

STAFF REPORT

Date: September 13, 2017

To: Mayor and City Council

Thru: Sabra Newby, City Manager

Subject: **J.4. Staff Report (For Possible Action): Presentation, discussion and potential approval of the agreement between Tahoe Reno Industrial General Improvement District, the City of Reno, and the City of Sparks as owners of the Truckee Meadows Water Reclamation Facility for delivery and use of treated effluent.**

From: John Flansberg, Director of Public Works

Summary: At the August 23, 2017 Council meeting, staff was directed to make revisions to the agreement between Reno and Sparks and the Tahoe Reno Industrial General Improvement District (TRIGID) as to the utilization of reclaimed water from Truckee Meadows Water Reclamation Facility (TMWRF) to serve Tahoe Reno Industrial Center (TRI Center). Specially, staff was directed to consider the following revisions for inclusion in the agreement to the extent appropriate:

1. Define Drought condition (see redlines at page 3, section 1.16).
2. Set forth “base rate” and “other rate” for rate setting (see redlines at pages 1, section 1.2; page 3, section 1.17; pages 5 & 6, section 3.3 and pages 11, section 5).
3. Address the TRIGID operation and structure (see redlines at page 7, section 3.8 and TRIGID structure fact sheet attached to the staff report).
4. Provide “whereas clauses” that relate to the contingencies and basis. (see redlines at page 1).
5. Provide a timeline for reimbursement. (see redlines at page 6, section 3).
6. Provide for language “must be constructed as a public works project, publicly bid; and for the payment of prevailing wage.” (see redlines at page 5, sections 2.8 and 3.1).
7. Address rate making limitations and profit of the GID reuse customers. (see redlines at page 4, section 2.6; page 6, Section 3.3; page 7, section 3.8).
8. Provide a Gantt Chart. (see Gantt Chart from GOED proposal attached hereto).

Staff will continue to inform the PLPT as the process and developments evolve; and, as noted, the PLPT is a signatory to TROA.

Prior Council Action:

August 23, 2017 - the agreement was presented to Council for direction and potential approval.

May 10, 2017 - a presentation was made to Council regarding the term sheet and seeking direction as to proceeding with negotiation.

Background: TRIGID is a general improvement district and political subdivision of the State of Nevada created by Storey County pursuant to Nevada Revised Statutes Chapter 318 to provide water and sewer service to TRI Center customers, currently numbering over 160. Like similar government entities providing community services, TRIGID does not make a profit, but does cover its expenses with revenues generated from TRIGID customer usage fees.

Tahoe-Reno Industrial Center, LLC (TRI), the master developer of TRI Center, has received numerous inquiries from companies, including Switch and Tesla, in need of reclaimed water for business operations and energy efficiency. Reclaimed water is used by industrial users, like those at TRI Center, in either cooling or industrial processing applications. Using reclaimed water from TMWRF could resolve short and long term nutrient loading which relates to capacity issues for TMWRF, improve water quality in the river, and facilitate continued major future regional economic development.

Discussion: The proposed project would consist of a pipeline and associated facilities, constructed, operated and maintained at TRIGID expense to allow the transmission of treated effluent for approved reuse applications. TMWRF would reserve and supply up to 4,000 acre-feet of treated effluent water annually for TRIGID customer use, but could be delivered year-round in varying amounts to maximize benefits for TMWRF, river flows, and water quality.

To replace the annual 4,000 acre-feet of TMWRF effluent, the following water rights would be provided:

- 1,500 acre-feet TRI GID water rights;
- 1,500 to 2,200 acre-feet Nevada Department of Transportation water rights via the State of Nevada; and
- 300 to 1,000 acre-feet Truckee Meadows Water Authority (TMWA) “community resources” water.

The attached agreement is contingent and conditioned on the entry and approval of an agreement between TMWA, TRIGID, the City of Reno, and City of Sparks as to management of the return flow of water rights to the Truckee River. The Return Flow Management Agreement must be in compliance with the Truckee River Operating Agreement (TROA) as administered by the Federal Water Master.

This agreement will assist the cities in meeting the National Pollutant Discharge Elimination

System standards. TMWRF must achieve a complex balance between treatment plant processes, effluent reuse, water rights requirements, Truckee River water quality standards, and numerous other interrelated, regional water management objectives. Anticipated benefits of this agreement to the City of Reno, City of Sparks and the public are:

- Deferment of TMWRF costs resulting in future savings to TMWRF customers (\$30M - \$250M).
- Promotion of a more environmentally responsible source of industrial water used in TRI Center.

Further, since TRIGID does not discharge treated effluent water into the Truckee River, this agreement would benefit TMWRF by significantly enhancing TMWRF's ability to meet total maximum daily loading discharge standards.

The agreement provides that TRIGID will build all necessary improvements. All costs, including bonds, are the sole responsibility of TRIGID. Additionally, TRIGID will be responsible for planning, permitting, engineering and construction of all improvements within Storey County and Washoe County, including right of way acquisition and system improvements with TRI Center.

Financial Implications: The agreement requires that all costs associated with the initial capital improvements and ongoing operations be the responsibility of TRIGID.

Legal Implications: The agreement as presented for discussion provides in part as follows:

1. Reno and Sparks will reserve for delivery to TRIGID 4,000 acre feet annually of treated effluent.
2. TRIGID will accept and utilize the treated effluent as provided for in Section 3.3 of the agreement.
3. TRIGID will plan, permit, design, and construct the pipeline improvements and any nonpotable process water supply system improvements. All costs associated with this work will be the responsibility of TRIGID.
4. TRIGID will pay for any increase in operating expenses as a result of the project.
5. Reno and Sparks will grant an easement to TRIGID with regard to access on the property for the project.
6. TRIGID will not discharge to the Truckee River.
7. TRIGID will indemnify and defend Reno and Sparks for construction related damages and will further indemnify and defend Reno and Sparks for any actions associated with proceedings related to water uses and change applications.
8. The initial term of the agreement is for 30 years.
9. The agreement can be extended for two successive periods of 20 years each upon mutual written agreement.
10. The agreement can be terminated by mutual written agreement upon 10 years prior notice.

11. Performance of the agreement is contingent upon the Replacement Water identified above and in Section 7 of the agreement in the amount of 4,000 acre feet (Capacity Reservation).
12. Performance of the agreement is contingent upon TRIGID, Reno, Sparks, TMWA and the State of Nevada entering into the Return Flow Management Agreement which will address the obligations, terms and conditions of the management of the Truckee River Water Rights and the use and delivery of the effluent.
13. Performance of the agreement is contingent upon the State Engineer's approval of any and all required permits.
14. The Return Flow Management Agreement will be in compliance with the operational requirements set by the TROA Administrator (Federal Water Master).
15. The Return Flow Management Agreement will provide: (a) for the management and monitoring of the annual return flow obligations by TMWA; (b) assurance that the TMWRF supply is provided in accordance with the return flow requirements; (c) payment by TRIGID of any fees associated with TMWA's services; (d) in the event that the Replacement Water cannot be provided in the amount of 4,000 acre feet, Reno and Sparks have the right to limit the amount of 4,000 acre feet to the amount of available replacement water; and the replacement water will be made available and permitted for instream flow.
16. If the Return Flow Management Agreement is not fully executed by all parties within 24 months of the date of execution of the effluent agreement, the effluent agreement shall terminate.

Recommendation: Staff recommends Council approve the agreement and authorize the Mayor to sign.

Proposed Motion: I move to approve staff recommendation.

Attachments:

- TRIGID Summary (2) (PDF)
- Gantt Chart from GOED proposal (PDF)
- AGREEMENT FOR TREATED EFFLUENT August 31 redline 7 (PDF)
- AGREEMENT FOR TREATED EFFLUENT Clean Version 083117 (PDF)