INTEGRATED RESOURCE PLANNING
ADVISORY COMMITTEE MEETING SUMMARY

June 27, 2012, 4:00 p.m.

Colorado River Conference Rooms, Southern Nevada Water Authority
100 City Parkway, Seventh Floor, Las Vegas, Nevada

Members Present	Thalia Dondero	Bobbi Miracle
	Bob Ferraro	Phil Ralston
	Mike Forman	John Restrepo
	Warren Hardy	David Scherer
	Katherine Jacobi	D. Taylor
	Carol Jefferies	Danny Thompson
	Bob Kasner	Virginia Valentine
	Jennifer Lewis	
Members Absent	Tom Burns	Dwight Jones
	Kirk Clausen	Otto Merida
	Garry Goett	Scot Rutledge
Staff Present:	Pat Mulroy	Zane Marshall
	John Entsminger	Ken Albright
	Rick Holmes	Ron Zegers
	Phil Speight	Gina Neilson
	Greg Walch	Bruce Moore
	Julie Wilcox	Andy Belanger
	Scott Krantz	Katie Horn

PUBLIC COMMENT
There was no public comment.

SUMMARY OF ACTIVITIES
The Southern Nevada Water Authority's (SNWA's) Integrated Resource Planning Advisory Committee (IRPAC) met for the first time on Wednesday, June 27, 2012. The meeting began at approximately 4:10 p.m. A list of attendees is provided in Attachment A.

Welcome and Introductions: Pat Mulroy welcomed committee members and introduced key staff including John Entsminger, Julie Wilcox, Greg Walch and Katie Horn. The committee members were then asked to introduce themselves. Following committee introductions, Pat Mulroy introduced Dave Ebersold, Independent Facilitator from CDM Smith, Inc.

Overview of Nevada's Open Meeting Law: Greg Walch, General Counsel gave an overview of Nevada's Open Meeting Law. He stated that IRPAC is a public body to which Nevada's open meeting laws apply. Additionally, open meetings and an open dialogue are crucial to the success of this entire

venture. To ensure that the committee's recommendations get the respect they deserve among the community, it is very important that every member of the public knows the content of the committee's discussions and the basis of the conclusions reached.

Mr. Walch said there are four basic principles of Open Meeting Law that must be complied with: (1) advance notice of meetings; (2) clear, concrete and concise articulation of the matters on the agenda; (3) public comment and (4) minutes.

Consequences for a failure to comply with those principles include voided recommendations, fines and/or misdemeanor penalties for any knowing violation of open meeting laws. These situations are easily avoided, however, if four basic rules are followed.

1. A quorum is a simple majority or 11. Eleven committee members cannot get together in the absence of notice to talk about issues. Additionally, the committee must avoid "a walking quorum," in which small groups, making up a quorum, deliberate outside of an open meeting.

2. Stick to the agenda. Open Meeting Law requires that agenda items be noticed clearly and concisely. There are two principle rules as defined by the Attorney General and the Supreme Court. The Attorney General has said if a topic of discussion can be reasonably inferred from an agenda item, then you can discuss it. However, if it cannot be reasonably inferred that a topic will be discussed by the committee, discussion is prohibited.

3. Public comment. There is a period set aside for public comment at the beginning and end of each meeting. The committee, however, cannot deliberate on the comments received. Committee members can discuss them with the public commenter. If the committee wants to further evaluate the item, it can be placed on a future agenda.

4. Heed the advice of counsel. The committee was advised to call staff or Greg Walch with any questions.

Receive an Overview of the Southern Nevada Water Authority's history and key initiatives. Pat Mulroy explained what an integrated resource planning (IRP) process is, and that it is a tool used by water and power utilities nationwide. The process considers all facets that constitute the utility's job, including resources and facilities. Only after consideration of the resources and facilities can development of a funding plan begin. Ms. Mulroy noted this is the third IRP committee that the SNWA has implemented.

The SNWA serves two million residents and nearly 40 million visitors each year. The SNWA's responsibilities include managing water supplies, implementing conservation programs, building and operating facilities, developing resources for long-term water planning and meeting state and federal water-quality standards. In one of the committee's first sessions, it will have a discussion about the difference between the SNWA and the retail agencies. The SNWA is the wholesaler and the water-resource manager for Southern Nevada. Its member agencies are retail agencies that serve customers, collect bills and maintain the retail/distribution portion of the system.

Since the SNWA's formation in the early 1990s, Southern Nevada's population went from approximately 750,000 residents to 1,370,000 residents in 2000. Southern Nevada has doubled twice (once in each decade), and this phenomenal amount of growth has driven significant facility construction.

When the SNWA was first created, the community was experiencing a period of explosive growth, and it was anticipated that Southern Nevada could not meet water demands for much longer. Southern Nevada was rapidly using up Colorado River resources. Masterplanned communities, such as Green Valley and Summerlin did not exist. The landscape looked significantly different than it does today. It became apparent that the resources available at that time were inadequate to sustain those levels of growth.

Shortly after the SNWA's formation, it established the Integrated Resource Plan Advisory Committee (IRPAC). In 1995, IRPAC presented its recommendations to the SNWA Board of Directors. In 1996, a subsequent planning process and recommendations developed the funding plan for new regional water facilities and water quality efforts, as recommended by the committee.

Ms. Mulroy noted that committee recommendations are used as the foundation for the strategic plan going forward. She stated that recommendations adopted by the Board of Directors become SNWA's marching orders.

Key IRPAC recommendations adopted by the SNWA Board include:

- Seek permanent long-term water supplies
- Place priority on development of Colorado River water
- Implement a water facilities program that is phased and expandable to respond to future uncertainties
- Expand the existing Southern Nevada Water System to 600 million gallons per day
- Build a new treatment and transmission facility that is big enough to be reliable and to provide backup capability in the event of a catastrophic failure

As part of IRPAC's second planning process, recommendations were developed specific to funding new regional facilities (how to pay for $2.5 billion dollars of infrastructure). Ms. Mulroy noted the community's mantra at that time of "growth pays for growth." The committee was clear—they wanted growth to pay for future facilities needed to meet demand.

Fifty-seven percent of the costs needed to construct regional water facilities were to be paid by connection charges. When that was modeled, it was based on two- to four-percent growth. In addition, there would be a regional commodity charge of $.05 (that would make up 10 percent) and a regional reliability surcharge (a percentage of a customer's bill). A residential customer pays a reliability surcharge of .25 percent of their total bill; a commercial customer pays 2.5 percent. At the time, the IRPAC concluded that commercial customers needed more reliability than residential customers did.

Finally, the IRPAC committee recommended the establishment of a quarter-cent sales tax. The sales tax was designed to recover monies from Southern Nevada's millions of annual visitors who also benefit from a reliable water supply.

Ms. Mulroy then began discussing Southern Nevada's water resources. The community's most significant resource, the Colorado River represents the majority (approximately 90 percent) of Southern Nevada's water supply. The river is the water supply for 27 percent of the United States' gross domestic product, and represents a quintessential piece of the national economy. Furthermore, the river is a lifeline that permits a desert lifestyle. When the drought hit in the late 1990s, it changed everything. All of the water resources that were negotiated during that time evaporated within a six-month period because Lake Mead was dropping and surplus water was disappearing. Southern Nevada had to make a dramatic course shift.

Drought acted as a catalyst for the SNWA to initiate a second IRP planning process. The 2000 Water Resource Plan approved by the SNWA Board of Directors that gave this community a 50-year water supply was obsolete only two years later due to drought. The SNWA was going to have to submit a Water Resource Plan to the State Engineer that showed a hole in the resource portfolio.

To help the SNWA respond to the drought, the community was brought together a second time to look at the water resource issues facing Southern Nevada and consider possible recommendations. The Integrated Water Planning Advisory Committee (IWPAC) was comprised of 29 stakeholders. Because the SNWA needed to replace a significant amount of Colorado River supplies with water separate and apart from the river, the SNWA reconsidered its in-state resources. The committee included representatives from Lincoln, Nye and White Pine counties and the Moapa and the Virgin Valley water districts.

In 2005, that committee brought recommendations that have been SNWA's blueprint up to today, which included facility improvements necessary to continue to meet the community's demands through drought:

- Add a snorkel to Intake No. 1
- Increase pumping capacity at Intake No. 2 in the event that Intake No. 1 becomes non-operational due to lowered lake levels

Ms. Mulroy noted that the current advisory committee will learn about the existing makeup of Southern Nevada's water system, including the two existing intakes at Lake Mead. In addition, the committee will receive information about the likelihood of losing the upper intake, which represents 40 percent of existing capacity.

Ms. Mulroy returned to discussing the history of the SNWA, and discussed the timing of Southern Nevada's economic decline during the drought. As a result of economic conditions, sales tax collections significantly declined and regional connection charges plummeted from a high in 2006 of $188 million to a low of $3 million in 2010.

She noted the SNWA's commitment to previous committee recommendations and the SNWA's ability to maintain a fund reserve despite economic hardships. For the last four years, the community has benefitted from that reserve. Future meetings are expected to demonstrate how the SNWA would be facing greater financial problems if the organization had not maintained a reserve. Due to healthy

reserves, the SNWA was able to stave off a rate increase for three years. The organization deferred a lot of growth-related capital ($400 million) and re-tooled Intake No. 3.

Eighty-five percent of the SNWA's costs are fixed; the majority of expenses is a large mortgage payment (debt service). Ms. Mulroy expects the committee to spend a lot of time evaluating funding options to develop a fair and equitable funding formula.

Ms. Mulroy concluded her presentation and asked the committee for questions. Phil Ralston asked if the committee will evaluate the fair way to handle raising the necessary capital. Ms. Mulroy answered in the affirmative, stating that the committee will grapple with a couple of facilities that will be affected by a deepening of the drought and a debt spike in 2016 that will have to be addressed.

Thalia Dondero asked how the SNWA works with the State Department of Water Resources because of local groundwater wells. Ms. Mulroy stated that the SNWA continues to work closely with well owners and indicated that local groundwater resources and the SNWA's Groundwater Management Program are topics that can be discussed by the committee. Ms. Mulroy went on to state that if a well is close enough to the system and fails, the State Engineer requires the well owner to connect to the regional system.

There were no more questions from the committee relative to the SNWA's history and key initiatives.

Receive an overview of the committee process.

<u>What is an IRP Plan?</u> Mr. Ebersold explained that an IRP Plan represents a long-term strategy that includes a diversified mix of water supply and water conservation to meet current and future needs while also addressing other multiple criteria. Mr. Ebersold noted that IRP planning does not only consider cost, but also reliability, water quality, etc. An IRP explicitly considers risk and uncertainty. Mr. Ebersold noted the uncertainty of water resource planning, such as the timing of the next drought and its duration. In the face of that uncertainty, the committee is tasked to develop recommendations that consider the appropriate amount of risk to handle those situations in Southern Nevada.

<u>Why is an IRP needed?</u> Mr. Ebersold reiterated that securing reliable supplies for the future is a long-term process. Integrated resource planning and the recommendations that come from them cannot be implemented overnight.

<u>Scope of the Committee</u>: The committee will be dealing with water issues and funding issues.

Water Issues:

- Understand existing water supplies and facilities - How did the SNWA get the facilities and supplies it has and why are they what they are. Mr. Ebersold promised that this topic will be addressed through a series of technical presentations and tours.
- Accessing future supply and facility needs. What is anticipated in the future in terms of growth, hydrology, etc. How do we deal with those things in the future?
- What are the multiple criteria that should be used to evaluate future supply and facility needs?
- Making recommendation for a preferred long-term strategy.

Funding Issues:

- Developing a thorough understanding of the existing financial situation.
- Exploring in depth the range of funding options.

Mr. Ebersold described key elements of the IRP Process, including:

- The IRP Process is a consensus-based process. The perspectives of the different representatives are very important to consider, but ultimately the committee is tasked to develop recommendations representative of the committee as a whole. The process to develop recommendations is discussion-based and requires information, an understanding of materials and rich discussion.

- The IRP Process cooperatively seeks a mutually beneficial solution.

- "Majority" does not mean unanimity. Majority does not mean that the committee will all agree, nor does it mean that the ultimate recommendation is each individual's first choice. It does mean that the group is willing to move forward as a whole.

- Voting is not anticipated. There may be times when the committee might be polled, but there will be no formal voting. Voting is a procedure, not a process, and IRPAC is process-driven.

Mr. Ebersold reviewed some ground rules for the committee:

- Attend and participate in all meetings. Be prepared to discuss agenda items and be familiar with information provided ahead of time.
- Be willing to explore goals, constraints and multiple options. Listen with an open mind.
- Respect the ideas and perspectives of others.
- Give everyone a chance to speak.
- Avoid side discussions.
- Please do not interrupt each other.
- Maintain a focus on the topic under discussion.
- Strive to achieve consensus.

Mr. Ebersold reviewed the SNWA's commitments to the committee:

- Meetings will begin and end on time.
- Information will be provided in a timely manner.
- The facilitator and staff will be available to answer questions or for further discussion.
- Reasonable notice of meeting dates and accurate description of topics will be provided.
- The SNWA will respect committee members' opinions and input.

Meeting Schedule: Mr. Ebersold noted that committee members were provided with an initial set of 2012 meeting dates and noted that it seemed like Wednesdays were the best day for the vast majority of members based on committee feedback. Mr. Ebersold asked the committee if this seemed like a reasonable schedule. There were no comments.

Bob Ferraro asked why there are two meetings scheduled in October, one in November and one in December. Mr. Ebersold responded that staff tried to work around the holidays.

Mr. Ebersold discussed meeting coordination and noted that meeting lengths will vary, but committee members should expect they will last at least two hours. If a meeting is anticipated to last in excess of two hours, committee members will be notified ahead of time and food will be provided. Meetings were not scheduled past the end of the year, because staff wanted to gauge the success of the current schedule.

Bob Ferraro asked about member alternates. Mr. Ebersold responded that there will be no alternates. If a committee member misses a meeting, staff will provide missed materials and be available for individual briefings. Mr. Ebersold also noted that Katie Horn needs to know if a committee member has an assistant to whom information should be copied.

Administrative Items: Mr. Ebersold reminded committee members to ensure their parking tickets are validated prior to leaving the meeting.

Next steps: Mr. Ebersold advised that he will meet with each committee member individually throughout the summer. He plans to use the meetings as an opportunity to understand individual perspectives and gauge each member's current understanding of SNWA issues. Mr. Ebersold will use member feedback to draft a statement of purpose that the committee will tackle at its first full workshop in September.

Committee Questions: Bob Ferraro asked if interviews will be done at committee members' homes or businesses. Mr. Ebersold responded that he will meet with members at their place of choice.

Bob Kasner then asked how much additional growth Intake No. 3 will provide the community. Pat Mulroy replied that the committee will have more discussions about the third intake in depth, but answered that the project is not growth related, but protects the community from drought. The intake will replace the first upper intake when Lake Mead drops below elevation 1,050 feet. It is a pure replacement facility.

John Restrepo asked if the committee will receive the recommendations made by the previous advisory committees. Ms. Mulroy responded that staff will provide the committee with that information.

There were no further questions from the committee or discussion.

PUBLIC COMMENT
There was no public comment.

ADJOURNMENT
The meeting was adjourned at 5:03 p.m.

Integrated Resources Planning Advisory Committee

Public Comment

Welcome and Introductions

Open Meeting Law Overview

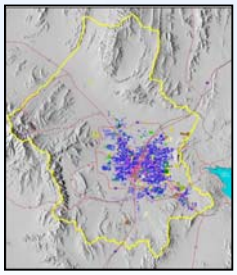
SNWA History and Key Initiatives

The Southern Nevada Water Authority meets the water demands of Southern Nevada's nearly 2 million residents and nearly 40 million annual visitors.

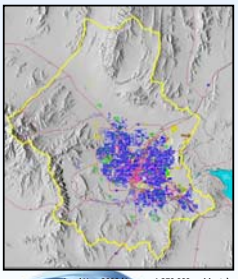
SNWA Responsibilities:

- Manage water supplies
- Implement conservation programs
- Build and operate facilities
- Develop resources for long-term water planning scenarios
- Meet state and federal water quality standards

During the 1990s, Southern Nevada's population exploded.



Land Use, 1990 (Approx. 750,000 residents)



Land Use, 2000 (Approx. 1,370,000 residents)

The SNWA also adopted a concept of Integrated Resource Planning; citizen and stakeholder recommendations were considered as part of overall water-planning efforts.

- The Integrated Resource Plan Advisory Committee (IRPAC) helped to identify the appropriate combination of resources, facilities and conservation programs to meet future water demands.
- In 1995, committee recommendations were presented and adopted by the SNWA Board of Directors.
- In 1996, a subsequent planning process and recommendations were developed on how to pay for new regional water facilities and water quality efforts.

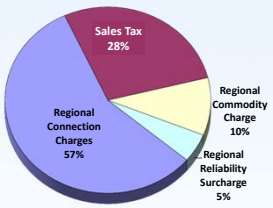
IRPAC's Board Adopted Recommendations

- Seek permanent long-term water supplies
- Place priority on development of Colorado River water
- Implement a water facilities program that is phased and expandable in order to respond to future uncertainties
- Expand the existing Southern Nevada Water System to 600 million gallons per day
- Build a new treatment and transmission facility that is big enough to be reliable (avoid shortages) and to provide backup capability in the event of a catastrophic failure

As part of IRPAC's second planning process, recommendations also were developed specific to the costs of new regional facilities. Results from this process included:

- The "growth pays for growth" model
- An assumption that water rates should contribute to new facilities
- Incorporation of Sales Tax as a revenue source
- An assumption that increased revenues also should support funding for conservation programs (such as the Water Smart Landscapes Program)

Capital Improvements Plan Funding Sources (1996)



The Colorado River provides water and power supplies for nearly 30 million people.

Southern Nevada relies on the source to meet 90 percent of its demands.

Beginning in 1999, the Colorado River Basin began to experience a period of drought conditions that were among the most severe in the river's recorded history.

The SNWA spent much of the 2000s responding to drought and working to secure reliable supplies to meet long-term demands.

An Integrated Water Planning Process (IWPAC) was initiated to develop recommendations on the most appropriate combination of resources to meet Southern Nevada's long-term demands.

- **The Committee included 29 stakeholder representatives from the Las Vegas metropolitan area, Lincoln, Nye and White Pine counties, and the Moapa and Virgin Valley water districts.**
- **In 2005, committee recommendations were presented to the SNWA Board.**

The SNWA made several facility improvements as a result of extreme drought conditions:

- Intake No. 1 – Added a "snorkel" to access better water quality.
- Intake No. 2 – Increased pumping capacity in the event that Intake No. 1 becomes non-operational due to lowered lake levels.
- Intake No. 3 – SNWA Board approved construction of an additional intake.

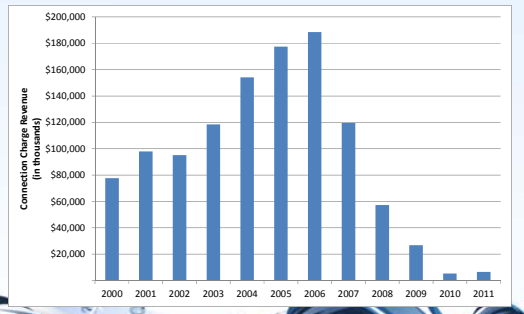
Meanwhile, Southern Nevada's economic conditions began to deteriorate.

These conditions caused significant declines in SNWA revenue sources:

- Sales-tax collections
- Regional connection charges
- SNPLMA revenue
- Wholesale delivery charge revenue

18

Regional connection charges plummeted from more than $188 million in FY 2006 to a low of $ 3.2 million in FY 2010.



19

The SNWA was able to stave off a rate increase for more than three years.

- Expense reductions and deferrals
- Utilization of reserves

Ultimately, replacing lost revenue sources became necessary to continue to fund infrastructure improvements, maintain the SNWA's bond rating and offset declines in connection charge revenues.

20

The SNWA Board of Directors commissioned an external evaluation of SNWA's existing rates and charges.

- The process resulted in several modification recommendations to the SNWA's existing rate structure to ensure funding continues for critical water infrastructure (Intake No. 3).

21

The SNWA Board approved a fixed infrastructure surcharge through 2016 to meet funding obligations.

- Fixed charge per water bill based on meter size.
- Non-residential fire-lines assessed a fixed charge at 35 percent of the infrastructure surcharge.

22

Beyond 2016, the SNWA requires a reliable revenue source to continue funding infrastructure and system improvements needed to maintain a reliable water supply for Southern Nevada.

23

Committee Process Overview

Integrated Resource Planning

An integrated resources plan (IRP) represents a long-term strategy that includes a diversified mix of water supply and water conservation in order to meet current and future water needs, while also addressing other multiple criteria.

An IRP explicitly considers risk and uncertainty, and is developed with stakeholder input.

Why is an IRP needed?

- Current economic conditions have had significant impacts to SNWA's revenue streams.
- Securing reliable supplies for the future requires a long-term strategy.
- The Board is seeking recommendations on how to meet resource, facility, conservation and funding needs for the long term.

Advisory Committee Scope

Water Issues
- Understand existing water supplies and facilities
- Assess future supply and facility needs
- Evaluate alternatives against multiple criteria
- Consider funding implications
- Recommend preferred long-term strategy

Funding Issues
- Develop thorough understanding of existing financial situation
- Explore, in-depth, the range of funding options
- Recommend a long-term funding strategy

Consensus-based Recommendations

- An opinion or position reached by a group as a whole
- Focuses on discussion and considers input of all participants
- Cooperatively seeks mutually-beneficial solutions
- Not unanimity
- Recommendation may not necessarily be your first choice

Voting v. Polling

- Voting is a procedure, not a process
- Polling may be used as a technique to assess level of support for a particular idea or suggestion

Your Commitment

1. Attend and participate in all meetings.
2. Be prepared to discuss the issues on the agenda, as well as information distributed by staff in advance of meetings.
3. Be willing to explore goals, constraints and multiple options.
4. Listen attentively and with an open mind.
5. Respect the ideas and perspectives of others. Give everyone a chance to speak. Avoid side discussions. Don't interrupt.
6. Maintain focus on the topic currently under discussion. Avoid repeating issues that have already been raised or recorded.
7. Achieve consensus.

SNWA's Commitment

1. Begin meetings on time
2. Provide information in a timely manner
3. Be available to answer questions or for further discussion
4. Provide committee members with reasonable notice of meeting date and accurate description of discussion topics
5. Respect the opinions of committee members

2012 Meeting Schedule

Wednesday, September 12

Wednesday, October 3

Wednesday, October 24

Wednesday, November 14

Wednesday, December 5

**All meetings scheduled to begin at 4:00 p.m.*

Missed Meetings

- **Materials and updates will be provided to members following meetings**
- **Staff is available for individual briefings**
- **Contact me for any additional information or concerns**
- **Alternates not permitted**

Administrative Items

Next Steps

- **Individual interviews throughout the summer**
- **Your input will be used to:**
  - Better understand the diversity of your perspectives
  - Assess group's current understanding of issues
  - Refine processes
  - Draft a statement of purpose
- **Committee members will receive packet of information prior August 27.**
- **Next full Advisory Committee meeting on September 12 at 4:00 p.m.**

Public Comment