TAX EXEMPTION PROCEDURE FOR POLLUTION CONTROL EQUIPMENT

1. Introduction:

   a. The Commonwealth of Virginia has historically allowed the contracting community to receive an exemption from state and local taxes when purchasing certain pollution control equipment and related items primarily for the purpose of abating or preventing air or water pollution in Virginia. Prior to July 1, 2022, the Virginia Department of Environmental Quality (VDEQ) provided review and certification of approved projects and associated pollution control items. As of July 1, 2022, the political subdivision having jurisdiction with respect to such property (HRSD), will be responsible for verifying compliance with this program and providing the needed documentation to the Virginia Department of Taxation.

   b. The Code of Virginia, Sections 58.1-3660 and 58.1-609.3 further defines the roles and responsibilities of political subdivisions as it relates to certifying pollution control equipment and facilities. Discussions with the VDEQ, have helped to clarify the procedures necessary and to define which equipment and facilities qualify under this statute.

2. Qualifying Projects and Related Equipment/Facilities:

   a. Most of HRSD's Capital Improvement Program (CIP) projects will qualify under the Virginia State and Local Tax Exemption Rules. These requirements allow for pollution control equipment and related facilities to be exempt from state and local taxes when purchased for projects administered by political subdivisions. Typical projects at HRSD that will qualify include treatment plant, pump station equalization tanks, and pipeline work. Projects that will not qualify for tax exemption include administrative facilities, locker rooms, laboratory facilities, trails, or shoreline improvements. Administrative efforts such as purchases of IT equipment or vehicles, master planning studies, and other non-infrastructure type projects would not qualify under this program.

   b. Even if a CIP project qualifies, certain equipment or facilities might not apply. Most equipment, material and facilities will qualify with the following exceptions:

      1) Temporary construction material and equipment, i.e., sheeting, silt fence, etc.

      2) Administrative facilities, i.e., toilets, furniture, office supplies, etc.

      3) Consumable items, i.e., gasoline, chemicals, etc.

      4) Landscaping

      5) Restoration work, i.e., asphalt, sidewalks, curb & gutter, etc.

      6) City/County work included in a CIP project, i.e., water lines, drainage improvements, etc.

   c. When a question arises about whether a CIP project or a specific equipment, supply or facility qualifies under the Virginia statute, this issue should be reviewed with the Chief Engineer.

3. Procedure for Administering the Tax-Exempt Review Process for Pollution Control Equipment

   a. The front-end documents for the specific CIP project should state whether the project qualifies for the Virginia Pollution Control Tax Exemption Program. The HRSD Contract Specialist will verify this requirement for each project.

   b. Once the Notice to Proceed is issued the Contractor, Design-Builder, and/or Subcontractors that plan to request a tax exemption for certain pollution control equipment shall submit a letter to HRSD using HRSD's Enterprise Project Management (Unifier) system under Transmittal-Deliverable-Turnover Business Process (BP) Logs > Tax Exemption Request listing the various items that they plan to purchase and that meet the State Requirements and as more specifically listed above. The HRSD Contract Specialist will review and approve the items that meet the State Requirements and forward a letter back using HRSD's Unifier system to the Contractor, Design-Builder, and/or Subcontractor with the information that must be submitted to the Virginia Department of Taxation via postal mail or fax.

      1) Letters should be addressed to HRSD as follows:

         Hampton Roads Sanitation District
         1434 Air Rail Avenue, Virginia Beach, Virigina 23455

      2) Subcontractors can submit a letter to HRSD via email at engcs@hrsd.com, if they do not have access to the Project in the Unifier system. The HRSD Contract Specialist will review and approve the items that meet the State Requirements and forward a letter back to the Subcontractor with the information that must be submitted to the Virginia Department of Taxation via postal mail or fax.

   c. The Virginia Department of Taxation will review the CIP project request and if approved, issue a Tax-Exempt Certification Number to the contractor and/or subcontractor.

4. Sample Documents

   a. Sample Letter from Design-Builder

   b. Sample Letter to Firm (Contractor, Design Builder, and Subcontractor)

   c. Sample Letter to Virginia Department of Taxation

Sample Letter from Design-Builder

February 14, 2023

Virginia DEQ
Tidewater Regional Office
5636 Southern Boulevard
Virginia Beach, VA 23462

Project: Nansemond Treatment Plant ANRI Phase II

RE: Sales Tax Exemption Certification Request

To Whom It May Concern:

As the Design Builder for the above project, we are requesting a Tax Exemption for the subject project in accordance with the Tax Code of Virginia. The following information identifies the project for this exemption request:

Project Name/Number:	Nansemond Treatment Plant ANRI Phase II (NP013820)
Project Owner:	Hampton Roads Sanitation District (HRSD) 1434 Air Rail Avenue, Virginia Beach, Virginia 23455
Design Builder:	Garney Companies, Inc. 1700 Swift Street, N. Kansas City, MO 64116
Project Location:	6909 Armstead Rd. Suffolk, VA 23435
Estimated Completion Date:	January 2026

General Project Description:

The Nansemond Treatment Plant (NTP) Advanced Nutrient Reduction Improvements (ANRI) Phase II improvements project is a vital component of Hampton Roads Sanitation District's (HRSD) overall Sustainable Water Initiative for Tomorrow (SWIFT) Program to improve nutrient waste load reductions to the Chesapeake Bay watershed. The improvements will also become the base for the next phase of SWIFT improvements to be constructed that will provide additional water supply to replenish local groundwaters, reduce saltwater intrusion, and minimize land subsidence. This project also consists of expanding the existing NTP facility to 50 MGD to accommodate the transfer of screened and equalized raw wastewater from the Boat Harbor (BH) service area.

This project consists of various improvements to the NTP to provide an increase in capacity and enhancements to treatment to meet the needs of the combined flows from the BH and Nansemond wastewater service areas. The following improvements are included:

- Construction of the Influent Distribution Box: The Influent Distribution Box will combine the existing 54-inch preliminary treatment pipes with the BH force main and proportionally split to each of the five (5) Primary Clarifiers. The Influent Distribution Box will include auger cast grout piles and reinforced concrete construction. The process equipment for the new Influent Distribution Box will include but is not limited to mixers, motorized slide gates, weir gates, plug

valves, sample pump, and composite sampler. Construction will include all necessary electrical equipment, instrumentation, and controls necessary for proper plant function.

- Construction of Primary Clarifier No. 5: Primary Clarifier No. 5 will be constructed in addition to the existing Four (4) Primary Clarifiers as part of the expansion of the Treatment Plant. Primary Clarifier No. 5 will include auger cast grout piles and concrete construction. The process equipment for the new Primary Clarifier No. 5 will include but is not limited to the center mechanism, effluent weirs, tank cover, scum skimmer, and scum well chopper pump.
- Upgrades to the existing Rectangular Primary Clarifiers No. 1 and 2 will include mechanism replacement and rehabilitation. The process equipment for Primary Clarifiers No. 1 and 2 include but is not limited to influent channel mixers, longitudinal sludge collectors, cross collectors, effluent weirs, and scum skimmer. Construction will include all necessary electrical equipment, instrumentation, and controls necessary for proper plant function.
- Construction of two (2) Primary Gravity Thickeners with Integrated Fermentation will accept primary sludge from Primary Clarifiers 1-5. The Primary Gravity Thickeners will include concrete construction. The process equipment for the PGTs includes but is not limited to the center mechanism, effluent weirs and baffles, tank covers, scum well chopper pumps. Construction will include all necessary electrical equipment, instrumentation, and controls necessary for proper plant function.
- Construction of a new Primary Solids and Scum Handling Building to replace and upgrade current facilities accepting solids and scum from Primary Clarifiers 1-4 and will now accept solids and scum from all five (5) Primary Clarifiers. The Primary Solids and Scum Handling building will be reinforced concrete and masonry construction and will include rooms designated for the Primary Solids Pump Station No. 2, Primary Gravity Thickener Pump Station, Primary Scum System Dumpster Room, Primary Clarifier Scum System, Thickened Primary Sludge Screen Room, and Electrical Room. The Process equipment includes but is not limited to primary solids grinder, primary solids pumps, primary scum concentrators, air release valves, plug valves, magnetic flow meters, ball valves, swing check valves, thickened primary sludge pumps, supernatant rotary lobe pumps, supernatant vortex centrifugal pumps, screenings conveyors, screw conveyors, and pinch valves. Construction will include all necessary electrical equipment, instrumentation, and controls necessary for proper plant function.
- Construction of the Primary Effluent Equalization Basin and Pump Station: The Primary Effluent Equalization Basin and Pump Station provided after the primary clarifiers to provide inline storage volume and flow attenuation for typical dry weather diurnal flows and wet weather flows. The Primary Effluent Equalization Basin and Pump Station will include auger cast grout piles and reinforced concrete construction. The process equipment for the Primary Effluent Equalization Basin and Pump Station includes but is not limited to solids handling vertical turbine pumps, knife gate valves, isolation gates, automatic control valve, flow meter, spray system, sump pumps, and odor control system. Construction will include all necessary electrical equipment, instrumentation, and controls necessary for proper plant function.
- Upgrades to the Solids Dewatering System, Cake Storage and Loadout includes installation of one(1) new additional polymer feed pump, two (2) new additional centrifuges, replacement of existing sludge storage and loadout system with new bifurcated centrifuge discharge chutes and diverter gates, two new stainless steel shafted reversing screw conveyors, two(2) additional storage bins, two cake chutes for bypass loadout, and related slide gates, drains, piping, and appurtenances. Upgrades will include all necessary electrical equipment, instrumentation, and controls necessary for proper plant function.
- Upgrades to the Chemical Feed System including supplemental carbon feed, metal salts and sodium hypochlorite. The metal salt system upgrades include additional metering pumps and associated valving and accessories to allow for feeding to additional demands and metering points. The supplemental carbon feed upgrades include installation of an additional bulk storage tank, replacement of existing metering pumps with new pumps reconfigured to cover existing and new application points. The sodium hypochlorite upgrades include additional metering pumps for the new Non Potable Water application point. The process equipment includes but is not limited to metal salt feed pumps, carbon feed metering pumps, and sodium hypochlorite metering

pumps. Upgrades will include all necessary electrical equipment, instrumentation, and controls necessary for proper plant function.

- Construction of a new Odor Control Facility to meet the needs of the expansion to the Plant. The new Odor Control Facility will be a reinforced concrete construction and will treat the Primary Effluent Equalization Basin, Primary Clarifiers 1,2, and 5, the Influent Distribution Box, Scum Concentrator Room, Dumpster Room, Thickened Primary Sludge Screening and Conveyor, and the Primary Gravity Thickeners. Process equipment includes but is not limited to odor fans, bio-trickling filters, odor polisher, and recirculating pumps. Construction will include all necessary electrical equipment, instrumentation, and controls necessary for proper plant function.
- Construction of Two (2) New Aeration Basins (Nos. 8 and 9): The Aeration Basins Nos. 8 and 9 will be reinforced concrete construction. The process equipment includes but is not limited to fine bubble diffusers, big bubble mixing system, mechanical mixers, single drop diffusers, and Nitrate Recycle pumps. Construction will include all necessary electrical equipment, instrumentation, and controls necessary for proper plant function.
- Upgrades to the existing Blower Building to include structural modifications to support installation of air piping and two (2) new Aeration Blowers to meet airflow requirements.
- Construction of a new Nitrate Recyle-2 Electrical Building to meet the needs of the Nitrate Recycle Pump station as well as new Aeration Tanks 8 & 9. Structure will be a reinforced concrete and masonry construction
- Construction of two(2) Secondary Clarifiers (No. 6 and 7) and Return Activated Sludge Pump Station No. 3: The Secondary Clarifiers No. 6 & 7 will include auger cast grout piles and reinforced concrete construction. The Return Activated Sludge Pump Station No. 3 will include reinforced concrete and masonry construction. The process equipment includes but is not limited to the secondary clarifier scum collector system, sludge collector system, effluent weirs, launder cover, scum baffle, density current baffle, Return Activated Sludge pumps, scum pumps and drain pumps. Construction will include all necessary electrical equipment, instrumentation, and controls necessary for proper plant function.
- Upgrades to the Effluent Pump station will allow for adequate flow control during low effluent flow events. The upgrades include replacing the effluent pumps, changing the power supply from 4160V to 480V. and installing VFDs for control of the motors for the effluent pumps.
- Construction of a new Effluent Pump Station Electrical Building to meet the needs of the Effluent Pump Station upgrades will be a reinforced concrete and masonry construction.
- Upgrades to the existing Plant Drain Pump Station include upgrade the pump station capacity, enhance pump efficiency and pump redundancy with installation of new plant drain pumps, suction and discharge piping and valves.
- Modifications to Non-Potable Water System include replacing two Non-Potable Water pumps with new pumps that can provide the required flows at the required system pressure in conjunction with the two additional existing Non Potable Water pumps. Modifications to the NPW System will meet maximum fire flow demands along with the normal operational demands. A dedicated chlorine supplication point will also be added to provide chlorinated NPW to the plant.
- Construction of a new Chlorine Contact Tank No. 5 to provide the required chlorine contact time. The Chlorine Contact Tank No. 5 will be concrete reinforced construction. The process equipment includes but is not limited to a slide gate, baffle plate, telescoping valve, weir, and drain sump with sluice gate. Construction will include all necessary electrical equipment, instrumentation, and controls necessary for proper plant function.
- Construction of the Main Switchgear Building to support the plant upgrades and expansion. The Main Switchgear Building will be a reinforced concrete construction and masonry construction. Replacement of the 5kV top end electrical distribution system and modification to the existing generator paralleling switchgear are also included in the upgrades.
- Expansion to the Instrumentation & Distribution Control System (DCS) across the Plant will include but is not limited to a new DCU panel for the Primary Solids and Scum Handling Building, new remote input/output (RIO) panels for the following: RAS Pump Station No.1 Building, the RAS Pump Station No. 3 Building, the NRCY-2 Electrical Room, the Dewatering Building East Electrical Room, the Main Switchgear Building, and the Effluent Pump Station Electrical Building,

and the existing blow building DCU 4/54 will be extended to support new switchgear and new blower control panels.
- In addition to the structures and systems listed above, the overall plant upgrades will include Mechanical support facilities and upgrades (plumbing and HVAC), site work and underground process and stormwater piping, and above grade process piping.

The NTP ANRI Phase II project includes the following materials, equipment, components, and systems that are required for operation and maintenance of the Nansemond Treatment Plant Facilities:

- Cast-in-Place Concrete
  - Reinforcing
  - Concrete
  - Admixtures
  - Grout
- Precast Concrete
- Masonry
- Structural Steel Framing
- Steel Floor Decking
- Steel Roof Decking
- Metal Fabrications
  - Shop Fabricated
  - Bollards
  - Structural Supports
  - Wall Protection Plates & Corner Guards
  - Anchor Bolts
  - Foot Scrapers
  - Hatches
  - Fabricated architectural details indicated on the Drawings
- Metal Stairs
- Fixed Metal Ladders
- Metal Railing
- Metal Gratings
- FRP Fabrications
  - Baffle Walls
- Waterproof Materials
- Water Repellents
- Insulation
- Sheet Metal Flashing and Trim
- Fire-Resistant Sealants and Materials
- Joint Sealants
- Aluminum Doors & Frames
- FRP Doors & Frames
- Insulated Overhead Coiling Doors
- Aluminum Windows
- Paintings and Coatings
- Special Coatings
- Signage
- Louvers & Vents
- Fire Protection
- Canopies
- Covers
- Plumbing
- HVAC
- Gypsum Board

- Electrical
- Earth Filling Materials
- Auger Cast Grout Piles
- Pavement and Sidewalks
- Fence
- Slide Gates and Stop Logs
- Process Mechanical
    - Ductile Iron Pipe and Fittings
    - Carbon Steel Pipe and Fittings
    - Stainless Steel Pipe and Fittings
    - PVC Pipe, Tubing, and Fittings
    - CPVC Pipe, Tubing, and Fittings
    - HDPE Pipe and Fittings
    - Pipe Supports
    - Pipe Sleeves
    - Pipe Insulation and Heat Trace
    - Flange Nuts, Bolts, and Hardware
    - Electric Motor Actuator
    - Fiber Optic Cable
    - Valves
        - Gate Valves
        - Plug Valves
        - Butterfly Valves
        - Check Valves
        - Ball Valves
        - PVC Ball Valves
        - Knife Gate Valves
        - Air Release Valves
        - Combination Air Valves
        - Pinch Valves
        - Mud Valves
        - Diaphragm Valves
        - Needle Valves
        - Solenoid Valves
        - Telescoping Valves
    - Cathodic Protection
- Process Control Systems and Instruments
    - DO Analyzer
    - H2S Analyzer
    - pH Analyzer
    - Inline Magnetic Flow Meter
    - Density Meters
    - Thermal Mass Flow Meter
    - Ultrasonic Flow Meter
    - Radar Level Element/Transmitter
    - Ultrasonic Sludge Blanket Level Element/Transmitter
    - Submersible Pressure Type Level Element
    - Level Switch
    - Pressure Gauge
    - Pressure and Differential Pressure Switches
    - Temperature Switches
    - Flow Rotameter
    - Flow Switches
    - Combustible Gas Analyzer/Transmitter
    - NHx Element/Transmitter

    - TSS Element/Transmitter
    - NO3 Element/Transmitter
- Davit Cranes
- Process Equipment
    - Vertical Turbine Pumps
    - Vertical Turbine Solids Handling Pumps
    - Chopper Pumps
    - Horizontal Dry-Pit Solids Handling Sample Pump
    - Self-Priming Chopper Pumps
    - Recessed Impeller Pumps
    - Non-Clog Submersible Pumps
    - Horizontal End Suction Centrifugal Pumps
    - Dry Pit Submersible Pumps
    - Progressive Cavity Pumps
    - Positive Displacement Rotary Lobe Sludge Pumps
    - Screw Centrifugal Impeller Pumps
    - Chemical Feed Equipment
    - Stainless Steel Chemical Tank
    - Bio Trickling Filter Vessel Equipment
    - Automatic Composite Sampler
    - Automatic Self-Cleaning Sampler
    - In-Line Grinders
    - Scum Separator Equipment
    - Polymer Feed System
    - Diaphragm-Type Metering Pumps
    - In-Line Plate Type Static Mixer
    - Jet Mixing System
    - Vertical Turbine Mixers
    - Chemical Induction Mixers
    - Circular Primary Clarifier Sludge Collection Equipment
    - Circular Secondary Clarifier Sludge Collection Equipment
    - Rectangular Primary Clarifier Sludge Collection Equipment
    - Single Drop Air Diffusers
    - Flexible Membrane Disc Diffusers
    - Integrated Fixed Film Activated Solids
    - Dewatering Centrifuges
    - Primary Sludge Thickening Equipment
    - In-Line Sludge Screens
    - Shafted Screw Conveyor System
- Storm Drain Piping and Appurtenances
    - Catch Basins, Inlets and Vaults
- Electrical Equipment
    - Medium & Low Voltage Transformers
    - Switchgear
    - Motors
    - VFDs
    - Power Distribution Panels
    - MCCs
    - Conduit, Wire, and Cables
    - Low-Voltage Conductors
    - Control Power Cables
    - Grounding and Bonding materials
    - Hangers raceways boxes and supports
    - Cable Tray
    - Fuses

- Enclosed Switches & Circuit Breakers
- Manual and Magnetic Motor Controllers
- Battery & Battery Charging Systems
- Active Harmonic Filters
- Transfer Switches
- Lightning Protection Systems
- Surge Protection Devices
- Lighting
- Motors
- Electrical Heat Tracing

We trust this information sufficiently describes the work required for the subject project for which Garney Companies, Inc. is seeking a tax exemption certificate. Please feel free to contact me directly at (321) 624-5478 or mmckinnon@garney.com if you require any additional information.

Respectfully,

Matt McKinnon
Garney Companies, Inc.

Sample Letter to Firm

Date

Contact Name
Title
Firm
Address1
Address2

RE: Project: CIP Name/Number
Tax Certification Request

Dear Name:

We have received your request via email/HRSD's Enterprise Project Management (Unifier) system (Record #UPDATE) on date for a tax exemption request. Attached to this letter is the document that you need to send to the Virginia Department of Taxation via postal mail or fax. Please send the entire package including a copy of the original tax exemption certification from HRSD. Please contact the Department of Taxation for additional information on how to send them this request. The Department of Tax Services makes any final decision for the exemption request.

Please call me at (757) update or email me at update, if you have any questions.

Sincerely,

Name
HRSD Contract Specialist

Enclosure: Letter to the Virginia Department of Taxation

PO Box 5911, Virginia Beach, VA 23471-0911 • 757.460.2261 • Fax 757.363.7917

Sample Letter to Virginia Department of Taxation

Date

Virginia Department of Taxation
Office of Customer Service
PO Box 1115
Richmond, VA 23218-1115

RE: Project Name: CIP Name/Number
Construction Co.: Firm

Dear Virginia Department of Taxation, Office of Customer Service:

In accordance with Virginia Code, Article 5, Section 58.1-3660, the Hampton Roads Sanitation District (HRSD) certifies to the Virginia Department of Taxation that the enclosed letter received date, from the above referenced facility describes property, equipment, facilities, and/or devices that are used primarily for the purpose of abating or preventing pollution of the waters of the Commonwealth. Additionally, said property, equipment, facilities, and/or devices has been/will be constructed, reconstructed, erected, or acquired in conformity with the state program or requirements for abatement or control of water pollution or contamination.

If we may be further assistance, do not hesitate to contact me at (757) update. Any further action or decision regarding this project is a matter for your office.

Sincerely,

Name
HRSD Contract Specialist

Enclosure: Letter from Firm

cc: Contact Name (via email or HRSD's Enterprise Project Management (Unifier) system)