



STANDING ADVISORY COMMITTEE

MINUTES

December 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 3:03 p.m.

1. ROLL CALL

Members and Voting Alternates Present: Rebecca Allured*, George Ball, Robert Chambers, Harry Culbert, Bruce Gescheider**, Colin Hayes, Carol Litster, Neil McGuire, Jonnie Pullman***, Fred Schmidt, Mike Schulewitch, and Ron Turner.

Alternates Present: Ben Hutchins, Mike Heffner, Larry Hunt, Karl Katt, Ken McNeil, Mike Pidlypchak, Paul Rose, Jim Smith, and Jerry Wager.

Staff Present: Jack Byrom, Robert Charpentier, Scott Estes, Sonia Folsom, Mark Foree, Bill Hauck, Kim Mazeres, 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 4, 2014 MEETING

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the minutes of the November 4, 2014 meeting.

***Bruce Gescheider was present for items 4 through 17 only.**

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 (STMGID) WATER UTILITIES

Jack Byrom provided a brief update on the merger status. Mr. Byrom reported that staff has continued to make very good progress in completing the tasks for the consolidation/merger. There have been three board meetings with Washoe County, TMWA, and STMGID and at those meetings six more critical Inter-Local Agreements/ordinances and resolutions have been approved. Also, in December staff will be working on the closing documents for escrow.

He informed the Committee that the process is going well and that:

- The new customer service billing system has been successfully implemented;
- The new Supervisory Control and Data Acquisition (SCADA) system polling signals have been transitioned to TMWA successfully and implemented;
- The onboarding activities continue, with shadowing and training successfully underway;
- The Fish Springs project has been operating for 60 days supplying water to the Stead area;
- The warehouse expansion project is on schedule with a March 2015 in-service date – starting to incorporate inventory from the County over into TMWA’s system;
- As of November 3, 2014 all new business has been coming to TMWA;
- 45 out of 275 tasks remain to be completed; and
- 60 post-merger tasks have been identified.

Mr. Byrom concluded there has been a great effort by all parties involved in the process. By the next SAC meeting, he should be able to report a successful closing of the merger and consolidation.

Fred Schmidt asked what the collective amount of water rights would be post consolidation and how much of a ‘bank’ will TMWA have. John Erwin replied in terms of a ‘bank’, they have a bank for the benefit of some private or third parties. Although the County does ‘bank’ water the total number of water rights banked is very hard to discern because many of the permits coming over are combined duty permits. He stated in TMWA’s Rule 7, there are over 7,000 acre feet (AF) available to sell will-serve commitments against.

Mr. Schmidt asked if the developers would be bringing their own water rights or will they be taking them out of the County. Mr. Erwin replied that most of the large developers have water with the County that will come to TMWA after the merger, and TMWA will manage it for them. Outside of that, anyone in STMGID, the new Hidden Valley, Double Diamond and Spanish Springs can purchase a will-serve commitment out of Rule 7 or buy water rights in the open market.

****Rebecca Allured was present for items 5 through 17 only.**

6. PRESENTATION OF UNAUDITED FINANCIAL REPORT FOR FY2014

Debbie Leonard, TMWA's Legal Counsel, stated this agenda item will not be heard at this meeting as there was a discrepancy with the identified agenda item and the staff report. The correct agenda item, "Presentation of First Quarter FY2015 Financial Report" will be presented at the January 6, 2015 Standing Advisory Committee meeting.

Mark Foree added that unaudited financial report for FY2014 had already been presented at the September 2 meeting.

7. REVIEW AND POSSIBLE RECOMMENDATION TO BOARD IN REGARD TO THE PHASE 3 RATE ADJUSTMENT PREVIOUSLY ADOPTED BY THE BOARD IN JANUARY 2012

Mr. Erwin reported that staff is recommending to not implement the Phase 3 rate adjustment.

Mr. Schmidt asked for confirmation that the original Phase 3 rate increase, which was scheduled for February 2014, did not occur, but was postponed and now, staff is recommending not to implement the third phase at all. Jeff Tissier replied that is correct.

Mr. Schmidt congratulated TMWA staff on doing a great job and making the decision to not implement the Phase 3 rate adjustment. He suggested that TMWA have a full year of post-merger operations before reviewing the status of another rate adjustment. He asked if the merger is going to change their financial target. Mr. Tissier replied no.

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee recommended to the Board not to implement the Phase 3 rate adjustment previously adopted by the Board in January 2012.

8. PRESENTATION OF PROPOSED BUDGET AUGMENTATION FOR THE CONSOLIDATED WATER UTILITY

Mr. Tissier reported on this agenda item. He stated the proposed budget augmentation is to provide expenditure authority for operations going forward from January 1, 2015 to June 30, 2015 and reflects prospective revenues and expenses.

Mr. Schmidt asked why this agenda item is for possible action. Mr. Tissier replied it is to tell the Board that the SAC agrees with the augmentation and TMWA can provide expenditure authority going forward on the consolidated budget.

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee recommended to the Board approval of the proposed Budget Augmentation for the consolidated water utility.

9. REPORT ON THE WATER SUPPLY, INCLUDING OVERVIEW OF THE TRUCKEE RIVER OPERATING AGREEMENT (TROA)

Bill Hauck presented the update on the water supply and on the operations this year. Mr. Hauck stated TMWA operated normally until the end of July when staff needed to augment supply by pumping groundwater and release water from upstream drought reserves. Currently, TMWA is down to only three wells online for meeting demand.

Mr. Schmidt asked if the region receives two inches of rain, does that mean Lake Tahoe increases by two inches. Mr. Hauck replied no, there is not a direct correlation between rainfall to changes in Tahoe elevation.

Mr. McGuire asked if it had to do with hydration of the soil. Mr. Hauck replied that is correct, there are many factors to consider, and it is difficult to project how much Lake Tahoe's water level will increase.

Mr. Hauck reported TMWA only used 18 percent of total upstream drought reserves. This translates to 2,600 AF released from Donner Lake, 800 AF from Boca Reservoir, and 1,500 AF from Stampede Reservoir. A total of 4,900 AF drought reserves were released this summer to meet customer demands. TMWA staff is confident the 4,900 AF of reserves used will be replenished and will have approximately 27,500 AF of water stored upstream at the beginning of 2015 irrigation season, similar to the start of 2014 irrigation season. He confirmed TMWA has the right to use approximately 16,000 AF of groundwater and for three consecutive dry years in a row is permitted up to 22,000 AF; it is projected the region will use 11,000 AF of groundwater this year. He stated that overall the region will use approximately 1,500 AF less this year than last year in total.

Around August 1st, TMWA requested customers to cut back on outdoor water usage by 10 percent in response to the drought. He stated the conservation messaging was very strong for August and September, and the results show an overall 7.5 percent reduction in outdoor water use, which equates to a savings of 350 million gallons, about 1,100 AF, of water. That is enough to serve 2,800 households for a year. Staff saw an eleven percent reduction in water use by residential metered customers for the months of August and September and the flat-rate customers reduced their water use by sixteen percent. The results for the other customer classes have yet to be assessed. He stated TMWA was able to use less than one-fifth of upstream reserves, which can be recharged in any given year.

Mr. Hauck provided an overview of the present upstream reservoirs storage situation, that the current rate of flow is not meeting Floriston rates and there is a lot of speculation regarding the winter weather forecast. He presented snowpack data for the last thirty years for the Truckee River Basin, which ultimately shows that the chance of having a wet winter versus a dry winter is the same.

Jerry Wager asked who controls the release of water from the reservoirs. Mr. Hauck replied that TMWA operates Donner and Independence Lakes, but the Federal Bureau of Reclamation controls Boca, Stampede and Prosser reservoirs.

Mr. Wager asked what percentage of water use is outdoor usage. Mr. Hauck replied that water use can be up to four times higher in the summer than in the winter. Mr. Foree added

that over the course of a year, outdoor versus indoor water use is about fifty-fifty. Mr. Wager inquired if it is possible to breakdown what the outdoor water usage is used for. Mr. Hauck replied there is no way to break it out.

Bruce Gescheider mentioned the Reno-Gazette Journal (RGJ) article that covered the 7.5 percent reduction in water use indicated that water use was split between residential and commercial customers. Mr. Gescheider inquired what the real numbers were for water used and if staff have rethought TMWA's approach for commercial conservation, if that is an issue to focus on. Mr. Hauck replied that there is a month lag in the billing and staff just completed the analysis of flat-rate customer usage information.

Kim Mazeres added that staff saw a one-month lag for commercial and irrigation customer's reduction in water use from the time that TMWA requested 10% conservation. Although in August, TMWA did not see a lot of conservation by commercial and irrigation customers, in September, there was some conservation. Overall, however, these groups of services did not save as much as the residential class. Going forward, TMWA will adjust the conservation message for these particular classes.

Mr. Gescheider asked if TMWA has the numbers for the commercial class. Mr. Erwin replied that the 7.5 percent is the aggregate production number year over year, 2013 compared to 2014. Mr. Foree added that this is skewed because a few non-potable customers went back onto TMWA's system, for example Caughlin Ranch and Reno High School, and they used about 50 million gallons in the months of August and September, and this is part of the irrigation numbers.

Mr. Gescheider stated that, based on the RGJ article, the public perception of the commercial customer class needs to be corrected. He stated that another issue is the meter versus non-meter customers. Mr. Gescheider suggested that if the commercial class had a lag, they need to have their own 10 percent conservation effort program. He explained his concern that this may result in avoiding grass and turf altogether, especially with more than one Board member calling for reexamination of development policies as it impacts landscaping. Mr. Gescheider commends TMWA's position on conservation and responsible landscaping, such as xeriscape.

Mr. Schmidt pointed out that the perception is that, since the 10 percent was not reached, something is wrong, but it is more complicated. Mr. Foree explained when the RGJ contacted staff regarding the article; staff only had total production numbers.

Mr. Gescheider asked for clarification regarding the "discrepancy" with the percent of water usage reported. Mr. Erwin stated the easiest number to use is the production number and the hardest is the actual usage number because TMWA only does readings Monday through Friday and not Saturday or Sunday. He stressed the SAC's comments are well taken and well placed, and staff is still examining the data.

Mr. Schmidt asked if the RGJ has any more interest after the story, once staff has the final information, to revisit the story with the RGJ. Ms. Mazeres replied they have an editorial board meeting scheduled for December 10 and their intent is to revisit the story.

Mike Heffner asked about a possible story on the top 100 water users printed in the RGJ. Ms. Mazerer replied that the story went no further.

Mr. Gescheider asked if the Board directed staff to convert all remaining flat-rate customers to meters. Ms. Mazerer replied no, but the Board did direct staff to bring the Board a plan so it can decide whether or not to convert all remaining customers to meters.

Mr. McGuire asked how many flat-rate users remain, how many have checker meters and if all flat-rate customers were included in the 16 percent reduction in water usage. Ms. Mazerer replied it is approximately 6,400 and all but 250 customers have checker meters. Mr. McGuire expressed his interest in understanding the data sample because he knows the habits of these customers and believes something may be skewed.

Mr. Wager asked what percentage of water usage is commercial. Mr. Erwin responded with the latest update on customer data they have through to October and provided an overview of the water usage data for the different customer classes.

Mr. McGuire inquired if, in a couple of years, staff would be able to provide water usage numbers for STMGID, Washoe County and TMWA. Mr. Erwin replied they are preparing to monitor such data because it will be informative for all involved.

Mr. Schmidt asked about staff making a recommendation about converting flat-rate customers to meter. Ms. Mazerer replied that the Board approved a goal to determine what they will do with the remaining flat-rate customers. Staff will present to the Board two timelines, with a variety of options for customer groups.

Ms. Leonard interjected at this time stating this item currently being discussed is not on the agenda and further discussion would require including this on a future agenda.

Mr. Gescheider stated that the Committee has already taken a position on this. Mr. McGuire replied yes and the Board ignored it.

Mr. Gescheider stated it would be appropriate to take the same position again right now. Ms. Mazerer replied yes, but this is not an action item.

Ms. Leonard proposed that staff begin presenting the overview of TROA.

Mr. Gescheider added one final comment regarding the impact on commercial customers and the systems they control. He stated they have ended up going to the Homeowners Association boards because there is a lag time and have been told they need more time.

Mr. Erwin provided a brief overview of the Truckee River Operating Agreement (TROA). He explained that TROA is an outcome of a preliminary negotiated settlement signed in 1989 where the intent of the agreement was to settle numerous issues regarding Truckee River reservoirs, water rights, and water supply. Negotiations began in the 1990's and led to a final agreement in September of 2008. When implemented, TROA will allow for increased water storage, change the operations of the Truckee River system and improve operations overall. He referred to various sections that may be of interest (Articles 6, 7, 8, and 9) for the members to read from TROA.

Ken McNeil asked if Article #6, which states California water rights have a higher priority than in Nevada, is true because California established its rights prior to any rights established by

Sierra Pacific. Mr. Erwin replied that there are diversions in California, but 10 percent of the water of the Truckee system is going into California for their purposes predominantly within the Truckee-Donner Public Utility District usage area and within the Tahoe Basin itself.

Mr. Schmidt inquired about the major benefits of the agreement actually going into effect and resolving the issues, and what changes are to be expected. Mr. Erwin replied that TROA fixes, in perpetuity, the California-Nevada allocation of waters of Lake Tahoe and the Truckee River, which is significant, and sets forth the recognized rights of the various parties. It changes the operation of the river from a rigid system established back 1937, since the Truckee River has to have a certain rate of flow of water crossing the California-Nevada Stateline, to being able to release the water when it is needed, as well as protecting the water rights of the various users on the system and improves water quality.

Mr. Foree added that TROA also increases drought storage. Mr. Erwin agreed and added that it eliminates all the legal challenges they have faced since the 1960's when Stampede Reservoir was finished but then the United States appropriated the reservoir's use for fish recovery purposes. The interim contract that allows TMWA to store water in Stampede reservoir expires at the end of 2019, which expedites the need to implement TROA. He explained it will increase the ability to store more unexercised irrigation water rights upstream and build up reserve amounts needed either for drought or fish recovery purposes.

Mr. Turner asked about Article #2, financial responsibility for implementation of storage needs and habitat. Mr. Erwin replied there are three parties who are responsible for paying for TROA, the United States (40 percent), Nevada (40 percent) and California (20 percent).

Mr. Turner addressed the staff report regarding statements about the final steps to implement TROA and wanted some clarification. Mr. Erwin provided an overview of the final steps.

Ms. Pullman inquired where the money was coming from the continued Truckee Carson Irrigation District (TCID) appeals. Mr. Erwin replied from the fees TCID collects from its customers: farmers who irrigate land within the Newlands Project.

Mr. McNeil asked if someone could capture the unappropriated flood water and say they wanted to establish a right to use it. Mr. Erwin replied that it is no longer possible because the parties agreed that the unappropriated flood water belongs to Pyramid Lake Paiute Tribe (PLPT).

Mr. Schmidt asked how TCID benefits from TROA not being finalized. Mr. Foree replied that TCID has been told it will lose something with TROA being implemented. Neither TMWA staff nor the other parties agree with this. In fact, TCID could have benefited from TROA through, for example, upstream storage had it stayed in negotiations with the other parties. Mr. Schmidt stated it is not the issue of use it or lose it but rather a water rights issue. Mr. Erwin agreed.

Mr. Turner asked if TCID provided its opening brief in the appeal on October 28, 2014. Mr. Erwin responded that staff has not seen it if it has been filed.

Mr. Turner asked if any other interested parties filed any protests within 30 days after September 29, 2014. Mr. Foree responded yes, there is a group within the Pyramid Lake

Paiute Tribe (PLPT) protesting the PLPT application to move unappropriated water into storage.

Mr. Erwin stated that the September 30, 2014 decision was appealed to the Ninth Circuit Court of Appeals, and TCID has not yet filed a petition to stay the district court's decision. Therefore, staff is going forward with plans to implement TOA and is looking to an April 1, 2015 implementation date.

Mr. Schmidt asked about the status of the obligation to come up with 6,000 AF of water rights and who will bear the cost. Mr. Erwin replied that the Cities of Reno and Sparks and Washoe County made a commitment to supply 6,700 AF as part of the water quality component of TROA. They have acquired about 3,400 AF within the various jurisdictions and need 3,000 AF more.

Mr. Schmidt asked if TMWA's pot of 7,000 AF is to be used for any other purpose. Mr. Erwin replied not at this time, not at a price of \$7,700 per AF. Mr. Schmidt asked if the local governments will compensate TMWA if that were the case. Mr. Erwin replied that is correct.

*****Jonnie Pullman was present for items 9 through 17 only.**

10. UPDATE ON STANDING ADVISORY COMMITTEE MEMBERSHIP

Sonia Folsom, SAC Liaison, referred to the SAC Membership chart, which identified the committee members whose terms were expiring on December 31, 2014. Ms. Folsom stated that of the 23 current members, 17 have terms that are expiring. Upon contacting each of these members, she was pleased to report that all members have accepted the invitation to continue for an additional term of two years.

Staff's proposal regarding SAC membership that staff will present to the TMWA Board consists of the following:

- The Wholesale customer representative will now be Sun Valley General Improvement District only. Upon closing of the merger on December 31, 2014, the Washoe County Department of Water Resources will no longer exist as a Wholesale Class.
- Neil McGuire, primary representative of the Irrigation Class, has accepted his re-appointment for an additional term, and Mike Heffner will continue as alternate.
- Kevin Haddock, primary representative of the Commercial Class has agreed to continue and Pat Martinez will continue as alternate.
- Bob Chambers, primary representative of the Senior Citizen Class, has accepted his reappointment for an additional term, and Karl Katt will continue as alternate.
- Paul Rose has agreed to continue as the alternate representative of Residential Class 1, and Carol Litster has agreed to continue as secondary alternate.
- Harry Culbert, primary representative of Residential Class 2, has agreed to continue. Mike Pidlypchak will continue as alternate and Ken McNeil will continue as secondary alternate. Lee Leighton has agreed to continue as third alternate.
- Primary member of the Residential Class 3, Rebecca Allured, has agreed to continue. Jerry Wager will continue as alternate and Mike Schulewitch has agreed to continue as secondary alternate.

- NNWPC will decide at its December 3rd meeting whom it will (re)appoint as a primary and alternate member.
- Reno-Sparks Chamber will be appointing an alternate member shortly.

Mr. Schmidt asked about an economist on staff at the Bureau of Consumer Protection (BCP) who is interested in becoming a member on the committee. Ms. Mazeres said that he can contact Ms. Folsom.

11. PRESENTATION OF 2015 MEETING SCHEDULE

Ms. Folsom presented the proposed 2015 SAC meeting schedule, based on a continuation of meeting on the first Tuesday of each month. She confirmed that staff could cancel or reschedule SAC meetings as needed once the year progressed.

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the Standing Advisory Committee 2015 Meeting schedule.

12. PRESENTATION OF THE FLEISH HYDRO TUNNEL VIDEO

Robert Charpentier presented the Fleish Hydro Tunnel video. Mr. Charpentier explained the video demonstrates the timeline of the entire project ending with the 'hole-through' of the tunnel. He stated the video was prepared for the contractor's 'hole-through' party.

Mr. McGuire asked staff if they were going to sell the material from the flumes. Mr. Tissier replied yes, they have potential salvagers to see if they can mitigate the price.

Mike Pidlypchak mentioned that when he worked in the field the craftsmen work completed in the rocks were made with extreme precision. He said they re-used the original cut outs for the purpose of replacing the posts because they could not replicate that workmanship.

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

1. Provide Consolidation Progress Report
2. Report on Water Supply and Demand Management efforts
3. Presentation of First Quarter FY2015 Financial Report
4. Election of Officers
5. Report from the Board regarding the flat rate and metered rate issue
6. Report on the Fire Hydrant Maintenance program

Other potential future agenda topics:

7. Discussion of Water Resource Plan – NNWPC developed 5 year water plan (presentation to the SAC from Jim Smitherman) (February Agenda?)
8. Water consumption - Comparison of consolidated use versus TMWA with past years (future agenda)

14. STAFF ITEMS

There were no staff items.

15. COMMITTEE ITEMS

There were no committee items.

16. PUBLIC COMMENT

There was no public comment.

17. ADJOURNMENT

With no further items for discussion, Chairman McGuire adjourned the meeting at 5:06 p.m.

Approved by the Standing Advisory Committee in session on January 6, 2015.

Respectfully submitted,

Sonia Folsom, Recording Secretary

***Bruce Gescheider was present for items 4 through 17 only.**

****Rebecca Allured was present for items 5 through 17 only.**

*****Jonnie Pullman was present for items 9 through 17 only.**