



STANDING ADVISORY COMMITTEE

DRAFT MINUTES

January 5, 2016

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

1. ROLL CALL

Members and Voting Alternates Present: Bob Chambers, Bruce Gescheider, Colin Hayes, Karl Katt, Neil McGuire, Mike Pidlypchak, Fred Schmidt, Ron Turner, and Jerry Wager.

Alternates Present: Mike Heffner, Bill Hughes, Karl Katt, Carol Litster, Ken McNeil, and Jim Smith*.

Members Absent: Harry Culbert, Kevin Haddock, Lee Leighton, Pat Martinez, Jonnie Pullman, and Mike Schulewitch.

Staff Present: Tabitha Carlisle, Laine Christman, John Erwin, Scott Estes, Sonia Folsom, Mark Foree, Bill Hauck, Paul Miller, Shawn Stoddard, Jeff Tissier and Legal Counsel Debbie Leonard.

2. PUBLIC COMMENT

There was no public comment.

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 NOVEMBER 3, 2015 MEETING

Upon motion duly made and seconded, carried by unanimous consent of the members present, the Committee approved the minutes of the November 3, 2015 meeting.

Chair McGuire noted that agenda items #5 and #7 will be presented concurrently. He said John Erwin, TMWA Director of Natural Resources, will speak to TROA operations in conjunction with water supply.

5. WATER SUPPLY UPDATE

7. TRUCKEE RIVER OPERATING AGREEMENT UPDATE

Mr. Erwin pointed out that Bill Hauck, TMWA Senior Hydrologist, will be presenting on the water supply, which has changed due to the recent implementation of Truckee River Operating Agreement (TROA). He noted that since the last SAC meeting in November 2015, litigation over TROA has ended, which allowed for implementation of TROA as of December 1, 2015.

Mr. Erwin informed the SAC that the Truckee-Carson Irrigation District (TCID) had approached TMWA in fall 2015 about the acquisition of TCID's 50 percent storage right of Donner Lake, which is 4,750 acre feet (AF). The agreement was approved by both boards on December 16, 2015. He stated the purchase price is about \$17 million and anticipates closing by February 2. Included in the source of the funds was the proceeds from the sale of 2,700 AF to the Pyramid Lake Paiute Tribe (PLPT).

Fred Schmidt inquired whether TWMA owned Donner Rights before this agreement. Mr. Erwin replied yes, but TMWA owned one half of Donner Lake and TCID the other half. If the sale is successful TMWA will own rights to the whole 9,500 AF.

Mr. Schmidt requested for Jeff Tissier, TMWA Chief Financial Officer, to explain how the purchase occurred. Mr. Tissier replied that approximately \$9.7 million was transferred from Washoe County as part of the merger, which was not included in any financial forecasts, as well as \$7.0 million in dormant water right sales related to satisfaction of the 6,700 acre foot commitment for TROA implementation.

Chair McGuire asked if there was discussion regarding paying the fair market value versus a good deal. Mr. Erwin replied PLPT, the United States and TCID were in negotiations in early 2014. At that time, the federal government required that an appraisal be conducted, which valued the asset at approximately \$17 million. If successful, the sale also solves the outstanding Donner Lake litigation with TCID, which would be dismissed.

Mr. Schmidt asked which water rights were sold for \$7 million. Mr. Erwin replied the 2,747 AF that was considered the water saved as a direct result from the meter retrofit, which water TMWA could not use for any purpose. To satisfy the PLPT, the Cities of Reno and Sparks and Washoe County had to have 6,700 AF of water rights; these 2,700 AF satisfied that deficiency. Upon the close of the sale, the PLPT agreed the 6,700 acre foot obligation was satisfied. The associated permits are in the process of being transferred through the State Engineers office. The water represented by these water rights can now be used for water quality purposes and redirected for instream flow and/or credit storage for future release for water quality purposes.

Mr. Schmidt asked how many AF of water rights does TMWA currently own. Mr. Erwin replied they own approximately 7,200 AF under Rule 7.

Discussion occurred at this point regarding the sale of the 2,750 AF to PLPT for \$7 million and the purchase of 4,700 AF of Donner Lake from TCID for \$17 million, including that its high-value appraisal will not add stress to customer rates, but will definitely add much valued and needed water storage.

Bill Hauck, TMWA Senior Hydrologist, confirmed it has been a great start to 2016, but Lake Tahoe's water level is below its natural outlet. When available, water from the lake is used to meet the required rate of flow at the California-Nevada state line. With the implementation of TROA, as of December 1, TMWA has been able to establish credit water in various reservoirs upstream and has stored 2,700 AF of additional storage. About 14,000 AF is projected to be stored in the next four months that was not possible prior to TROA implementation.

Chair McGuire inquired about water storage in relation to potential flooding. Mr. Hauck replied the flood control rules did not change under TROA and remain the same. Currently, about 100 AF/day is being credit stored and can establish the maximum amount allowable by May.

Mike Heffner asked how the acquisition of the other half of Donner Lake and implementation of TROA changes the 9-year drought plan. Mr. Hauck replied TMWA conducted a study last fall that considered current conditions and the projection of an additional 5 years under 2015 hydrological conditions. The results showed, under TROA, TMWA will continue to meet customer demands and improve drought storage upstream at the end of 5-years. Under non-TROA conditions, the results showed that drought storage would be exhausted by the end of summer 2018 under 2015 hydrologic conditions. Mr. Erwin added the working storage of Donner Lake is between 6,000-7,000 AF and 17,000 AF in Independence Lake. Under TROA, TMWA is able to capture all of the 17,000 AF as opposed to only the 3,000 AF it was able to capture before TROA. Last year TMWA was able to capture about 6,000 AF whereas under TROA it will store about 32,000 AF per year. This is the first time that TMWA has been able to store water from the Truckee River in the winter.

Chair McGuire asked if TMWA is pumping groundwater. Mr. Hauck replied no, TMWA is taking treated surface water and injecting it into a number of production wells.

Mark Foree, TWMA General Manager, noted that Independence Lake, which fills every year, and buying the other half of Donner Lake equals 27,000 AF. At the start of the 2015 summer TMWA began with 26,500 AF in storage and will begin the 2016 summer with that in addition to approximately 14,000 AF that will be stored this winter under TROA operations. Mr. Hauck also pointed out TMWA used 11,700 AF of drought storage to meet customer demand in 2015.

Mr. Schmidt asked if the 100 AF/day is being stored in the underground reservoirs. Mr. Hauck replied no, it is physically stored in Boca and Prosser Reservoirs.

Mr. Tissier asked what the estimated annual consolidated demand by customers is. Mr. Hauck replied it is approximately 82,000-83,000 AF/yr. Mr. Erwin added of that 83,000 AF, 13,000 AF is groundwater and about 70,000 AF is from the Truckee River.

Discussion regarding the work on the Boca Dam for dam safety took place. Mr. Erwin replied during construction, water will be stored in Boca reservoir, but not to its capacity of 40,000 AF, only 30,000 AF.

Paul Miller, TMWA Water Operations and Quality Manager, asked when Lake Tahoe is projected to go below the rim after this spring's run-off. Mr. Hauck replied the best projection may be at the end of August.

Chair McGuire asked about the amount of acre feet TMWA is able to recharge in underground storage and hydro generation. Mr. Hauck replied about 4,000 AF of recharge took place October to April last year, and the river flows have not been high enough to turn on the hydro plants.

Mike Pidlypchak referred to a press release regarding TROA and if it affects hydro generation rules. Mr. Foree replied TROA will affect TMWA's hydroelectric generation, which is one of things TMWA conceded for TROA, but it is a good return on investment by giving the community additional drought storage upstream. Hydro generation will be impacted by about 10-20 percent depending on the year. Mr. Erwin added that hydro plants will not turn on until the river flows reach about 210 cubic feet per second (cfs).

Jerry Wager asked if the aquifers lose storage capacity when TMWA injects water. Mr. Erwin replied the groundwater table in the Truckee Meadows Basin is flexible and resilient and the wells rebound.

Mr. Schmidt asked about the 10 percent impact on hydro generation and if it affects the annual budgeted revenues or if it is unrelated to dollars. Mr. Erwin replied it results in an approximately \$300,000-\$600,000 reduction, depending on the year.

Bob Chambers asked about the new development in the Truckee-Reno Industrial Center (TRIC) and if the water serving this area is provided by TROA. Mr. Foree replied it is a private groundwater system, with a couple of induction wells that use Truckee River rights.

****Jim Smith arrived at 3:20 p.m.***

6. PRESENTATION ON WATER DEMAND BY CUSTOMER CLASS

Shawn Stoddard PhD, TMWA Senior Resource Economist, provided an overview of how staff calculates water demand by customer class, which uses population projections and closely mirrors the results arrived at by the State Demographer's office. This reassures both TMWA and the State Demographer that even though they use different models, SS Model and Remy Model respectively, their results support their accuracy. This model is run every two years to update projection numbers.

Chair McGuire asked if there is a difference in the average household. Dr. Stoddard replied there is a different definition, but about 2.5 persons per dwelling unit, which is consistent with the Census.

Mr. Schmidt asked how much of the population is not served by TMWA. Dr. Stoddard replied TMWA serves about 80-95 percent of the population directly.

Dr. Stoddard reviewed the water use coefficients, which shows water use decreases over time. For TMWA's projection purposes, they assume that the average household will use about 144,000 gallons per year.

Mr. Schmidt asked about hardening lower level of demand. Dr. Stoddard replied demand has reached 160,000 gallons/year, but has held steady at 144,000 gallons, and it could reach 140,000 gallons.

Mr. Wager asked if it is more a function of smaller lot sizes rather than conservation. Dr. Stoddard replied, no, because the model is based on the entire inventory of single-family households and the older lots are included.

Mr. Wager inquired if the vast majority of flat-rate users were large lots. Dr. Stoddard replied no.

Mike Heffner noted the demand is a function of population, and population growth is a function of economic growth. The past may not be a good indicator as technology is growing more than the need for people to do the work. Dr. Stoddard replied that is correct, but his model has taken into account changes in technology and population as well as resources.

Discussion occurred regarding economic and population growth, and the technological impact.

Dr. Stoddard reviewed the 2015 conservation results. TMWA has a great customer base where the majority of people conserved when asked.

Mr. Christman reported on the current elasticity that looked at price survey conducted in partnership with the University of Nevada, Reno (UNR). Overall, customers will continue to use water as they did in 2015 regardless of drought conditions. Customers saw that using water more efficiently had no adverse effects on their landscaping and were able to achieve the 10 percent conservation goal.

Mr. Erwin reported that staff conducted a rate study, cost of service in 2011. At that time, the elasticity measure estimated was about 3.3 percent; changes in water use and patterns will have an effect on revenues.

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

Vice Chair Turner asked when the 2017-2021 Capital Improvement Plan will be presented. Mr. Tissier replied at the March meeting.

Mr. Tissier introduced Tabitha Carlisle, TWMA Financial Controller, as well as Michele Sullivan, TMWA Chief Financial Officer, who is replacing him and will be at the next meeting.

Mr. Schmidt asked if staff is planning for a rate hike. Mr. Tissier replied yes, and it is a result of conservation, not the merger, as well as the flat-rate conversion in October after the irrigation season.

Mr. Gescheider stressed a discussion on a rate increase due to conservation is essential. He commended staff on the letter sent to customers on the Mt. Rose Fan area and asked to see an update on the feedback from customers.

Future agenda items include:

1. Presentation on TMWA FY15 CAFR
2. 2016-2035 Water Resource Plan Update
3. TRIC Wastewater pipeline
4. Presentation on Augmented and Amended Budget for FY2016
5. Water Supply Update
6. Public process and the Mt. Rose Water Treatment Plant special use permit update
7. Discussion on potential rate increase

Mr. Turner read a brief article from the L.A. Times regarding the consequences of conservation efforts.

9. STAFF ITEMS

Sonia Folsom, TMWA SAC Liaison, introduced Bill Hughes who was appointed by the Reno-Sparks Chamber as its alternate representative to the Standing Advisory Committee. Ms. Folsom also informed the SAC that the TMWA Board of Directors may consider changing the process by which members to the SAC are recruited, selected and consider the possibility of term-limits at their upcoming Strategic Planning Workshop on February 5.

Mr. Gescheider pointed out that the Chamber has more than enough commercial representatives to appoint to the SAC for representation.

10. COMMITTEE ITEMS

Mr. Gescheider commented that the letter sent to customers on the Mt. Rose Fan was excellent.

11. PUBLIC COMMENT

There was no public comment.

12. ADJOURNMENT

With no further items for discussion, Chairman McGuire adjourned the meeting at 4:57 p.m.

Approved by the Standing Advisory Committee in session on _____.

Sonia Folsom, Recording Secretary

****Jim Smith was present for items 5 thru 12 only.***

DRAFT