

ASSEMBLY BILL NO. 323—ASSEMBLYMEN GANSERT, SMITH,  
ANGLE, ANDERSON, LESLIE, MARVEL AND PARNELL

MARCH 21, 2005

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JOINT SPONSORS: SENATORS TOWNSEND, RAGGIO,  
WASHINGTON AND MATHEWS

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Referred to Committee on Government Affairs

SUMMARY—Requires Bureau of Consumer Protection in Office  
of Attorney General to conduct audit and  
investigation of rate-setting practices of Truckee  
Meadows Water Authority. (BDR S-137)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact.  
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets [omitted material] is material to be omitted.

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AN ACT relating to water; requiring the Bureau of Consumer  
Protection in the Office of the Attorney General to  
conduct an audit and investigation of the rate-setting  
practices of the Truckee Meadows Water Authority; and  
providing other matters properly relating thereto.

**Legislative Counsel's Digest:**

Existing law creates the Bureau of Consumer Protection in the Office of the  
Attorney General. (NRS 228.300-228.390)

This bill requires the Bureau of Consumer Protection to conduct an audit and  
investigation of the rate-setting practices of the Truckee Meadows Water Authority.  
The Bureau may contract with independent auditors or may use its own employees  
to conduct the audit and investigation. The costs of the audit and investigation must  
not exceed \$100,000 and must be reimbursed by the Truckee Meadows Water  
Authority. The Bureau shall submit a report concerning the audit and investigation  
to the Director of the Legislative Counsel Bureau for transmittal to the Legislature  
and to the Board of Directors of the Truckee Meadows Water Authority.

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1 WHEREAS, The Truckee Meadows Water Authority was formed  
2 in November of 2000 pursuant to a cooperative agreement between  
3 the City of Reno, the City of Sparks and Washoe County; and

4 WHEREAS, The Truckee Meadows Water Authority was formed  
5 to purchase the water assets and undertake the water utility  
6 operations of the Sierra Pacific Power Company and to develop,  
7 manage and maintain supplies of water for communities in the  
8 Truckee Meadows; and

9 WHEREAS, In June of 2001, the Truckee Meadows Water  
10 Authority issued more than \$450 million in bonds to acquire the  
11 water assets of the Sierra Pacific Power Company, to provide for  
12 capital improvements projects during the first 2 years of operations  
13 and to stabilize water rates at then current levels for at least 2 years;  
14 and

15 WHEREAS, On October 1, 2003, the Truckee Meadows Water  
16 Authority implemented its first water rate increase and announced  
17 its intention to implement a phase two and phase three rate increase  
18 during subsequent years; and

19 WHEREAS, The first water rate increase implemented by the  
20 Truckee Meadows Water Authority raised substantially more  
21 revenue than estimated by the Truckee Meadows Water Authority;  
22 and

23 WHEREAS, The Truckee Meadows Water Authority approved a  
24 second water rate increase effective March 1, 2005, even though a  
25 committee established by the Truckee Meadows Water Authority to  
26 review its rate-making process and a national expert on water utility  
27 rates recommended no rate increase and found that the rates and  
28 related rate design proposed by the staff of the Truckee Meadows  
29 Water Authority were not consistent with well established rate-  
30 setting principles or the need to create equitable rates between  
31 existing and future customers and among classes of customers; and

32 WHEREAS, The Truckee Meadows Water Authority has  
33 indicated that it intends to require existing residential customers  
34 who pay flat rates to convert to metered rates in the next several  
35 years; and

36 WHEREAS, The water rates for some classes of customers have  
37 increased by as much as 50 percent as a result of the first two rate  
38 increases approved by the Truckee Meadows Water Authority; and

39 WHEREAS, The Truckee Meadows Water Authority has  
40 indicated an intent to develop a third rate increase proposal during  
41 the year 2006; and

42 WHEREAS, The Bureau of Consumer Protection was established  
43 within the Office of the Attorney General to represent Nevada  
44 residents and has specialized expertise and experience in the  
45 representation of utility customers; now, therefore,



THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

**Section 1.** The Bureau of Consumer Protection in the Office of the Attorney General shall conduct an audit and investigation of the rate-setting practices of the Truckee Meadows Water Authority. The costs of the audit and investigation must not exceed \$100,000.

**Sec. 2.** The Bureau of Consumer Protection may examine any books, accounts, minutes, records or other papers or property of the Truckee Meadows Water Authority that the Bureau of Consumer Protection deems necessary to perform the audit and investigation. The Truckee Meadows Water Authority shall cooperate fully with the audit and investigation and shall provide the Bureau of Consumer Protection with access to and copies of the records of the Truckee Meadows Water Authority.

**Sec. 3. *The scope of the audit and investigation must include, without limitation:***

1. An examination of the procedure utilized by the Truckee Meadows Water Authority to change water rates or charges paid by customers and developers, including notice, the process for input by the general public and technical experts, the timing and availability of data made available to the public and the process by which any decision to change rates is made.

2. An examination of the process used for the development of a cost-of-service study and rate design, including calculation of revenue requirements, allocation of the costs of service, distribution of costs to each class of customers and the design of rates.

3. Historical and prospective consideration of the following matters relating to rates:

- (a) Sources of revenue and expenses;
- (b) Cash reserves;
- (c) Other specific sources of funding, including the sale of bonds;
- (d) The impact of growth;
- (e) Programs for capital improvement;
- (f) Contributions from developers;
- (g) Facility charges;
- (h) Salaries; and
- (i) Benefits and bonuses for employees.

4. A review of the rate changes implemented by the Truckee Meadows Water Authority during the 2-year period ending June 30, 2005.

5. Recommendations for improvement of the rate-setting process and any other matter considered in conducting the audit and investigation.



1       **Sec. 4.** To perform the audit and investigation, the Bureau of  
2 Consumer Protection may contract with independent auditors or  
3 may use qualified employees of the Bureau of Consumer Protection.

4       **Sec. 5.** The Bureau of Consumer Protection shall, not later  
5 than December 31, 2005, submit a report of the costs and results of  
6 the audit and investigation along with any recommendations to the  
7 Director of the Legislative Counsel Bureau for transmittal to the  
8 Legislature and to the Board of Directors of the Truckee Meadows  
9 Water Authority.

10       **Sec. 6.** The costs incurred by the Bureau of Consumer  
11 Protection in performing the audit and investigation must be  
12 reimbursed by the Truckee Meadows Water Authority not later than  
13 30 days after the submission of the report required by section 5 of  
14 this act, except that the required reimbursement must not exceed  
15 \$100,000. The required reimbursement must be paid out of the  
16 existing operating reserves of the Truckee Meadows Water  
17 Authority. The Truckee Meadows Water Authority shall not recover  
18 the required reimbursement from ratepayers through any new fee or  
19 rate change.

20       **Sec. 7.** This act becomes effective on July 1, 2005.

