

ARTICLE I

Definitions and Warranties

Section 1.1. Definitions.

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“Debt Service Charges” with respect to a facility or project shall mean the charges for work performed and debt service owed with respect to such facility or project, including the budgeted costs of engineering, construction, legal and land costs, administrative costs, permit fees, debt service (including anticipated debt service in the period before bonds are issued or loans are obtained to finance such facility or project), and establishment of reserves and related expenses.

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ARTICLE VII

Rates and Charges

Section 7.1. Rates and Charges in General. Rivanna shall fix and determine from time to time rates and charges for water furnished to and wastewater delivered by the City and the Service Authority. Such rates and charges shall be established by Rivanna at such levels as may be necessary to provide funds, together with other funds that may be available, sufficient at all times to pay (a) the cost of operation and maintenance of the Project, including debt service attributable to facilities to be acquired or provided by Rivanna, and reserves for such purposes and for replacements and improvements and (b) the principal of, premium, if any, and interest on the Bonds, as the same become due, and reserves therefor.

Section 7.2. Rates and Charges for Urban Area. Rivanna shall establish an urban area which shall include all of the City and designated portions of the County. The boundaries of this area may be changed from time to time. Rivanna shall establish rates and charges for furnishing water to and treating wastewater from the urban area as follows:

(a) Water rates shall be uniform throughout the urban area, ~~except as provided in subsection (c) below.~~ Rivanna shall compute the cost per 1000 gallons for the operation and

maintenance of facilities for the impoundment, production, treatment and transmission of water.

Rivanna shall compute the ~~cost per 1000 gallons for debt service on~~ Debt Service Charges as an aggregate monthly fixed charge for the existing water facilities ~~to be~~ that were acquired pursuant to Sections 3.2 and ~~3.4~~ 3.4, and ~~the cost of~~ new water facilities or projects that either have been or are to be constructed pursuant to Section 4.1.4.1, Section 4.3 or otherwise (including projects for upgrade, rehabilitation, replacement and repair of such facilities). The Debt Service Charges for each facility or project requested solely by the City or the Service Authority and undertaken pursuant to Section 4.3 shall be determined and allocated to the requesting party. The Debt Service Charges for each facility or project undertaken pursuant to Section 4.1 or otherwise shall be determined and allocated to the City and the Service Authority as provided under any applicable cost allocation agreement, and in the absence of any such cost allocation agreement, shall be determined and allocated based on proportional usage estimated as a part of Rivanna's normal annual budget process until such time as a cost allocation agreement between the City and the Service Authority is executed. The water rate per 1000 gallons shall be determined on the basis of the sum of the operational costs ~~and debt service figures.~~ A separate monthly fixed charge shall be determined as provided above based on the aggregate Debt Service Charges allocated to the City and the Service Authority.

(b) Wastewater treatment rates for the urban area shall ~~not~~ be uniform.

Rivanna shall compute the cost per 1000 gallons for the operation and maintenance of facilities for the interception and treatment of wastewater, which rate shall be the same for the City and the Service Authority. Rivanna shall compute the ~~cost per 1000 gallons for debt service on~~ Debt Service Charges as an aggregate monthly fixed charge for the existing wastewater facilities ~~to be~~ that were acquired pursuant to Sections 3.3 and 3.5 and ~~the cost of~~ new wastewater facilities or

projects that either have been or are to be constructed pursuant to Section 4.14.1, Section 4.3 or otherwise (including projects for upgrade, rehabilitation, replacement and repair of such facilities).

The Debt Service Charges for existing facilities (as defined by Sections 3.3 and 3.5) and additional wastewater facilities described on Exhibit 6, shall be determined and allocated to the City and the Service Authority on a basis whereby the City pays ~~one half as much per 1000 gallons as the Service Authority.~~ a percentage of the Debt Service Charges equal to the City's proportional share of Rivanna's wastewater flow for the most recently completed and audited fiscal year divided by the sum of (i) the City's proportional share of Rivanna's wastewater flow plus (ii) two times the Service Authority's proportional share of Rivanna's wastewater flow for the same period, and the Service Authority pays the remaining percentage balance. The Debt Service Charges for each new or additional facility or project requested solely by the City or the Service Authority and undertaken pursuant to Section 4.3 shall be determined and allocated to the requesting party. The Debt Service Charges for each new or additional facility or project undertaken pursuant to Section 4.1 or otherwise shall be determined and allocated to the City and the Service Authority as provided under any applicable cost allocation agreement and in the absence of any such cost allocation agreement shall be determined and allocated based on proportional usage estimated as a part of Rivanna's normal annual budget process until such time as a cost allocation agreement between the City and the Service Authority is executed. The wastewater treatment rate per 1000 gallons shall be determined on the basis of the sum of the operational costs ~~and debt service figures.~~(c) ~~— In the case of (1) the Powell's Creek Interceptor and (2) additional water impoundment, production, transmission or distribution facilities or wastewater interception or treatment facilities provided by Rivanna at the request of the City or~~ A separate monthly fixed charge shall be determined as provided above based on the aggregate Debt Service Charges

allocated to the City and the Service Authority ~~pursuant to Section 4.3, the full amount of debt service thereon shall be added to the water or wastewater treatment rates determined in accordance with subsections (a) or (b).~~

Section 7.3. Rates and Charges in Other Areas. Rivanna shall establish separate rates ~~for water now being furnished and wastewater now being treated at Brownsville, Crozet, Scottsville and at such other~~ and/or charges, as may be agreed between Rivanna and the Service Authority from time to time, for service to areas in the County outside of and not connected to Rivanna facilities in the urban area to which Rivanna ~~may~~ provides or in the future may provide water or from which it treats or ~~treat~~ in the future treat wastewater. Such areas include Crozet, Red Hill and Scottsville for the provision of water and include Scottsville, the Village of Rivanna and Stone Robinson School for the treatment of wastewater.

Section 7.4. Uniformity in Debt Service Charges. The parties recognize that there will be ~~substantial variations~~ variances from year to year in the cost ~~per 1000 gallons~~ for both water and wastewater treatment ~~for debt service~~ capital improvements on both existing facilities ~~to be acquired~~ and new facilities ~~to be constructed~~. In an effort to maintain reasonable uniformity ~~of rates~~ in adjustments to Debt Service Charges from year to year, the parties agree that Rivanna will, to the best of its ability, compute such ~~debt service charges at a~~ Debt Service Charges using uniform ~~rate~~ adjustments to such charges throughout five to ten year periods ~~from the date of this Agreement~~. The parties understand and agree that this procedure will result in excess collections ~~for debt service~~ compared to actual expenditures in certain periods but in other periods the amount collected ~~for debt service~~ will be less than ~~actually required~~ actual expenditures for such capital improvements. Rivanna agrees to apply the excess collections to make up deficiencies during

periods where ~~debt service costs exceed debt service revenues~~ actual expenditures for such capital improvements exceed Debt Service Charges.

Section 7.5. Determination of Rates and Charges. Water and wastewater treatment ~~charges~~ rates per 1000 gallons within the urban area shall be determined by applying the rates determined pursuant to Sections 7.2(a) and ~~7.3~~ 7.2(b) to the total estimated amount of water delivered to, or wastewater treated from, the City and the Service Authority as obtained by their respective customer meter readings ~~and applied pursuant to the provisions of the 1983 Working Agreement on Urban Area Wholesale Flow Allocation and Billing Methodology between Rivanna, the Service Authority and the City.~~ Water and wastewater treatment Debt Service Charges within the urban area shall be determined, allocated and aggregated pursuant to Sections 7.2(a) and 7.2(b) and the applicable cost allocation agreement, if any, with respect to such charges. Water and wastewater rates and/or charges for service to areas in the County outside of and not connected to Rivanna facilities in the urban area shall be determined pursuant to Section 7.3.

Section 7.6. Payment of Charges. Rivanna may present charges based on budget estimates, subject to adjustment on the basis of an independent audit at the end of each fiscal year. All charges of Rivanna shall be payable upon presentation. In the event the City or the Service Authority shall fail to make payment in full within 30 days after presentation, interest on such unpaid amounts shall accrue at the highest rate of interest payable by Rivanna on any of the Bonds then outstanding. Rivanna shall bill the City and the Service Authority, and no one else, for water furnished and wastewater treated.

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