



TMWA / STMGID Merger Assessment

August 1st, 2013

Introduction

Mark Foree
General Manager TMWA

TMWA Can Merge With STMGID on STMGID's Requested Terms

- TMWA can assume operations of STMGID system at no additional cost to STMGID Customers
- Current STMGID Customers can keep their existing rates, per the term sheet
- All transferred STMGID assets will be used exclusively for the operational requirements of the STMGID system
- Non-essential assets will be excluded from transfer to TMWA

Truckee Meadows Water Authority (TMWA)

Formed in 2000 as the result of a collaboration between Reno, Sparks and Washoe County to bid on the water assets of Sierra Pacific Power Co.

Purpose: Retain local control over Water Resources

Current Credit Rating: AA/AA —(Strong Investment Grade)

Source of Revenue: Primarily Water User Fees—Enterprise Fund

Governance: A Joint Powers Authority (NRS 277) —Public Agency (not-for-profit)

Current Members of the Board of Directors:

Mike Carrigan, Chairman,

Sparks City Council

Kitty Jung, Washoe County

Commission

Vaughn Hartung, Washoe County Comm.

Mike Cate, Vice Chairman,

City of Reno Appointee

Geno Martini, Mayor of Sparks

Sharon Zadra, Reno City Council

Neoma Jardon, Reno City Council

Customer Advisory Committee: Standing Advisory Committee (since 2005)

Ombudsman: Board appointed

Facts and Figures

Population Served

- Retail – 330,000 (93,000 active connections)
- Wholesale – 40,000

Water Supply

- Surface Water (Truckee River) – 2 plants (90% of total supply)
- Groundwater - 31 wells (10% of total supply)

Finished Water Storage – 131 million gallons

Upstream Storage - 22,250 AF (Independence/Donner)

Renewable Energy - 3 operating hydroelectric plants

Annual Revenue - \$80 MM water sales, \$3.5 MM hydro

About the Report:

- STMGID proposed Term Sheet to TMWA in December of 2012
- TMWA Board directed Staff to conduct due diligence of feasibility of STMGID's proposal
- Due diligence report completed and delivered in June 2013
 - Improvements identified

Due Diligence Process

Jeff Tissier
Chief Financial Officer

STMGID Term Sheet

TMWA can operate STMGID with existing water rates post merger

- Current STMGID metered customers will retain the STMGID metered rate
- Current STMGID flat-rate customers will retain the STMGID flat rate
- Rate adjustments will mirror the percentage rate change of future TMWA rate adjustments

STMGID Term Sheet

TMWA can accommodate STMGID's request that STMGID rates convert to TMWA rates upon earlier of:

- Conveyance of property (if transfer is subject to property transfer tax) or:
- Upon maturity date of existing TMWA bonds (approximately 2035)

STMGID Term Sheet

TMWA can utilize STMGID's existing cash reserves as requested

- Restricted funds will be used for purposes of restriction
- Unrestricted funds will be used *only* for the requirements of the STMGID system

STMGID Assets

All transferred STMGID assets will be used exclusively for the operational requirements of the STMGID system

- Land
- Water Rights both surface and groundwater
- Water system infrastructure
- Cash used for the benefit of STMGID system only

Site Assessment

Paul Miller
Manager, Operations and Water Quality

STMGID Site Assessment

- Over 25 TMWA staff and management team members were involved in the preparation of the Site Assessment Report over a 4-month period from February 13 to June 14, 2013.
- TMWA staff visited well, tank and pump station sites, and prepared and submitted dozens of data requests to DWR to obtain additional information.
- The information received was summarized, analyzed and fully discussed to prepare the Site Assessment Report.

STMGID Site Assessment

The areas addressed in the Report include:

- Operations/SCADA Assessment
- SCADA Integration Strategy
- Initial Operating Plan/Long Term Operating Plan
- Maintenance Assessment
- Distribution System Assessment
- Building and Grounds Facility Assessments
- Water Quality Assessments
- Water Resource Assessments
- Lands Assessments
- Engineering Assessment and Capital Requirements

STMGID Site Assessment

Initial/Long-Term Operating Plans

- Timberline – continue existing operations
- STMGID West – initially continue existing operations and improve system to provide up to 900 af per year of surface water with capital improvements funded with a portion of existing cash
- STMGID East – modify operations to utilize up to 700 af per year of surface water, using existing facilities

STMGID Site Assessment

Maintenance/Distribution System/Facility Assessments

- Site visits completed
- Historical data supplied by DWR from their GIS database and Maintenance Management System
- No major issues identified

STMGID Site Assessment

Water Quality Assessments

- No water quality violations in 2011 or 2012
- Arsenic: currently in compliance through blending strategies.
- Recharge with treated surface water can be implemented at Wells 1 & 2
- Well 9 can be abandoned due to high arsenic and boron, as well as high production costs

STMGID Site Assessment

Water Resources

- STMGID has interest in 404 af of main stem Truckee River water rights and another 352 af of assorted creek rights (Dog Creek, Whites Creek and Galena/Steamboat Creek).
- STMGID has interest in over 5000 af of groundwater rights.
- All STMGID water rights are required to secure a sustainable water supply and meet STMGID's service commitments to existing and future customers.

STMGID Site Assessment

Water Resources

- Under current operating parameters for STMGID and DWR, groundwater is projected to decline an additional 30-40 feet in some areas in West STMGID (Source: South Truckee Meadows 2009-2028 Water Facility Plan, Eco:Logic Engineers, Jan. 2011).
- Water system consolidation creates the opportunity for conjunctive use of water resources, securing a sustainable water supply.

STMGID Site Assessment

Lands Assessment

- TMWA's site assessment identified numerous locations where facilities are located outside of easements or have no associated easements.

STMGID Site Assessment

In Conclusion:

- The assessment was used to prepare operation, maintenance, and capital costs that were used in the financial analysis that supports TMWA's conclusion that it can meet the terms requested by STMGID

STMGID Capital Improvement Plan

Scott Estes
Director, Systems Planning & Engineering

STMGID Capital Improvement Plan (CIP)

Recommended projects resulting from the site visits, facility assessments and inspection reports:

- With some exceptions, the STMGID infrastructure is in good condition and it is anticipated that major rehabilitation projects will not be required in the short term.
- The estimated cost of short-term improvements is \$1.1 million. These include updating the groundwater model and correcting land title and easement issues. The cost of integrating the SCADA and telemetry system is not included.

STMGID Capital Improvement Plan

- The estimated cost of long-term improvements to increase reliability, address operating needs, improve pressure and fire flow capacities, and allow development of a conjunctive use program is \$7.6 million:
 - Peak day pressure improvements will be constructed in the upper elevations of the STMGID East system and at the upper ends of the Toll Road and Geiger Grade areas.

STMGID Capital Improvement Plan

- Fire flow capacities are to be expanded in the Toll Road and Geiger Grade areas and also in the upper elevations of the Saddlehorn area.
- A conjunctive use program is consistent with regional water resource management goals. Maximizing the use of surface water when it is available allows the aquifer to rest, provides opportunities to recharge, protects water quality, and ensures a sustainable water supply.

In Closing:

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Next Steps ...



Thank you

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