



INTEGRATED RESOURCE PLANNING ADVISORY COMMITTEE 2020 MEETING SUMMARY

February 12, 2020, 3:00 p.m.

*Colorado River Conference Rooms, Southern Nevada Water Authority
100 City Parkway, 7th Floor, Las Vegas, Nevada*

IRPAC members present:	Ken Evans	Peter Guzman
	Carol Jefferies	Paul Moradkhan
	Tom Morley	Bob Murnane
	Jonas Peterson	Phil Ralston
	John Restrepo	Virginia Valentine

IRPAC members absent:	Andy Maggi
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Staff present:	John Entsminger	Julie Wilcox
	Kevin Bethel	Ken Albright
	Andy Belanger	Tabitha Fiddymont
	Peter Jauch	Greg Kodweis
	Doa Meade	Colby Pellegrino
	Katie Horn	Jordan Bunker

Others present:	Terry Murphy, Facilitator
	Guy Hobbs, Financial Consultant

PUBLIC COMMENT

There were no speakers.

SUMMARY OF ACTIVITIES

The Southern Nevada Water Authority's (SNWA) Integrated Resource Planning Advisory Committee 2020 (IRPAC 2020) met on Wednesday, February 12, 2020. The meeting began at 3:09 p.m.

#1 Approve agenda and minutes from the January 29, 2020 meeting.

Tom Morley motioned to approve the agenda and minutes from the January 29th meeting. The agenda and minutes were approved.

#2 Review and discuss rate models and develop recommendations, if appropriate.

Kevin Bethel, Chief Financial Officer, reviewed the rate model scenarios presented at the previous meeting, focusing on the scenarios with the \$162 million contingency and debt funding between 75 to 100 percent, per the committee's recommendation. He reviewed previously shown rate models of phasing in inflation rates and adding current year inflation to existing rates over a 6-year period with a fixed rate. While reviewing the modeling scenarios, Phil Ralston asked if falling below the reserve target would limit the SNWA's ability to finance other projects. Guy Hobbs, financial consultant, replied that the ideal debt funding would be somewhere between 75 and 100 percent and noted staff supported a flexible approach to determining the actual percentage in order to stay close to the target reserves. John Restrepo asked if rating agencies require a specific time to return to the reserve target. Mr. Bethel

stated that agencies do not necessarily require a specific timeline, but rather a plan as to how the organization will return to its target reserves.

Per the committee's request, Mr. Bethel presented a new 5-year phase-in scenario and remarked that the adjustment doesn't significantly affect the model's outputs. He also provided sample customer impacts for a 5-year phase-in, comparing it to the 6-year phase-in, noting that it was only a difference of a few pennies to the residential bill in 2027. The committee discussed the pros and cons of the 5-year versus 6-year phase-in approaches. The committee also discussed whether to lock in the averaged inflation costs during those initial phase-in years or tie them to actual inflationary increases. Mr. Hobbs also suggested the committee consider adding a minimum threshold and maximum ceiling to the inflationary indices to maintain revenue obligations, while avoiding rate shock.

Mr. Hobbs reviewed the Rate Stabilization Fund and the recommendation made by a previous advisory committee to segregate Connection Charge revenues in excess of \$16.1 million for specific capital-related activities. Mr. Ralston and other committee members supported the measures in how the Rate Stabilization Fund was set up and restrictions on how it is to be used. John Entsminger, General Manager, suggested that all Connection Charge revenue should be used for a one-time capital expense, debt defeasance, debt service or lowering of water rates.

The committee agreed to recommend a 6-year phase-in scenario with locking in the current year inflation costs at the 25-year averaged amount during the phase-in years, but requested time to take these recommendations back to their constituents for review and discussion before taking final action. Those increases are noted in the table below:

		6 YEAR PHASE-IN						INDEXING
		2021	2022	2023	2024	2025	2026	2027 ➡
Connection Charge (ENR)	Catch-Up Inflation	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	0.0%
	Current Year Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Total	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	3.0%
Commodity Charge (CPI)	Catch-Up Inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%
	Current Year Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Total	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	2.5%
Infrastructure Charge (ENR)	Catch-Up Inflation	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	0.0%
	Current Year Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Total	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	3.0%

ENR – Engineering News Record – Construction Cost Index, 20 city average
CPI: Consumer Price Index; all items for Urban Consumers (CPI-U) – West Size Class A

#3 Review committee discussions to date and develop recommendations.

Mr. Entsminger presented draft recommendations to the committee that were developed based on the committee's input over the previous five meetings. He noted these recommendations are only a starting point for the committee's deliberations before they revise and formalize them. Below is a list of 22 formalized recommendations within each topic of discussion. Any adjustments made by the committee are noted in strike through for deleted text and italics for new or revised text.

General

- Work with community stakeholders to implement IRPAC recommendations.

MCCP and Facilities

- Maintain current asset management funding levels and practices to ensure reliable water treatment and transmission in Southern Nevada.
- Pursue projects to meet the Nevada Renewable Portfolio Standard.
- Include the candidate projects presented to IRPAC 2020, totaling \$3.166 billion, in the SNWA's Major Construction and Capital Plan (MCCP).

Water Resources

- Pursue emerging water resource opportunities with Colorado River partners to increase Nevada's water supplies.
- Require out-of-valley development to return wastewater to Lake Mead and embed the principles of the SNWA's Out of Valley Water Use Policy within municipal codes and LVVWD Service Rules.

Conservation

- Pursue changes necessary to achieve the SNWA's current water conservation goal of *a minimum of* 105 GPCD by 2035 and further efforts to achieve additional conservation thereafter.
- Reduce existing non-functional turf acreage by 50 percent by 2035.
- Embed the principles of the SNWA's Non-Functional Turf Resolution in municipal codes and LVVWD Service Rules.
- Limit future installations of cool-season turf in public spaces and expedite the conversion of cool-season turf to warm-season turf at existing public facilities.
- Implement smart controller technology to automate landscape watering compliance and increase outreach and enforcement efforts.
- Pursue implementation of advanced metering infrastructure and develop partnerships and programs to improve the speed of customer leak repairs.
- ~~Implement~~ *Evaluate* changes necessary to reduce current and future consumptive water losses associated with evaporative cooling technology.

The committee asked if it was premature to implement changes now given the unknown landscape of evaporative cooling technology. Staff agreed that more direction and discovery is needed, but noted the importance of keeping this initiative moving forward and suggested changing the recommendation from implement to evaluate. The committee agreed with the change.

- Establish an efficiency review policy and process for new large water users to encourage efficient development and minimize consumptive use.

- Continue to make investments that will maintain or improve the existing water loss rates among wholesale and retail water purveyors.
- Continue outreach efforts to engage the public and effectuate the changes needed to meet the community's regional conservation goal.

Funding

- Fund the M CCP with a combination of debt capital and pay-go to manage unrestricted reserve balances at adequate levels consistent with the Reserve Policy.
- Implement a six-year annual increase to SNWA charges effective January 2021 to:
 - 1) Phase-in an inflationary catch up, and
 - 2) Adjust for subsequent annual inflation within the six-year period:
 - Increase the Connection Charge by 9.0% annually for six years
 - Increase the Infrastructure Charge by 4.3% annually for six years
 - Increase the Commodity Charge by 4.5% annually for six years
- Implement an indexed rate component to the SNWA Infrastructure and Commodity charges annually, effective January 2027, and limit future increases to a floor of 1.5% and a ceiling of 4.5% each year.
 - Infrastructure Charge in accordance with Engineering News Record (ENR) index
 - Commodity Charge in accordance with the Consumer Price Index (CPI)

Do not implement inflationary increases in a year in which the five-year forecast unrestricted reserve balance is projected to be greater than 150% of targeted reserve balances.

- Implement an indexed rate component to the SNWA Connection Charge annually in accordance with the Engineering News Record (ENR) index, effective January 2027.
- Eliminate the \$16.1 million Connection Charge threshold, require SNWA Connection Charge revenues to fund the pay-go portion of capital expenditures and related debt service, and ~~consider Unrestricted Reserves consistent with the Reserve Policy~~ *exclude from funding recurring operating expenses.*

There was discussion between the committee and staff about the phrasing of the recommendation for what the Connection Charge revenue should be used for. The committee expressed concern with the idea of related debt service and not specifically the pay down of debt principal or debt defeasance. Debt service is recurring and Connection Charge revenue should not be relied upon for recurring operating expenses. After some discussion, the committee supported excluding Connection Charge revenue from funding recurring operating expenses. The Unrestricted Reserve consistent with the Reserve Policy language was no longer needed with the adjustment.

- Provide IRPAC 2020 with an annual update of the funding model *and convene the committee as necessary.*

The committee requested to include in the recommendation the potential to convene a meeting if necessary.

Mr. Entsminger reviewed next steps and noted the committee's request to review the recommendations with its constituencies before taking action. He noted the public outreach activities that will continue throughout the year.

With no additional comments or proposed changes to the recommendations, Ms. Murphy closed the meeting and stated that the next meeting will be held March 4th.

PUBLIC COMMENT

There were no speakers.

ADJOURNMENT

The meeting was adjourned at 4:55 p.m.