

RESOLUTION 20-134

**A RESOLUTION AKNOWLEDGING THE CITY OF SPRING HILL'S INTENT TO DEVELOP
A LONG-TERM WATER PURCHASE AGREEMENT WITH COLUMBIA POWER AND
WATER SYSTEM AS PART OF A REGIONAL COLLABORATION EFFORT TO ENSURE A
LONG-TERM DROUGHT RESISTANT WATER SUPPLY**

WHEREAS, the City of Spring Hill, (city) currently purchases water from Columbia Power and Water System to supplement the city's production capability; and

WHEREAS, both CPWS and the City of Spring Hill utilize the Duck River as the source for their respective water systems; and

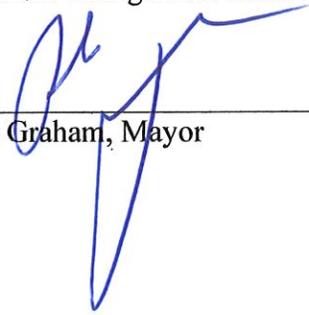
WHEREAS, occasional drought periods place extraordinary demands on Spring Hill's and CPWS's water systems in meeting peak customer demands coupled with low flow withdrawal restrictions mandated by the Tennessee Department of Environment and Conservation; and

WHEREAS, it has become advantageous to seek another source point in the Duck River that is not subject to low flow withdrawal restrictions that will allow withdrawal volumes equal to the 30-year projected needs of each system; and

WHEREAS, CPWS has been granted the opportunity to apply for low interest financing through the Water Infrastructure Financing and Innovation Act (WIFIA) and State Revolving Fund (SRF) loan program for the construction of such a facility, along with planned improvements (4MGD to 6MGD) to the City of Spring Hill intake, water plant and near-term system improvement needs; and

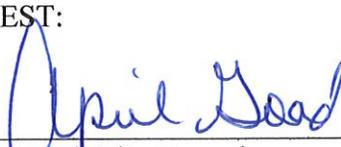
WHEREAS; it seems prudent to work collaboratively with CPWS in this endeavor enjoying the benefits of extraordinarily attractive financing, sourcing a 30-year projected supply and repayment through the form of water purchase from CPWS;

NOW THEREFORE BE IT RESOLVED, that the Board of Mayor and Alderman of the City of Spring Hill do hereby declare the city's intent to partner with CPWS in a long-term water supply effort and develop an amicable long-term water purchase agreement with general terms similar to these shown in Exhibit A attached to this document.



Rick Graham, Mayor

ATTEST:



April Goad, City Recorder

LEGAL FORM APPROVED:



Patrick Carter, City Attorney



REQUEST: Resolution stating intent to develop a *Long Term Water Supply Contract with CPWS*

SUBMITTED BY: Victor Lay, City Administrator

DATE: September 4, 2020

ATTACHMENTS:

PURPOSE:

The City of Spring Hill is in need of establishing a long-term water supply agreement with CPWS in conjunction with an expansion of existing Spring Hill facilities. Developing a long-term agreement with CPWS offsets immediate infrastructure cost and avoids significant issues with the taking of more water on a highly regulated portion of the Duck River.

BACKGROUND:

The city's current water plant capacity is 4 MGD (Million gallons per Day). Spring Hill plans to upgrade the existing plant to 6 MGD under an existing permit. Additionally, the city has a current water supply agreement with CPWS that fully expires (all renewals are expired) in February 2024. That supply contract has a minimum daily take of 350,000 gallons per day and a maximum of 2.88 Million gallons per day. Conversations with CPWS indicate that the contract in its present form most likely cannot be renewed due to CPWS nearing capacity in their system.

Demand models projecting the city's water supply needs look at minimum daily demand, average daily demand, peak daily demand and drought conditions. For design purposes, the city considers peak daily demands which assumes dry (not yet drought) conditions which includes higher usages due to lawn sprinkling and other typical summer activities. In the last two years, the city has twice required sprinkler systems to be shut off due to demand exceeding the capacity of the system. On occasion, if drought conditions were applicable, there is the possibility that the Duck River Agency or TDEC could curtail usage on the Duck River as it's flow diminishes.

Demand models show that peak demand usage in 3-4 years could exceed the city's 6 MGD production capacity alone. Therefore, continued purchasing of water from CPWS or an expansion of the city's water intake and plant to 10 MGD would need to be considered in the near term. However, due to the sensitivity of water usage from the Duck River, it is very unlikely that a permit to 10 MGD will be given in the short term.



Therefore, the best option is to develop a long-term purchase agreement with CPWS that allows CPWS to construct a new facility outside of the highly regulated flow area that would provide both CPWS and the City of Spring Hill the volume of water needed to meet long-term demands. An additional benefit to the proposed location is that it is far enough downstream to have increased flow from more tributaries thus making the location much more drought resistant. The timing of the project development is optimal in that CPWS has been invited to participate in the Water Infrastructure Finance and Innovation Act (WIFIA) and State Revolving Fund (SRF) loan programs with extremely low interest rates (near 1%) for 30 years.

Repayment to CPWS for the increased capacity dedicated to Spring Hill would come through the form of a minimum water purchase agreement (suggested at 2.88 MGD) thus eliminating Spring Hill's need to borrow for the increased capacity and possibly put off any additional Spring Hill plant expansion beyond the immediate 6 MGD to the late 2030's.

STAFF RECOMMENDATION:

It is staff's recommendation that the city formally commit to developing a long-term water purchase contract with CPWS in order to partner with them for a long-term, drought resistant supply.



Columbia Power & Water Systems

September 2, 2020

Mr. Victor Lay, City Manager
199 Town Center Parkway
City of Spring Hill, Tennessee
Spring Hill, TN 37174

RE: Proposed Memorandum of Understanding for Water Sale Agreement Between Columbia Power & Water Systems and the City of Spring Hill, Tennessee

Dear Mr. Lay,

This letter summarizes proposed details of a Memorandum of Understanding (MOU) between Columbia Power & Water Systems (CPWS) and The City of Spring Hill, TN (The City of Spring Hill) for long-term sale of potable water to The City of Spring Hill. The necessary details of the MOU include:

1. Quality = Potable treated water meeting applicable purity standards of the Tennessee Department of Environment and Conservation (TDEC) and the United States Environmental Protection Agency (EPA);
2. Minimum Quantity = 2.88 mgd (weekly average);
3. **Maximum Quantity = X.X mgd (weekly average);**
4. Length of Agreement = 40 years. After 40 years, this agreement shall continue for a year to year basis subject to any as-needed rate adjustments by CPWS to the wholesale rate. The City of Spring Hill can terminate this agreement at any time, provided they give five years advance notice;
5. Initial Rate = Current rate is \$2.75 per 1000 gallons (to be adjusted for an initial FY22 (October 2021) increase of 7.5% that will affect wholesale rates by no more than 7.5%;
6. Rate Adjustments = Adjustable to reflect increased cost of CPWS water production and transmission to The City of Spring Hill purchase points over the current rate in effect at the date of the Agreement. CPWS understands that rate increases throughout the term may be variable, but rates shall increase in line with funding analysis used for the purpose of the WIFIA loan application and reviewed by EPA WIFIA staff and Jackson-Thornton;

7. WIFIA assistance will be provided to The City of Spring Hill with CPWS assuming responsibility as the sole borrower of these funds. Repayment of these funds will be made by The City of Spring Hill to the EPA through CPWS using the minimum take of the water sale agreement as the surety of repayment for The City of Spring Hill portion of the loan;
8. Water Shortage Approach = MCWS agrees to reduce water purchase by amount of reduction that CPWS would request from its direct sale customers;
9. Purchase points = All existing purchase points as well as future mutually agreed upon purchase points as required for growth;
10. Requests for Increased Usage = If the City of Spring Hill projects that growth on its system will require water purchase exceeding the maximum quantity listed in the Agreement, The City of Spring Hill shall provide CPWS with a minimum of 36 month notice for this additional need. CPWS and The City of Spring Hill shall collaborate on cost impacts to CPWS for the additional water production and transmission required for increased usage with wholesale rate adjustments being predicated on this analysis.
11. We'll need mediation language for any disputes. Each party picks a representative and those representatives select a third-party mediator. Existing contract will help with this language. The point of the letter will be to agree on the water purchase piece and then we can turn it over to the lawyers for wordsmithing, legalese, etc.

If you have any questions, or need further information, please feel free to contact me at jonathan.hardin@cpws.com or 931-375-7646.

Sincerely,
Columbia Power & Water Systems

Jonathan Hardin, PE
Vice President of Water Operations