



STANDING ADVISORY COMMITTEE

DRAFT MINUTES

September 2, 2014

The Standing Advisory Committee (SAC) met at Truckee Meadows Water Authority (TMWA) in the Independence Room, 1355 Capital Blvd., Reno, Nevada. Chairman McGuire called the meeting to order at 3:04 p.m.

1. ROLL CALL

Members and Voting Alternates Present: Rebecca Allured*, Robert Chambers, Harry Culbert, Bruce Gescheider, Colin Hayes, Lee Leighton, Neil McGuire, Fred Schmidt, Mike Schulewitch, Ron Turner, and Jerry Wager.

Alternates Present: Mike Heffner, Ben Hutchins, Karl Katt, Ken McNeil, Mike Pidlypchak, and Jim Smith.

Staff Present: Jack Byrom, Robert Charpentier, John Enloe, John Erwin, Sonia Folsom, Mark Foree, Bill Hauck, Paul Miller, Kim Mazeris, Keith Ristinen, Jeff Tissier, and Legal Counsel Michael Pagni.

2. PUBLIC COMMENT

Kathy Bowling, from the Galena Fan area, commented on the August 26th Domestic Well Mitigation Program workshop held at TMWA and that the public was not given enough time to review the draft Rule 10.

Ms. Bowling's main question was in regards to Article 1 Item 2(c) which referred to the Las Vegas groundwater management program. She wanted to know what it was and how it benefited the homeowners in the area, as well as the reference to alternative funding sources.

3. APPROVAL OF THE AGENDA

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the agenda.

4. APPROVAL OF THE MINUTES OF THE August 5, 2014 MEETING

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the minutes of the August 5, 2014 meeting.

5. CONSOLIDATION PROGRESS REPORT (STANDING ITEM) - REPORT AND UPDATE ON STATUS OF MERGER WITH WASHOE COUNTY COMMUNITY SERVICES DEPARTMENT AND SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT WATER UTILITIES

Jack Byrom provided a brief update on the Consolidation-Merger status. The number of tasks is at 238, but over 55 items have been completed. Mr. Byrom commented on the key areas/departments involved in the consolidation process, including but not limited to, Human Resources, Finance, Legal, Natural Resources, Facilities and Customer Service. He stated that one pending task is the employee transition and shadowing program, which has been delayed until the mutual insurance waiver from both TMWA and Washoe County ("County") comes through.

Mr. Byrom stated that the legal task items have increased from 13 to 31. He stated that a few of these items are related to the South Truckee Meadows General Improvement District (STMGID) merger ordinance process. He mentioned that the first reading of all Rules, Rates and Tariff amendments will be presented to the Board of Directors meeting on September 17, 2014 and the second reading on October 15, 2014.

Mr. Byrom informed the committee that he is working on a post-merger list of non-critical activities that have been identified, which will not impact the closing of the merger, but are necessary to complete.

Mr. Schmidt asked how many of the 238 tasks can be completed post-merger. Mr. Byrom responded that he is working on the completing that list of non-critical items.

Mr. Schmidt also inquired about obtaining the legal list of tasks, especially if they impact Washoe ordinances. Mr. Pagni responded that he will provide the list if it does not pose any confidentiality issues.

Mr. Turner asked about the workshop target date schedule. Mr. Byrom responded that he will provide an updated list before the next SAC meeting.

6. PRESENTATION OF THE VARIOUS RULE AND RATE CHANGES NEEDED FOR MERGER:

- A. RULES 1, 5, 7, & 9
- B. SCHEDULE WSF TARIFF – AREA FACILITY CHARGES
- C. FORMER STMGID CUSTOMER’S RATES
- D. FORMER WASHOE COUNTY CUSTOMER’S RATES
- E. RULE 10 – MT. ROSE-GALENA FAN DOMESTIC WELL MITIGATION PROGRAM

John Erwin presented on the draft rules, tariffs and rates. Mr. Erwin mentioned that most of the changes were textual in nature and are meant to synchronize between the various rules changes resulting from the consolidation. He reiterated that the rules are designed to set up how TMWA does business with new and existing customers in response to policy set by the Board particularly as it relates to rates. Mr. Erwin stated that TMWA has ten rules with no changes occurring to Rules 2, 3, 4, 6 and 8, but changes are being proposed to Rules 1, 5, 7, 9

and 10. He confirmed that all rule changes are subject to the success of the merger (*see Attachment A*).

Mr. Erwin explained the new geographic service area with regards to Rule 9. The service area the County serves will be added to TMWA's service area, whereas vacant land outside of these areas will not be added. He stated these areas will have to go through the annexation process to be added to the service area. Mr. Erwin stated that Rule 5 changed with the addition of language defining and clarifying the process the annexation of property into the service area. This rule explains all the rights and obligations for both the utility and customer.

Mr. Schmidt inquired if Rule 5 addresses the water resources. Mr. Erwin responded that it does not and that water resources are addressed in Rule 7.

Keith Ristinen, TMWA Senior Engineer, explained that TMWA's facility assessments are handled differently at the County than at TMWA. TMWA has nine active service areas, ten if including the no fee area, where the developer has to pay fees for new pump stations and pipes due to growth. Mr. Ristinen stated that TMWA plans to bring the County's fee assessments into conformance with TMWA's methodology of establishing these fees for all of the County's areas. TMWA is proposing to address the Water System Facilities (WSF) charges in eight additional areas in order to conform to how TMWA charges for facilities in place or expected to be built.

Mr. Schmidt asked if the new areas are not being charged for storage. Mr. Ristinen responded that they are not because the majority of County areas are coming into TMWA with completed storage facilities. Mark Foree added that there were several built and dedicated tanks in the County system, whose cost has already been paid. Mr. Foree also added that if they have not been paid for, then it is included the area charge.

Mr. Schmidt asked if the tanks have been fully paid for when the County transfers them to TMWA. Mr. Foree responded that many tanks have been built by the developer and dedicated to the County.

Mr. Schmidt reiterated that TMWA is not picking up any rate based or capital costs associated with these facilities. Mr. Foree replied that is correct, TMWA will not be incurring any additional costs associated with the storage tanks.

Mr. Schmidt asked how some areas were determined to be charged half price. Mr. Foree replied that these areas rely on groundwater resources and TMWA decided it was inappropriate to apply the full charge for (surface water) Supply/Treatment fees. However, there is still a cost of moving surface water for existing customers as well as new customers so it was determined a reasonable compromise to set the fee at 50 percent of the cost.

Mr. Schmidt asked if the other areas not served by groundwater and surface water will benefit from the reduced rate. Mr. Foree replied that this is a unique area that is much more well-dependent and therefore it is more important to move surface water to this area.

Mr. Schmidt inquired if the assessment of \$2,082 is enough to pay for the connection fees. Mr.

Foree replied that this is TMWA's best estimate at this time and the charge of \$2,082 will pay down the costs already spent on treatment plant expansions.

Mr. Schmidt inquired if TMWA can adjust the rate if it is requiring additional money out of other existing areas prior to merger. Mr. Foree replied that yes, TMWA can adjust the rate if necessary and TMWA does so approximately every two years.

Mr. Ristinen added that this is not the capital cost of the facilities to bring the surface water to those areas, but rather it is the supply of the water and not facilities that actually deliver the water.

Mr. Schmidt asked if the determination of the reduced cost is due to the supply being less or different than the supply provided to the other 12 areas. Mr. Foree concurred that is true.

Mr. Schmidt stated that he is asking these questions because this has to do with setting new rates and he would like to know how they were determined.

Mr. Erwin continued with Rule 7 which applies to all customers but provision needs to be made for those within the Truckee Meadows where the customer is connected to the Chalk Bluff and Glendale facilities. In addition, Mr. Erwin stated TMWA, in synthesizing the rule, is trying to clarify language regarding return flow dedications, which is water TMWA has diverted through the treatment plants and ultimately makes its way to the Truckee Meadows Waste Water Reclamation Facility (TMWRF).

Mr. Erwin continued with Rule 9 which is the old retail service boundary and will now be called the Authority's Service Areas. Mr. Schmidt asked if TMWA can identify if there are still water companies that are regulated by the PUC (Public Utility Commission) in the area that are not part of TMWA's system. Mr. Erwin responded that yes there are, including: Utilities Inc., Silver Knolls Mutual, and Verdi Meadows.

Mr. Schmidt inquired if TMWA has had any discussions with Utilities Inc. about acquiring their areas. Mr. Erwin replied that there have not been discussions about acquiring the areas served by Utilities Inc.

Mr. Schmidt inquired about the areas in TMWA's service territory that are not served by a private company, why are they not part of TMWA. Mr. Erwin replied that they have not sought to be annexed in or they may be on domestic wells.

Mr. Schmidt asked about the fact that since TMWA does not have some of these water systems, if it impacts their planning in anyway. Mr. Erwin responded that it does not.

John Enloe presented Rule 10 – Domestic Well Mitigation Program ("Program"). Mr. Enloe stated that the draft Rule 10 was presented at a TMWA workshop on August 26th. The public provided feedback on wanting specific language with respect to management and protection of groundwater resources and protection of over pumping in the Mt. Rose-Galena Fan area. He stated that TMWA did not add that specific language, but added language that captured the

intent of the wording from the County's Ordinance 1470, Article 7.1 A and B.

Mr. Enloe stated that TMWA will continue to administer the rule as it is intended, but has changed the language to be consistent with TMWA's formats and language while still giving the property owners the same benefits and protection they had under the County. He stated that the public comment provided at the workshop was a request to change the rule; however, TMWA is committing to how the Program is administered today. Upon the completion of the merger, after January 1, 2015, TMWA plans to create a small working group with the residents to identify issues and work collaboratively to try to address them and arrive at a mutually agreeable solution.

Mr. Gescheider confirmed that the concerns the public had with the current Rule 10 as addressed by the County are going to continue on until the merger is completed and then TMWA will form a group to address those, except for a few key items TMWA has already addressed. Mr. Gescheider asked if there were any issues around the key elements not being included in this rule. Mr. Enloe replied there were no issues about the key elements not being included. He stated that a few members of the public thought the reimbursement was not enough and wanted TMWA to pay more, but the rule is identical to the County's program in place today.

Mr. Enloe responded to the questions raised by Ms. Bowling during Public Comment regarding TMWA's new Rule 10. He replied that the Las Vegas Groundwater Management Program was one of the many documents referenced by the County when they implemented the Program. He also stated that there are other funding sources in place that can help support the financial cost of connecting to a municipal line.

Mr. Schmidt inquired if the County program will continue to provide the alternative funding sources after the merger or will it be discontinued. Mr. Pagni responded that TMWA is in discussions with the County to continue the alternative funding for future TMWA customers and they are agreeable to continue.

Mr. Schmidt expressed his concern that the current County customers will become TMWA customers post-merger and therefore it is critical to ensure that the County continues to supply the funding to these customers.

Mr. Turner commented on the fact that the new Rule 10 does not show the changes or the information that was carried over from the County which makes it difficult to see the new TMWA language. He asked about the comments made at the workshop regarding the termination issue and whether this language is in TMWA's Rule 10. Mr. Enloe responded that there is no specific language regarding termination in the County's or TMWA's Program, but it could terminate once all property owners have mitigated their domestic wells. In order to officially terminate the Program, TMWA Board would need to go through the same public process that was necessary to initially develop the Program.

Mr. Pagni added that the County had multiple Ordinances and TMWA had to combine all three

into one document to make it consistent with TMWA rules, but the content is the same.

Mr. Schulewitsch inquired about the limitation on the reimbursement and if this was written in the rule established by the County. Mr. Enloe responded that yes it is, but TMWA will update the well deepening costs prior to the completion of the merger.

Mr. McGuire opened the meeting to Public Comment.

Stephanie Jenson, representing herself and father, lives on Caswell Lane. Ms. Jenson asked for clarification between the differences of annexation territory area versus service area. Mr. Erwin replied that the service area is a large geographic area where TMWA serves its retail customers, and includes developed and undeveloped lands. She inquired if there was a distinction between areas that TMWA can pump water versus areas to which water is delivered to. Mr. Erwin responded that they were different.

Ms. Jenson commented on the fact that there is no written language that reflects there are commitments that this Program will continue, but both the County and TMWA have stated that it will continue.

Mr. Wager inquired if these Programs are income based. Mr. Foree replied that they are not.

Mr. Schmidt inquired about the summary that shows all the fees together. Mr. Erwin replied that he did not have it.

Mr. Schmidt asked about the area facility unit cost by charge area and why Central Reno is zero and the rest of the area has a charge. Mr. Ristinen replied that it is not zero, as there is a supply and treatment fee and a storage fee. Mr. Foree added that there are no feeder mains within the area and therefore there is no investment to recoup.

Mr. Pagni added that in the existing rule there are feeder main areas, but with the merger there are going to be different types of facilities. He stated that the language was changed in order to broaden the scope and by doing so the different areas will have a different charge.

Mr. Schmidt commented that the arrangements made for keeping the rates the same for a period of time would not apply to new customers and that if they were to get a rate increase when all other customers received a rate increase, their amount would remain different over time and by a greater amount due to rates being increased on a percentage basis. Mr. Erwin responded that most of these conditions were negotiated and TMWA is limited on how to accomplish decreasing the difference in the rates.

Mr. Wager inquired if the annexed areas require rule revisions because new development will require rule revisions. He also asked if TMWA includes the map of the service area in the rule, if that necessitated a rule revision because of the map being included. Mr. Erwin responded that yes, but there is a condition in the rule stating that the maps are updated periodically.

Mr. Schmidt asked if there is an undeveloped lot in the County area and then it is developed,

will the new development be under the County or TMWA rate. Mr. Erwin responded that if it is undeveloped and in the service area, but there is no connection, it will fall under the TMWA rate.

Mr. Erwin stated that if any of the SAC members had any comments or feedback, TMWA will include it in the board report for the next meeting on September 17th.

Kim Mazeres stated that TMWA's staff recommendation regarding the Right of Way Toll is to phase in the five percent for the former Washoe County customers over a five year period, where the first two years will be completely paid by TMWA.

Mr. Schmidt inquired if the County has to vote to impose the Right-of Way toll. Ms. Mazeres responded that no, it is not the County, but the City of Sparks and the City of Reno that expect TMWA to charge the Right-of-Way Toll to the residents in their jurisdiction.

Mr. Turner inquired about the new area fees, total connection fee and the existing connection fee. He stated that the existing connection fee is what the County was charging and there is a significant difference between these charges. Mr. Foree responded that is correct.

Mr. Turner inquired about the capital projects and of these, which ones were committed to by TMWA or the County. Mr. Foree replied that they are in the combined Capital Improvement Plan (CIP) and these are improvements that TMWA agreed to provide for growth.

Mr. Schmidt asked about the total connection fees for existing TMWA fees. Mr. Foree replied that TMWA is not changing the fees for TMWA customers at this time.

****Ms. Allured arrived at 4:18 p.m. during agenda item #6.***

7. PRESENTATION OF UNAUDITED FINANCIAL REPORT FOR FY2014

Jeff Tissier provided a brief overview of TMWA's financial performance for the fiscal year 2014. Based on the information available as of August 22, 2014, he stated that the overall financial performance for fiscal year 2014 was excellent.

Mr. Tissier stated that staff recommendation for the Phase 3 of rate increase is to suspend it, for three reasons:

1. TMWA's analysis for the increase was performed in 2011 and is now outdated;
2. Financial performance was better than expected; and,
3. TMWA would like to see a full year of operations as a consolidated water utility.

Mr. Wager inquired if this would affect revenue. Mr. Tissier responded that it would not.

Mr. Wager asked how TMWA can mitigate revenue impacts on conservation in years of drought. Mr. Tissier responded that TMWA would use their cash reserves.

Mr. Schmidt congratulated TMWA's recommendation to postpone the rate increase during the

consolidation process, and use the unrestricted revenue in case it is needed. Mr. Tissier replied that TMWA staff is recommending to wait about a year and half before considering implementing the next rate increase.

Mr. Wager stated it is a good idea not to make a commitment or promise to arbitrarily impose rate increases. He also mentioned that it is good to plan right now if there is another drought year which will allow TMWA to impose a rate increase.

Mr. Heffner asked how TMWA was able to benefit from lower than expected budgeted healthcare spending in 2014. Mr. Tissier responded that it would be difficult to speculate if this would have any impact on future projections. Mr. Heffner also inquired if ACA comes into full affect, does TMWA have any way of predicting its impact at this moment. Mr. Tissier stated that it will negatively impact the funding, but TMWA is part of a larger pool and premiums have not increased in over four years.

Mr. Gescheider stated that the committee should go on the record as saying, "that this kind of financial performance and the mitigation of the 2% increase, with the added distraction of the merger should be well regarded and staff should take a pat on the back for this."

6. (Taken out of sequence) PRESENTATION OF THE VARIOUS RULE AND RATE CHANGES NEEDED FOR MERGER

Chairman McGuire stated that the committee was supposed to take action or possible action on Agenda Item 6.

Mr. Schmidt inquired when this would be presented to the board. Mr. Erwin replied that it will be presented on September 17th. Mr. Pagni stated that this was put on the agenda as an action item if the committee had any recommendations to the board.

Mr. Pidlypchak asked if there were going to be any other revisions before it goes to a final reading. Mr. Pagni replied that it is possible, but TMWA is on a tight timeline and that any revisions may not be substantive enough to require an additional reading.

Mr. Schmidt asked if the board had requested the committee to take action. Mr. Pagni replied that they had not, but staff did put it on as an action item to allow them to make a recommendation or substantive comments. He also stated that due to the merger, TMWA staff wanted to give the committee the opportunity to provide feedback. Mr. Turner added that there are going to be plenty of workshops where the customers would be providing feedback.

Mr. Schmidt stated he would prefer not to make any recommendations unless the board requests any feedback from the committee. He stated the committee can then take action at the October 2nd meeting before the Board makes their final decision. Mr. Pagni replied that TMWA will update the board that this agenda item was brought to the SAC for comment and input, but they did not have any input at this time. Mr. Foree stated that if the committee would rather make a recommendation next month it would be possible.

Mr. Schmidt suggested waiting to take action until the next meeting in order to allow them to review the material more thoroughly. He stated that staff had done a thorough job, but needed time to review the information.

Chairman McGuire restated Mr. Schmidt would like to put this agenda item as an action item for their next meeting. Mr. McGuire asked if any member would like to give any input to give to the board for informational purposes for the next board meeting.

Mr. Schmidt stated he is not suggesting on waiting to take action because there is something that does not appear to be right, but they need more time to review the material.

Mr. McGuire reiterated to TMWA they report back to the board that there is a lot to digest and want to do their due diligence. He stated that the staff has done a great job and the workshops are an excellent opportunity for the public to provide additional comment.

NO ACTION TAKEN

8. REPORT ON THE WATER SUPPLY AND CONSERVATION EFFORTS

Bill Hauck stated that TMWA's water conservation efforts over the last five weeks have shown approximately a 10 percent or 1,100 acre feet (AF) or 360 million gallons (mg) in savings. Mr. Hauck stated the recent rainy weather in August contributed to this increase in savings, and if we were to experience another drought next year, TMWA may need to ask customers to reduce their use by more than 10% to see an appropriate level of conservation. savings. He commented that TMWA had released approximately 1,800 AF of drought reserves from Stampede and Boca reservoirs and Donner Lake between August 18th and Tuesday September 2nd. He stated that TMWA used approximately seven percent of our total drought reserves through September 2nd (today).

A committee member asked how quickly TMWA used the seven percent of the reserves from Stampede. Mr. Hauck responded that it began August 18th and extended through August 31st.

Mr. McGuire asked how TMWA determines how to pump the water. Mr. Hauck replied that TMWA has a federal contract which states that on September 1st of each year we cannot have more than 5,000 AF in storage between Stampede and Boca reservoirs, and that the strategy was to use as much of the water in storage above 5,000 AF by August 31 while maximizing groundwater pumping to meet customer demand.

Mr. Gescheider inquired if TMWA was surprised that the conservation effort for the last reported period was not near ten percent. Mr. Hauck replied yes, he was surprised TMWA did not receive a higher conservation yield.

Mr. Schmidt inquired what Tahoe Lakes' water level was. Mr. Hauck replied that it was half a foot above the rim. Mr. Schmidt asked when the water was expected to stop entering the river. Mr. Hauck responded that it is expected to stop by the first of October.

9. DISCUSSION AND POSSIBLE DIRECTION TO STAFF REGARDING AGENDA ITEMS FOR FUTURE MEETINGS

1. Provide Consolidation Progress Report
2. Report on Merger Rules & Rates (action item)
3. Report on Water Supply
4. Present Water Quality Update: How it's processed and in event of a catastrophe – Paul Miller

10. STAFF ITEMS

Mr. Chambers inquired about adding members of staff to the list of contacts.

11. COMMITTEE ITEMS

There were no committee items.

12. PUBLIC COMMENT

Ms. Bowling stated she would like to know what the Las Vegas Groundwater Mitigation Program was and how it ended up in the draft Rule 10. Mr. Foree responded that that language was taken from the County's program and TMWA would not have put it in there had it not been for the County. Mr. Pagni stated that the section enables TMWA board to ask the legislature to create a similar program for a possible funding mechanism but is not proposing to implement a similar program with this rule.

A committee member inquired if TMWA needed to present it to the legislature for approval, it could not be considered before next year. Mr. Pagni replied that yes, it is correct, if the Board wanted to do so.

Mr. Gescheider stated that it puts TMWA in a difficult position. He stated that TMWA is trying to duplicate the County so there are no questions as to TMWA's intent with regards to the Program.

Mr. McGuire stated that his concern is that the County has been handling this for years, but it has been taken care of by the merger agreement as far as status quo what we have is what we have, being that the County voted this in and not addressed prior to now, TMWA does not need to address it now.

Mr. Pidlaypchak stated that it is a precautionary thing. If and when we need extra revenues then we have the opportunity to look at the Las Vegas program to see if it is something we would like to emulate or take pieces of it, but still have to go through a legislative process and may or may not end up with anything that looks similar to the Las Vegas program and it doesn't make a difference if it is in language or not.

13. ADJOURNMENT

With no further items for discussion, Chairman McGuire adjourned the meeting at 5:03 p.m.

Chairman McGuire recalled the meeting to order at 5:04 p.m.

12. PUBLIC COMMENT (Continued)

Ms. Jenson had wanted to add to public comment. She stated she appreciated TMWA looking out for the water and the region and that she attended the August 26th workshop. She inquired about the fact that residents were told there is \$3,000,000 in funds to honor the mitigation program, but that it is insufficient if there are 509 wells expected to fail. She mentioned that she has read staff reports as far as back as 2005 and they may have said TMWA has adequate water and there are plenty of extra acre feet to support development, but when rumors start that the wells are drying, property values go down.

13. ADJOURNMENT

With no further items for discussion, Chairman McGuire re-adjourned the meeting at 5:15 p.m.

Approved by the Standing Advisory Commission in session on _____.

Respectfully submitted,

Sonia Folsom, Recording Secretary

* Member Allured was present for items 6 through 13 only.