



STANDING ADVISORY COMMITTEE

MINUTES

October 7, 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 3:02 p.m.

1. ROLL CALL

Members and Voting Alternates Present: George Ball*, Robert Chambers, Harry Culbert*, Larry Hunt, Carol Litster, Neil McGuire, Jonnie Pullman*, Fred Schmidt, Mike Schulewitch, Jim Smith, Ron Turner, and Jerry Wager.

Alternates Present: Karl Katt, Ken McNeil, Mike Pidlypchak, and Paul Rose.

Staff Present: Jack Byrom, Robert Charpentier, John Enloe, John Erwin, Scott Estes, Sonia Folsom, Mark Foree, Bill Hauck, Paul Miller, Kim Mazeret, Will Raymond, Shawn Stoddard, Jeff Tissier, and Legal Counsel Debbie Leonard.

Debbie Leonard, TMWA Legal Counsel, reminded SAC members to avoid having communications outside of meetings with regards to items on the agenda or that may appear on a SAC agenda in order to avoid deliberating outside of a public meeting, in violation of the Open Meeting Law.

Neil McGuire requested for the Members to inform Sonia Folsom, TMWA staff SAC Liaison, if they will be unable to attend the meetings.

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 SEPTEMBER 2, 2014 MEETING

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the minutes of the September 2, 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. Mr. Byrom stated that the shadowing and transition process has begun with Washoe County ("County") employees. He mentioned two critical items on the task list schedule: 1) the new customer service billing system is on schedule and; 2) the new Supervisory Control and Data Acquisition (SCADA) system is ahead of schedule and is now reading the Washoe County systems.

Mr. Byrom commented that the Fish Springs Water Supply Project has started operational testing and is a new optional groundwater supply source that will allow TMWA to provide water to the North Valleys in the future. He stated that the warehouse expansion project is scheduled to be completed by February 2015, and inventory and status of all developer agreements and projects have been completed, with staff beginning meetings with each individual developer.

Mr. Byrom added that the most critical area is the legal team led by Michael Pagni, with excellent cooperation from everyone involved. The legal list has increased to 60 tasks to ensure the entire closing process is completed properly, but staff on both sides have already completed 22 of those tasks.

Ron Turner expressed his concern if the County fails to do any of these items by December 31st. Mr. Byrom responded that the parties would have to discuss how to get these tasks done to complete the closing tasks. Mr. Turner asked who would be responsible to ensure they are completed. Mark Foree asked if Mr. Turner was concerned about the post-closing. Mr. Turner clarified his concern regarding STMGID customer deposits, abandonment of wells and excluded liability as well as financial matters. Mr. Foree replied that STMGID has until December 31, 2014 to dispose of their property and remaining STMGID property will transfer to TMWA after that deadline. Kim Mazeres added that all accounts receivable is the responsibility of STMGID and the County to refund the deposits to their customers. Mr. Turner inquired if the information will remain on their respective records at the County. Ms. Mazeres replied that is correct.

Mike Schulewitch added that Washoe County will write the customer deposit checks for both the County and STMGID customers.

6. PRESENTATION AND POSSIBLE DIRECTION WITH RESPECT TO THE FOLLOWING RULE AND RATE CHANGES NEEDED FOR MERGER:

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

John Erwin provided an overview of this agenda item. Mr. Erwin reminded the SAC members that the SAC deferred taking action on this item at its last meeting. Mr. Erwin mentioned that the TMWA Board of Directors moved these agenda items to a Second Reading at the October 15, 2014 Board meeting.

Jonnie Pullman asked for clarification about annexation and how TMWA is not obligated to provide water to an individual not in the service area. Ms. Pullman asked what the service area is with the merger and she was unaware of TMWA having the ability for annexation. Mr. Erwin responded that annexation applies to properties outside of the service area boundary; property owners who desire service from TMWA go through the application process, which includes annexing into the TMWA service area. This annexation applies only to water service and does apply to the local jurisdictions annexing land into their respective spheres of influence.

Mr. Turner asked about pages missing in the proposed rules. Mr. Erwin replied that he only included pages that had revisions.

Mr. Turner asked about Area 7 being referenced in relation to WSF and Verdi, but it was not shown on the map. Scott Estes replied that Area 7 does not exist yet, but will be added at a future date. Mr. Turner asked if it would be possible to add Area 7 right now or if staff will revise the map. Mr. Estes responded that Verdi is a large area, and the map will updated at a later date. There are no TMWA water facilities or TMWA customers in Area 7 yet. The boundary will be adjusted to include areas where water service is provided as customers are annexed and connect to the TMWA system. Responsibilities for water facility costs will be defined in the annexation agreements.

Mr. McGuire added that it is easier to read the proposed rules and rate schedules with the redlined version.

Ms. Leonard commented that this agenda item is designated for possible action, for the SAC to recommend that the Board accept Staff’s recommendation, if the SAC desired to make such a recommendation.

Mr. McGuire asked the Committee to tell the Board they like what has been accomplished and if they would like to recommend to the Board to approve the proposed rule and rate changes needed for the merger.

Mr. Turner stated there has been no discussion on Agenda Item 6.E. Mr. Turner asked if the

new Rule 10 was the County policy with only one small change to clarify the language. Mr. Enloe replied that is correct.

Mr. Turner asked about the two attachments (Forest Area Plan and Special Assessment District #5) to the Rule10 that were in the September 2 packet, but were not included in this packet. Mr. Enloe responded that the Special Assessment District was not included because customers still need to go to the County to apply for mitigation and staff did not see any reason to include it. Mr. Enloe added that the Forest Area Plan was not included because there was language the County adopted about management of the groundwater resource which led to confusion with this rule because the County's program has not included a management strategy, but has strictly been a financial mitigation program. TMWA will revisit the issues once the merger is completed.

Mr. Turner asked if residents and County approved the program that does not include the two attachments. Mr. Enloe replied that is correct and the Forest Area Plan was a reference document.

Mr. McGuire asked if once the merger is complete, can a domestic well owner, whose well has gone dry, sue TMWA to deepen their well. He added a customer stated her property values are going down and she will sue if TMWA doesn't guarantee recharge of the groundwater. Mr. Foree replied that TMWA is going to be the new administrator of the program. To his knowledge, the County has not been sued by anyone with regards to the program and if it happens at TMWA, we will defend ourselves. Mr. Foree added that the State Engineer is the authority when it comes to adjudication of water rights. Neither the County nor TMWA would be doing anything that is contrary to the State water laws that are administered by the State Engineer.

Mr. McGuire reiterated that TMWA needs to educate the general public on this issue. He added that TMWA is fair to everyone, is a great water company and partner, and would like to make sure this does not negatively impact, financially or publicly, TMWA in the future.

Mr. Turner asked if TMWA should take a proactive stance and challenge these arguments because TMWA has good arguments.

Mr. Enloe responded that TMWA has offered to work with a small group in the area and to educate them and to be open and transparent regarding the issues and the constraints everyone has to live with and work under.

Ms. Pullman added that she thinks Mr. Turner is saying that TMWA needs to put it in writing to challenge the accusations.

Mike Pidlypchak stated that he does not agree with putting something in writing to challenge the accusations because a lot of the accusations are perceptions and not necessarily truth.

Ms. Pullman added that the technical area is not her strength and defers to the Committee, but sometimes if a government entity does not say anything, it creates more distrust.

Mr. Schulewitsch commented on the Callahan Ranch area. He stated the belief is that more groundwater is going to be utilized due to the merger, but the truth is there should be a smaller dependence on the groundwater in the area due to the merger, and dependence in the area will be lessened.

Ms. Mazeres stated that TMWA has communicated with the Department of Water Resource (DWR) customers and domestic well owners in these areas, but more will be done post-merger.

Mr. Turner asked what TMWA would do if this letter of dissent is published in the Reno-Gazette Journal. Ms. Mazeres responded that TMWA has a strategy to deal with any negative publicity.

Mr. Tissier added that TMWA is precluded from spending any money on any issues outside of its jurisdiction. Once the merger is completed, TMWA has the funds to conduct the studies in the area to address the groundwater issues. He stated that TMWA has in its financial projections via its Capital Improvement Plan (CIP) to reevaluate its groundwater model under different assumptions.

****Ms. Pullman arrived at 3:08 p.m. during agenda item #6.***

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee voted to recommend to the Board of Directors approval of items 6.a thru 6.e related to the merger.

7. REPORT ON THE WATER SUPPLY AND CONSERVATION EFFORTS

Bill Hauck provided a brief overview of this agenda item. Mr. Hauck stated that TMWA is currently on an El Niño watch early this winter. He stated that the water consumption for the region is at 98.6% of last year and demands continue to decline at this time of year.

Ms. Pullman asked if the 98.6% water use compared to last year indicates that the request for the community to reduce their water use by 10% was successful. Mr. Hauck replied that no, that is not the case. He stated that it is 98.6% of last year and has factored in new services that have been added. He added that the total conservation for the first 10 weeks of the voluntary conservation program saw a five percent in total reduction, which is an estimated 7.5% of reduction in outdoor water use.

Jerry Wager asked if this was more of a result of lower temperatures and two rainstorms as opposed to public relations. Mr. Hauck and Ms. Mazeres replied that it is a combination of weather and customers complying with conservation requests. Mr. Hauck said it is hard to predict consumption at this time of year.

Ms. Mazeres added that they have not continued to ask for an additional 10% conservation. She stated staff decided it is not something they wanted to pursue at this time.

Paul Miller added that the operators saw how people positively responded to the request to conserve and now demands are continuing to drop because of weather and temperatures dropping.

Mr. McGuire added that if TMWA wanted to push the 10% conservation they could promote that it is now fall, and to save money, there is no need for as much water as is needed in the summer.

Mr. Hauck stated that he tracked water use after TMWA put out the request for 10% conservation and saw a more than a 10% difference from last year in the same week. He added that it resulted in more than 1,000 acre feet in water savings that can be used next year. Currently, TMWA is relying on reserves from Donner Lake where the total release is 35 cubic feet per second (cfs) and TMWA is taking about 15 cfs into the treatment plants.

Mr. McGuire asked how much Lake Tahoe went up after the last rainstorm. Mr. Hauck replied that it was very little since the storm did not go over Lake Tahoe.

George Ball asked if TMWA knew what water storage will be carried over into the next year. Mr. Hauck replied TMWA has used about 4,500 af, or 17%, of total drought reserves. He added that all the reserves will be replenished by next summer and even if there is another dry winter approximately 24,000 acre feet (af) will be available for next year's irrigation season. Ms. Mazereres added that this is another reason why TMWA has not requested more conservation.

Mr. Wager asked if TMWA were to compare, were the first three years of the last drought 20 years ago as extreme as these past three years. Mr. Foree replied that the 1990 to 1992 (the last three years of the previous extended drought) was very similar to the snow pack that we have had the last three years.

Mr. Wager added that he is a daily reader of the Reno-Gazette Journal and has noticed plenty of public concern, which seems more visible than it was for the last drought. He asked if it would be difficult to inform the community on how universal metering would impact everyone, since there was an editorial on the issue in the paper today. And would it be difficult to revisit some of the assumptions from 20 years ago with the current nine year plan. He added that TMWA is confident, but he is not sure if the public is especially with Tesla coming into the area, the relationship between development and drought supply is not so obvious.

Ms. Pullman agreed with Mr. Wager. She reiterated that there is a lot concern out in the community. She has had people ask her why TMWA is not requesting additional water conservation and being complacent. She added if it would be possible to increase/improve education because people think TMWA is complacent. Ms. Mazereres replied that it is a balancing act, but we do not want people to think we are not doing anything.

Mr. Foree added that TMWA has a water resource plan that is updated every three to five years, is based on the worst drought on record, and with an added ninth year for the drought plan and has within the plan a population projection for the next twenty years. He added that planning has been done for decades with experts on both sides of the Sierras, University of

Nevada, Reno (UNR) and Desert Research Institute (DRI) who conduct studies in relation to reasons to change planning based on global climate change, etc. The Water Resource Plan remains valid.

Mr. Hauck added that TMWA is federally mandated to operate in accordance with the required daily rate of flow at the CA-NV state line, which has to be met with water coming from Lake Tahoe and Boca Reservoir, which are both used to provide and meet the rate of flow.

Mr. Foree added that Truckee River Operating Agreement (TROA) has a large impact on TMWA and will provide the community with many benefits in terms of drought storage. When TROA is implemented, it will double TMWA's upstream drought storage.

Robert Chambers asked about the many experts writing letters to the editor that Tesla is going to take all of the water. Mr. Chambers asked about how much more TMWA can handle and whether Tesla is going to contribute to it.

Ms. Pullman added that sewage is a larger problem.

Ms. Mazeris replied that Tesla is not served by TMWA. Mr. Foree added that Tesla is served by a private system, Tahoe Reno Industrial Center (TRIC), mainly a groundwater system and some Truckee River rights. TMWA does not plan for that area as part of the Water Resource Plan, but affects from Tesla will be felt in the region.

Mr. Chambers was curious about the expansion of housing required to support Tesla. Ms. Mazeris replied that it is in TMWA's Water Resource Plan.

Mr. Pidlypchak added that the housing boom may not be here, but elsewhere such as Fernley or Dayton.

Mr. Foree added that Mr. Chambers' concern may be related to wastewater plants. That is a wastewater treatment/disposal issue over which TMWA does not have jurisdiction, but is under the jurisdiction of Cities of Reno and Sparks.

Mr. McGuire asked for clarification regarding universal meters. Ms. Mazeris clarified that it is customers who are on a flat-rate. Ms. Mazeris added that the Board may request staff to reconsider the flat-rate issue that was last looked at about five years ago. At the time, the Board said they would consider it, and TMWA did a lot of public outreach, but it was set aside because of revenue impacts and customer concerns. The Board said it would revisit the issue no sooner than June 2010, but no further action has transpired. Customers have continued to switch to the metered-rate due to moving into former flat-rate premises and by personal choice.

Ms. Pullman asked how many flat-rate customers are left. Ms. Mazeris responded that there are approximately 4,600 and Mr. Foree added that it is approximately six percent of residential customers.

Mr. Foree commented that the Fish Springs project will provide a large drought supply component upon closing of the merger that will allow TMWA to use that water right up to 8,000 acre-feet (af) a year for whatever purpose needed prior to being sold for development. This will be available as early as next summer if needed.

Mr. Foree addressed the question regarding the concern about having enough sustainable water supplies to support the population growth. He stated that there is a process in place which coincides with the Western Regional Water Commission (WRWC) consensus population forecast that is published by the Regional Planning Commission. The WRWC determines the amount of sustainable water resources required to support the population forecast. He stated that this has been done twice and in 2010 the County population forecast was 590,000 at year 2030 and the water resources required to support that were 142,000 af, but the sustainable water resources were determined to be 180,000 af. The most recent population forecast right now is approximately 560,000 at year 2034. TMWA's water resource plan feeds into the WRWC Water Management Plan to ensure there are sufficient sustainable water resources for population forecast and to address issues identified.

Mr. Hauck explained the elevation of Lake Tahoe is the lowest it has been in years with the most recent peak in 2011.

Mr. Wager asked if there was a normal snow pack this year, would it have less impact on ground and soil conditions. Mr. Hauck replied that depending on conditions, the majority of the snowpack could be absorbed and very little might be added to Lake Tahoe.

Mr. Wager inquired why staff is confident that Independence and Donner Lakes and other reservoirs would refill. Mr. Hauck replied that they are basing their assumptions on historical data for the last 100 years of runoff data there is a 100% chance staff will see 3,000 af going back into Independence Lake.

Ken McNeil asked what the financial impact of the drought was on TMWA with the generators offline and running the wells and pumps. Mr. Tissier replied that this is why TMWA retains cash reserves and staff is careful in making sure TMWA has excellent liquidity to take care of the issues with which it is faced.

Mr. McNeil asked what the extra expense TMWA is incurring having to run the wells and not the generators. Mr. Tissier responded that last year TMWA spent \$36.2 million on operating expenses and the FY15 budget, anticipating these conditions, increased to \$39.7 million which is a little high, but TMWA will see a 10% increase in operating expenses maximum in part because the wells are operating.

Mr. Foree added that there will be approximately \$0.5 million more in electrical costs than in previous years. Mr. Tissier added that there is a budget of \$5.3 million in FY15 and with utilizing well capacities water main leaks seem to increase.

Mr. McNeil stated he was happy that TMWA plans for such unexpected circumstances.

8. REPORT ON WATER QUALITY ISSUES AND DISCUSSION

Paul Miller reported on this agenda item. Mr. Miller provided an overview of everything staff does to monitor and report water quality in accordance with the state and federal standards. He added that TMWA's lab is certified by the State, has a broad range of capabilities, and staff works closely with TMWA's Operations and Customer Service. He stated that the Glendale Water Treatment Plant has a new lab that does EPA methodology 1623, which is giardia and crypto analysis for which only 22 labs in the country are certified to test.

Mr. Miller stated that in 2013 94% of water delivered to the area was surface water; 83.43% from the Chalk Bluff Water Treatment Plant and approximately 11% from the Glendale Plant.

Mr. Wager asked if TMWA has a long track record of non-detectable of chemicals that don't exist much in the watershed, and can staff reduce their sampling. Mr. Miller replied that is correct and staff can composite up to five sources at one time for sampling to reduce cost.

Mr. Miller stated that staff goes out every month to 180 different locations across the distribution system to ensure the highest water quality possible.

Mr. McGuire asked how many more wells TMWA is going to have to test per month with the new operation of DWR post consolidation. Mr. Miller replied that there will be 50 more wells, but there are 18 separate systems and separate testing will have to be done for each system. Mr. Miller added how TMWA is different from other utilities in that we have the ability to monitor crypto and giardia.

Mr. Wager asked what the confidence level was for crypto sampling. Mr. Miller responded that 10 liter sample once per month out of billions of gallons. Will Raymond added that it is a more precise method now with an enhanced EPA methodology, which is a good thing.

Mr. Wager asked if the treatment costs are increasing with little return. Mr. Miller replied that treatment costs do increase, because there is backwashing a little sooner and vigilance is high on keeping settled water turbidity low, and not letting treatment slip. Mr. Miller stated that operational costs may be a little bit more because staff is keeping on top of the chemicals so as to never have a breakthrough; therefore, it is better to stick to a higher standard.

A member asked when there is a storm and the Truckee River turns brown, if that is a problem in trying to achieve low turbidity. Mr. Miller replied that yes, it is a problem, but we are prepared for it.

Mr. Miller reported that TMWA's Water Quality Department goes above and beyond what is federally regulated and mandated. The concern with taste and odor is a reoccurring issue for TMWA and it is created by blue-green algae. With the low river flow and temperature increasing, staff takes samples to monitor blue-green algae and send it out to a specialty lab to test.

Mr. Turner asked if Washoe County is part of the Partnership for Safe Water. Mr. Miller replied

no. Mr. Turner asked if they do these monthly reports like TMWA and if so, is staff as comfortable with their reports. Mr. Miller replied yes.

****Mr. Ball left at 4:30 p.m. during agenda item #8.***

****Mr. Culbert left at 4:45 p.m. at the end of agenda item #8.***

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

1. Provide Consolidation Progress Report
2. Report on Water Supply
3. Present TMWA's Vision, Values and Business Objectives

10. STAFF ITEMS

There were no staff items.

11. COMMITTEE ITEMS

There were no committee items.

12. PUBLIC COMMENT

There was no public comment.

13. ADJOURNMENT

With no further items for discussion, Chairman McGuire adjourned the meeting at 4:50 p.m.

Approved by the Standing Advisory Committee in session on Tuesday November 4, 2014.

Respectfully submitted,

Sonia Folsom, Recording Secretary

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

* Member Ball was present for items 1 through 8 only.

* Member Culbert was present for items 1 through 8 only.