

Section 7

Satellite System Management

7.1 Background

Public Utility District No. 1 of Skagit County (District) functions as the primary Satellite Management Agency (SMA) for Skagit County per the Skagit County Coordinated Water System Plan (CWSP) Regional Supplement. The District provides satellite service inside Skagit County (and outside the County in limited cases) to all areas not already designated as the service area of another State-approved water utility. The District's goal as SMA is to maximize water availability and maintain satisfactory water quality, as well as to assist other public water systems (water systems serving 2 or more service connections) with technical and administrative tasks. The District runs a Satellite System Program, operating both large and small District-owned systems, assisting troubled and failing water systems, and providing other water systems by contract with various services. By operating more than one water system, economies of scale make it possible for the District to employ qualified personnel, provide good system management and operation, and meet the stringent standards required by the Safe Drinking Water Act.

The regulations and liability associated with providing adequate water service are becoming too complex, restrictive and expensive for many communities, homeowner associations and individually-owned utilities. Small public water systems are often unwilling or unable to develop and sustain the operating revenues that will finance needed capital improvements and operational/maintenance activities in a manner that is affordable to their customers, nor the Operating and Capital Cash Reserves required by the State to meet the test of financial viability. It is not the District's intent to take over all small public water systems in Skagit County, but rather to support them in cooperation with the Skagit County Health Department (SCH). The District appreciates the pride many system owners display and believes they should continue service so long as their product meets drinking water quality standards and their physical water system meets DOH/SCH requirements.

This Satellite Management Program is fashioned to allow some flexibility of service to water systems to best accommodate their particular needs. In addition, the District's eligibility for State and federal funding assistance and its ability to issue bonds helps to assure reliable and high quality service at minimum cost for District-owned systems.

Many water systems may be operating well and producing good quality water, but need help with monitoring or the cost of supplies; Support Assistance may be the best for them. Other water systems may not want to stay in operation or, because of inability to meet water quality requirements, may be forced by the courts to turn their system over to someone else; Ownership Service may be their best option. New systems may be served by Ownership, Management and Operation, or Contract Service by the District.

This outline of the District's Satellite System Management Program provides customers with the philosophy, objectives, and procedures associated with available services.

7.2 Types of Satellite Water Systems

7.2.1 Group A Water System

A Group A water system is defined in WAC 246-290-020 as a public water system: with 15 or more service connections used by year-round residents for 180 or more days within a calendar year, regardless of the number of people; or regularly serving at least 25 year-round (i.e. more than 180 days per year) residents, or that provides service opportunity to 25 or more of the same nonresidential people for 180 or more days within a calendar year, or that serves 25 or more different people each day for 60 or more days within a calendar year, or that serves 25 or more of the same people each day for 60 or more days but less than 180 days within a calendar year, or that serves 1,000 or more people for two consecutive days within a calendar year.

7.2.2 Group B Water System

Group B water system is defined in WAC 246-290-020 as a public water system that does not meet the definition of a Group A water system.

7.2.3 Types of Satellite Service

The Satellite System Program provides four primary options of services for water systems:

- **Ownership Service:** Ownership and operation of the remote water system by the District.
- **Management and Operation Service:** Management and operation of the remote public water system by the District for the system owner, or
- **Contract Service:** Delegation by the District of the system management and operation to the system owner or a third party; this option still requires the SMA to ensure that all functions of the system comply with applicable regulations.
- **Support Assistance:** Support to existing viable systems for technical, professional or special services by the District.

These options are designed to respond to the needs of differing water systems and to support a program of reliable water system operation throughout the County. Decisions on establishing a level of service will depend on CWSP Guidelines, direction from the County or State Health Departments, individual system needs, plans for improvement and growth pressures, as well as the ability of the District to provide the desired services in a cost-effective manner. Each situation will be carefully examined by the District with the Applicant interested in Satellite System service or support.

Existing systems that do not meet water quality standards would benefit the most from Ownership Service. The District may be required to assume specific regulatory liabilities for systems that transfer ownership; the interests of all District customers will be

considered before any such transfer. The District will provide Ownership Service only for those systems that comply with its minimum water quality, construction and reliability standards. Systems initially failing to meet these standards must either be brought up to standards or pay the cash equivalent of such an upgrade prior to transfer of ownership, in accordance with this Satellite System Program policy. Different construction and reliability standards will be assigned to Group A and Group B systems as appropriate.

Systems requesting assistance must provide unrestricted access of system facilities to District staff. All system facilities must be on system-owned property or located on legal rights-of-way or easements.

The District uses the following procedures in evaluating requests for either remote service (either Ownership, Management & Operation or Contract Service) or Support Assistance. There are some common steps in each process regardless of which option is requested.

1. Initial contact between the Applicant and the District: the Applicant can discuss needs of the water system and receive a copy of District policies and procedures pertaining to Applicant's requests. The Applicant may contact the District on its own or by SCH or DOH referral.
2. Applicant's written request: this initiates the District's formal evaluation of the system's needs, capabilities and deficiencies. The Applicant's request should include specific data and background information on the system using the Small System Survey forms in Appendix G (also found in the Comprehensive Water System Plan).
3. District procedures: The District will inform the Applicant of the procedures required for service or support.
4. A detailed flow chart is included in Appendix H (also found in the Satellite Management Program, of the District's Comprehensive Water System Plan).

The District's Point of Contact for initiating SMA service is the Engineering Department at the District's office complex located at 1415 Freeway Drive, Mount Vernon WA 98273.

7.3 Ownership service

7.3.1 Policy

- Applicants adjacent to or within another established public water system's designated service area will be referred to that water system for Ownership service before the District will accept a request for Ownership service from the applicant (see Figure 6A). If the adjacent water system denies the applicant service, the applicant may apply for Ownership service from the District.

- Ownership Service can be provided for both Group A and Group B public water systems. Typically the District will own and operate all new satellite Group A public water systems proposed within its satellite service area, and, consider service to any existing public water system with water quality or infrastructure deficiencies regardless of the size of the water system. The District will typically not own Group B public water systems. Instead:
 - ◆ the District will typically waiver SMA service to all two (2) connection Group B public water systems;
 - ◆ the District will review potential for SMA management and operation (M&O) service to new Group B public water systems with more than two (2) connections. In general, the District will not provide M&O service to Group B water systems; and
 - ◆ Unique exceptions will be considered on the recommendation of a governmental agency or the system owner.
- The District considers a new system to be feasible based on the balance of its projected revenues to active service count, projected rate of growth to buildout, and operational requirements. An economic viability assessment will be performed on each system to be considered for ownership service. Ownership systems which are likely to be considered financially feasible include, but are not limited to:
 - ◆ those inside or within 1/2-mile of a UGA or rural village served by the District; or
 - ◆ those where a District water main is anticipated to be within 1/2-mile of the system within 20 years of the date the system begins operation.

In all cases, land use regulations shall govern the creation of new developments and determine the density therein.

- Ownership Service requires transfer of ownership and operational responsibilities from either a new or existing water system to the District. The District shall assume complete responsibility for the water system following transfer.
- The Applicant is subject to all District written policies and Resolutions, including but not limited to rates and fees, design and construction standards and line extension policies.
- The Applicant is responsible for all costs of upgrade and transfer of system ownership to the District. The District will assist the Applicant in obtaining funding. The District will not make cash payments to acquire an existing or new system. Transfer of ownership will occur at no cost to the District.
- Water systems that have been certified per WAC 246-290 as being designed and constructed in accordance with District, SCH and Washington State Department of Health (DOH) standards shall be considered “certified”; all other systems shall be considered “uncertified”. Certified and Uncertified systems shall follow the respective Review and Approval Procedures indicated below to implement the Ownership Service option. For Uncertified systems, this shall include survey and

evaluation of the system and completion of all upgrades to minimum District standards prior to transfer of ownership to the District.

- The District reserves the right to contract any or all of the survey and evaluation procedures and/or the final design of a water system to a professional other than the District who, in the mutual judgment of the District and SCH, is qualified.

7.3.2 Review and Approval Procedures

■ Certified Existing Systems

- ◆ Systems that are certified per WAC 246-290 to meet District, SCH and DOH standards for design and construction will not be subject to the survey, evaluation and upgrade process.
- ◆ Systems that may desire Ownership Service by the District or connection to another District system at some future date should meet the following requirements during design and construction:
 - Design and install the system per the District’s current urban design standards or rural design standards, as the District considers appropriate. See Appendix “C”.
 - Coordinate inspection of construction of the new system with the District.
 - Prior to transfer of ownership to the District, have the system designer certify per WAC 246-290 that the system has been constructed per the approved design and that it meets District, SCH and DOH standards.
- ◆ Transfer of water system ownership to the District shall follow the procedures outlined in paragraph 7.3.2.b (8) below.

■ Uncertified Existing Systems

- ◆ For “uncertified” systems, a preliminary survey will be conducted by the District to establish the existing status of the water system. See Appendix G. The District may require a preliminary deposit prior to conducting the survey. The deposit will be applied toward the final cost of improvements tallied at the completion of work. If the Applicant withdraws the request for service for any reason at any time during the process, the District will retain a portion or all of the deposit to help cover costs.
- ◆ Based on the data collected from this survey, the District will estimate the costs for required improvements and routine operation and maintenance (O&M).
- ◆ A meeting or other appropriate method will be used to review the survey data and preliminary cost estimate with the Applicant. The Applicant may either withdraw the request for Ownership Service or continue the process by authorizing the District to prepare an engineering evaluation to more accurately determine the work and costs required to improve the system to and maintain the system at required standards.

- ◆ The District engineering evaluation shall include a detailed analysis of the system's operation, required capital improvements and projected O&M costs. The applicant must possess water rights adequate to supply the project, and these water rights must be transferred to the District.
- ◆ It will also contain a preliminary financing plan for improvements based on:
 - Minimum improvements required to meet water quality, construction and reliability standards;
 - Required improvements to upgrade the system to District standards;
 - Additional improvements for storage, metering and fire flow (if not already required).
- ◆ After review of the engineering evaluation with the Applicant, the Applicant may withdraw the request for Ownership Service or, with assistance from the District, pursue required improvements to the water system. Improvements required to meet minimum District standards, particularly those associated with water quality, safety and reliability, shall be completed prior to transfer of ownership. Less critical improvements may, at the District's option, be deferred until normal repair or replacement occurs.
- ◆ Improvement may be financed by the Applicant through rate surcharges, customer assessments, system development charges, and/or District-arranged financing. District-arranged financing may include State and/or federal grants, Local Utility District (LUD) bonds or other similar arrangements.
- ◆ If necessary and found to be economically feasible, the District Commissioners may require the formation of an LUD in accordance with RCW 54. Once an LUD is formed and improvements completed, ownership of specified facilities, equipment and data shall be transferred to the District.
- ◆ After completion of the improvements, the Applicant and the District shall pursue transfer of ownership. The District's attorney will establish the appropriate authorization and legal instruments for the transfer of system ownership to the District. The items required for transfer or ownership may include, but are not limited to:
 - Bill of Sale
 - Title Report and Property Deeds
 - Assignment of Easement and Franchises
 - New Easements, if required
 - Assignment of Water Rights
 - Authorization to Collect Rates and Fees
 - Hold Harmless Agreement
 - List of Owners, Customers and Service and Mailing Addresses
 - Maps, Records, Equipment Manuals and Data
 - Other information

■ New Systems

- ◆ Levels of Ownership Service. Service can be provided to a Satellite System through several scenarios, depending on whether the system will “stand alone” permanently or has potential for connecting to an existing District system (“temporary stand-alone”), and whether fire protection will be required for the development by the Fire Marshal in that jurisdiction. The District will own and operate the remote system in either case.
- ◆ Permanent Stand-Alone System. A “permanent stand-alone system” is a remote system which is so far removed from another District system that there is no possibility of future connection/intertie. The permanent system shall be designed and built to meet or exceed District requirements as outlined in Appendix I and “Ownership System Design Standards” (7.3.2.c(4), below).
- ◆ Temporary Stand-Alone System. A “temporary stand-alone system” is a remote system which is more than 1/2-mile from a District water main and has a strong potential for hook-up within 20 years of the date the remote system starts operation. The system can be developed in one of two ways:
 - Completed to match current standards of the adjacent District system, allowing the eventual tie-in and integration into the adjacent District system without major modification of the remote system; or
 - Completed to minimum stand-alone standards with the written agreement of the developer that all or portions of the remote system will be upgraded to meet or exceed the standards of the adjacent District system at some future date prior to tie-in to the adjacent District system; selection of this option requires the developer to provide to the District the equivalent cash value of the intended future upgrade at the time the District accepts the system. The equivalent cash value shall be based on the District’s estimated cost of the upgrade; present worth is subject to negotiation between the developer and the District.

NOTE: Even though it will eventually be integrated into the adjacent District system, a Temporary Stand-Alone System must by definition be designed and constructed as a complete system to provide all the necessary service to its customers until such time as it is connected to the adjacent system. See “Ownership System Design Standards”, 7.3.2.c(4) below.

- ◆ Ownership System Design Standards. Each Ownership System shall be designed by a Professional Engineer registered in the State of Washington and shall follow the sizing guidelines provided by the Washington State Department of Health. Each Ownership System shall be designed according to the District design standards, Appendix C of the Water Code. See also Appendix I. Specific material and construction requirements and standard details are available in Section 4.4 and Appendix F of the 2001 Comprehensive Water System Plan.

7.3.3 Rates and Charges

Rates and charges for District owned and operated satellite public water systems shall conform to existing schedules of rates and charges in Appendix A, or to new District rates and charges developed specifically for a water system (or systems). (1895-00)

7.4 Management and Operation Service

7.4.1 Policy

The District will not typically provide management and operation (M&O) service to a water system. In those cases when M&O service is provided, it will be under the terms of an SMA M&O service agreement. Each such “Satellite Service Agreement” will address:

- Detailed description of the area served and owners’ names, including a single point of contact regarding the Satellite Water System (SWS);
- Background leading to SWS formation and the District’s involvement;
- Terms, including:
 - ◆ construction/improvement and ownership of the water system by the SWS, per that system’s or per State and County Health Department standards, whichever is greater, at the cost of the SWS;
 - ◆ operation of the water system by the District (or a designated third party agreeable to both the SWS and the SMA, as delegated by the SMA) per State and County Health Department standards at the cost of the SWS;
 - if operated by a third party, a compliance inspection of the water system by the SMA, at the cost of the SWS, to be performed at least annually; the SWS shall correct any deficiencies within a stated timeframe agreed between the SWS and SMA; the SMA shall correct any deficiencies not corrected in the timeframe specified and bill the SWS for such work;
 - ◆ payment of charges by the SWS to the SMA for operation, scheduled inspections, administrative management, water quality sampling/testing, and/or all other work performed by the SMA; waiver of lien rights; method of recovering any delinquent SMA billings from SWS; and
 - ◆ future expansion of the SWS.
- Hold harmless clause;
- Duration of the agreement (until the SWS is abandoned or connects to another District water system);
- Other factors deemed necessary; and
- Signatures of District and SWS representatives, notarized as required.

7.4.2 Rates and Charges for Management and Operation Services

- For management and operation services, water rates and charges shall be subject to negotiation between the District and the SWS and ratification by the District Commission;
- Any compliance inspection fee shall be calculated and charged on a case by case basis to recover District labor and vehicle expenses; and
- Any fee for water quality testing shall be set by the General Manager on a case by case basis to recover the laboratory costs and District labor and vehicle expenses.

7.5 Contract service

7.5.1 Policy

The District may offer contract services to any water system to which the District has waived SMA service and/or does not have an SMA relationship. The District and such water system shall agree to scope of services and compensation by written contract prior to the District providing any contract services. The contract should include the same basic elements as indicated above for a Satellite Service Agreement.

7.5.2 Rates and Charges for Contract Services

- For contract services, water rates and charges shall be subject to negotiation between the District and the water system and ratification by the District Commission;
- Any compliance inspection fee shall be calculated and charged on a case by case basis to recover District labor and vehicle expenses; and
- Any fee for water quality testing shall be set by the General Manager on a case by case basis to recover the laboratory costs and District labor and vehicle expenses.

7.6 Support Assistance Service

7.6.1 Policy

- The Support Assistance program provides general assistance for improving water service within the District's satellite service area. The intent of the program is to allow small water systems to remain independent and operate at reasonable expenditure levels. The District is willing to evaluate any form of assistance to help a water system improve its level of service. Primarily, the program is designed to support smaller water systems on a limited or non-recurring basis.
- "Limited" Support Assistance can include, but is not limited to:
 - ◆ Leadership and support to small utilities to ensure their views are considered in formulating local and state regulatory actions.
 - ◆ Opportunities for operator training and information system support;

- ◆ Administration of programs for joint purchasing of equipment and supplies to achieve economies of scale (public agencies only);
- ◆ Other information resources.
- “Non-recurring” Support Assistance can include, but is not limited to:
 - ◆ Loan of equipment or supplies to a system to handle a special circumstance (public agencies only, except that the District may support a privately-owned utility in case(s) of emergency, in the interest of public health and safety);
 - ◆ Providing engineering/or technical expertise to a system that lacks necessary staff for certain tasks (public agencies only);
 - ◆ Providing financial management/grant procurement assistance.

7.6.2 Review and Approval Procedures

- The Applicant shall first establish the utility’s eligibility for support and the scope of the service(s) desired.
- The District shall provide an estimate of cost(s) for the service(s) requested.
- The District and the Applicant shall execute a written agreement or formal contract that specifies the exact responsibilities (staffing, equipment, supplies, etc.) and charges for the service(s) that the District will provide. This process will be expedited in case(s) of emergency.