

**TUCKASEIGEE WATER & SEWER AUTHORITY (TWSA)
NON-RESIDENTIAL PROPERTY
WATER & SEWER ALLOCATION - EXCESS DEMAND POLICY**

1. **PURPOSE-** In an effort to encourage the economic health of the TWSA water and sewer service areas, a new approach to changes to Allocation has been developed. Historically any increases in water and sewer capacity needed for changes in a Property use have required the purchase of that Allocation outright. Although this has served the needs for TWSA to collect the Impact Fees needed to meet future capital improvements and to track flows to the water and sewer systems, the upfront costs have often blocked potential Non-Residential business development or operation. This policy is written to establish a method by which Non-Residential Property occupants can obtain needed water and sewer capacity on a temporary basis by monthly rental payments in cases where it is needed for a change of use on a Property already holding water and / or sewer Allocation.

APPLICABILITY- This policy is written to be applicable to all Business Owners who occupy, or propose to occupy a Non-Residential Property with an inadequate Permanent Allocation of water and / or sewer capacity to permit their proposed business Development or operation.

2. **DEFINITIONS-** The following terms are used within this policy and / or within the procedures and forms established to implement this policy. The intended meaning for each term is provided here for such use.
 - a. **Account Holder-** a Business Owner (as defined in this policy) who makes application for and if allowed holds in the Business Owners' name the account with TWSA for any temporary water and/or sewer Allocation sought and/or assigned under this policy. The Account Holder will be considered a TWSA customer.
 - b. **Allocation-** a block of water Distribution System and water treatment capacity and /or wastewater Collection System and wastewater treatment capacity assigned to a specific Property for a specific Development purpose consistent with a plan submitted to TWSA and expressed in Gallons Per Day (GPD). This Allocation is determined using 15NCAC 02T.0114 - Wastewater Design Flow Rates.
 - c. **Application-** that form currently in use and provided by TWSA for the purpose of applying for water and sewer Allocation along with those documents necessary to detail the ownership status and the proposed Development of the properties involved.

- d. **Application Fee**- a non-refundable payment of \$175 to be received with the Application package to offset the administrative cost of processing the request.
- e. **Availability**- water and / or sewer service is deemed available for a given Property if a TWSA owned distribution and / or Collection System asset is contiguous to the Property and there is capacity available to serve the proposed Development of the Property.
- f. **Business Owner**- That party who occupies a specific Non-Residential Property and operates a commercial enterprise. For the purpose of this policy the Business Owner shall also be the Account Holder. Any temporary Allocation under this policy is held by the Account Holder, regardless of whether the Account Holder owns or rents the physical Property. Business Owners may be individuals or entities recognized by North Carolina law and as otherwise defined in this policy.
- g. **Capacity Assurance**- that monthly charge that is assessed a customer holding unrealized Allocation for a project which is not completed in the construction timeframes as established in Section 6.A of the TWSA Water & Sewer Allocation Policy.
- h. **Collection System**- those sewer infrastructure assets that are owned (or leased), operated and maintained by TWSA which receive and convey wastewater flows from Private Connections.
- i. **Current Replacement Cost**- those original capital costs for capital assets that directly support the TWSA water and / or sewer operations, using the year of adoption of this policy as the basis and then escalated for the passage of time using the Municipal Cost Index as reported by American City and County, and expressed in a cost per gallon of capacity for each type of capacity.
- j. **Development**- those improvements proposed on a Property which generates a request for water and / or sewer Allocation.
- k. **Distribution System**- those water infrastructure assets that are owned (or leased), operated and maintained by TWSA which convey water flows to Private Connections.
- l. **Documentation**- those items which are necessary to verify the status of the ownership of a Property and to describe the details of the proposed Development purpose for which water and / or sewer Allocation is requested. At the discretion of TWSA staff such items might be received in

hard copy or electronically, however all documents which contain signature blocks, entity seals and / or notary statements must be supplied with original signatures.

- m. **Entity**- a non-person business organization that legally holds an ownership interest in or is leasing a Property for a business Development purpose. An entity may include any business organization which is recognized under North Carolina law such as corporations, limited liability companies, municipalities, etc.
- n. **Excess Demand**- that temporary water and /or sewer Allocation assigned to a specific Non-Residential customer for a specific Development purpose and Property which is in excess of the Permanent Allocation assigned to the Property.
- o. **Excess Demand Charge**- the monthly fee charged a Non-Residential customer for that block of water and / or sewer Allocation which is in excess of the Permanent Allocation assigned to the Property and placed into the capital reserve fund.
- p. **GPD**- Gallons Per Day.
- q. **Impact Fee**- those fees collected upon purchase of a new block of water or sewer Allocation, as determined under the current TWSA process and as set in the current TWSA Budget. They are based on the impact of a proposed Development on the TWSA infrastructure. These fees are intended to collect revenue to replace the capital investment in the water and / or wastewater system that are needed to service a proposed Development. These fees are placed into the capital reserve fund.
- r. **Non-Residential**- Occupancies which exclude those for non-transient residential purposes. This would include office, industrial, institutional and commercial occupancies which operate as a business.
- s. **Permanent Allocation**- that water and / or sewer capacity assigned to a Property after a project has been reviewed and approved by TWSA, an invoice has been generated and all applicable fees have been paid in full. In addition the improvements to the Property has been connected within the prescribed timeframe on the invoice and accounts are current as per TWSA Policy, or in lieu of that Capacity Assurance charges are being paid to retain the Allocation for the Property.
- t. **Point of Service Delivery**- that location where a Private Connection and the Water Distribution and / or Wastewater Collection System are joined.

- u. **Private Connection-** those sewer infrastructure assets owned, operated and maintained by parties other than TWSA which convey wastewater flows to the Collection System.
 - v. **Property-** that specific piece of real estate identified in the Jackson County Geographic Information System (GIS) with a unique Property Identification Number (PIN), upon which a proposed Development is to occur and to which a water and / or sewer Allocation is assigned upon completion of the prescribed TWSA procedure.
 - w. **Property Owner-** that party who holds title to the Property to which a water and /or sewer Allocation is assigned. Property Owners may be individuals or entities recognized under North Carolina law and as otherwise defined in this policy.
 - x. **Property Renter-** that party who holds a lease to the Property to which a permanent water and / or sewer Allocation is assigned. Property Renters may be individuals or entities recognized under North Carolina law and as otherwise defined in this policy.
 - y. **Supplemental Agreement-** the agreement between TWSA and the Account Holder/Business Owner establishing the quantity of rented water and / or sewer Allocation and the terms of such relationship including construction duration and Capacity Assurance charges. This document becomes an attachment to the standard contract for services for the Account Holder.
 - z. **Unrealized Allocation-** those water and / or sewer Allocations for which TWSA has a contractual obligation but have not yet been connected to the TWSA Collection System.
3. **Rental of Water and / or Sewer Allocation** – In those cases where an inadequate quantity of water and /or sewer capacity is held for a Property where a Business Owner is proposing a business development or operation, the difference between the existing Permanent Allocation and needed total Allocation may be assigned as a leased block to the account of the Business Owner/Property Renter who will become the Account Holder. This Allocation is to be called "Excess Demand", as further herein defined, and is considered to be a temporary assignment of the water and / or sewer capacity to the Business Owner's account only. The amount of water and / or sewer capacity needed for the business development or operation purpose shall be determined by TWSA through a formal application process, and shall clearly describe the basis of the Allocation granted. Any such Excess Demand Allocation is subject to available capacity, and if such is not available then TWSA is under no obligation to make such capacity available at its expense. This

Excess Demand Allocation rental agreement is made between TWSA and the account holder as a Supplemental Agreement. Excess Demand does not vest in the Property Owner, the Business Owner or the Account Holder as those terms are defined in this policy. Specifically, any change in ownership for the business of an Account Holder when the Account Holder will no longer be considered a principal in the business development or operation will require a new Application, a new Supplemental Agreement, and a new account to be set up.

4. **Basis of Fees-** Monthly fees collected under this program shall be determined using at the time the application is made and utilizing the following formula:

$$\begin{aligned} & \text{GPD Allocation for proposed Development} \\ & \quad - \text{GPD of Permanent Allocation} \\ & \quad = \text{GPD of "Excess Demand"} \end{aligned}$$

$$\begin{aligned} & \text{GPD "Excess Demand"} \\ & \quad \times \text{(Cost per gallon under current impact fee schedule) / Approved Duration} \\ & \quad \quad \text{in Months} \\ & \quad = \text{Monthly Excess Demand Charge} \end{aligned}$$

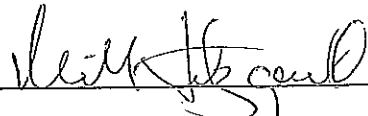
These fees shall be subject to adjustment from the base year of FY 2015-16 forward as each Annual Budget for TWSA is adopted, with such annual adjustments intended to account for the annual inflation rate and the current rate of return on investments ensuring TWSA suffers no loss in proceeds on rental fees versus a one-time payment under the current Impact fee Schedule. The payment of these fees produces no vested interest in the Excess Demand capacity allocated for either the Property Renter or the Property Owner. These fees shall be accounted for as "Capital Funds" by TWSA with the proceeds being placed into the appropriate accounts for such. There shall be no term limit set for the rental of such capacity.

5. **Other Costs-** If other physical changes to existing TWSA owned facilities are required, those costs are to be paid by the account holder separately. This would include but not be limited to increasing a meter size or installing a larger sewer tap due to increased flows. Any such physical changes shall become a permanent improvement to the TWSA system.
6. **Processing-** A meeting is required between the Business Owner or an agent designated by the Business Owner, and TWSA staff to review and discuss the Application package. Upon request and prior to that meeting TWSA shall provide a checklist of items generally required producing a complete Application package as part of the review process; however the meeting may identify additional

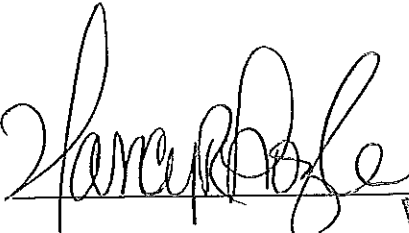
requirements due to the unique nature of each Property and the development or operation purpose. TWSA staff shall provide a response to each request within 10 (ten) business days of confirmation of receipt of a complete Application package. Any required physical changes to the leased Property due to this action (changing piping, adding a backflow device and / or a grease trap) shall require written approval of the Property Owner and construction permits to be obtained at the expense of and by the Property Renter and/or Property Owner if applicable.

- 7. **Billing-** Excess Demand Charges are incorporated into the customer's monthly bill and will commence after approval of the Allocation by TWSA and at the customer's request for the service to be activated, within the terms of the Supplemental Agreement.
- 8. **Deposits-** in addition to those deposits routinely required for all accounts, for accounts which utilize this option, an additional amount equal to 2 months Excess Demand Charges shall be placed on deposit when service is established. If the account is existing, the applicable amount shall be added to the deposit already held.
- 9. **Arrears-** should an account go to arrears, the application of payments received shall be made on a prorated basis as established by TWSA Staff. Any outstanding balances for the Excess Demand Charges shall be subject to any and all late fees and collection efforts generally applicable to TWSA Accounts Receivable.
- 10. **Reporting-** TWSA Staff shall keep the TWSA Board updated on the status of any requested and approved Excess Demand type accounts. TWSA Staff likewise shall account for all such Allocations in the Unrealized Allocation balance sheet used to manage total plant flows.

Adopted by a vote of the TWSA Board on this 21st day of July, 2015.



Mike Fitzgerald, Chairman



Nancy Hoyle, Secretary

