



INTEGRATED RESOURCE PLANNING ADVISORY COMMITTEE 2020 MEETING SUMMARY

December 2, 2021, 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	Jonas Peterson
	Andy Maggi	John Restrepo
	Virginia Valentine	

IRPAC members absent:	Phil Ralston
-----------------------	--------------

Staff present:	John Entsminger	Kevin Bethel
	Katie Horn	Jordan Bunker

Others present:	Nat Hodgson, Guy Hobbs, Financial Consultant
-----------------	--

PUBLIC COMMENT

There were no members from the public wishing to speak.

SUMMARY OF ACTIVITIES

The Southern Nevada Water Authority's (SNWA) Integrated Resource Planning Advisory Committee 2020 (IRPAC 2020) met on Thursday, December 2, 2021. The meeting began at 3:06 p.m.

#1 Approve agenda and minutes from the August 26, 2020 meeting.

Peter Guzman moved to approve the agenda and minutes from the August 26, 2020 meeting. The agenda and minutes were approved.

#2 Receive an annual update and review inflationary impacts to the approved IRPAC financial model.

John Entsminger, SNWA General Manager, gave a resources update, which included the recent drought monitor, Lake Mead elevation probabilities, the federally declared shortage on the Colorado River, and the Lake Mead shortage levels, which will reduce Nevada's available Colorado River from 300,000 acre-feet (AF) to 279,000 AF in 2022. Mr. Entsminger noted that consumptive water use was 255,000 AF and the projection for 2021 is 244,000 AF, despite valley-wide growth. He also highlighted the SNWA's conservation initiatives, focusing on driving down water use, and gave a status update on the board-approved projects within the Major Construction and Capital Plan.

Mr. Entsminger continued with a financial update and reviewed the rate increases to the Connection, Commodity and Infrastructure charges that were recommended by IRPAC in August 2020 and subsequently approved by the SNWA Board of Directors. He then reviewed components of the rate increase, which included a catch-up inflation rate for each of the SNWA charges and an assumed average annual inflation rate for the first six years of rate implementation, noting that the SNWA Infrastructure and Connection Charge are tied to the Engineering News Record (ENR) index and the SNWA Commodity Charge is tied to Consumer Price Index (CPI). Mr. Entsminger noted that September's

actual inflation numbers (8.4% for ENR and 5.0% for CPI) came in significantly higher than the model's assumed inflation rates (IRPAC's funding model assumed 3.0% annual for ENR and 2.5% for CPI). He then showed how those inflationary increases will affect estimated project costs, increasing them by nearly \$182 million over 2020 project costs.

Kevin Bethel, Chief Financial Officer, discussed how the inflationary increases will affect generated revenue over a 10-year time period. He stated that if changes are made to the revenue to reflect current ENR or CPI, that will add \$152 million through the end of fiscal year 2030 based on the modeling.

Ken Evans asked how many projects would be affected by the reduced revenues, and if there is a way to ensure that at least some of the projects would be completed based on a priority list. Mr. Entsminger stated that the SNWA's assumption is that all of the projects are necessary for the community, and the Board of Directors wants to complete all the projects, adding that the intention to reconvene IRPAC is to look at any adjustments needed to the rate model to protect from project interruptions, delays or deferrals. He added that staff's proposal is to adjust the previously locked-in inflation rates at the current actual inflation rates (8.4% for ENR-based rates and 5% for CPI-based rates) and set future increases to prior year actual rates. Mr. Entsminger presented the proposed 6-year increase phase-in schedule that would begin March 1, 2022. The proposed schedule is shown below.

		6 YEAR PHASE-IN STARTING 2022						INDEXING
		2022	2023	2024	2025	2026	2027	2028 ➡
Connection Charge (ENR) <small>Last increased in 2008</small>	Catch-Up Inflation	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	0.0%
	Current Year Inflation	8.4%	Prior Sept ENR	Prior Sept ENR	Prior Sept ENR	Prior Sept ENR	Prior Sept ENR	Prior Sept ENR
	Total	14.9%	TBD	TBD	TBD	TBD	TBD	TBD
Commodity Charge (CPI) <small>Last increased in 2017</small>	Catch-Up Inflation	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	0.0%
	Current Year Inflation	5.0%	Prior Sept CPI	Prior Sept CPI	Prior Sept CPI	Prior Sept CPI	Prior Sept CPI	Prior Sept CPI
	Total	7.3%	TBD	TBD	TBD	TBD	TBD	TBD
Infrastructure Charge (ENR) <small>Last increased in 2018</small>	Catch-Up Inflation	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	0.0%
	Current Year Inflation	8.4%	Prior Sept ENR	Prior Sept ENR	Prior Sept ENR	Prior Sept ENR	Prior Sept ENR	Prior Sept ENR
	Total	10.0%	TBD	TBD	TBD	TBD	TBD	TBD

Mr. Entsminger then gave an implementation timeline if IRPAC were to recommend the proposed changes today, which includes opening a Business Impact Statement (BIS) public comment period, when the SNWA Board would consider the BIS and hold a public hearing. He added that the earliest implementation of new rates would be March 1, 2022. He also presented the committee with a sample of customers and how the new rate structure would impact their respective water bills.

Jonas Peterson stated that the cost is acceptable to move forward with all the projects and added that while inflation has increased costs, it should not change our overall strategy.

Virginia Valentine commented that before rates are increased, the committee must establish a need for it. She asked what would happen to SNWA's capital program if the proposed increase does not pass, and if there is federal funding (i.e., Infrastructure Bill) that could help mitigate the need for some of the increase. Mr. Entsminger stated that unless directed otherwise by the Board, all these projects are in the capital plan and would still require the revenues necessary to complete them, adding that a rate increase is necessary, whether now or later. He also stated that in terms of federal funding, the SNWA

has not received anything from the federal government since the pandemic began. He added that there may be a few opportunities in the future that may help offset some of the cost increases, highlighting Senator Cortez Masto's funding program for major regional recycling programs and SNWA's partnership with the Metropolitan Water District of Southern California's (MET) Regional Recycled Water Program. Ms. Valentine stated that while the inflationary numbers are large, the actual impact on customers rates is relatively minimal and requested additional time to go back and review the proposed changes with her stakeholders.

Peter Guzman agreed with Ms. Valentine and recommends taking these proposed changes back to their constituents before moving forward. He also asked how critical these capital projects are to the Southern Nevada community and its economic growth. Mr. Entsminger stated that without this infrastructure there are major constraints on our ability to expand our economy and having a less diversified one can be a detriment as highlighted by the recent recession and pandemic.

Paul Moradkhan asked if the rate triggers automatically occur, to which Mr. Entsminger replied that they do. Mr. Moradkhan also asked that if inflation compounds and the situation does not improve, would the IRPAC reconvene. Mr. Entsminger stated that the IRPAC should reconvene annually and be given an update and take other action if necessary.

Ken Evans agrees with moving forward and mentioned that he has had constituents express concern about the water situation in Southern Nevada and its potential impact on residential and commercial growth and development. Mr. Entsminger stated that the SNWA Board of Directors will be asked to adopt a Water Resource Plan on December 20th that shows a 50-year outlook of water resources. He added that the plan will show an increase in connections and services, which is good for growth, but from a water resource perspective is something to be aware of. He added that the Resource Plan will continue to show that if the community remains diligent in its water demand management, Southern Nevada will be able to accommodate that type of economic diversification.

#3 Consider changes to the approved rate model and water rate increases, as appropriate.

Mr. Entsminger presented the proposed changes to Recommendations #18 and #19 to the committee but added that the proposed change to Recommendation #19 leaves a future ceiling open for discussion. John Restrepo stated that the committee needs to look at the percent increase and the absolute increase and suggested that perhaps a collar is not the way to go, but rather letting the rate increase float to keep up with inflation and cost adjustments. He also mentioned volumetric charges and potentially pricing water as a scarce resource. Mr. Entsminger stated that according to the phase-in schedule, years seven moving forward are uncollared and tied to the actual rate. Mr. Restrepo asked for clarification about the SNWA's opportunity to receive infrastructure dollars from the federal government. Mr. Entsminger stated that the one funding opportunity he feels strongly about is the cooperative project with MET mentioned earlier in the meeting.

Mr. Entsminger suggested the committee review the new rate information with their constituents and reconvene Thursday, December 9th at 1:30 p.m. The committee agreed to that date, time and action.

Mr. Restrepo made a motion to authorize the publication of a Business Impact Statement modeling an increase for calendar year 2022 to the annual inflation rates to SNWA increases, moving the ENR index from 3% to an amount not to exceed 8.4% and the CPI from 2.5% to an amount not to exceed 5% and remove the collar previously recommended by the committee going forward, beginning no later than March 1, 2022.

The motion was approved with all members present in favor of the motion.

PUBLIC COMMENT

There were no members from the public wishing to speak.

ADJOURNMENT

The meeting was adjourned at 3:53 p.m.