

Assembly Bill No. 323—Assemblymen Gansert, Smith, Angle,
Anderson, Leslie, Marvel and Parnell

Joint Sponsors: Senators Townsend, Raggio,
Washington and Mathews

CHAPTER.....

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 bill requires the Truckee Meadows Water Authority to pay \$100,000 to the State Treasurer to pay for the costs of the audit and investigation. The Bureau of Consumer Protection must refund to the Truckee Meadows Water Authority any difference between the amount paid to the State Treasurer and the costs of the audit and investigation. The bill requires the Bureau to 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.

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

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

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

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

WHEREAS, The first water rate increase implemented by the Truckee Meadows Water Authority raised substantially more

revenue than estimated by the Truckee Meadows Water Authority; and

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

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

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

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

WHEREAS, The Bureau of Consumer Protection was established within the Office of the Attorney General to represent Nevada residents and has specialized expertise and experience in the 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 may 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.

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

Sec. 5. The Bureau of Consumer Protection shall, not later than December 31, 2005, submit a report of the costs and results of the audit and investigation along with any recommendations 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.

Sec. 6. 1. On or before July 15, 2005, the Truckee Meadows Water Authority shall pay to the State Treasurer \$100,000 for deposit in the Account for the Bureau of Consumer Protection. The required payment must be paid out of the existing operating reserves of the Truckee Meadows Water Authority. The Truckee Meadows Water Authority shall not recover the required payment from ratepayers through any new fee or rate change.

2. If the costs incurred by the Bureau of Consumer Protection in performing the audit and investigation are less than the amount paid to the State Treasurer by the Truckee Meadows Water Authority pursuant to subsection 1, the Bureau of Consumer Protection must refund the difference between the payment and the

costs incurred in performing the audit and investigation to the Truckee Meadows Water Authority on or before April 1, 2006.

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