Indiana’s Law on Sewer and Water Extensions - Who Pays and What Should Be Included in Main Extension Agreements

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Outline

- The Rule
- The Agreement
- An Example
- The Impact
Main Extension Rules - Overview

- March 2020 - Indiana General Assembly passed HEA 1131
- Municipally owned water and wastewater utilities must comply with main extension rules of the IURC
- Main extension agreements to start after June 30, 2020
- Utilities not regulated by IURC are still required to follow rule!
Main Extension Rules - Indiana Code

- 170 IAC 6-1.5 (Water)
- 170 IAC 8.5-4 (Wastewater)
- Anyone who requests a main extension from the utility must enter into an agreement with the utility.
- Developers will get reimbursed a portion of their capital cost for the main extension ("subsequent connector fee") from anyone who connects to the developer-installed main for a period of 10 years.
- Developers will get a refund of three-years worth of revenue from anyone who connects to the developer-installed main for a period of 10 years.
- Utility cannot charge developer for a main larger than necessary to meet original request for service.
Main Extension Agreement - Requirements

- Total required deposit
- Subsequent connector fee
- Number of connections
- Cost for upsizing main
- Details about main extension
- Cost and calculations
Main Extension Agreement - Development

- Reviewed new rule
- Talked to CEG and reviewed their standard agreement
- Reviewed Indiana American Water’s standard agreement
- Contacted other municipalities to see how they are handling the rule
- Developed a standard agreement with the help of our attorney, Barnes & Thornburg, and Baker Tilly
- Utility Service Board approved standard agreement
- Will start with standard agreement for every development and modify with actual costs
- Ideally will enter into agreement with developer as part of plan approval
Main Extension Agreement - Details

- Name of Developer and Development
- Drawing showing lot layout or main layout if not platted
- References to Indiana Code
- Must meet requirements of City Planning and Zoning
- Refund paid over a period of 10 years
- Cost of main extension
- Typical residential bill at time of agreement
- Subsequent connector fee
- Requirements for extensions to be accepted into public water/sewer system
- Cost to upsize main

<table>
<thead>
<tr>
<th>Connection Year</th>
<th>Amortization Period</th>
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<tbody>
<tr>
<td>2021</td>
<td>10 years</td>
</tr>
<tr>
<td>2022</td>
<td>9 years</td>
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<td>4 years</td>
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<td>3 years</td>
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<td>2030</td>
<td>1 year</td>
</tr>
<tr>
<td>2031</td>
<td>0 years</td>
</tr>
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</table>
Main Extension Agreement - Subsequent Connector Fee

- Total required deposit = cost of the main extension
- Subsequent connector fee = amount utility will charge customers who connect to the main extension
- Based on cost per lot
- Cost per lot can be pro rated by land frontage
- If unplatted, based on frontage of extension divided by 100 feet
- Subsequent connector fee can be waived or negotiated!
Main Extension Agreement - Tracking

- First main extension agreements approved 9/16/21
- Working on determining business process for tracking
  - Which mains are under agreements
  - How many connections have been made
  - Refunds owed
  - Subsequent connector fees owed
- Coordination between multiple utility departments
Example - Creekside Subdivision

- Constructed after June 30, 2020
- 51 Lots
- Sewer and water main extensions
Example - Creekside Subdivision

- Subsequent Connector Fee
- Sewer cost: $182,842.60
  - Cost/lot: $3,585
- Water cost: $176,720.03
  - Cost/lot: $3,465
- Subsequent connectors unlikely for this development
Refunds
Average Sewer Bill: $31.10
Average Water Bill: $15.36
Total 3-year revenue allowance if fully built out: $85,300
Refund cannot exceed original deposit amount
Example - BHI Phase One

- Currently Under Construction
- One lot
- Public lift station and force main extension, private sewers on site
- Public water main extension, private water mains on site
Example – BHI Phase One

- Subsequent Connector Fee
- Sewer cost: $293,671
  - Length: 3,820 ft
  - Equivalent Lots: 38
  - Cost/lot: $7,728
- Water cost: $177,776
  - Length: 2,747 ft
  - Equivalent Lots: 27
  - Cost/lot: $6,584
- Subsequent connectors likely for this development
Example - BHI Phase One

- Refunds
- Average Sewer Bill: $31.10
- Average Water Bill: $15.36
- Total 3-year revenue allowance if fully built out: $56,876
Example - BHI Phase One

- Upsize Cost
- Development requires 8” water main
- CCU requested 12” water main to serve future development
- Developer bid the 8” water main and included a bid alternate for a 12” water main to determine the cost to upsize
- CCU responsible for $23,720 in upsize costs
The Impact - Financial

- Developments constructed or approved since July 30, 2020: Total $897,906

<table>
<thead>
<tr>
<th>Development</th>
<th>Lots</th>
<th>3-Year Revenue Allowance</th>
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</thead>
<tbody>
<tr>
<td>Abbey Place Sec. 3</td>
<td>59 (Sewer Only)</td>
<td>$66,056</td>
</tr>
<tr>
<td>Abbey Place Sec. 4</td>
<td>64 (Sewer Only)</td>
<td>$71,654</td>
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<tr>
<td>Abbey Place Sec. 5</td>
<td>92 (Sewer Only)</td>
<td>$103,003</td>
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<td>BHI Phase 1</td>
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<td>$56,876</td>
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<tr>
<td>Creekside</td>
<td>51</td>
<td>$85,300</td>
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<tr>
<td>Poplar Woods Phase 2</td>
<td>38</td>
<td>$64,557</td>
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<td>Taylor Grove Phase 1</td>
<td>11</td>
<td>$18,398</td>
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<tr>
<td>Airport Hangar</td>
<td>1 (Sewer Only)</td>
<td>$1,119</td>
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<tr>
<td>Belmont</td>
<td>Commercial - 242 EDUs</td>
<td>$405,407</td>
</tr>
<tr>
<td>NVA One</td>
<td>Commercial - 5 EDUs</td>
<td>$2,765</td>
</tr>
<tr>
<td>St. Bart Apartments</td>
<td>43 EDUs (Water Only)</td>
<td>$23,777</td>
</tr>
</tbody>
</table>
The Impact - Financial

- New rates approved in 2021
- Water rates required IURC approval - process started early 2020
- New water rates include System Development Charge
- New sewer rates do not include System Development Charge

<table>
<thead>
<tr>
<th>System Development Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8 - 3/4 inch meter</td>
</tr>
<tr>
<td>1 inch meter</td>
</tr>
<tr>
<td>1 1/2 inch meter</td>
</tr>
<tr>
<td>2 inch meter</td>
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<tr>
<td>3 inch meter</td>
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<td>6 inch meter</td>
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<td>8 inch meter</td>
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<tr>
<td>10 inch meter</td>
</tr>
<tr>
<td>12 inch meter</td>
</tr>
</tbody>
</table>
The Impact - Plan Review

- Make decisions early on public vs. private mains
- Public hydrant = public main extension
- Will refund exceed deposit?
The Impact - Business Office

- When a customer wants to connect...
  - Is the main under a utility extension agreement?
  - What year does the agreement expire?
  - Is the lot in the original development or will it be a subsequent connector?
- Responsible for tracking yearly payments to developers
- How do we budget for this?
Closing Remarks

- The new rule has a big impact on several utility departments, and it’s not just financial.
- Reach out to other utilities and ask for help.
- Develop business processes for tracking agreements.
- Make sure plan reviewers are aware of the rule.
Questions?

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