

Board of County Commissioners

Agenda Request

Date of Meeting: January 6, 2009

Date Submitted: January 2, 2009

To: Honorable Chairman and Members of the Board

From: Benjamin H. Pingree, County Administrator
Dale Dransfield, Eutaw Consultant

Subject: Review of Ongoing Negotiations with Talquin including Opportunity to Provide Input to the Florida Department of Environmental Protection regarding Talquin's Permit Renewal Application for their Oyster Bay Wastewater Treatment Facility.

Statement of Issue:

This agenda item proposes to update the BOCC about the ongoing negotiations with Talquin Electric Cooperative (Talquin) regarding their potential decommissioning the Wastewater Treatment Plant at Oyster Bay and becoming a wholesale sewer customer of the County by hooking onto the County's Otter Creek Treatment facility. It also provides an opportunity to the Board to consider providing input to the Florida Department of Environmental Protection (DEP) regarding Talquin's application to renew their permit for this facility in Oyster Bay.

Background:

As the Board is likely aware from previous regular status reports, staff and Eutaw consultant-led negotiations have been ongoing with Talquin for well over a year now toward the objective of closing Talquin's Oyster Bay wastewater plant and garnering related ecological improvements. After significant deliberation and progress, the last proposed **draft** agreement from Talquin includes many of the key elements which the County negotiators have been pushing for including (Attachment #1):

- Closure of the Oyster Bay Wastewater Treatment Facility with associated environmental benefits,
- Hooking onto the County sewer system near Spring Creek Road and Highway 98 will allow the sewage from Wakulla Gardens to be directed to that force main, relieving the pressure from the system going through Crawfordville. As planned, this county wastewater plant is soon to undergo significant improvements and will become an Advanced Wastewater Treatment certified facility.
- Talquin financial obligations, including their acquisition of the land necessary to site a strategically positioned master lift station (and give it to the County as a part of the agreement, thus removing that politically unpopular task from the BOCC).
- Talquin to pay a capacity fee for hooking onto the system and a wholesale rate for treatment and disposal of their sewage, while maintaining their own customer base and retaining the responsibility for ownership and maintenance of the collection system and forcemain to the connection point (to the County system) noted above.
- Acknowledgement of and commitment to pursuing sewer expansion to Live Oak Island.

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Analysis:

As presented in the Background section above, the latest draft agreement between the County and Talquin is Attachment #1 to this agenda item. The elements of this agreement represent significant progress and concessions from both sides and stem from over a year of ongoing discussions and negotiations. Please note that staff would not normally present such a document before it's "completion" such as is being performed in this agenda item. However, the DEP's request for input (discussed further below) regarding a related action by Talquin to seek a permit renewal for their Oyster Bay facility has forced presentation of this issue at present. Accordingly, staff and Eutaw are certainly seeking to utilize this opportunity for Board input on this draft agreement, so that the completion of our negotiations capture the Board's essential priorities for such an agreement.

At present, please be aware that this draft agreement still contains three main points, continuing to be negotiated, which yet need to be resolved:

1) The capacity charge level to be paid by Talquin has been negotiated heavily. In the latest draft agreement, attached to this request, Talquin is offering to pay \$360,000 as a capacity charge for connecting to the system. This is based on their current average daily flow of 36,000 gallons per day, which represents 144 equivalent residential connections (ERC's). Using the 10 state standards, one ERC equals 250 gallons per day. The fee schedule that the County has established for capacity charges for sewer is \$3,850 for both collection and treatment and disposal. The ordinance breaks down the total charges into collection, \$1,350 and treatment and disposal, \$2,500. So doing the math, paying for 144 ERC's at \$2,500 per ERC comes to \$360,000.

Wakulla County residential customers currently pay \$2.00 per thousand gallons as a monthly sewer fee and businesses pay \$2.50 per thousand gallons. Because Talquin remains responsible for the operations and maintenance of their collection system and the billing and collection from the customers on their system, the current negotiated monthly service fee is \$1.75 per thousand gallons for treatment and disposal. There will be one meter on Talquin's force main, just before it goes into the master lift station. They will be billed monthly, by the County for the flows through that meter. They will then bill and collect from their own sewer customers. Both sides are in agreement on the monthly fee for treatment and disposal.

2) County staff has requested that as part of this agreement, Talquin would provide sewer service to Live Oak Island. The cost of providing the necessary infrastructure to provide service to the low number of homes on Live Oak Island has been considered to be cost prohibitive by Talquin. They have addressed the Live Oak Island issue in their latest proposal, but the language is very weak in our estimation. So the issue remains, what responsibility, if any, does Talquin have to provide central sewer to Live Oak Island.

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3) The concept, advocated by some, that Talquin should pay the County more than the ERC equivalent rates included in the draft agreement because of the perceived "significant" cost savings to Talquin associated with connecting to the County system versus their potential cost to construct a new plant at Oyster Bay to AWT standards (which some have estimated to be as high as \$4 M). Eutaw has pursued this issue to ascertain an assessment of what the actual costs may be to Talquin should this County deal not transpire and a newly improved facility in Oyster Bay be required. By doing so, the County may infer what the true benefit to Talquin from a business perspective, via deferred or defrayed costs, by achieving a deal with Wakulla County.

To further the review and analysis of the potential costs/benefits to Talquin via this agreement, Eutaw has obtained figures from the FDEP Facilities Funding Bureau which detail similar project costs for similarly sized AWT plants recently constructed across Florida. Accordingly, the estimated cost to replace the Oyster Bay plant (or modernize it to AWT standards) would be significantly lower than some of the previously presented figures, likely closer to the \$1M total project cost. While Eutaw is certainly open to discussing this assessment with the Board and citizens, it appears that substantially defrayed costs by Talquin is not the vast benefit that some have previously perceived it to be (Attachment #2).

It is also important to note that the County does not want Talquin to replace the plant as a long term solution to wastewater treatment in this area. In fact, the county's objective has been to encourage the closure of the Oyster Bay facility and treat the wastewater at our soon to be improved central facility. To date, Talquin has indicated that they have no intention to continue to run the Oyster Bay plant long term in Wakulla County or provide significant improvements to the facility. On the contrary, Talquin has expressed an intention to decommission the plant and hook onto the County treatment plant as soon as actionable. In the meantime, and until they are able to conclude a deal with the County (and construct the link to our treatment system), Talquin is essentially required to apply for a DEP renewal of their permit so that they may continue to service those homes and businesses in the Oyster Bay and Shell Point area. This has been the stated reason for their permit renewal application. Even after an agreement is reached, it will still take some time to put the infrastructure in place in order for the County to accept the flows from the Oyster Bay plant.

Attached are some communications between the DEP and the County Administrator concerning the ability for the County to provide comment on the permitting process by Talquin (Attachment #3). Please note that while negotiations have been largely positive to date, no draft agreement has yet been reached. At present, Talquin's current permit expired June 5, 2008. Talquin submitted their renewal application on December 7, 2007 and it has been under review since that time. Based upon the notice from the DEP, now is the opportunity for the County to provide comment to the DEP (regulatory agency) regarding our negotiations and our concerns regarding the general siting of a wastewater treatment facility in a coastal area when a viable alternative exists.

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Summary:

At this time, the Board has before them the opportunity to provide comment to the DEP regarding Talquin's permit renewal application for a wastewater treatment facility in Oyster Bay. It has been the purpose of the County for nearly two years to negotiate and engender the closure of this plant along with the corresponding hook up of this service area's treatment to the central (and planned for improvement) county wastewater treatment facility. It is anticipated that the success of that agreement will further improve ecological and health outcomes for environmentally sensitive coastal regions of our county.

Those negotiations with Talquin, while positive, remain ongoing and have not concluded. However, due to the timing of this input opportunity at the state level, staff is bringing an update, including a review of the draft agreement as it stands today, to the Board for your review and comment, as well. At this time, staff is seeking such Board input and direction regarding 1) the general direction of negotiations with Talquin and 2) whether or not to provide input to DEP regarding Talquin's permit renewal application.

Options:

1. Accept the review regarding the negotiations with Talquin and provide direction regarding whether or not to provide formal input to DEP as part of Talquin's permit renewal process.
2. Do not accept the review regarding the negotiations with Talquin.
3. Board direction.

Recommendation:

Option #1

Attachments:

#1: Proposed (Draft) Agreement for Sanitary Sewer Services with Talquin

#2: Analysis regarding recent statewide cost of plant construction/improvement

#3: Recent Communication with DEP re: opportunity for comment and FDEP notice of "Intent to Issue" permit.