson
Secretary - Manager

APPROVED AS TO FORM:

By: 
Thomas O. Lampson
City Attorney

RETAIL WATER SERVICE AREA AGREEMENT

EXHIBIT A

LEGAL DESCRIPTION FOR BADGER MOUNTAIN SOUTH

LEGAL DESCRIPTION FOR BADGER MOUNTAIN SOUTH
PAGE 1 OF 2

Parcel "A":

The East half of the East half of Section 31, Township 9 North, Range 28 East, W.M., Benton County, Washington;
EXCEPT that portion described as follows:

The Southwest corner of the Southeast quarter of the Southeast quarter being the True Point of Beginning;

Thence East along the South line thereof 360.00 feet;

Thence Northwesterly in a straight line to a point on the West line of said Southeast quarter of the Southeast quarter, a distance of 360.00 feet North of the Southwest corner thereof;

Thence Southerly along said West line 360.00 feet to the True Point of Beginning;

AND EXCEPT that portion thereof lying Southerly and Westerly of the State Highway right-of-way.

AND EXCEPT that portion deeded to the County of Benton, State of Washington, under Quit Claim Deed, recorded October 10, 1968, under Auditor's File No. 595151, records of Benton County, Washington;

AND EXCEPT State Highway right-of-ways;

AND EXCEPT those portions acquired by the State of Washington under eminent domain proceedings filed in Benton County Superior Court Cause No. 82-2-00869-6;

AND EXCEPT that portion conveyed to Benton County for road purposes under Auditor's File No's. 92-16778, 92-16779, 93-1864, and 93-1871.

Parcel "B":

All of Section 32, Township 9 North, Range 28 East, W.M., Benton County Washington;

EXCEPT that portion deeded to the County of Benton, State of Washington, under Quit Claim Deed, recorded October 10, 1968, under Auditor's File No. 595151, records of Benton County, Washington;

AND EXCEPT that portion thereof lying Southerly and Westerly of the State Highway right-of-way.

AND EXCEPT State Highway right-of-ways;

AND EXCEPT those portions acquired by the State of Washington under eminent domain proceedings filed in Benton County Superior Court Cause No. 82-2-00869-6;

AND EXCEPT that portion conveyed to Benton County for road purposes under Auditor's File No's. 92-16778 and 92-16779;

AND ALSO EXCEPT any portion lying within Short Plat 2465.

Parcel "C":

Section 33, Township 9 North, Range 28 East, W.M., Benton county, Washington, EXCEPT that portion thereof lying Northerly and Easterly of the following described line:

Beginning at the Northwest corner of said section;

Thence South 02°34'20" West, 1330.20 feet along the West line of said section to the True Point of Beginning;

thence South 77°57'14" East, 2389.11 feet;

thence South 83°23'24" East, 1450.14 feet;

thence South 48°00'49" East, 1013.41 feet;

thence South 28°44'51" East, 566.24 feet;

thence North 88°55'28" East, 380.42 feet to the East line of said section and the terminus of said line, said point bears South 00°45'19" West, 3237.80 feet from the Northeast corner of said section.

(Also known as Tract 4 of Survey recorded August 31, 1998, under Recording No. 1998-025706, records of Benton County, Washington.)

EXCEPT State Highway right-of-way;

AND EXCEPT those portions acquired by the State of Washington under eminent domain proceedings filed in Benton County Superior Court Cause No. 82-2-00869-6;

Parcel "D":

Section 4, Township 8 North, Range 28 East, W.M., Benton County, Washington,

EXCEPT that portion lying within the plat of EL RANCHO REATA NO. 3, according to the Plat thereof recorded in Volume 12 of Plats, Page 42, records of Benton County, Washington,

ALSO EXCEPT State highway right-of-way conveyed under Recording No. 870597, records of Benton County, Washington;

AND EXCEPT that portion lying southerly of the Reata Road right of way

AND EXCEPT that portion lying within the Plat of REATA RIDGE

AND EXCEPT the South 420 feet of the Southeast quarter thereof;

AND ALSO EXCEPT that portion conveyed to Benton County by deed recorded May 1, 2007, under Auditor's File No. 2007-013594, records of Benton County, Washington.

Parcel "E":

That portion of Section 29, Township 9 North, Range 28 East, W.M., Benton County, Washington, lying Southerly and Westerly of the following described line:

Beginning at the Southwest corner of said Section 29;

Thence South 89°23'44" East 1154.11 feet along the South line of said Section to the True Point of Beginning;

Thence North 00°38'28" West, 310.56 feet;

Thence South 89°21'30" West, 1103.84 feet to the East line of Dallas Road and the terminus of said line.

EXCEPT the West 40 feet for County Road right-of-way;

AND EXCEPT that portion deeded to the County of Benton, State of Washington, under Quit Claim Deed, recorded February 13, 1979, under Auditor's File No. 783437, records of Benton County, Washington;

AND EXCEPT State Highway right-of-way;

AND EXCEPT that portion conveyed to Benton County for road purposes under Auditor's File No's. 92-16778 and 92-16779;

AND ALSO EXCEPT those portions acquired by the State of Washington under eminent domain proceedings filed in Benton County Superior Court Cause No. 82-2-00889-6;

RETAIL WATER SERVICE AREA AGREEMENT

EXHIBIT B

LEGAL DESCRIPTION FOR REATA RIDGE

LEGAL DESCRIPTION FOR REATA RIDGE

**Lots 1 – 78 of the Final Plat of Reata Ridge, recorded under Benton County Auditor's
Recording Number 2010-007411, P 389.**

RETAIL WATER SERVICE AREA AGREEMENT

EXHIBIT C

LEGAL DESCRIPTION FOR REVISED CITY RETAIL SERVICE AREA

LEGAL DESCRIPTION FOR REVISED CITY RETAIL SERVICE AREA

All properties within Urban Growth boundaries, except as described in Exhibit D.

RETAIL WATER SERVICE AREA AGREEMENT

EXHIBIT D

LEGAL DESCRIPTION FOR REVISED BMID RETAIL SERVICE AREA

Legal Description for Revised BMID Retail Service Area

A portion of the South $\frac{1}{2}$ of Section 34, Township 9 North, Range 28 East, W.M., and a portion of the Southeast $\frac{1}{4}$ of Section 5, Township 8 North, Range 28 East, W.M., and a portion of the Southwest $\frac{1}{4}$ and the East $\frac{1}{2}$ of Section 4, Township 8 North, Range 28 East, W.M., and a portion of Section 3, Township 8 North, Range 28 East, W.M., and a portion of the West $\frac{1}{2}$ of Section 2, Township 8 North, Range 28 East, W.M., and a portion of the North $\frac{1}{2}$ of Section 9, Township 8 North, Range 28 East, W.M., and a portion of the North $\frac{1}{2}$ of Section 10, Township 8 North, Range 28 East, W.M., and a portion of the North $\frac{1}{2}$ of Section 11, Township 8 North, Range 28 East, W.M., Benton County Washington, more particularly described as follows:

Beginning at the Southwest corner of said Section 34, Township 9 North, Range 28 East, W.M., (Stone with 'x'), and the **TRUE POINT of BEGINNING**, said corner is also the Southwest corner of Lot 2 of the Plat of Badger Mountain Plateau as recorded in Volume 15 of Plats, Page 196, record of said County and State; Thence Northerly along the West line of said Section 34 and Northeasterly along the Plat boundary of said Plat of Badger Mountain Plateau, to the Northeast corner of said Plat, and the Easterly right-of-way of Clover Road as shown on said Plat. Said Northeast corner is also the Northwest corner of Lot 1 of the Plat of Hidden Hills Phase 1 as recorded in Volume 15 of Plats, Page 402, records of said County and State; Thence Easterly along the Northerly line of said Lot 1 and the Southerly line of Tract 2 of Record of Survey No. 3894 to the Southeast corner of said Tract 2; Thence Northwesterly along the Easterly line of said Tract 2 of said Record of Survey No. 3894, to its intersection with the extension of the Southerly line of the New Parcel "C" as described in Quit Claim Deed recorded under Auditor's File No. 2009-009248, records of said County and State; Thence Northeasterly along the Southeasterly line of said New Parcel "C" to the Southeast corner of said Parcel "C"; Thence Southeasterly leaving said Parcel "C", to a point on the East line of said Section 34, Township 9 North, Range 28 East, W.M.; Thence Southerly 1415.00 feet along said East line to the Southeast corner of said Section 34, said corner is also the Southwest corner of Section 35, Township 9 North, Range 28 East, W.M., and a point on the Northerly line of the Plat of El Rancho Reata No. 4, as recorded in Volume 14 of Plats, Page 43, record of said County and State; Thence Easterly leaving said East line of said Section 34, along the Southerly line of said Section 35, Township 9 North, Range 28 East, W.M., and the Northerly line of said Plat of El Rancho Reata No. 4, to the Northeast corner of Lot 1 Block 3 of said Plat and the Northwest corner of Section 2, Township 8 North, Range 28 East, W.M., said corner is also the Northwest corner of Lot 6 of the Plat of Reata Heights as recorded in Volume 15 of Plats, Page 192, record of said County and State; Thence Easterly along the Northerly line of said Section 2, and said Plat of Reata Heights, to the Northeast corner of Lot 23 of said Plat; Thence Southeasterly across Lot 65 of said Plat to a point on the Easterly line of the West $\frac{1}{2}$ of said Section 2, Township 8 North, Range 28 East, W.M.; Thence Southerly a distance of 400.00 feet, along said Easterly line of the West $\frac{1}{2}$ of said Section and said Lot to the Southeast corner of said Lot 65 of said Plat of Reata Heights; Thence Southerly along the Easterly line of the West $\frac{1}{2}$ of said Section 2, to the South $\frac{1}{4}$ corner of said Section 2, said corner is also the North $\frac{1}{4}$ corner of Section 11, Township

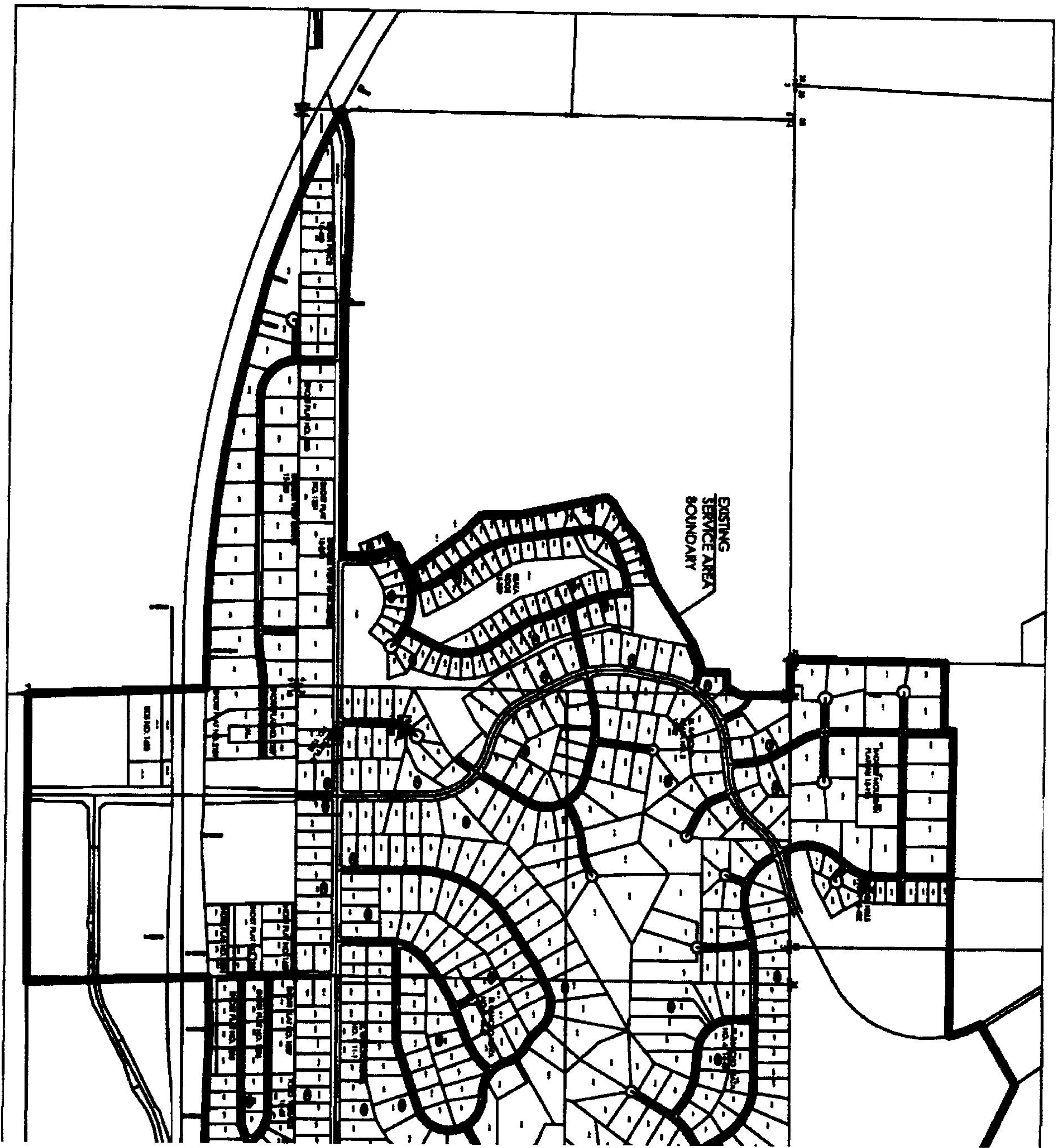
8 North, Range 28 East, W.M.; Thence Easterly along the Northerly line of said Section 11, to the Northeast corner of the West 750.50 feet of the West $\frac{1}{2}$ of the Northeast $\frac{1}{4}$ of said Section 11; Thence Southerly along the Easterly line of the West 750.50 feet of the West $\frac{1}{2}$ of the Northeast $\frac{1}{4}$ of said Section 11, to a point on the Northerly right-of-way of SR. 82; Thence Northwesternly along said Northerly right-of-way leaving said Easterly line, to a point on the Westerly line of the Northeast $\frac{1}{4}$ of said Section 11; Thence Northerly along said Westerly line to a point on the Southerly right-of-way of Reata Road; Thence Westerly leaving said Westerly line of said Section 11, along said Southerly right-of-way of Reata Road, to a point on the Northerly line of the Northwest $\frac{1}{4}$ of said Section 11, Township 8 North, Range 28 East, W.M.; Thence Westerly along said Northerly line of the Northwest $\frac{1}{4}$ of said Section 11, leaving said Southerly right-of-way of Reata Road, to the Northwest corner of said Section 11; Thence Southerly along the Westerly line of said Section 11, to a point on the Northwesternly right-of-way of the East Badger Lateral Canal; Thence Southwesterly leaving said Westerly line of said Section 11, along said Northwesternly right-of-way of the East Badger Lateral Canal, to a point on the Northerly right-of-way of said SR. 82; Thence Westerly along the Northerly right-of-way of said SR. 82 leaving said Northwesternly right-of-way of the East Badger Lateral Canal to a point on the Westerly line of the Northeast $\frac{1}{4}$ of Section 10, Township 8 North, Range 28 East, W.M.; Thence Southerly along said Westerly line to the center of said Section 10; Thence Westerly along the Southerly line of the Northwest $\frac{1}{4}$ of said Section 10, to the West $\frac{1}{4}$ corner of said Section 10, Township 8 North, Range 28 East, W.M., said corner is also the East $\frac{1}{4}$ corner of said Section 9, Township 8 North, Range 28 East, W.M.; Thence Northerly along the Easterly line of the Northeast $\frac{1}{4}$ of said Section 9, to a point on the Northerly right-of-way of said SR. 82; Thence Westerly along said Northerly right-of-way of said SR. 82 leaving said Easterly line of the Northeast $\frac{1}{4}$ of said Section 9, through said Section 9 into a portion of Sections 4 and 5, Township 8 North, Range 28 East, W.M. to a point on the Northerly right-of-way of said Reata Road; Thence Easterly along said Northerly right-of-way of said Reata Road, leaving said Northerly right-of-way of said SR. 82, to a point on the Westerly right-of-way of Morningside Parkway as shown on the Plat of Reata Ridge as recorded in Volume 15 of Plats, Page 389, record of said County and State; Thence Northerly along said Westerly right-of-way of Morningside Parkway, leaving said Northerly right-of-way of said Reata Road, to the projection of said Westerly right-of-way across a portion of Allison Way, to a point on the Northerly right-of-way of Allison Way as shown on said Plat of Reata Ridge; Thence Northerly along said Plat boundary of said Plat of Reata Ridge, to the Northeast corner of Lot 1 of Block 3 of said Plat of Reata Ridge; Thence Northeasterly leaving said corner and Plat boundary of said Plat of Reata Ridge, to a point lying 60.00 feet from the Northwest corner of Lot 1 Block 7 of the Plat of El Rancho Reata No. 3 as recorded in Volume 12 of Plats, Page 42, records of said County and State, when measured at right angles to the Northerly line of said Lot 1 of Block 7 said point is lying on the proposed projected Northerly right-of-way of Mariposa Road as shown on said Plat of El Rancho Reata No. 3; Thence Northeasterly along said proposed projected Northerly right-of-way of Mariposa Road, to the Southwest corner of Lot 2 Block 8 of said Plat of El Rancho Reata No. 3; Thence Northerly along the Westerly line of said Lot 2 and said Plat boundary, to the Northwest corner of said Lot 2 of said Plat; Thence Easterly along the Northerly line of said Lot 2 to the Northeast corner of said Lot said corner is also the Westerly corner of Lot 1 of said Block 8 of said Plat of El Rancho Reata No. 3; Thence Northeasterly along the Northwesternly line of said Lot 1 to a point on the Westerly line of the Northwest $\frac{1}{4}$ of Section 3, Township 8 North, Range 28 East, W.M.; Thence Northerly along said Westerly line of said Section 3,

leaving said Northwesterly line of said Lot 1, to the Northwest Section corner of said Section 3, Township 8 North, Range 28 East, W.M., said corner is also the Northeast corner of Section 4, Township 8 North, Range 28 East, W.M.; Thence Westerly along the Northerly line of said Section 4, leaving said Northeast and Northwest Section corner, back to the true point of beginning.

Containing 1,472.7 acres, more or less, according to the calls listed above and as depicted on the attached **Exhibit "D-1"**.

11-0079

DRPJRPLS



RETAIL WATER SERVICE AREA AGREEMENT

EXHIBIT E

REATA RIDGE FIRE FLOW AGREEMENT BETWEEN NOR AM INVESTMENT, LLC

AND CITY OF RICHLAND

**REATA RIDGE FIRE FLOW AGREEMENT
BETWEEN
NOR AM INVESTMENT, LLC
AND
CITY OF RICHLAND**

1. DATE AND PARTIES.

1.1 This document ("Fire Flow Agreement"), for references purposes only, is dated the 12 day of July, 2011 ("Agreement Date") and is entered into by and between the City of Richland, a charter 1st class city organized under the laws of the State of Washington (the "City"); and Nor Am Investment, LLC ("Nor Am"). The City and Nor Am are sometimes referred to herein individually as "Party" and collectively as "Parties".

2. GENERAL RECITALS AND PURPOSE.

2.1 The City has adopted a sub area plan known as the Badger Mountain Sub Area Plan ("BMSAP") that includes area within the Badger Mountain Irrigation District ("BMID") retail potable water service area. *10/*

2.2 On December 7, 2010, the City annexed into the City a portion of the BMSAP area that included, along with other properties, an area that is to be developed as a Master Planned Community known as Badger Mountain South ("BMS"), the legal description to which is attached hereto as Exhibit A, and a plat previously approved by Benton County known as Reata Ridge, the legal description to which is attached hereto as Exhibit B.

2.3 Although Reata Ridge and BMS are located in the City, they are also located within the BMID water service area. BMID already provides both potable and irrigation water service to Reata Ridge, and provides irrigation water service to BMS.

2.4 The City and BMID have negotiated a Retail Water Service Area Agreement that provides for interties between their respective water systems, designation who will provide retail water service within designated parts of BMSAP, and establish certain protocol regarding rate setting ("Retail Service Agreement").

2.5 Parts of Reata Ridge are located in BMID Water Pressure Zone 1 (hereafter "Zone 1") and in BMID Water Pressure Zone 3 (hereafter "Zone 3").

2.6 BMID currently has sufficient facilities to provide needed residential urban fire flow in Zone 1, but does not currently have sufficient facilities to meet urban level fire flow requirements in Zone 3, as required by the City within the City limits.

2.7 Housing construction commenced in the Reata Ridge plat before Reata Ridge was annexed into the City. Once annexed, the City became the jurisdiction responsible for fire protection and building permit services. The City Fire Marshal, as part of his duties related to release of building permits, analyzed fire flow available in Reata Ridge. The City Fire Marshal determined that BMID's Zone 1 facilities provide fire flow meeting municipal requirements, but BMID's Zone 3 facilities were not capable of providing municipal required fire flow. As a result, lots in Reata Ridge located in BMID Zone 3 and more than 600 feet from a Zone 1 fire hydrant are presently prohibited from being permitted for home construction. The affected lots ("Affected Lots") are as follows:

Block 1 Lots: 1-19
Block 3 Lots: 16-21
Block 4 Lots: 1-4
Block 5 Lots: 10-15
Block 6 Lot 1

2.8 Nor Am is the owner of BMS (except for one small parcel owned by Kennewick School District). At the time that BMS was annexed into the City, Nor Am and the City entered into a Master Agreement which, amongst other things, required Nor Am to extend the City water system to BMS.

2.9 Nor AM is designing, with guidance provided by City staff, the water system improvements, including a one million gallon water storage facility, a pump station to be located on property owned by the City of West Richland, and pipelines from the pump station site to the south west corner of BMS. Nor Am intends to contract for the improvements beginning in the fall of 2011. The proposed improvements will deliver water to the BMS at a pressure compatible with BMID Zone 3.

2.10 Nor Am intends to start development of BMS near Dallas Road in 2012, with utilities being available for occupancy of housing and commercial structures in May, 2012. BMS is intended to have a 20 year buildout. As part of that BMS development process, the City water system would eventually be extended throughout BMS, including the area adjacent to Reata Ridge.

2.11 Lawrence J. White Investments ("LJWI") owns 58 lots within the Reata Ridge plat, some of which are Zone 3 Affected Lots (the "LJWI Lots"), resulting in the inability to sell the LJWI Lots until a solution to the fire flow issue is found.

2.12 Nor Am is willing, as part of its current construction plans, to extend the City water system so that it can be intertied with the BMID Zone 3 system, and thus alleviate the fire flow issue for the LJWI Lots, as well as any other lots in Reata Ridge with inadequate fire flow. For ease of reference, this extension of the City water system from Dallas Road to the intertie with the BMID system shall be referred to as the "Fire Flow Extension".

2.14 The purpose of the Fire Flow Agreement is to set forth the general agreement of the Parties regarding the construction and payment for the Fire Flow Extension, and to establish a means of allowing the Fire Marshall to allow residential construction to continue on the LJWI Lots pending the completion of the Fire Flow Extension.

3. CONSTRUCTION OF FIRE FLOW EXTENSION.

3.1 Nor Am, or its designee, will design and construct the BMS Water Line Extension and the Fire Flow Extension. The design and construction shall meet the City of Richland water system standards, and shall be sized to accommodate the ultimate build out of BMS, as shown in the BMSAP. Once completed and accepted by the City the BMIS Water Line Extension and the Fire Flow Extension shall be conveyed to the City without charge and shall then be part of the City's water utility system. In addition, at the time of conveyance of the Fire Flow Extension, Nor Am shall convey a non-exclusive utility easement to the City, at no charge.

3.2 The Fire Flow Extension shall go across BMS from Dallas Road generally as shown in Figure 4.2 in the BMSAP, to a point at or near the south eastern boundary of BMS at or

near Reata Road, and will include an intertie facility to the BMID potable water system to allow adequate residential fire flow to the LJWI Lots. The intertie location shall be in the location established pursuant to the Interlocal Agreement. The intertie facility will be designed and constructed to City of Richland requirements.

3.3 The intent is to design the Fire Flow extension so that it will be located within future public road right of ways within BMS. However, given that the ultimate build out of BMS in this area may be several years out, it may be necessary for Nor Am or its successor in interest to relocate the water line so that it meets City design requirements in the future public street layout. In that case, the City will allow the line to be relocated, based upon approved construction drawings that are consistent with preliminary plats approved by the City Council. The new line shall be new pipe that meets the City standards at the time the construction drawings are submitted for City approval, unless the City, in its sole discretion determines that the existing pipe is acceptable. The cost of relocating the line shall be solely at Nor Am's, or its successor in interests, expense. The non-exclusive easement referenced in paragraph 3.1 shall be extinguished to the extent the Fire Flow Extension water line is moved out of the easement area as part of the relocation to a future City right of way.

3.4 To the extent possible the surface above the Fire Flow Line Extension will be allowed to be used by Nor Am, at no expense, for agricultural purposes until development necessitates that it be taken out of agricultural use. City water system design standards require some above ground features that may impact agricultural operations, specifically air/vacuum relief assemblies and valve access boxes. Nor Am shall design the Fire Flow Line Extension to include these features as required by the City, shall include adequate protection of these features from damage due to agricultural operations, and shall be responsible for all costs associated with repairs and extraordinary water system maintenance required as a result of agricultural operations. The City will cooperate with Nor Am, to the extent possible without jeopardizing operational safety and efficiency of the Fire Flow Extension, to locate the above ground facilities in order to avoid interference with the operation of the crop circle irrigating equipments.

4. CONSTRUCTION TIMING.

4.1 The BMS Water Line Extension and the Fire Flow Extension shall be installed and operational by May 31, 2012. In order to accomplish this Nor Am commits to the following milestones: 1) engineering design submitted to City by July 15, 2011; 2) City and County permits acquired by August 31, 2011; and 3) construction contract awarded by September 1, 2011.

4.2 Nor Am shall require its general contractor to post a performance bond, from a surety acceptable to the City, in an amount equal to 125% of the contract price for the construction of the BMS Water Line Extension and Fire Flow Extension. The City and Nor Am may agree to other adequate assurances if the bond is not reasonably obtainable. The City shall be the beneficiary named on the surety.

5. PAYMENT FOR CONSTRUCTION.

5.1 Nor Am shall be responsible for the payment of all construction costs associated with constructing the BMS Water Line Extension and the Fire Flow Extension.

5.2 The City shall pay to Nor Am at the time the BMS Water Line Extension and Fire Flow Extension improvements are accepted by the City, the sum of \$300,000. The City's payment shall be an oversizing contribution as authorized in Richland Municipal Code section 18.34.020. The City's payment shall be considered as fulfilling a portion of the City's obligation under paragraph 15.2 of the Master Agreement between the City of Richland and Nor Am Investment, LLC Regarding the Community known as Badger Mountain South, as approved in December, 2010. The additional unreimbursed cost associated with the Fire Flow Extension that are needed due to the upsizing and other needed improvements for the BMID intertie to be made that would not have otherwise been incurred by Nor Am but for the intertie, will be a cost that will be reimbursed to Nor Am, pursuant to the provisions of said paragraph 15.2.

5.3 The City authorizes Nor Am to recapture a prorata portion of the cost it incurs for the design and construction of the BMS Water Line Extension and the Fire Flow Extension for which Nor Am would be entitled under state law for reimbursement from non-contributing benefitted properties. The method and manner of determining the amount of the reimbursement, and the non-contributing benefitted properties to which the assessment will apply will be done in accordance with state law. The City reserves the right to establish administrative fees it deems necessary for the administration of latecomer agreements and the administrative fee shall be added to the assessment. Nor Am may, in its sole discretion, designate some or all properties within BMS. Provided, property in BMS that is owned by the City or that is subsequently conveyed to the City for municipal purposes shall not be deemed a non-contributing property without the City's written consent, which can be withheld in the City's absolute and sole discretion.

6. **APPROVAL BY FIREMARSHAL.**

6.1 Upon execution of the Fire Flow Agreement by the Parties, the City Fire Marshal shall allow, from a fire flow perspective, construction of single family homes and related outbuildings (the construction still must meet all other applicable City codes) that are permitted in the underlying zoning for the LJWI Lots.

6.2 Building permits for any residential construction on the LJWI Lots that are issued prior to May 31, 2012 will be required to have a residential sprinkler system that meets NFPD 13D requirements until such time that the City accepts the Fire Line Extension as part of the City's water system.

7. **AMENDMENTS.**

7.1 The Fire Flow Agreement may be modified, including termination of the Agreement or any part thereof, at any time, but only by the Parties by written agreement.

8. **DESIGNATED REPRESENTATIVE FOR EACH PARTY.**

8.1 **Representative of City.** The City Public Works Director shall be the designated person with overall responsibility in connection with administering the Fire Flow Agreement on behalf of the City.

8.2 **Representative of Nor Am.** Lawrence J. White, or his designee, shall be the designated person with overall responsibility in connection with administering the Fire Flow Agreement on behalf of Nor Am.

9. **NOTICES.**

9.1 Any notice or communication required by this Fire Flow Agreement between the City and Nor Am must be in writing, and may be given either personally, electronically with evidence or receipt, or by express delivery service, return receipt requested. If given personally, or by registered or certified mail, such notice or communication shall be deemed to have been given and received upon actual receipt. If delivery is made electronically, either by e-mail or facsimile transmission, a notice shall be deemed to have been given when delivered to the person to whom it is addressed, and there is electronic confirmation that it was received. Such notices or communications shall be given to the Parties at their addresses set forth below:

To: Nor Am Investment, LLC

Lawrence J. White
12513 Avenue DuBois
Lakewood, WA 98498
Facsimile: (253) 582-3652
Email: LJWhiteMD@aol.com

With a copy to:

Loren D. Combs
VSI Law Group, PLLC
3600 Port of Tacoma Road, Suite 311
Tacoma, WA 98424
Facsimile: (253) 922-5848
Email: ldc@vsilawgroup.com

To: City of Richland

Cindy Johnson
City Manager
City of Richland
505 Swift Blvd.
Richland, WA 99352
Facsimile: (509) 942-7379
Email: cjohnson@ci.richland.wa.us

With a copy to:

Thomas O. Lampson
City Attorney
City of Richland
505 Swift Blvd.
Richland, WA 99352
Facsimile: (509) 942-7689
Email: tlampson@ci.richland.wa.us

With a copy to:

Pete Rogalsky
Public Works Director
City of Richland
840 Northgate Drive
Richland, WA 99352
Facsimile: (509) 942-7468
Email: progalsky@ci.richland.wa.us

9.2 Either Party, by giving 10 days notice, may at any time change its contact information by sending its new contact information to the other Party in the same manner as is provided for sending the other Party notice under the provisions of paragraph 9.2.

10. **BINDING EFFECT; ASSIGNABILITY.**

10.1 This Fire Flow Agreement shall be binding on the Parties hereto; their heirs, successors, and assigns.

11. **DISPUTE RESOLUTION.**

11.1 The Parties are committed to working diligently in good faith to carry out the intent and purpose of this Fire Flows Agreement. Thus, the Parties agree that if a dispute arises they will engage in good faith negotiations to resolve the dispute. Such negotiations shall first be conducted by the designated representatives, and if unsuccessful shall proceed to the City Council and Nor Am Board level. Should settlement negotiations prove unsuccessful or not be resolved within ninety days either Party may pursue other legal remedies including, but not limited to litigation.

11.2 Jurisdiction and venue for any legal action shall be in the Benton County Superior Court. In no case, except for non-payment of legally adopted service charges or connection fees, shall water service be interrupted, discontinued or terminated because of a pending dispute resolution process.

12. **EXHIBITS.**

12.1 The following are the Exhibits that are a part of the Fire Flow Agreement and are incorporated herein by reference:

- Exhibit A Legal Description for Badger Mountain South
- Exhibit B Legal Description for Reata Ridge

13. **SEVERABILITY.**

13.1 If any provision of the Fire Flow Agreement is determined to be unenforceable or invalid pursuant to a final decree or judgment by a court of law with jurisdiction, then the remainder of this Fire Flow Agreement not decreed or adjudged unenforceable or invalid shall remain unaffected and in full force and effect, subject to the provisions of paragraph 13.2.

13.2 If any provision or provisions of the Fire Flow Agreement are determined to be unenforceable, then the Parties agree to negotiate in good faith a substitute provision or provisions that would accomplish the intent and purpose of the invalid provision in a method and manner that would be legal.

13.3 In the event of any administrative, legal or equitable action or other proceeding instituted by any person not a party to this Fire Flow Agreement challenging the validity of any provision of the this Fire Flow Agreement, or any subsequent action taken by the Parties to implement the Fire Flow Agreement conditions, the Parties shall cooperate in defending such action or proceeding to settlement or final judgment, including all appeals. Each Party shall select its own legal counsel.

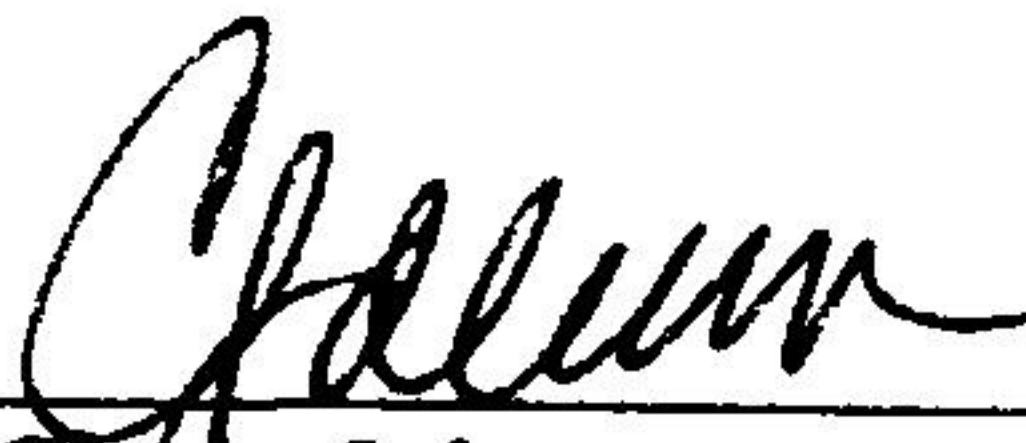
14. **COOPERATION IN EXECUTION OF DOCUMENTS.**

14.1 The Parties agree to properly and promptly execute and deliver any and all additional documents that may be necessary to render this Fire Flow Agreement practically effective. This paragraph shall not require the execution of any document that expands, alters or in any way changes the terms of this Fire Flow Agreement. The Parties agree to work together and in good faith to implement the provisions of the Fire Flow Agreement during the Agreement Term.

15. **FINAL AND COMPLETE AGREEMENT.**

15.1 This Fire Flow Agreement constitutes the final and complete expression of the Parties on all subjects relating to the subject matter. This Fire Flow Agreement may not be modified, interpreted, amended, waived or revoked orally, but only by a written document signed by all Parties. This Fire Flow Agreement supersedes and replaces all prior agreements, discussions and representations on all subjects discussed herein, without limitation. No Party is entering into this Fire Flow Agreement in reliance on any oral or written promises, inducements, representations, understandings, interpretations or agreements other than those contained in this Fire Flow Agreement and the exhibits hereto.

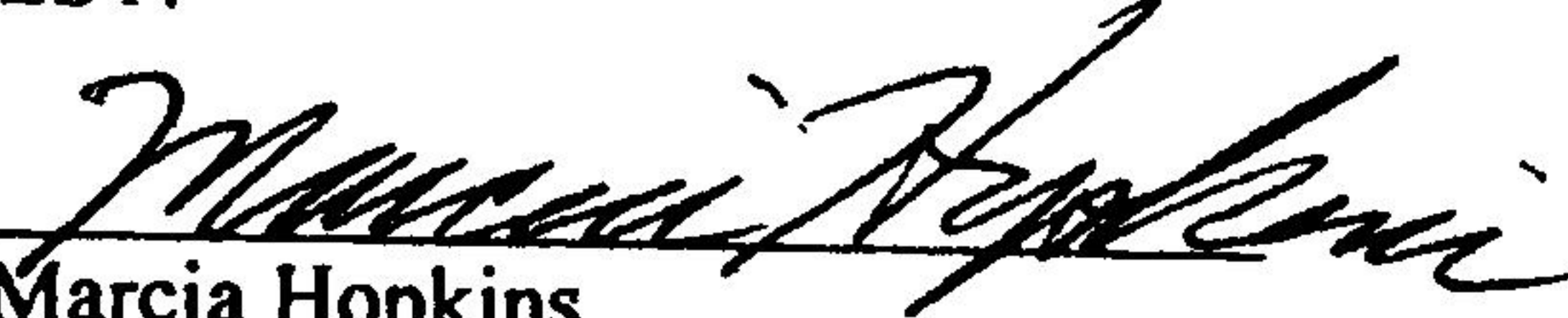
CITY OF RICHLAND:

By: 
Cindy Johnson
Its: City Manager

NOR AM INVESTMENT, LLC

By: 
Lawrence J. White
Its: Manager

ATTEST:

By: 
Marcia Hopkins
City Clerk

APPROVED AS TO FORM:

By: 
Thomas O. Lampson
Its: City Attorney

**EXHIBIT A
TO
FIRE FLOW AGREEMENT**

**LEGAL DESCRIPTION FOR BADGER MOUNTAIN SOUTH
PAGE 1 OF 2**

Parcel "A":

The East half of the East half of Section 31, Township 9 North, Range 28 East, W.M., Benton County, Washington;
EXCEPT that portion described as follows:
The Southwest corner of the Southeast quarter of the Southeast quarter being the True Point of Beginning;
Thence East along the South line thereof 360.00 feet;
Thence Northwesterly in a straight line to a point on the West line of said Southeast quarter of the Southeast quarter, a distance of 360.00 feet North of the Southwest corner thereof;
Thence Southerly along said West line 360.00 feet to the True Point of Beginning;
AND EXCEPT that portion thereof lying Southerly and Westerly of the State Highway right-of-way.
AND EXCEPT that portion deeded to the County of Benton, State of Washington, under Quit Claim Deed, recorded October 10, 1968, under Auditor's File No. 595151, records of Benton County, Washington;
AND EXCEPT State Highway right-of-ways;
AND EXCEPT those portions acquired by the State of Washington under eminent domain proceedings filed in Benton County Superior Court Cause No. 82-2-00869-6;
AND EXCEPT that portion conveyed to Benton County for road purposes under Auditor's File No's. 92-16778, 92-16779, 93-1864, and 93-1871.

Parcel "B":

All of Section 32, Township 9 North, Range 28 East, W.M., Benton County Washington;
EXCEPT that portion deeded to the County of Benton, State of Washington, under Quit Claim Deed, recorded October 10, 1968, under Auditor's File No. 595151, records of Benton County, Washington;
AND EXCEPT that portion thereof lying Southerly and Westerly of the State Highway right-of-way.
AND EXCEPT State Highway right-of-ways;
AND EXCEPT those portions acquired by the State of Washington under eminent domain proceedings filed in Benton County Superior Court Cause No. 82-2-00869-6;
AND EXCEPT that portion conveyed to Benton County for road purposes under Auditor's File No's. 92-16778 and 92-16779;
AND ALSO EXCEPT any portion lying within Short Plat 2465.

Parcel "C":
Section 33, Township 9 North, Range 28 East, W.M., Benton county, Washington, EXCEPT that portion thereof lying Northerly and Easterly of the following described line:

Beginning at the Northwest corner of said section;
Thence South 02°34'20" West, 1330.20 feet along the West line of said section to the True Point of Beginning;
thence South 77°57'14" East, 2389.11 feet;
thence South 83°23'24" East, 1450.14 feet;
thence South 48°00'49" East, 1013.41 feet;
thence South 28°44'51" East, 566.24 feet;
thence North 88°55'28" East, 380.42 feet to the East line of said section and the terminus of said line, said point bears South 00°45'19" West, 3237.80 feet from the Northeast corner of said section.

(Also known as Tract 4 of Survey recorded August 31, 1998, under Recording No. 1998-025706, records of Benton County, Washington.)

EXCEPT State Highway right-of-way;
AND EXCEPT those portions acquired by the State of Washington under eminent domain proceedings filed in Benton County Superior Court Cause No. 82-2-00869-6;

Parcel "D":
Section 4, Township 8 North, Range 28 East, W.M., Benton County, Washington,
EXCEPT that portion lying within the plat of EL RANCHO REATA NO. 3, according to the Plat thereof recorded in Volume 12 of Plats, Page 42, records of Benton County, Washington,
ALSO EXCEPT State highway right-of-way conveyed under Recording No. 870597, records of Benton County, Washington;
AND EXCEPT that portion lying southerly of the Reata Road right of way
AND EXCEPT that portion lying within the Plat of REATA RIDGE
AND EXCEPT the South 420 feet of the Southeast quarter thereof;
AND ALSO EXCEPT that portion conveyed to Benton County by deed recorded May 1, 2007, under Auditor's File No. 2007-013594, records of Benton County, Washington.

Parcel "E":
That portion of Section 29, Township 9 North, Range 28 East, W.M., Benton County, Washington, lying Southerly and Westerly of the following described line:

Beginning at the Southwest corner of said Section 29;
Thence South 89°23'44" East 1154.11 feet along the South line of said Section to the True Point of Beginning;
Thence North 00°38'28" West, 310.56 feet;
Thence South 89°21'30" West, 1103.84 feet to the East line of Dallas Road and the terminus of said line.
EXCEPT the West 40 feet for County Road right-of-way;
AND EXCEPT that portion deeded to the County of Benton, State of Washington, under Quit Claim Deed, recorded February 13, 1979, under Auditor's File No. 783437, records of Benton County, Washington;
AND EXCEPT State Highway right-of-way;
AND EXCEPT that portion conveyed to Benton County for road purposes under Auditor's File No's. 92-16778 and 92-16779;
AND ALSO EXCEPT those portions acquired by the State of Washington under eminent domain proceedings filed in Benton County Superior Court Cause No. 82-2-00889-6;

**EXHIBIT B
TO
FIRE FLOW AGREEMENT**

LEGAL DESCRIPTION FOR REATA RIDGE

**Lots 1 – 78 of the Final Plat of Reata Ridge, recorded under Benton County Auditor's
Recording Number 2010-007411, P 389.**

AGREEMENT REGARDING ACCESS TO FUNDS
IN
COLUMBIA BANK ACCOUNT 7000636451

1. Date and Parties.

1.1 This document ("Agreement") is dated, for reference purposes only, the 15th day of March, 2012 ("Agreement Date"), and is entered into by and between Nor Am Investment, LLC ("Nor Am"), the City of Richland ("City"), and Columbia Bank ("Bank").

2. Background Information.

2.1 The City and Nor Am have entered into an agreement ("Fire Flow Agreement") for Nor Am to construct certain improvements to the City's water system in order to provide needed fire flow to an area of the City ("Fire Flow Improvements"). The Fire Flow Agreement requires Nor Am to provide the City with adequate assurance that the improvements required by the Fire Flow Agreement will be constructed.

2.2 The City and Nor Am have agreed that an acceptable method for Nor Am to provide the adequate assurance required by the Fire Flow Agreement, is to establish a bank account with a balance equal to 125% of the estimated construction costs to complete the Fire Flow Improvements.

2.3 Columbia Bank has agreed to allow such an account to be established, subject to the terms and conditions set forth herein.

3. Applicable Columbia Bank Account.

3.1 The Columbia Bank Account to which the Agreement terms shall apply is identified as follows (the "Account"): Account number 7000636451 in the name of Nor Am Investment, LLC.

3.2 The balance of the Columbia Bank Account as of the Agreement Date is \$3,458,323.82 (the "Initial Balance"). Nor Am and the City agree that the Initial Balance equals 125% of the estimated amount necessary to complete the Fire Flow Improvements.

4. Withdrawals from the Account.

4.1 No funds shall be withdrawn from the Account except after the receipt by the Bank of an authorization to withdraw funds signed by both the City and Nor Am, in the form attached hereto as Exhibit 1 (the "Authorization to Release Funds"). So long as the bank receives the attached authorization purporting to bear the notarized signatures of the parties named in Exhibit 1 it shall have no duty to investigate whether the signatures are authentic and, upon receipt of the signed authorization shall provide a cashier's check in the amount indicated made payable to the person listed in the authorization form.

4.2 No more frequently than once per month Nor Am may request that the City authorize the disbursement of funds from the Account. Nor Am shall provide the City verification of the work performed since the last request for withdrawal, the percentage of

completion to date, and the estimated amount that will be needed in order to complete the construction of the Fire Flow Improvements (the "Estimate"). On the first request, the City, if it reasonably determines the estimate to be accurate, shall multiply the Estimate by 1.25. The resulting number shall become the "Authorized Balance. The City and Nor Am shall then sign an Authorization to Release Funds in the amount that equals the difference between the Initial Balance and the Authorized Balance. Once the funds are released pursuant to the Authorization, the balance in the Account shall then be referred to as the "New Balance".

4.3 The procedure set forth in paragraphs 4.2 shall be followed for all subsequent requests for authorization to disburse funds, except that the difference between the New Balance and the Authorized Balance shall be the amount that Nor Am and the City will authorize to be released. Once the funds are released pursuant to the Authorization, the balance in the Account shall once again be referred to as the New Balance.

4.4 The process set forth in paragraph 4.3 shall be followed until such time as the New Balance equals \$300,000 or less, at which time the New Balance shall be automatically released to Nor Am without further authorization.

4.5 The provisions of paragraphs 4.1 to 4.4 notwithstanding, if the Bank, at any time, receives a written notice from the City that is signed by Pete Rogalsky, whose signature is notarized, that Nor Am is in default under the Fire Flow Agreement and the City is entitled to the release of all monies in the Account, then the Bank, without any liability to Nor Am, shall immediately release the balance in the account, to the City.

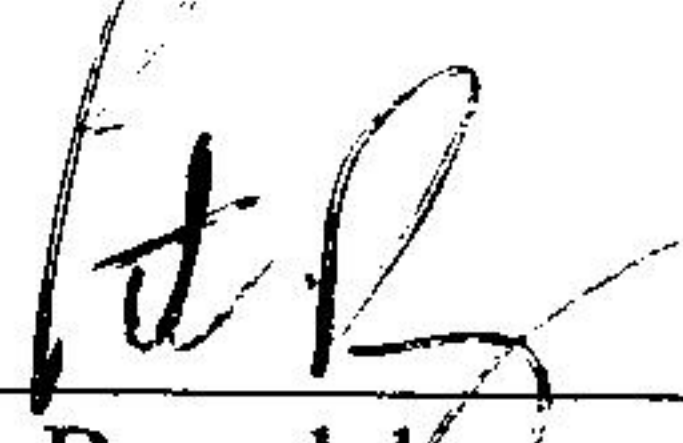
5. Counterparts.

5.1 This Agreement, and any Authorization to Release Funds, may be executed in counterparts, each of which shall be deemed an original. Such counterparts shall together constitute one and the same instrument. The counterpart may be delivered electronically, either by an email attachment or by facsimile.

NOR AM INVESTMENT, LLC

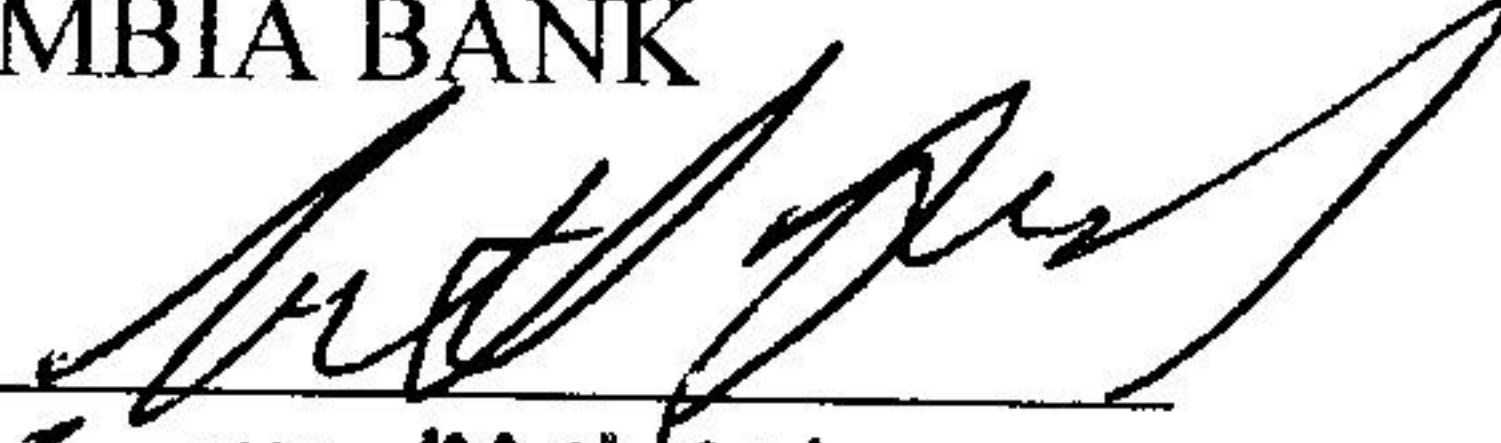
CITY OF RICHLAND

By: 
Lawrence White
Its: Manager

By: 
Pete Rogalsky
Its: Public Works Director

Columbia Bank agrees, as of the Agreement Date, to only disburse funds from the Account in accordance with the terms of this Agreement.

COLUMBIA BANK

By: 
Its: Scott McVay
Vice President

Agreement regarding
Access to Funds
Page 2 of 3

Nor Am 

City 

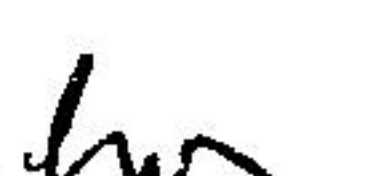
Bank 

EXHIBIT 1 -- AUTHORIZATION TO RELEASE FUNDS

To: Columbia Bank

You are hereby authorized to disburse from Columbia Bank Account _____, the amount of _____, by cashier's check made payable to _____.

Dated this _____ day of _____, 2012.

City of Richland

Nor Am Investment, LLC

By: _____
Pete Rogalsky
Public Works Director

By: _____
Lawrence J. White
CEO

STATE OF WASHINGTON)
County of Pierce) ss.

I certify that I know or have satisfactory evidence that Lawrence J. White appeared before me, and said person acknowledged that he signed this instrument, on oath, stated that he was authorized to execute the instrument and acknowledged it as the managing member of Nor Am Investment, LLC to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED:

STATE OF WASHINGTON)
County of Benton) ss.

NOTARY PUBLIC
Print Name:
My appointment expires:

I certify that I know or have satisfactory evidence that Pete Rogalsky appeared before me, and said person acknowledged that he signed this instrument, on oath, stated that he was authorized to execute the instrument and acknowledged it as the Public Works Director for the City of Richland, Washington to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED:

NOTARY PUBLIC
Print Name:
My appointment expires:

Nor Am  City  Bank 

RETAIL WATER SERVICE AREA AGREEMENT

EXHIBIT F

BMID WHOLESALE WATER RATE CALCULATION METHOD

To: Pete Rogalsky, City of Richland Brad Anderson, Bader Mountain Irrigation District	
From: Shawn Koorn	Project: BMID Wholesale Water Rate Analysis
CC:	
Date: December 20, 2011	

RE: BMID Wholesale Rate Charged to the City of Richland

Introduction

The City of Richland (City) and the Badger Mountain Irrigation District (BMID) have entered into a water services agreement to provide water service to a portion of customers within BMID's service area. Ultimately, when the infrastructure is in place and available, both the City and BMID will provide service to approximately 10,000 new customers in the Bader Mountain South area. This letter provides the framework for a future a rate methodology for BMID to charge the City for wholesale water when the service is delivered. The rate developed as part of this analysis is intended to provide an example based on current costs related to providing service at the current time. The methodology established during this analysis will be used and updated with the appropriate BMID costs to determine the final wholesale rate.

Overview of the Methodology

The methodology used to set the wholesale rate BMID will charge the City is the same methodology that was used in the development of the wholesale rate the City will charge BMID for wholesale water. Similar to that analysis there are many considerations one must make in the development of a wholesale water rate. One consideration is what infrastructure will they be utilizing to gain service? This particular situation is some what complicated by the fact that the customer's that will ultimately receive water service, from both the City and BMID, are within the BMID service area and also within the City limits through a recent annexation.

Generally wholesale rates can developed based on two similar, but different methods. These two methods are a cash basis or a utility basis. The utility basis is often employed by private or investor owned water companies and also by public water utilities selling water to entities out side there city limits. The cash basis approach is an approach publicly owned utilities use for determining there retail rates or customer within their city limits. The main difference between a cash and utility basis analysis are the components that make up the revenue requirement. In a utility basis revenue requirement are operations and maintenance, depreciation and a return on investment. Instead of depreciation and return on investment found in a utility basis revenue requirement the cash basis has debt service and capital funded through rates.

Since the customers that will be receiving the water are within the City limits, and a cash basis methodology was used to set the wholesale rate charged to BMID, it was determined the most appropriate method to use was the cash basis. For the City's analysis the analysis was simplified as HDR had recently completed a cost of service analysis that could be used in the development of the wholesale rate for BMID. In order to develop the wholesale rate BMID would charge the City a similar analysis was developed based on BMID specific operating and infrastructure costs.

Overview of the Analysis

Water utilities generally do not track costs based on functional components or why/how they incur costs. As an example, utilities do not track labor expenses between source of supply, treatment, distribution, transmission, storage, or meter related services. The budget simply includes the costs of providing all of these services. As a result, an analysis needs to be developed to split the costs incurred by the utility between these different functional categories. This is accomplished through an analysis called un-bundling. The concept of un-bundling rates was originally used in the electric industry to allow customers to purchase power from one utility and be delivered through an adjacent utilities distribution system.

An un-bundling analysis breaks each line item of a budget into system components, such as water supply, treatment, transmission, distribution and customer related. An un-bundled cost analysis allows a utility to develop rates for various types of service provided based on those components of the water system that the service provides. As an example, in the City's wholesale rate analysis, the costs included in the rate were related to source of supply and transmission. The distribution component is not included as the customer in the Badger Mountain South area do not benefit from those costs.

The starting point of the unbundling analysis is the functionalization of the infrastructure BMID has available to provide service. In order to accomplish this task, HDR needed to develop a schedule of costs related to BMID's infrastructure as detailed accounting records were not easily available to develop this analysis. As a result, HDR utilized the information provided in BMID's recent water comprehensive plan and discussions with BMID staff. Ultimately, a schedule of infrastructure replacement costs was developed by functional category which are used to un-bundle the operating and maintenance (O&M) costs.

Once the infrastructure costs are un-bundled they are classified between the various cost components that BMID incurs to provide service. These are related to meeting average day needs-, peak day needs-, customer needs-, and fire protection related needs. This step is necessary as it is used to classify the O&M expenses in a similar manner. The cost of service theory is that the O&M costs of the system follow the infrastructure in place to provide that service. This is the same methodology used for the City's analysis to determine the wholesale rate to BMID. This step is also necessary to determine the customer related costs which are excluded from the un-bundling analysis as they are typically charged through a monthly meter fee. Once the costs are classified, the un-bundling process begins based on BMID's O&M costs related to providing potable water service

Given the functionalized cost of the infrastructure, and the functionalized and classified O&M costs, the costs can be un-bundled between source of supply, transmission, and distribution. The ratios used to determine the applicable costs were based on the replacement costs

developed as part of this analysis. Provided in Table 1 is a summary of the un-bundled costs for BMID's potable water system.

Table 1 BMID's Un-Bundled Unit Costs	
Water Supply	\$0.38
Transmission	0.35
Distribution	<u>3.09</u>
Total \$'s per CCF	\$3.82
Customer \$/Account -	<u>\$9.57</u>

The key components used in the development of the wholesale rate that BMID will charge the City of Richland are as follows:

- **Source of Supply** – This includes the costs associated with the well system
- **Transmission** – This includes a portion of the 12" pipe that provides the transmission of water from the wells to the area being served. In discussion with BMID staff, it was also determined that the operational portion of the applicable storage tanks would also be included in the transmission component

All other components and costs are not included in the wholesale rate as they are not applicable to providing service to the area being reviewed. This results in a wholesale rate of \$0.73 per CCF (hundred cubic feet). In addition, it is assumed that a meter charge would also be applicable depending on the size of the meter used to provide service

Summary and Recommendations

Based on the un-bundling analysis developed, HDR proposes a wholesale rate of \$0.73 per CCF that will be charged to the City by BMID based on the current budget. This rate is based on the un-bundled water supply and transmission costs related to providing service to the Badger Mountain South area. The distribution costs are taken out of the analysis as these costs do not benefit the customers in this area. It is assumed that a monthly meter charge would also apply as part of the wholesale rate. This same methodology was used to set the wholesale rate the City will charge BMID for wholesale water based on City specific data.

**Badger Mountain Irrigation District
FY 2011 Budget**

	Irrigation	Domestic
Operations		
Payroll	\$237,033	\$79,010
Parts and Supplies	30,000	9,000
Meters/Hydrants	0	2,500
Major Maintenance/Repairs	67,500	25,000
Major Equipment	10,300	2,600
Contractual Services	2,000	2,000
Vehicles Maintenance	3,500	3,500
Fuel	18,392	7,878
Communications	4,000	1,000
Utilities - BPUD / Domestic	0	19,000
Utilities - BPUD / Irrigation	148,500	0
Utilities - City of Richland / IRR	420,000	0
Insurance	21,500	21,500
Loan Payments	37,000	0
Total Operations	\$999,725	\$172,988
Administration		
Payroll	\$52,095	\$52,094
Supplies & Office Equipment	5,600	5,600
Contractual Services	1,250	1,250
Bad Debt Expense	1,000	0
Communications	1,500	4,500
Buildings & Grounds Maintenance	1,275	1,275
Postage	1,650	1,650
Dues/Subs	0	3,000
Excise Taxes	0	19,000
Attorney Fees	2,500	0
Travel/Mileage/Conferences	3,250	3,250
Advertising	400	400
Bond/Loan Payments	0	72,550
Permits/Water Testing	0	2,000
Audit/Accounting	8,000	8,000
Miscellaneous	2,500	2,000
Board of Directors Expenses	2,500	2,000
Elections	250	250
Reserves	129,052	0
Total Administration	\$212,822	\$178,819
Operations & Admin. Total	\$1,212,547	\$351,807
Domestic Connections		724
Water Production (2010) Cubic Feet		7,028,977

Functionalization and Classification of BMID Infrastructure

Description	Total Plant	Customer Related						Public Fire Protection (FP)	Revenue Related (RR)	Direct Assign (DA)	Basis of Classification	
		Commodity (COMM)	Capactiy (CAP)	Actual Customer (AC)	Weighted for:							
					Cust. Acctg. (WCA)	Meters & Services (WCMS)						
Source of Supply												
Wells	\$1,386,000	\$848,232	\$537,768	\$0	\$0	\$0	\$0	\$0	\$0	\$0	61.2% COMM	38.8% CAP
Total - Source of Supply	\$1,386,000	\$848,232	\$537,768	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Transmission & Distribution												
Transmission Mains	\$1,481,092	\$1,481,092	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	100.0% COMM	
Distribution Mains	9,222,160	0	4,611,080	3,688,864	0	0	922,216	0	0	0	50.0% CAP	40.0% AC
Meters and Services	181,250	0	0	0	0	181,250	0	0	0	0	100.0% WCMS	10.0% FP
Hydrants	275,748	0	0	0	0	0	275,748	0	0	0	100.0% FP	
Reservoirs	3,450,000	1,035,000	2,242,500	0	0	0	172,500	0	0	0	30.0% COMM	65.0% CAP
Total - Distribution/Transmission	\$14,610,250	\$2,516,092	\$6,853,580	\$3,688,864	\$0	\$181,250	\$1,370,464	\$0	\$0	\$0		5.0% FP
Plant Before General Plant	\$15,996,250	\$3,364,324	\$7,391,348	\$3,688,864	\$0	\$181,250	\$1,370,464	\$0	\$0	\$0		
General Plant												
Equipment, Studies & Other	\$0	0	0	0	0	0	0	0	0	0		
Total General Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
TOTAL PLANT IN SERVICE	\$15,996,250	\$3,364,324	\$7,391,348	\$3,688,864	\$0	\$181,250	\$1,370,464	\$0	\$0	\$0		
		21.0%	46.2%	23.1%	0.0%	1.1%	8.6%	0.0%	0.0%			

Classification of O&M Expenses

Account	FY 2011 Budget	Commodity (COMM)	Capacity (CAP)	Customer Related		Public Fire Protection (FP)	Revenue Related (RR)	Direct Assign (DA)	Basis of Classification
				Actual Customer (AC)	Weighted for: Cust. Acctg. (WCA)				
					Meters & Services (WCMS)				
Operations									
Payroll	\$79,010	\$16,617	\$36,508	\$18,220	\$0	\$895	\$6,769	\$0	\$0 As Plant in Service
Parts and Supplies	9,000	1,893	4,159	2,075	0	102	771	0	0 As Plant in Service
Meters/Hydrants	2,500	0	0	0	0	2,500	0	0	0 100.0% WCMS
Major Maintenance/Repairs	25,000	4,305	11,727	6,312	0	310	2,345	0	0 As Transmission/Distribution
Major Equipment	2,600	547	1,201	600	0	29	223	0	0 As Plant in Service
Contractual Services	2,000	421	924	461	0	23	171	0	0 As Plant in Service
Vehicles Maintenance	3,500	736	1,617	807	0	40	300	0	0 As Plant in Service
Fuel	7,878	1,657	3,640	1,817	0	89	675	0	0 As Plant in Service
Communications	1,000	210	462	231	0	11	86	0	0 As Plant in Service
Utilities - BPUD / Domestic	19,000	19,000	0	0	0	0	0	0	0 100.0% COMM
Utilities - BPUD / Irrigation	0	0	0	0	0	0	0	0	0 As Plant in Service
Utilities - City of Richland / IRR	0	0	0	0	0	0	0	0	0 As Plant in Service
Insurance	21,500	4,522	9,934	4,958	0	244	1,842	0	0 As Plant in Service
Loan Payments	0	0	0	0	0	0	0	0	0 As Plant in Service
Total Operations	\$172,988	\$49,908	\$70,173	\$35,481	\$0	\$4,243	\$13,182	\$0	\$0
Administration									
Payroll	\$52,094	\$10,956	\$24,071	\$12,013	\$0	\$590	\$4,463	\$0	\$0 As Plant in Service
Supplies & Office Equipment	5,600	1,616	2,272	1,149	0	137	427	0	0 As Operations
Contractual Services	1,250	361	507	256	0	31	95	0	0 As Operations
Bad Debt Expense	0	0	0	0	0	0	0	0	0 As Operations
Communications	4,500	1,298	1,825	923	0	110	343	0	0 As Operations
Buildings & Grounds Maintenance	1,275	368	517	262	0	31	97	0	0 As Operations
Postage	1,650	0	0	1,650	0	0	0	0	0 100.0% AC
Dues/Subs	3,000	866	1,217	615	0	74	229	0	0 As Operations
Excise Taxes	19,000	5,482	7,707	3,897	0	466	1,448	0	0 As Operations
Attorney Fees	0	0	0	0	0	0	0	0	0 As Operations
Travel/Mileage/Conferences	3,250	938	1,318	667	0	80	248	0	0 As Operations
Advertising	400	115	162	82	0	10	30	0	0 As Operations
Bond/Loan Payments	72,550	15,259	33,523	16,731	0	822	6,216	0	0 As Plant in Service
Permits/Water Testing	2,000	2,000	0	0	0	0	0	0	0 100.0% COMM
Audit/Accounting	8,000	2,308	3,245	1,641	0	196	610	0	0 As Operations
Miscellaneous	2,000	577	811	410	0	49	152	0	0 As Operations
Board of Directors Expenses	2,000	577	811	410	0	49	152	0	0 As Operations
Elections	250	72	101	51	0	6	19	0	0 As Operations
Reserves	0	0	0	0	0	0	0	0	0 As Operations
Total Administration	\$178,819	\$42,792	\$78,090	\$40,757	\$0	\$2,652	\$14,529	\$0	\$0
Operations & Admin. Total	\$351,807	\$92,700	\$148,263	\$76,238	\$0	\$6,895	\$27,711	\$0	\$0
		26.3%	42.1%	21.7%	0.0%	2.0%	7.9%	0.0%	0.0%
Less: Other Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total O&M Less Other Revenues	\$351,807	\$92,700	\$148,263	\$76,238	\$0	\$6,895	\$27,711	\$0	\$0

Unbundling of O&M Expenses

Application of Funds	Test Year	Allocated Costs		Source of Supply	Trans	Dist.	Comments
		Less: Cust. Related Exp.					
Operations							
Payroll	\$79,010	\$59,894	0.09	0.11	0.81	As Plant in Service	
Parts and Supplies	9,000	6,823	0.09	0.11	0.81	As Plant in Service	
Meters/Hydrants	2,500	0	0.00	0.00	1.00	As Distribution	
Major Maintenance/Repairs	25,000	18,378	0.09	0.11	0.81	As Plant in Service	
Major Equipment	2,600	1,971	0.09	0.11	0.81	As Plant in Service	
Contractual Services	2,000	1,516	0.09	0.11	0.81	As Plant in Service	
Vehicles Maintenance	3,500	2,653	0.09	0.11	0.81	As Plant in Service	
Fuel	7,878	5,972	0.09	0.11	0.81	As Plant in Service	
Communications	1,000	758	0.09	0.11	0.81	As Plant in Service	
Utilities - BPUD / Domestic	19,000	19,000	0.13	0.00	0.87	As Source/Dist Mains	
Utilities - BPUD / Irrigation	0	0	0.09	0.11	0.81	As Plant in Service	
Utilities - City of Richland / IRR	0	0	0.09	0.11	0.81	As Plant in Service	
Insurance	21,500	16,298	0.09	0.11	0.81	As Plant in Service	
Loan Payments	0	0	0.09	0.11	0.81	As Plant in Service	
Total Operations	\$172,988	\$133,263	0.09	0.09	0.82		
Administration							
Payroll	\$52,094	\$39,490	0.09	0.09	0.82	As Operations	
Supplies & Office Equipment	5,600	4,314	0.09	0.09	0.82	As Operations	
Contractual Services	1,250	963	0.09	0.09	0.82	As Operations	
Bad Debt Expense	0	0	0.09	0.09	0.82	As Operations	
Communications	4,500	3,467	0.09	0.09	0.82	As Operations	
Buildings & Grounds Maintenance	1,275	982	0.09	0.09	0.82	As Operations	
Postage	1,650	0	0.09	0.09	0.82	As Operations	
Dues/Subs	3,000	2,311	0.09	0.09	0.82	As Operations	
Excise Taxes	19,000	14,637	0.09	0.09	0.82	As Operations	
Attorney Fees	0	0	0.09	0.09	0.82	As Operations	
Travel/Mileage/Conferences	3,250	2,504	0.09	0.09	0.82	As Operations	
Advertising	400	308	0.09	0.09	0.82	As Operations	
Bond/Loan Payments	72,550	54,997	0.09	0.09	0.82	As Operations	
Permits/Water Testing	2,000	2,000	1.00	0.00	0.00	As Operations	
Audit/Accounting	8,000	6,163	0.09	0.09	0.82	As Operations	
Miscellaneous	2,000	1,541	0.09	0.09	0.82	As Operations	
Board of Directors Expenses	2,000	1,541	0.09	0.09	0.82	As Operations	
Elections	250	193	0.09	0.09	0.82	As Operations	
Reserves	0	0	0.09	0.09	0.82	As Operations	
Total Administration	\$178,819	\$135,410	0.11	0.09	0.80		
Operations & Admin. Total	\$351,807	\$268,674	0.10	0.09	0.81		
Less: Other Revenues	\$0	\$0	0.10	0.09	0.81	As Op. and Admin Total	
Total O&M Less Other Revenues	\$351,807	\$268,674	0.10	0.09	0.81		

Classification of Unbundled O&M Expenses

Application of Funds	Test Year	Source of Supply	Trans	Dist.	Comments
Operations					
Payroll	\$59,894	\$5,190	\$6,390	\$48,314	
Parts and Supplies	6,823	591	728	5,503	
Meters/Hydrants	0	0	0	0	
Major Maintenance/Repairs	18,378	1,592	1,961	14,825	
Major Equipment	1,971	171	210	1,590	
Contractual Services	1,516	131	162	1,223	
Vehicles Maintenance	2,653	230	283	2,140	
Fuel	5,972	517	637	4,817	
Communications	758	66	81	611	
Utilities - BPUD / Domestic	19,000	2,482	0	16,518	
Utilities - BPUD / Irrigation	0	0	0	0	
Utilities - City of Richland / IRR	0	0	0	0	
Insurance	16,298	1,412	1,739	13,147	
Loan Payments	0	0	0	0	
Total Operations	\$133,263	\$12,383	\$12,191	\$108,689	
Administration					
Payroll	\$39,490	\$3,669	\$3,613	\$32,208	
Supplies & Office Equipment	4,314	401	395	3,519	
Contractual Services	963	89	88	785	
Bad Debt Expense	0	0	0	0	
Communications	3,467	322	317	2,827	
Buildings & Grounds Maintenance	982	91	90	801	
Postage	0	0	0	0	
Dues/Subs	2,311	215	211	1,885	
Excise Taxes	14,637	1,360	1,339	11,938	
Attorney Fees	0	0	0	0	
Travel/Mileage/Conferences	2,504	233	229	2,042	
Advertising	308	29	28	251	
Bond/Loan Payments	54,997	5,110	5,031	44,856	
Permits/Water Testing	2,000	2,000	0	0	
Audit/Accounting	6,163	573	564	5,026	
Miscellaneous	1,541	143	141	1,257	
Board of Directors Expenses	1,541	143	141	1,257	
Elections	193	18	18	157	
Reserves	0	0	0	0	
Total Administration	\$135,410	\$14,396	\$12,205	\$108,809	
Operations & Admin. Total	\$268,674	\$26,779	\$24,396	\$217,498	

Total Source of Supply - \$/CCF **\$0.38**
Total Transmission - \$/CCF **\$0.35**
Source and Transmission - \$/CCF **\$0.73**

RETAIL WATER SERVICE AREA AGREEMENT

EXHIBIT G

CITY WHOLESALE WATER RATE CALCULATION METHOD



ONE COMPANY *Water Solutions*

January 19, 2012

Mr. Pete Rogalsky
Public Works Director
City of Richland
840 Northgate Drive
Richland, Washington 99352

Subject: Badger Mountain Irrigation District Wholesale Water Rate

Introduction

The City of Richland (City) has entered an agreement with the Badger Mountain Irrigation District (BMID) to provide water service to a portion of the customers within BMID's service area that was recently annexed into the City. This letter provides a rate for the City to charge BMID for wholesale water and the methodology for determining that rate.

Overview of the Methodology

There are many legal and practical considerations one must make in the development of a wholesale water rate. One consideration is who are the customers to be served? Where are they located? What infrastructure will they be utilizing to gain service? This particular situation is some what complicated by the fact that the customer's that will ultimately receive water are within the BMID service area but also within the Richland City limits.

Generally there are a few ways that wholesale rates can developed, a cash basis or utility basis. The utility basis is often employed by private or investor owned water companies and also by public water utilities selling water to entities outside there City limits. The cash basis approach is an approach publicly owned utilities use for determining there retail rates or customer within their City limits. The main difference between a cash and utility basis analysis are the components that make up the revenue requirement. In a utility basis revenue requirement are operations and maintenance, depreciation and a return on investment. Instead of depreciation and return on investment found in a utility basis revenue requirement the cash basis has debt service and capital funded through rates.

Since the customers being provided water service are within Richland City limits it was determined the most appropriate method to use was the cash basis. Since a cost of service was recently completed for the City that analysis could be used in the development of the wholesale rate for BMID. Using the recently completed Cost of Service study as a foundation an un-bundled cost analysis can be conducted.

Overview of the Analysis

An un-bundled cost analysis breaks each line item of a budget into system components, such as water supply, treatment, transmission, distribution and customer related. Un-bundling rates also produces a breakdown of costs by customer class. An un-bundled cost analysis allows a utility to develop rates for each customer class that exclude components of the water system. The concept of un-bundling rates was originally used in the electric industry to allow customers to purchase power from utility and be delivered through the adjacent utilities distribution system. In this case we are essentially doing the opposite, instead of the source of supply (water treatment and production) it's the distribution system we are leaving out of the wholesale rate. Un-bundled cost analysis are often done because City's do not track their budget in the functional categories of source of supply, treatment, transmission and distribution.

From the individual system components a unit cost can be determined by system component by customer class. In the case of the BMID wholesale rate it was assumed that BMID usage would have an equal impact on the system with the exception of the distribution system. The one exception to this analysis was the inclusion of an allocation of the operational storage for the 5 MG and 10 MG reservoirs. These two reservoirs will provide operational storage for the customers being served in this area. The BMID customers who will receive water from the City are residential customers, as a result it was assumed that the un-bundled residential costs would be the appropriate since the system costs are broken down by system component the rate for BMID would simply be the average residential cost excluding distribution.

Customer Costs were also left out of the volume rate for BMID because it was determined that those costs would be collected through a monthly meter charge. It is assumed that the water sold to BMID will be passed through a 4-inch meter and so it was determined that they would be the same rate for that meter size as all other City customers. At this time there are several rate options under consideration with different meter charges. The 4-inch meter charge is currently \$307.55 per month, the final proposed rates includes a 4-inch meter charge of \$416.65. Provided below in Table 1 is a summary of the un-bundled cost analysis based on the results of the recently completed cost of service update.

Table 1
Un-Bundled Cost Analysis Results

	Total	Residential	Multi-Family	Commercial	Large Users	Irrigation
Water Supply	\$0.25	\$0.25	\$0.24	\$0.23	\$0.21	\$0.25
Water Treatment	0.17	0.17	0.16	0.16	0.14	0.17
Transmission	0.22	0.22	0.21	0.20	0.17	0.22
Distribution	1.03	1.10	0.97	0.93	0.76	0.94
Total \$'s per CCF	\$1.67	\$1.74	\$1.58	\$1.51	\$1.28	\$1.58
Customer - \$/Meter/Monthly	\$11.48	\$11.33	\$12.61	\$12.61	\$15.15	\$12.61

As can be seen in Table 1 the unit costs related to each of the major system components vary by customer class. This is the result of the different usage patterns and facility requirements of each customer class. The total unit cost column represents the system average costs of all customers' usage patterns and facility requirements.

Summary and Recommendations

HDR recommends the City charge BMID the residential un-bundled volume rate less distribution and a monthly meter charge based on the size of the meter. At this time, it is assumed that a 4-inch meter will provide the service necessary for BMID. Distribution costs were not included as BMID does not benefit from the City's larger distribution system. Table 2 provides a detail of the cost components for the BMID rate.

Mr. Pete Rogalsky
January 19, 2012
Page 4 of 4

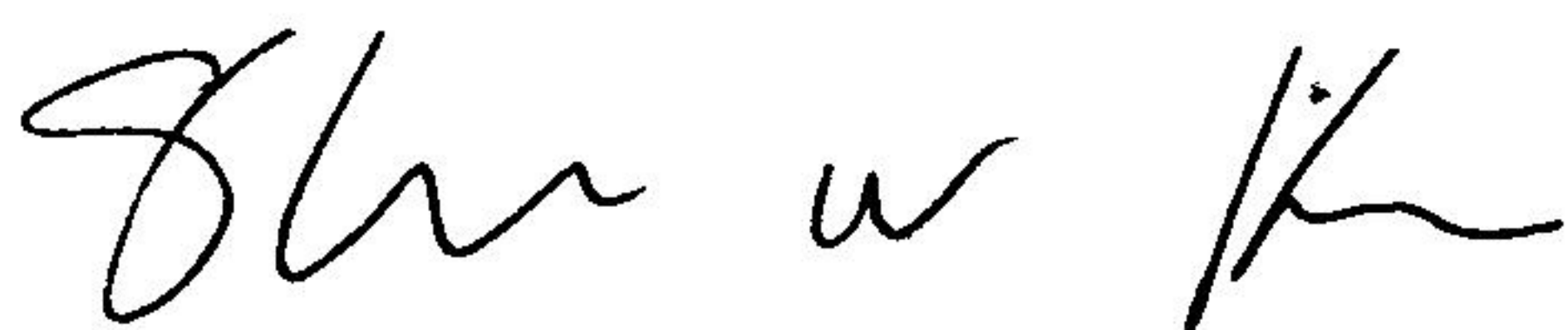
Table 2
Proposed BMID Wholesale Rate

	BMID Rate
Water Supply	\$0.25
Water Treatment	0.17
Transmission	0.22
Distribution	NA
Total \$'s per CCF	\$0.64
Customer - \$/Meter/Monthly - 4" Meter	\$416.65

If you have any questions regarding the analysis and discussion please call me.

Very truly yours,

HDR ENGINEERING, INC.



Shawn Koorn
Associate Vice President

RETAIL WATER SERVICE AREA AGREEMENT

EXHIBIT H

BMID CONNECTION FEE CALCULATION METHOD

To: Pete Rogalsky, City of Richland Brand Anderson, BMID		
From: Cil Pierce and Shawn Koorn	Project: System Development Charges for the Badger Mountain Service Subarea	
Date: December 20, 2011	Job No:	159850

RE: System Development Charges for the Badger Mountain Service Area

Introduction

The City of Richland (City) and Badger Mountain Irrigation District (BMID) retained HDR Engineering, Inc. (HDR) to develop wholesale rates for the City to provide wholesale water to BMID, and for a wholesale rate from BMID to the City. Both agencies have signed an agreement (October 8, 2009) regarding retail water service area. There is some BMID service area that is now annexed into the City. This area is known as Badger Mountain South. Another agreement amending the retail service area agreement is in the process of being signed. Results of the wholesale water rate analyses are provided under separate cover. This technical memorandum covers the methodology, findings and conclusions of the system development charge (SDC) analysis for this area.

Background Description

The City and BMID have been discussing the most logical and cost efficient way to deliver retail water service to the BMID service area. Through discussions it was determined that the entities would each service some of this specific service area. The City will provide initial retail service through the purchase of BMID water, until a later date when the City may also provide water to the service area. A key aspect of the discussion and agreement is the SDC the customers will pay to connect to the water system in this area. Key to the discussion is that the customers are ultimately in the City's annexed area, however they are also within the BMID service area. As a result the SDCs need to be reviewed as BMID will provide the initial service, but will not be collecting a SDC to reimburse them for the infrastructure that will provide service.

A discussion of the approach to modify these SDCs for the Badger Mountain service area is described below. In developing the SDC appropriate for this service area, HDR used generally accepted rate setting methodologies. These principles, techniques and methodologies are described below, along with the results of the study.

System Development Charge Review for the City Service Area

The City completed an update of the water system development charges (SDCs) in 2010, which culminated in a report dated April 2010. This report was based on planning and design criteria contained within the Draft 2009 Water Comprehensive Plan, along with the City's accounting and financing records. Within the report the approach used by HDR is well documented. In summary, HDR uses a hybrid approach to developing system development charges. That is, the system is

analyzed on a component by component basis, using the planning and design criteria appropriate to each component. The components include source of supply, storage, transmission and distribution, and general plant. A debt credit is calculated to make sure that customers are not charged twice for debt financed facilities. That is, customers pay annual debt service through rates and therefore a credit is calculated to credit any portion of the facilities which are debt financed.

Since the completion of the SDC report the Comprehensive Plan was completed, and the City had analysis of the water supply for the Badger Mountain Subarea updated in a report dated March 2011 (RH2 Engineers). This report documents several changes in the configurations for the Tapteal improvements, leading the City to review their SDCs for this particular service area. In addition to the completion of the Water Comprehensive Plan, the City also entered into two agreements, one with the Badger Mountain Irrigation District, who provides potable and non-potable water to customers in this area, and one with NorAm Investment, LLC, the developer of a major subdivision and improvements planned for the Badger Mountain Subarea. Based on these three documents, the City's SDC was updated for the Badger Mountain Subarea to be served by the City.

The changes to the SDC calculations included the following component areas, which are then described in further detail below:

- Updated the peak day capacity from 48.91 to 49.09 per the RH2 Badger Mountain Subarea Plan, March 2011.

Source of Supply

- Costs for several projects were adjusted, including the Tapteal 1 pump station, pump Tapteal 1 to 4, added the Kennedy Road pump station site (west) and doubled the South Richland groundwater source and removed the Cottonwood pump station. In total, the future source of supply SDC eligible costs reduced by \$1.7 million, resulting in a \$47 per equivalent residential unit (ERU) reduction.

Storage

- The Cottonwood tank was removed. The Tapteal 4 tanks were adjusted to the more current cost estimates. And finally, the Tapteal 3 tank was removed, for a total increased in the future storage plant costs by \$1.1 million, resulting in an increase in the cost per ERU of \$30.00.

Distribution

- The future transmission and distribution system costs were adjusted to current information, which resulted in a decrease by approximately \$250,000, deriving in a \$35 reduction in transmission and distribution costs per ERU.

The debt credit calculation reduced by \$7 per ERU.

With rounding for ease in administration and customer understanding, the cost per ERU could be reduced by \$40 per ERU overall.

Badger Mountain South System Development Charge

Since BMID will provide the initial service to the area being reviewed and its infrastructure used to provide the service, a credit to BMID needed to be developed. The specific components that will be used to provide service are the wells, transmission, and storage infrastructure. In discussion with BMID staff it was determined that BMID could provide service for another 2,500 ERUs. 200 of these ERUs are within BMID's current service area, with the remaining 2,300 in the area being reviewed. However, the City and BMID are discussing how the credit will be applied to the connections. For example, will the credit be pro-rated over the total ERUs in the area, or just for the first 2,300 ERUs. At this time, since no formal agreement has been

developed, the analysis assumes a proration of the fee over the total ERUs. The following components were reviewed to determine the credit BMID would receive from the City's SDC.

Wells - A calculation of the value of the wells was developed, based on replacement value and ENR construction costs indices, an original cost was developed. This was then divided by the well capacity to derive a cost per gallon for the wells. By applying the BMID peak day demand gallons per ERU, a cost per ERU of \$245 was developed for the BMID supply wells. However, BMID is providing water for an estimated 23% of the service area. Therefore, with the 23% applied to \$245/ERU a calculated value of \$56/ERU was determined. Therefore, when customers within this service area pay the City's established SDC of \$2,060, BMID will receive \$56 per ERU toward the buy-in component of their source of supply.

Transmission - As noted in the development of the wholesale rate, a portion of BMID's transmission mains will be utilized to provide service. Based on the replacement cost of the applicable transmission lines, and ENR construction cost indices, an original value of the applicable transmission lines was developed. This value was divided through by the total ERU's BMID will serve, the current 724 plus the additional 2,500, to calculate a value of \$126 per ERU. Assuming the proration for 23% of the service area, a credit of \$29 was developed for the transmission component. When customers connect to the area and pay the City's SDC, BMID will receive \$29 for their transmission component.

Storage - The operational storage component will also be utilized by the customers in this area. Given this, a credit was established based on a cost per gallon of storage determined by taking the two storage tanks applicable to providing service and determining the original cost divided by the total storage capacity. This cost per gallon of storage was multiplied by the storage capacity of the ERUs on BMID's system and the portion of operational storage to determine a credit of \$58. Applying the proration, BMID would receive \$13 from each connection from the City's system development charge.

In total, BMID will receive \$99 per ERU from the City's SDC for each connection in the service area being reviewed.

In addition, to the credit necessary for the infrastructure utilized by the customers from BMID, BMID also needs to expand its system to provide service to the future 2,500 customers. As a result, an additional fee to the customers in this service area was developed. This fee will be in addition to the City's existing SDC. The analysis assumes the proration of the fee over the total ERUs being served in this area. The following fee components were developed in discussion with BMID and City staff.

Source of Supply - In order to provide service to the additional 2,500 customers, BMID will need to replace one pump on an existing well and drill an additional well. Based on the additional capacity (MGD) this infrastructure will provide, an additional fee of \$348 per ERU was developed. Pro rated over the total expected ERUs in the service area results in an additional fee of \$80 per ERU.

Transmission - BMID has also provided an additional \$200,000 for a new transmission main to provide service to the area. Based on the 2,500 new ERU's this facility will benefit, an additional fee of \$80 was calculated. Pro-rating this fee over the service area total ERUs results in a charge of \$18 per ERU in addition to the City's current SDC.

The need for new infrastructure results in an additional fee of \$99 per ERU in the service area being discussed. This fee will be paid by all customers connecting to the system in addition to the City's current SDC.

Summary

This technical memorandum has discussed the approach and methodology taken to modify the City's system development charges for the Badger Mountain service area. In total, BMID will receive approximately \$200 per ERU for each of the connections assuming an equal proration over the build-out of the service area. This results in approximately \$2 million dollars in fees that BMID will need for reimbursement of existing infrastructure and to build new infrastructure to meet the demands of future growth.

The City and BMID are in the process of completing an agreement regarding retail water service in this area. These results should aide in the completion of this process.

City of Richland
Exhibit 7.A
Water System Development Charge - 2010
Determination of System Development Charge Credits

Year	Equipment List	Replacement Cost 2011\$	Source of Supply (Wells)		Estimated Original Cost	% SDC Eligible	SDC Eligible
			2011 ENR	20-City ENR to Original Year			
Existing Source of Supply [1]							
1979	450 gpm Well construction	\$851,000	9,103.94	3,140.00	\$293,515	100%	293,515
1995	150 gpm Well construction	535,000	9,103.94	5,431.55	\$319,189	100%	319,189
Total Existing Source of Supply		\$1,386,000			\$612,704		\$612,704

Capacity (mgd) [2]	0.86
Cost per Gallon	0.71
Peak Day Demand per ERU for BMID system [3]	345
Source of Supply System Development Charge per ERU [4]	\$245
Portion of ERUs to be served by BMID (2,300 of total 10,000)	23%
BMID service area Supply Credit	\$56

Notes:

- [1] Replacement cost calculated by HDR, August 2011.
[2] Capacity of wells calculated as mgd.
[3] Per July 22, 2011 email from BMID General Manager re: system components and usage.
[4] Applies the cost per gallon per ERU to the BMID source of supply. With BMID providing only a portion of the water supply, a prorated portion of the cost per ERU is calculated below.

		Transmission					
Year	Equipment List	Replacement Cost 2011\$	2011 ENR	20-City ENR to Original Year	Estimated Original Cost	% SDC Eligible	SDC Eligible
Existing Transmission [1]							
1976	Transmission Main	1,481,092	9,103.94	2,490.00	\$405,091	100%	405,091
Total Existing Source of Supply		\$1,481,092			\$405,091		\$405,091

Total BMID ERUs [2]	3,224
Source of Supply System Development Charge per ERU	\$126
Portion of ERUs to be served by BMID (2,300 of total 10,000)	23%
BMID service area Transmission Credit	\$29

Notes:

- [1] Replacement cost calculated by HDR, August 2011. Assumes 50% of the 12" pipe is transmission related.
[2] ERUs assume current BMID ERUs to 724 plus 2500 new ERUs

Year	Equipment List	Replacement Cost 2011\$	Storage		Estimated Original Cost	% SDC Eligible	SDC Eligible
			2011 ENR	20-City ENR to Original Year			
Existing Storage [1]							
1976	Storage Tanks	1,138,000	9,103.94	2,490.00	\$311,252	100%	311,252
Total Existing Source of Supply		\$1,138,000			\$311,252		\$311,252

Capacity (gallons) [2] MG	0.3
Cost per Gallon	\$1.07
Storage Requirement per ERU [3]	601
Storage Plant System Development Charge per ERU	\$645
Applicable Storage Allocation For BMID [4]	9.03%
Source of Supply System Development Charge per ERU	\$58
Portion of ERUs to be served by BMID (2,300 of total 10,000)	23%
BMID service area Storage Credit	\$13

Notes:

- [1] Replacement cost calculated by HDR, August 2011. Assumes two tanks in Zone 1 can provide service.
[2] Assumes 2 tanks at 145,000 gal each, comp plan page 12
[3] Assumes total BMID storage available divided by total current BMID connections
[4] Storage Assumptions

37,200 available for City use, two tanks operational storage
290,000 total BMID storage
12.83%

2,300 BMID ERUS in SBM Area
3,268 BMID ERUS
70.38%

9.03% percent of storage available for City use

City of Richland
Exhibit 7.B
Water System Development Charge - 2010
Determination of BMID System Development Charge

		Source of Supply (Wells)			
Year	Equipment List	Original Cost	2011 Cost	% SDC Eligible	SDC Eligible
Future Source of Supply [1]					
Future	150 gpm Well construction	\$750,000	\$750,000	100%	750,000
Future	New Well Pump	\$50,000	\$50,000	100%	50,000
Total Existing Source of Supply		\$800,000	\$800,000		\$800,000

Capacity (mgd) [2] 0.79

Cost per Gallon 1.01

Peak Day Demand per ERU for BMID system [3] 345

Source of Supply System Development Charge per ERU [4] **\$348**

Portion of ERUs to be served by BMID (2,300 of total 10,000) 23%

BMID service area Supply Charge \$80

Notes:

[1] Estimated future construction cost

[2] Assumes Capacity of new well is 150 gpm plus new pump on existing well of additional 400 gpm.

[3] Per July 22, 2011 email from BMID General Manager re: system components and usage.

[4] Applies the cost per gallon per ERU to the BMID source of supply. With BMID providing only a portion of the water supply, a prorated portion of the cost per ERU is calculated below.

		Transmission			
Year	Equipment List	Original Cost	2011 Cost	% SDC Eligible	SDC Eligible
Future Transmission [1]					
	Transmission Main	200,000	\$200,000	100%	200,000
Total Existing Source of Supply		\$200,000	\$200,000		\$200,000

Total BMID ERUs [2] 2,500

Source of Supply System Development Charge per ERU **\$80**

Portion of ERUs to be served by BMID (2,300 of total 10,000) 23%

BMID service area Transmission Credit \$18

Notes:

[1] Cost of BMID upgrades to the Transmission line to serve future customers

[2] ERUs assume served by new Improvements (2,300 SBM + 200 Zone 3)



UTILITY ADVISORY COMMITTEE AGENDA ITEM COVERSHEET

Meeting Date: 1/11/2022

Agenda Category: Other Informational Items

Prepared By: Clint Whitney, Energy Services Director

Subject:

Capital Work Plan Update (RES)

Department:

Energy Services

Recommended Motion:

This item is for information only.

Summary:

Attached is the Energy Services Capital Work Plan Report through November 2021.

Fiscal Impact:

Attachments:

1. RES CWP REPORT-November 2021



Richland Energy Services Capital Work Plan November 2021



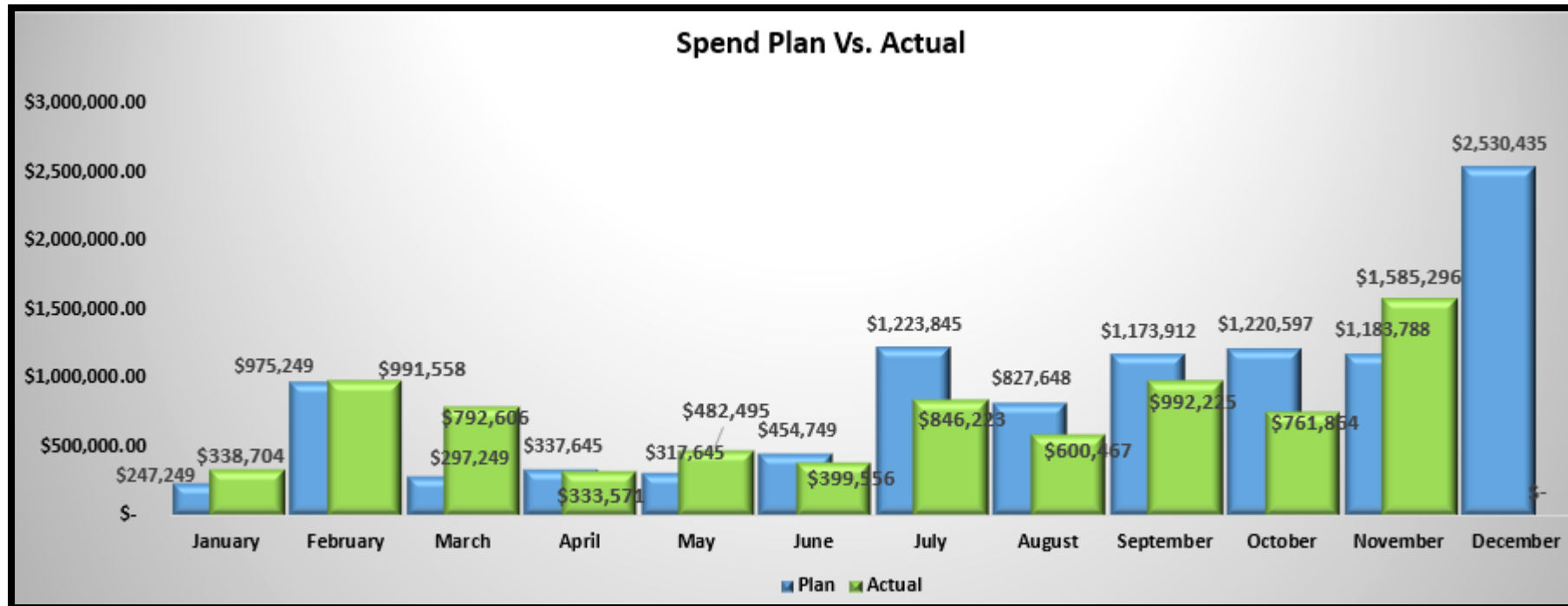
CWP Costs for November

	Original 2021 Budget	Estimated Costs	Actual	Sum Remaining	November
+ Line Extensions	\$ 1,288,000	\$ 1,288,000	\$ 1,422,815	\$ (134,815)	\$ 147,535
+ Smart Grid - Advanced Metering Infrastructure	\$ 3,771,000	\$ 3,771,000	\$ 1,326,564	\$ 2,444,436	\$ 111,669
+ System Improvements	\$ 690,500	\$ 717,650	\$ 1,031,444	\$ (313,794)	\$ 80,556
+ Renewal and Replacement	\$ 1,364,000	\$ 1,686,784	\$ 1,504,326	\$ 182,458	\$ 280,891
+ Gateway Substation	\$ 3,710,000	\$ 3,359,227	\$ 2,910,988	\$ 448,239	\$ 964,645
+ Purchase Southwest Service Area Infrastructure	\$ 158,000	\$ 25,000	\$ 33,956	\$ (8,956)	\$ -
Grand Total	\$ 10,981,500	\$ 10,847,661	\$ 8,230,092	\$ 2,617,569	\$1,585,296

Cost Performance YTD:	\$8,230,092
Cost Performance remaining:	\$2,617,569
YTD % Complete	76%

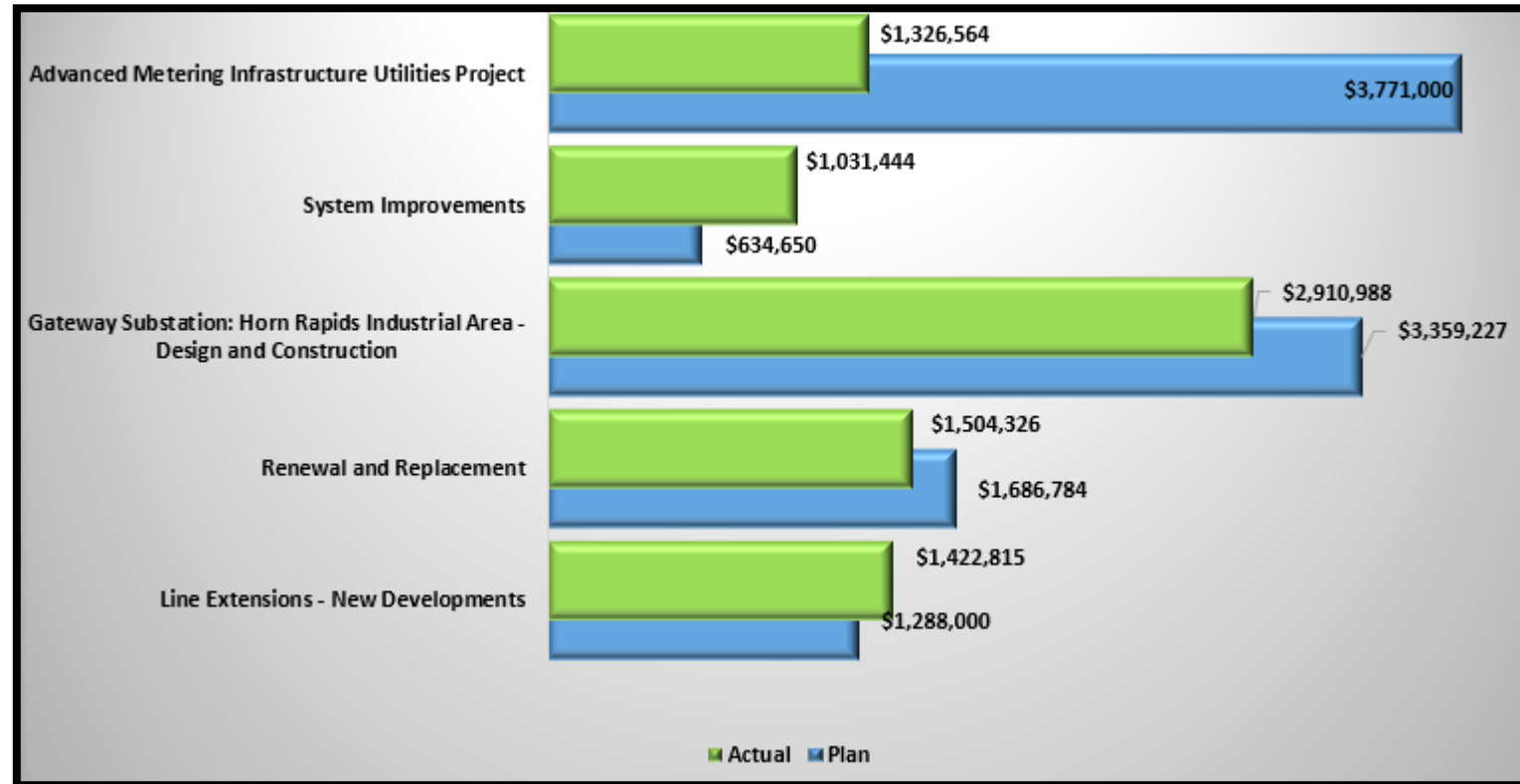


CWP Monthly Spend Vs. Actuals



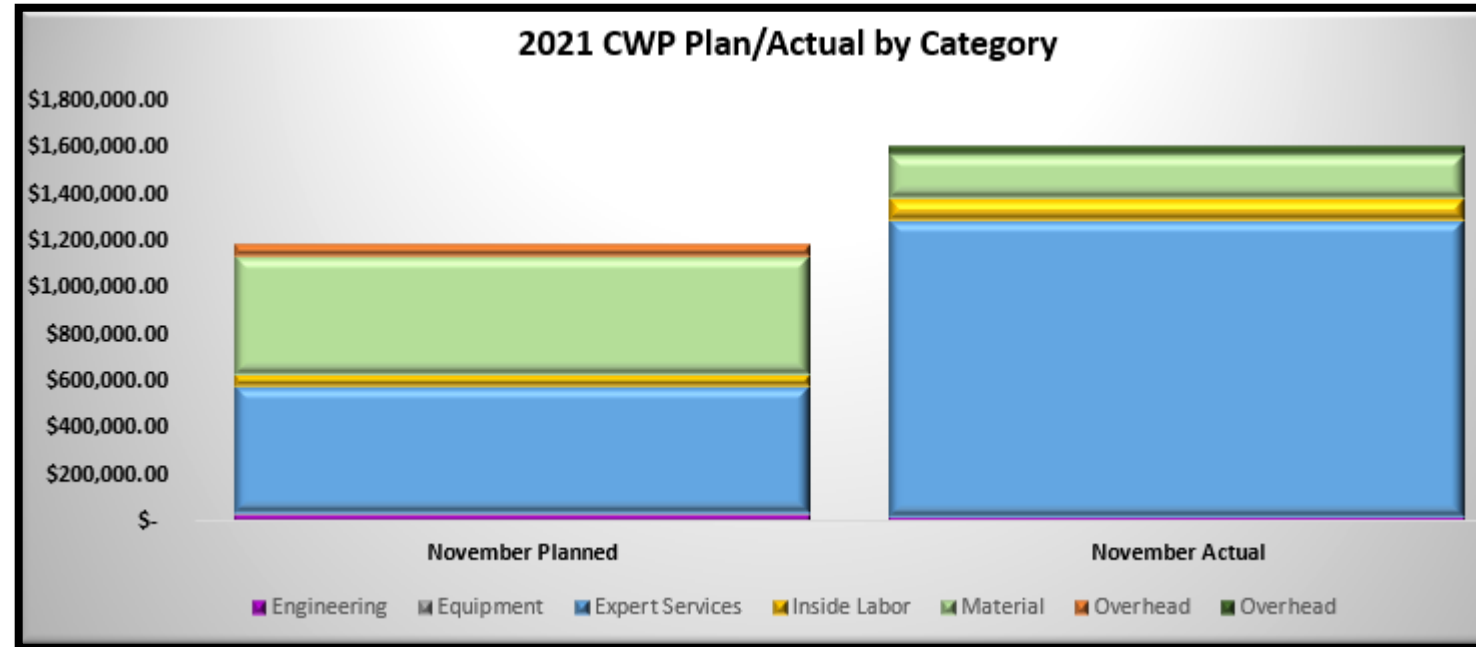
% Complete of Overall Spend Plan		
To-Date Projected	\$	8,259,576
To-Date Actual	\$	8,230,092
Variance	(\$29,484)	100%

Costs by Category





CWP Cost Types



Cost Type	November Planner	November Actual
Engineering	\$ 26,352.39	\$ 17,755.17
Equipment	\$ 9,410.87	\$ -
Expert Services	\$ 536,968.56	\$ 1,264,857.14
Inside Labor	\$ 52,010.23	\$ 98,941.38
Material	\$ 508,741.77	\$ 182,790.76
Overhead	\$ 50,304.18	\$ 35,720.43
Total	\$ 1,183,788.00	\$ 1,600,064.88



CWP Project Costs for November

	Original 2021 Budget	Estimated Costs	Actual	Sum Remaining	November
+ Line Extensions	\$ 1,288,000	\$ 1,288,000	\$ 1,422,815	\$ (134,815)	\$ 147,535
+ Smart Grid - Advanced Metering Infrastructure	\$ 3,771,000	\$ 3,771,000	\$ 1,326,564	\$ 2,444,436	\$ 111,669
- System Improvements	\$ 690,500	\$ 717,650	\$ 1,031,444	\$ (313,794)	\$ 80,556
+ METER INSTALLATION MATERIALS	\$ 74,000	\$ 74,000	\$ 272,546	\$ (198,546)	\$9,495.81
+ NEW & ALT SVCS - UNDERGROUND	\$ 405,000	\$ 405,000	\$ 475,519	\$ (70,519)	\$37,839.30
+ Install GPS Clocks at Substations	\$ 83,000	\$ 83,000	\$ -	\$ 83,000	\$0.00
+ Stevens Sub Bank 3: Relay Replacement	\$ 32,125	\$ 54,000	\$ 36,825	\$ 17,175	\$0.00
+ Stevens Sub Bank 2: Relay Replacement	\$ 32,125	\$ 44,000	\$ 67,225	\$ (23,225)	\$25,125.74
+ Sandhill Crane Sub Bank 1: Relay Replacement	\$ 32,125	\$ -	\$ -	\$ -	\$0.00
+ Sandhill Crane Sub Bank 2: Relay Replacement	\$ 32,125	\$ 57,650	\$ -	\$ 57,650	\$0.00
- Renewal and Replacement	\$ 1,364,000	\$ 1,686,784	\$ 1,504,326	\$ 182,458	\$ 280,891
+ CANYON TERRACE 2, UG R&R	\$ 458,000	\$ 106,110	\$ 7,334	\$ 98,776	\$0.00
+ 1004 Williams; Renew Replace O/H Line ~31 po	\$ 89,600	\$ 233,067	\$ 238,721	\$ (5,654)	\$0.00
+ 1305 Farrell Ln: Renew Replace #6BC ~13 poles	\$ 89,600	\$ 141,044	\$ 127,735	\$ 13,309	\$70.89
+ 1303 Kimball Ave: Renew and Replace #6BC wit	\$ 89,600	\$ 141,765	\$ 59,214	\$ 82,551	\$1,113.82
+ 1403 Keller; Renew Replace #6BC with 1/0ACSF	\$ 89,600	\$ 151,119	\$ 155,959	\$ (4,840)	\$12,567.33
+ 1907 Howell Ave: Renew and Replace #6BC wit	\$ 89,600	\$ 128,365	\$ 33,874	\$ 94,491	\$32,312.06
+ 2108 Van Giesen, R&R Westview Acres Boring 2	\$ -	\$ 624,522	\$ 8,071	\$ 616,451	\$0.00
+ Framatome UG Replacement	\$ 458,000	\$ 160,792	\$ -	\$ 160,792	\$0.00
+ 2200 Sacramento cut new V11 inline for new ta	\$ -	\$ -	\$ 8,057	\$ (8,057)	\$0.00
+ Gateway Substation	\$ 3,710,000	\$ 3,359,227	\$ 2,910,988	\$ 448,239	\$ 964,645
+ Purchase Southwest Service Area Infrastructure	\$ 158,000	\$ 25,000	\$ 33,956	\$ (8,956)	\$ -
Grand Total	\$ 10,981,500	\$ 10,847,661	\$ 8,230,092	\$ 2,617,569	\$1,585,296



UTILITY ADVISORY COMMITTEE AGENDA ITEM COVERSHEET

Meeting Date: 1/11/2022

Agenda Category: Other Informational Items

Prepared By:

Subject:

Forward Agenda Planning

Department:

Energy Services

Recommended Motion:

This item is for information only.

Summary:

TBD

- HRSST Tour
- River Toxins (PW)

March

- Landfill/Gateway Sub Tour
- Resource Adequacy (RES)

May

- Reliability Analysis and Presentation (RES)
- AMI Update

July

- Cyber Security
- Resource Adequacy (RES)

September

- Sewage Treatment Plant

November

- Cost of Service Analysis (COSA) (RES)
- Resource Adequacy (RES)

Fiscal Impact:

Attachments: