



MEMORANDUM

Council Agenda
Item No. IX. BO
8/15/2023

The City of OKLAHOMA CITY

TO: Mayor and City Council

FROM: Craig Freeman, City Manager

Joint Resolution with the Oklahoma City Water Utilities Trust approving the price adjustments to the regulated tariff rate contract with the federal government for provision of utility services, initial system deficiency corrections, and the recoverable portion of systems purchase price effective November 1, 2022, as provided in accord with FAR 52.241-7, changes in rates or terms and conditions of the service for regulated services, and authorizing the General Manager to implement the approved annual water tariff rate of \$12,272,131 and the approved annual wastewater tariff rate of \$14,552,644 for Contract Year 2.

Location:

Tinker Air Force Base

Purpose:

To approve the price adjustments to regulate the tariff rate contract with the federal government.

Background:

The City of Oklahoma City and the Oklahoma City Water Utilities Trust (OCWUT) entered into a long-term Utility Service Contract to provide water and wastewater system operations, repair, maintenance, and capital project execution at Tinker Air Force Base (TAFB) on November 1, 2021. Pursuant to the regulated tariff rate contract executed between the parties (Contract SP0600-20-C-8331), monthly utility service charges shall be recalculated on an annual basis. Such tariff rates for utility services and initial system deficiency corrections shall be sufficient to recover all current, known, and measurable future costs and expenses of the systems as determined by the General Manager. OCWUT proposed these changes to the tariff rates for TAFB due to projected increases in costs related to system repairs and maintenance, additional regulatory-based studies and testing parameters, and significant inflation-related increases in capital project costs since the original rates were agreed upon. OCWUT staff, along with TAFB program manager, Guernsey, have re-calculated cost-of-service tariff rates to serve TAFB. The proposed annual water tariff rate for TAFB for Contract Year 2 is calculated at \$12,272,131. The proposed annual wastewater tariff rate for TAFB for Contract Year 2 is calculated at \$14,552,644.

On September 7, 2022, OCWUT presented the proposed rate adjustments to the U.S. Defense Logistics Agency – Energy (DLA Energy) for consideration. The tariff rates were negotiated with DLA Energy since September 2022, and agreed upon June 29, 2023. The rates would be effective November 1, 2022. A summary of the agreed upon adjustments to the water and wastewater tariffs

are outlined below:

Overall Change to Annual Tariff			
	Water	Wastewater	Total
Original Year 2 Annual Tariff	\$ 11,636,748	\$ 13,985,772	\$ 25,622,520
Total O&M Changes	\$ 424,147	\$ 386,661	\$ 810,808
Total Initial System Deficiency Correction Changes	\$ 211,236	\$ 180,211	\$ 391,447
Proposed Year 2 Annual Tariff	<u>\$ 12,272,131</u>	<u>\$ 14,552,644</u>	<u>\$ 26,824,775</u>

Review:

Utilities Department

Recommendation: Joint Resolution be adopted.