MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON GOVERNMENT AFFAIRS

Seventy-Sixth Session
March 2, 2011

The Committee on Government Affairs was called to order by Chair Marilyn K. Kirkpatrick at 8:02 a.m. on Wednesday, March 2, 2011, in Room 3143 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda (Exhibit A), the Attendance Roster (Exhibit B), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/76th2011/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Marilyn K. Kirkpatrick, Chair
Assemblywoman Irene Bustamante Adams, Vice Chair
Assemblyman Elliot T. Anderson
Assemblywoman Teresa Benitez-Thompson
Assemblyman John Ellison
Assemblywoman Lucy Flores
Assemblyman Ed A. Goedhart
Assemblyman Pete Livermore
Assemblyman Harvey J. Munford
Assemblywoman Dina Neal
Assemblywoman Peggy Pierce
Assemblyman Lynn D. Stewart
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Assemblyman David Bobzien, Washoe County Assembly District No. 24
Assemblywoman Debbie Smith, Washoe County Assembly District No. 30

STAFF MEMBERS PRESENT:

Susan Scholley, Committee Policy Analyst
Brenda Erdoes, Legislative Counsel
Jenny McMenomy, Committee Secretary
Olivia Lloyd, Committee Assistant

OTHERS PRESENT:

Rosemary Menard, Director, Washoe County Department of Water Resources
Patricia Mulroy, General Manager, Southern Nevada Water Authority, Las Vegas
David Morton, Executive Director, Housing Authority of the City of Reno
James Kennedy, Attorney, Kennedy & Kennedy LLP, Portland, Oregon
William Gregory, Executive Director, Housing Authorities Risk Retention Pool, Vancouver, Washington
Mike Carrigan, Chairman of the Board, Truckee Meadows Water Authority and Western Regional Water Commission, Reno
Mark Foree, General Manager, Truckee Meadows Water Authority, Reno
Edwin James, General Manager, Carson Water Subconservancy District, Carson City
Dean Baker, representing Baker Ranches, Inc., Snake Valley

Chair Kirkpatrick:
[Roll was called.] Starting next week, we will be hearing three very contentious water bills. I want to make sure you have all the tools that you need to ask the proper questions. We have 21 water bills, 17 of which are slated to come before the Assembly Committee on Government Affairs. I just want you all to have as much knowledge as possible, because I do not like hearing *Nevada Revised Statutes* (NRS) Chapter 533 by myself. I am going to engage you, whether you want to be engaged or not. Good morning, Mr. Bobzien.

Assemblyman David Bobzien, Washoe County Assembly District No. 24:
Good morning. It is nice to be back here with everyone in Government Affairs. I am here today to present the proceedings of the Legislative Committee to Oversee the Western Regional Water Commission, of which I was the Chairman.

You should see on Nevada Electronic Legislative Information System (NELIS) the report from the Committee (Exhibit C). I will cover the highlights.

I am joined today by Rosemary Menard from Washoe County and the Western Regional Water Commission (WRWC). She will provide a fuller picture of what the WRWC is all about.

In 2007, your Chair worked tirelessly on Senate Bill No. 47 of the 74th Session. Out of that legislation came the WRWC, which was an attempt to provide a more holistic approach to how we manage water in the Truckee Meadows between the Truckee Meadows Water Authority (TMWA), the Washoe County Department of Water Resources (DWR), and numerous other entities. A legislative oversight committee was created as part of that bill. We have met over the last two interims to stay abreast of the issues as they confront the Commission. I am here today to present some of the progress and highlights of the interim work.

It is important to note that the Legislative Committee to Oversee the Western Regional Water Commission will sunset on July 1, 2013, so there will be one more interim of this work. If you were to go to the second page of that report document on NELIS, you would see the summary of the activities of the Legislative Committee. We held two meetings in Reno during the interim, which was greatly reduced from the previous interim. I think that is a reflection of just how well things are going. We did not feel the need to meet too often. The topics addressed in the interim included the progress toward the proposed consolidation of DWR and TMWA. The issues remaining to be addressed are primarily financial.

We made progress toward the completion of the 2011 comprehensive plan for the Washoe County Planning Area in relation to issues such as surface and groundwater resources, future supply and demand, wastewater treatment and effluent management, and water quality and conservation.

There has been a lot of discussion about Washoe County Ballot Question 3, which passed in 2008. That was addressed in Assembly Bill No. 119 of the 75th Session, which was, unfortunately, vetoed by the Governor. It required amendments to the Truckee Meadows regional plans so that land use plans are balanced with identified, sustainable water resources in the county. That is always a hot topic, and Rosemary will go more into that.

The implementation of Assembly Bill No. 54 of the 75th Session, regarding the financing of certain costs associated with the conversion from domestic well and septic systems to municipal water and sewer in Washoe County, was a huge issue in Washoe County and other areas of the state.

We had a number of different informational briefings. There is an ongoing story about charges that our drinking water system in the Truckee Meadows is not as good as it could be. You will hear from staff, if you want to dive into that issue and some of the problems associated with that report. And then there is the Nevada Supreme Court case regarding water rights decisions.

[Assemblyman Bobzien read from page 2 of Exhibit C.]

I think that there is an emergent consensus that the work has been very fruitful and productive and will serve the residents of the Truckee Meadows rather well in the coming years. If there are no questions, I would like to turn it over to the expert, Ms. Menard.

Chair Kirkpatrick:
Mr. Bobzien, I want to say that we go out of our way to promote NELIS in this Committee. Does anybody have any questions? Thank you. I know that was a very contentious bill during that session. Everybody swore that they could not work together, but it sounds like we forced them, and it is going well.

Rosemary Menard, Director, Washoe County Department of Water Resources:
The first thing I will do this morning is talk about the progress we have made, specifically on three elements of the work plan of the 2009-2010 Interim on the WRWC.

Page 2 of the handout (Exhibit D) explains the charge of the WRWC. It resulted from the passage of the Western Regional Water Commission Act in 2007. A list of the member agencies also appears on that page.

The key accomplishments of this last year include the development and adoption of an updated and comprehensive regional water plan. We had a statutory deadline to meet by January 2011. It was completed on January 14, 2011.

There has been major progress on analyzing utility consolidation for the water utility function of the DWR, and also for TMWA.

There was quite a bit of work done as a follow up on Assembly Bill No. 119 of the 75th Session on implementing Washoe County Question 3. I will take a couple of minutes to run through that progress report and answer any questions.

Page 4 basically shows the progress report of the adoption process for the regional water plan update. The water plan includes all of the elements that

Mr. Bobzien discussed, including water quality, quantity, demand forecasting, and facilities. There was a process over the last couple of years to work with the Northern Nevada Water Planning Commission as a technical advisory committee to the WRWC and all the various community stakeholders to develop and put that plan together. We have updated that plan, and now we are moving on to some other things.

With respect to consolidation, we had quite a number of major milestones in the last couple of years. In December 2010, we adopted the final draft of phase 1, which is a preliminary assessment report about whether or not we should be considering consolidation. In the first part of 2009, we did quite a bit of additional in-depth work, looking at whether or not certain financial aspects of a consolidation could be made to work. We brought that information forward to the WRWC in August 2009. They recommended to the Washoe County Board of Commissioners and the TMWA Board that we pursue consolidation.

Since the early part of 2009, we have been looking at merging together facilities, opportunities for making better use of the existing infrastructure, opportunities for making better use of the water resources, and more efficient and sustainable use of those resources.

In December 2009, the Washoe County Board of Commissioners and the TMWA adopted an interlocal agreement to guide the next phase of the work, which has been much more detailed due diligence work, and we are now in the process of sending out all of our financial and evaluative information into financial modeling and the final work that will give us information for decision making later this spring about how and when to go forward. It is not so much a question of if, but when, we are going to do it; it is really a how and when question. A lot of the issues have to do with the question of defeasing a certain amount of debt that exists for the water utility for the DWR. That is one of the reasons why the bond bank legislation is connected to that. It is because it is defeasing and refinancing that debt, as opposed to issuing new debt. The changes requested in the piece of legislation would give us the capability to refinance certain kinds of debt, as opposed to issuance. That is a facilitating and enabling piece of legislation that we ask the Committee to consider on our behalf.

I think that the work that has gone forward has been a good example of thorough evaluation. The challenge has been the economic conditions, which have put all water utilities in the state under a lot of stress, because demand has not been growing. We have had a certain number of vacancies, so the financial conditions of the utilities, which are all funded by rates and developer fees, have been a real challenge. We are continuing with a plan to move

forward with consolidation, and I think we will see some major decisions probably later this spring and early summer that would define what the exact conditions would be for that.

Chair Kirkpatrick:
Does anyone have any questions? Ms. Neal.

Assemblywoman Neal:
How would consolidation affect consumer rates? You keep talking about a financial burden.

Rosemary Menard:
The goal is to have no negative effects on consumer rates. The rates for TMWA customers and DWR customers are very similar at this time. We think that we are going to be able to do it without any significant changes in what people are seeing in their bills. We know that in the future there will be rate increases. Both utilities need to plan rate increases over time, but we also see the possibility, especially when growth begins to happen again, that there will be avoided cost. So, there will be lower costs in the future as a result of putting these things together. The goal never has been to reduce the cost of the operation today. It has been about avoiding costs and making more sustainable use of the water resources.

Chair Kirkpatrick:
Are there any other questions? Ms. Menard, do we need to keep this board in place until everything is consolidated?

Rosemary Menard:
I think that one more interim will give us an opportunity to continue to look at some of the issues that we have been discussing. There are some needs that we have in the community associated with things like concentrations of septic tanks that are causing groundwater pollution. We have some ideas that we would like to explore. It would be great for us to have the mechanism of the interim committee to work with to explore those ideas, and possibly bring legislation in the future that might help us put in place something like the Las Vegas Valley Groundwater Management Program. That might help us deal with some of our local sets of issues that are unique to our area and that we might want to work on. So, I think it might a great thing for us to have the interim committee to work with for the next interim as well.

Chair Kirkpatrick:
I am thinking that it should go for another two sessions. It seems that what most of the folks, except for maybe Ms. Pierce and Mr. Goedhart, did not

realize is that it was going to be ten years before we could get a master plan. We got it done in a very short time. We have made a lot of headway by having everybody at the table, but I worry that if we take that away they will still be at the table.

Rosemary Menard:
The last thing I want to cover is the steps we took to implement Washoe County Question 3 (WC-3), which was adopted by the voters in November 2008. On page 7, you can see the language of that question. It was basically an idea to look at how to make sure, for planning purposes, that 20 years out, you have water resources to support the projected population. The Washoe County Commissioners sponsored an amendment of the Truckee Meadows Regional Plan in order to move the language that would implement the WC-3 process into the plan. We used the basic agreements that were reached in the process of Assembly Bill No. 119 of the 75th Session in terms of bringing the parties together, the proponents and the water agencies, to lay out a process that people have bought into that was put into that bill. Because the bill was not adopted, we implemented it in a different way. In January 2010, the Regional Planning Governing Board adopted the amendments to the regional plan to allow for the implementation of WC-3.

In February 2010, the consensus forecast came out. It is a process done in the Truckee Meadows that brings together a number of different forecasts and then comes up with a recommendation relative to the 20-year population forecast. That was the number for which we had to match the water resources. You can see on page 9 of the handout (Exhibit D) that the regional population is estimated to be 590,500 people in 2030. We estimated that we had 183,000 acre-feet of water rights. The process that we did indicated that 590,000 people would need 142,000 acre-feet of water to support them, so we were able to make a finding that there were adequate water resources to support the projected population. That finding came from the WRWC and was then recommended to the Planning Commission of the Truckee Meadows Regional Planning Agency (TMRPA) that then adopted the population forecast as being a sustainable number, given the available water rights. We update the consensus forecast every two years, so we would expect to do this process again in 2012.

Regarding Assembly Bill No. 54 of the 75th Session, there are two pieces of legislation. I have talked about the bond bank legislation that came out of the Oversight Committee. The other one makes changes to Assembly Bill No. 54 of the 75th Session that would give us the ability to create a financing process, basically a revolving loan fund, to support the loan process we are doing for people who need to connect up to the community system from septic systems

or domestic wells. The regional drafting of the language did not really include the details that we needed, so we have asked the Committee to sponsor this bill for us to fix those issues.

Chair Kirkpatrick:
Mrs. Benitez-Thompson.

Assemblywoman Benitez-Thompson:
You did the population forecast of 590,500 residents in 2030 in the Washoe County area and projected that we have enough water to sustain those people. I am wondering how you went about projecting anticipated water and drought cycles up until 2030.

Rosemary Menard:
The Regional Water Plan includes quite an elaborate table, which shows what the available water resources are from the Truckee River and groundwater resources, and imported water resources, such as the Fish Spring Ranch project. We took conservative estimates of what those numbers would be and added them up. That is where the 183,000 acre-feet figure comes from. It is an inventory of all of the water resources that are available for development. We took a conservative number about what the yield of those resources would be. If you like, I can get you a copy of the table. It is in very small print.

Chair Kirkpatrick:
Ms. Pierce.

Assemblywoman Pierce:
What is the population of Washoe County now?

Rosemary Menard:
I did not see the census numbers that came out last week, but I believe it is in the 400,000 range. I think 418,000 is the number that I am recalling.

Assemblywoman Pierce:
Thank you.

Chair Kirkpatrick:
The population is 421,407. That gives you a projected growth for the next 20 years of about 160,000 people. Does anybody else have any questions? We appreciate your coming.

At this time we are going to call up the Southern Nevada Water Authority (SNWA). Good morning.

Patricia Mulroy, General Manager, Southern Nevada Water Authority, Las Vegas:

Good morning. We handed out to the Committee a hard copy (Exhibit E). As I go through the slides, I will reference the slide number.

As you can see from slide 2, in 1991 when the SNWA was created, it was a congress of all the water and wastewater agencies in southern Nevada to jointly plan water resources for the future on a long-term basis.

When the SNWA was created, some pretty dramatic things were done in western water in creating the Authority. Probably the most poignant change that we effectuated when we created the Authority was we threw out our priority water rights. We said they make absolutely no sense in this day and age, and instead of having priority water rights we have a shared shortage arrangement. We will get into how that played out when we cover our conservation.

The SNWA was designed to manage regional water supplies to implement regional conservation, which would not have been possible had the Authority not been created, to build and operate facilities on a wholesale basis, but most importantly to plan for long-term water resources for southern Nevada, and to be responsible for meeting both federal and state water quality standards.

On slide number 4, you can see that the water resource portfolio for southern Nevada has been not as diverse as we would probably like it to be. We have Colorado River resources, groundwater resources, reclaimed water resources, and we have conservation.

On slide number 5, we get into the "meat" of our resource portfolio. Ninety percent of southern Nevada's water comes from the Colorado River, which feeds Lake Mead. When you look at the map, you can see that rain in the lower basin is not the driver; it is snowpack on the western side of the Rocky Mountains. It has to fall on the western side. If it falls in Denver or on the Front Range, it simply goes into the Kansas-Nebraska Watershed. It flows the other way because of the Continental Divide.

In 1922, seven states on the Colorado River signed a compact. That was ratified by the legislatures of every one of the states, signed by the governors, ratified by Congress, and signed by the President. Under this compact, there was a division made. The signers of the agreement that gathered in Santa Fe assumed that there was 15 million acre-feet of average annual runoff in the Colorado River. They used 50 years of flow history and assumed that that was the norm for the system. Since then, tree ring analysis has shown that the

impacts of climate change on the system have severely changed what we would consider normal runoff in the basin. If you talk to scientists today, they will tell you that that runoff is anywhere between 9 and 13 million acre-feet, 14 million at best.

They divided the river in half. They created an upper basin and a lower basin. Nestled in the upper basin are four states: Colorado, Utah, Wyoming, and New Mexico. In the lower basin are Arizona, Nevada, and California. The great divide between these two basins endures today. In the late 1920s, the Boulder Canyon Project Act was considered by Congress, which authorized and ordered the Department of the Interior to build Hoover Dam. The upper basin insisted that a second reservoir be created to protect their interests.

Under the compact, the upper basin must deliver to the lower basin 75 million acre-feet over ten years. If they cannot meet that delivery obligation, they have to cut off all their users until they meet that delivery obligation. That prevented them from being able to hoard water through reservoirs and other structures in the upper basin.

Since everyone knew that the Colorado River had high flow and low flow years, and with the creation of Hoover Dam, the upper basin wanted a reservoir built that was essentially a water savings account for them. That was Glen Canyon Dam. Behind that sits Lake Powell. Lake Powell is the water resource that is essentially the proprietary property of the upper basin. It is their guarantee that they will always be able to meet their delivery requirement to the lower basin. In low flow years, they dip into that reservoir and deliver it to Lake Mead. The amount of water that goes from Lake Powell to Lake Mead every year is of critical importance to the four upper basin states.

In 1944, the United States (U.S.) entered into a treaty with Mexico. Part of that treaty was an obligation by the U.S. to deliver 1.5 million acre-feet of water a year to the country of Mexico at both the northern and southern boundaries. If you do the math on this, they gave 7.5 million acre-feet to the upper basin, 7.5 million acre-feet to the lower basin, and 1.5 million acre-feet to Mexico. There is about 2 million acre-feet of evaporation on the system every year. It becomes painfully obvious that the system is out of balance. This has been of primary concern to all of the seven states over the last 20 years.

Going to slide number 6, this is the one that really motivated Nevada during the 1990s. You can see Nevada got the smallest share of the Colorado River. In this day and age, I am constantly asked why that happened. Well, Las Vegas was no more than a whistle stop on the Union Pacific Railroad. There was no agriculture in southern Nevada, and the major drivers for dividing the water

resources were agricultural users. California got the lion's share of the river in the lower basin. Arizona got a commensurate share, and Nevada got a "token" share, if you will, just to recognize that Nevada has a boundary on the Colorado River.

Our small share of that river stands in stark contrast to the amount of reliance that we place on this river system. We were very creative, however, in the 1980s in being able to secure rights through the creation of the SNWA in the 1990s. If you look at slide 8, there is the concept of return flow credit. The simplest way to describe this is every gallon of water that we bring into the valley and that we return to Lake Mead as treated wastewater allows us to take an additional acre-foot out. This allows for a much lower net use of the system. Southern Nevada is one of the few, if not the only, city in the U.S. that virtually reuses 100 percent of its wastewater. Every drop of water that hits the sewer system is treated and then returned either to the river or sent to a reuse facility, where it serves parks, golf courses, and other outside applications.

On slide number 9, we talk about the resource plan of the SNWA. Every year, the SNWA Board has to adopt a 50-year resource plan. That plan must be submitted to the state engineer, and it is predicated upon that resource plan that the state engineer signs subdivision maps in southern Nevada, which is required by state law.

When you look at our resource plan (on page 5 of Exhibit E), you see a dotted line on top, and then you see a solid red line that projects water use through 2060. The upper line is what our demands would be in the absence of conservation. The first resource sits between the dotted line and the solid red line, which is the amount of conservation that the community is going to achieve over the course of that time span. Below the red line, you see the various components of this mosaic that shows how southern Nevada's water resource demands will be met.

On slide 10, you see that some of these resources are temporary. In the 1990s, when we negotiated the first round of agreements between the states, Nevada was fortunate enough to be able to get some concessions on the Colorado River that allowed it to temporarily overuse the system and to bank water in the state of Arizona. Since then, we have added to that portfolio on the river.

The Arizona groundwater bank works in the following fashion: We pay Arizona $450 million. For that, they will bank in their groundwater basins in the Central Arizona Project (CAP) 1.2 million acre-feet of water, which we will then

be able to take back in future years through an exchange. Technically, the way it would work is, let us say, Phoenix is the partner. We tell them we want to take 20,000 acre-feet out of the bank. Arizona takes 20,000 out of their groundwater bank, puts it in the CAP Canal, leaves 20,000 acre-feet behind in Lake Mead, and we then take it at Saddle Island. There are no facilities involved other than the recharge facilities in Arizona.

The California water bank works a little differently. That is a virtual bank. Under that agreement, the Metropolitan Water District of Southern California (MWD), which serves everyone from Santa Barbara to San Diego, would use our conserved or unused water today, and then we would be able to take it back when we need it in the future.

We also have a groundwater bank in our own valley. We have to date recharged during the winter months. We started this in 1985. We have approximately 360,000 acre-feet of water in our own groundwater bank, which we can take back if we need it, with some restrictions on how much we can take in any given year.

We, MWD, and CAP joint-ventured the construction of a reservoir on the All-American Canal. For that investment, in which we paid for the construction of the reservoir, we got back 400,000 acre-feet of water that sits in Lake Mead and that we can take, except during shortages. At that point, it has to stay in the system.

We have an assortment of permanent resources, some of which we have already secured and some of which we are aggressively pursuing in the future. In the last round of agreements that were signed in 2007, we were able to get what is called “tributary conservation.” I learned one thing many years ago on the river. We have talked in this Committee, and I have had discussions on this side of the Legislature many times about the need to be able to move water through the Colorado River system. This is lovingly called “wheeling.” If you cannot get wheeling on, then you call it something else and you might be able to do it. In this instance, it is called “intentionally created surplus.” It allows us to buy or lease water rights that are in agricultural use on the Muddy and Virgin Rivers that predate the compact. We can either deliver those directly at Saddle Island in any given year, or we can leave them in Lake Mead and store them there for future use, except during shortages. We can take it directly during shortages, but anything in storage has to stay in storage once a shortage declaration is made.

There has been a significant amount of discussion around both inland and ocean desalting. We have looked for a long time for an opportunity to partner with

someone to invest in desalting endeavors. The difficulty with the most obvious partner, California, is twofold. There is significant resistance by Californians who own property on the coast to have sitting next to them big, ugly desalters with big, ugly power plants. The locations that are viable in California are extremely limited. The water needs for southern California are no different from those of southern Nevada. For example, the Carlsbad desalter, which is now moving forward, is a very small facility in water terms. It is only 50,000 acre-feet, and it is there to protect the community of Carlsbad. The community feels very proprietary about that plant and is not interested at this time in joint-venturing with anybody, given the drought situation that has occurred in California over the last ten years.

We probably envision our greatest opportunities with Mexico. In December 2010, Secretary of the Interior Ken Salazar signed an agreement that we all worked on diligently last year with Mexico. It is a foundational agreement which in the short-term allows Mexico to store water in Lake Mead, because they lost their ability to deliver it due to the earthquakes last Easter. In the long-term, it sets a course to allow for the mutual construction of desalters on either side of the Gulf of California, be they in Baja California or Sonora, and then exchanging those with upstream users in the U.S. We have already invested in preliminary work in a Rosarita desalter. We are joint-venturing this with both the MWD and CAP. All of us are intently keen on being able to create something like this.

The difficulty for an inland state is getting the desalted water up to where you are. The only feasible way to do that is through an exchange. We did a preliminary look at what it would cost to venture and pay for desalted ocean water to be piped from the coast to southern Nevada. The annual power bill alone is $400 million. It is not financially sustainable. The difficulty with desalting in shortage conditions is the lake can get to a point where there is no water left to exchange. If you do not have anything in Lake Mead, you have nothing with which to effectuate an exchange.

Desalting absolutely has a piece in our future water resources, but only under certain conditions and with certain agreements that still have to be put in place. Those agreements involve the U.S. Department of State, the U.S. Department of the Interior, and the basin states.

The states are embarking on a basin study to look at the entire Colorado River Basin, with the intent of finding ways to augment the supply. You have a burgeoning population in the entire Colorado River Basin. It now represents 25 percent of the gross domestic product of the U.S. Finding a way to create sustainable water supplies for this area is of the utmost importance to both the

region and to the country. We have embarked on a study to look at ways to augment the Colorado River system. At the conclusion of that, and once we begin to implement augmentation measures, the State of Nevada is guaranteed the first 75,000 acre-feet of that new supply. Southern Nevada's "allocation" would go up from 300,000 to 375,000 acre-feet. The driver for us since 2000 has been the drought.

Chair Kirkpatrick:
Ms. Mulroy, may I see if there are any questions at this point? Mrs. Benitez-Thompson.

Assemblywoman Benitez-Thompson:
Could you tell me more about the desalination process? It is so expensive right now. Do you see the scientific or the research and development community moving us to a spot where it is a little less expensive or more feasible for us? I know it is really tricky technology. I have always heard that, especially with these costs, it is pretty close to impossible in many ways.

Patricia Mulroy:
On the Pacific coast, a desalter is absolutely financially feasible right now. The high costs would come from pumping the water all the way to southern Nevada. You are crossing mountain ranges. It is a tedious up and down. There is a tremendous amount of pumping involved.

There have been significant strides made in the area of desalting. In Perth, Australia, they completed a desalter several years ago where they actually recapture some of the energy and have brought their energy costs way down. Energy costs are the driver. That technology is moving ahead very quickly. For us, it is a matter of location and how to get it to us.

Chair Kirkpatrick:
Ms. Neal.

Assemblywoman Neal:
You were discussing the 2007 agreement and augmenting the Colorado River supply. What is the effect on the other states? I thought I understood that in the 1920 agreement, you are going back and basically reclassifying how much water everyone gets . . .

Patricia Mulroy:
No.

Assemblywoman Neal:
No? What are you doing?

Patricia Mulroy:
No. If you look at the 1922 agreement, there has been for a long time the feeling that this is a rigid document. Well, what it really does is create a level playing field among the seven states. No single state can rule another state, but if seven states agree to do something, seven states can do anything they choose to do on this river.

We are looking for ways to add more water to the entire Colorado River system. Maybe the best way to explain this to you is to refer to the map on slide 5 (of Exhibit E). We are bleeding water out of the Colorado River system in all directions. Starting in Wyoming, it bleeds out to Cheyenne, outside the basin. In Colorado, there is a massive aqueduct that goes through the Rocky Mountains and moves water from the west slope and drainage to the Front Range of Denver, leaving the Colorado River watershed. There is water that travels through the Central Utah Project, across the Utah desert, out of the Colorado River watershed to the Wasatch front and to the cities of Salt Lake, Provo, and Ogden, Utah.

In Arizona, there is a 360-mile aqueduct that crosses the Arizona desert. It moves water from Lake Havasu to the inland cities of Phoenix and Tucson. In New Mexico, the Colorado River is pumped outside its basin into the Rio Grande Watershed and the City of Albuquerque. In California, the water is bled out of the Colorado River Watershed 600 miles to the coastal cities in California.

When we look at the entirety of how the system functions, with all this water bleeding out, we ask how we can backstop some of those users through other supplies to leave more water in the system. Or, what changes can we make to how the system is operated that will create more water for the system? It is in the aggregate. It is seven states recognizing that the system as a whole is in deficit, and that something has to happen to securitize those water supplies for all seven states. Moving water between the states is not the answer.

Assemblywoman Neal:
In the newspaper recently, you talked about trying to take the overflows in the fresh water rivers that are flooding and actually try to set up some type of agreement to move them.

Patricia Mulroy:
If you go back in history and you look at why Hoover Dam was built in the first place, you will see that it was built as a flood control project. The Imperial Valley had flooded. The crops had been destroyed. Southern California and Arizona had been devastated. If climate scientists are correct, and the west is becoming drier and the east is becoming wetter, and we have moved water for 100 years from west to east, why should we not start thinking about moving water from the east to the west? If you look at that now and take those states that are on the eastern side of the Colorado River, and if their water supplies could be backstopped or replaced with supplies from the east, that would leave more water for western uses in the Colorado River system.

It is a matter of a national "rethink." You have created an artificial watershed with the Colorado River that essentially links Kansas and Nebraska, because we move it into that water shed. You have linked Kansas and Nebraska from Wyoming all the way down, and then in California it goes all the way up to the San Francisco Bay delta. We have created an enormous artificial watershed. What opportunities does that provide us to begin to move water around differently to adapt to the changes we are experiencing?

Assemblywoman Neal:
I had asked that because just before that article was printed, I had sent a question to Ms. Scully in Research about that same exact question, and then she gave me that article in the paper, and she said, "I think you would find this funny." Because I had said it, and I had blogged about it probably six months ago when North Dakota flooded, and they did not know what to do with their fresh water, and that was the first thing I thought, "Why do you not sell it to states that have a drought?"

Patricia Mulroy:
North Dakota sits in the Mississippi Watershed. There are 33 states in the Mississippi Watershed. If you thought seven states coming together was going to be a challenge, this is one that will really be a challenge. The major driver on the Mississippi is not water supply; it is transportation. It is a major economic artery for the transportation of goods from the Gulf Coast to the inland states. These flooding conditions are hampering the ability of the inland states to move cargo up and down the Mississippi. If you ask my friends in New Orleans if they would mind if water left the Mississippi Watershed, they would say, "No. Please take it tomorrow." It is a very diffuse system, and it will be a very delicate process. There are some challenges in the Midwest that can be addressed in the same way.

The largest groundwater aquifer in the U.S. is the Ogallala Aquifer. It starts in the northern part of the midsection of the country and goes all the way down to Texas. Scientists have said there is only 20 years worth of water left in it. The aquifer fuels our breadbasket. That aquifer has an opportunity to be recharged. What opportunities are there for us? We are looking at everything. There is no option that is off the table. This summer, the basin states will release their base assessment of what the supplies in the Colorado River look like. From there, we will enter into the next phase, which examines the deficit.

Chair Kirkpatrick:
Mrs. Benitez-Thompson, and then Ms. Pierce.

Assemblywoman Benitez-Thompson:
Thank you, Madam Chair. Ms. Mulroy, you mentioned the storage declaration. Who makes that?

Patricia Mulroy:
I am going to get to that shortly.

Chair Kirkpatrick:
Ms. Pierce, and then Mr. Munford.

Assemblywoman Pierce:
I appreciate your bringing up the Ogallala Aquifer. If there is water in the middle of the country, it needs to go to recharging that aquifer. We have sucked about a million years' worth of water in about 70 years. That is a priority for the middle of the country. Thank you.

Chair Kirkpatrick:
Mr. Munford.

Assemblyman Munford:
Have you ever given this presentation to the high schools? Kids could really be educated on this.

Patricia Mulroy:
I do. I go out to the high schools, and I am happy to do it at any time.

Assemblyman Munford:
There is a lot of snowfall at Mt. Charleston. What about the water that melts from that snowfall? Where does it go?

Patricia Mulroy:
It goes into our groundwater basin. It recharges the Las Vegas groundwater basin. It is the major source of recharge for us.

Chair Kirkpatrick:
Please continue, Ms. Mulroy.

Patricia Mulroy:
We are getting into the drought. It has defined everything that we do over the last ten years, and it has caused a real course correction for southern Nevada. To put this into perspective, in 2000, I took a 50-year resource plan to the Board. It showed that we had ample resources for 50 years, all of which were derived from the Colorado River. During the entire time we were negotiating the first round of agreements in the 1990s, there was zero probability, when the Bureau was running the probability models, that a drought, the nature of which we have been living through for the last ten years, would actually occur on the Colorado River.

Slide number 13 shows that over the course of the last ten years, we have had 69 percent of normal runoff. This is enormous storage. There are 26 million acre-feet in Lake Mead, and another 26 million in Lake Powell. We have essentially lost one reservoir. Lake Mead is just below 50 percent full. Lake Powell is just above 50 percent. When you combine the two, you have lost one reservoir. If Lake Powell did not exist, Lake Mead would be empty today. Those two reservoirs are extremely critical to us.

The 69 percent of average made us rethink how we look at resource planning. Slide 14 shows the volatility in the Colorado River Watershed. It becomes pretty clear. Note the December 2010 drought update that the National Oceanic and Atmospheric Administration (NOAA) provided, which showed a blue system. December was the wettest December on record in the Colorado River system. Switch to January. It was the third-driest January on record for the same system. We are all waiting to see where we end up in April. What has happened is that even in years when we have had adequate snowfall, we have been experiencing what is called “sublimation.” That means in March and April, it gets very warm very quickly. The winds pick up, and the snow evaporates. It never even melts; it simply turns into a gas and evaporates into the sky.

On slide number 15, we had to take a good, hard look at what that means to southern Nevada’s water security. Let us examine this first from the facilities standpoint. If we continue on this 69 percent of average runoff projection, we

will lose our upper intake as early as 2013, and we will break elevation 1,000 on Lake Mead, which is our second intake, in 2015.

Slide 16 shows what we are doing right now. We are investing in a third intake, to the cost of almost $1 billion, with an intake shaft in the middle of Lake Mead by boring a tunnel 3 1/2 miles beneath the lake, which will connect to that intake shaft and allow us to take water at elevation 860. There are two reasons for that. First, it would replace the lost upper intake. Second, and equally important, is water quality. The colder and the deeper you go in the lake, the better the water quality, which reduces your treatment expenses and allows you to protect the health and safety of southern Nevada.

Chair Kirkpatrick:
Is that what you refer to often as the "third straw?" That is the lingo we read in the paper.

Patricia Mulroy:
That is the lingo the press created. That is exactly what it is. It is the third intake. It is the most dangerous construction project in the country today. It is extremely difficult to build, but it is one that we have no choice but to press forward on.

In 2007, for the first time in the history of the Colorado River Basin, the seven states signed a shortage agreement. The upper basin states were adamant that the lower basin had to cut back its use to help protect the system as a whole once we reached certain elevations in Lake Mead.

To put these elevations in context, Lake Mead is full at elevation 1,220. That is sea level elevation. Every vertical foot in Lake Mead has, on average, 100,000 acre feet in it. When you look at this chart, you will see what happens when you start hitting elevation 1,075. The first question I am usually asked is why Nevada and Arizona bear the brunt of these shortages. That is what I lovingly refer to as political mischief that occurred in the 1950s and 1960s. Arizona took the State of California to court over the ability to use the Gila River. The Supreme Court agreed with the State of Arizona. In retaliation, California went to Congress when Arizona was getting funding for CAP and forced the subordination of the entire supply of CAP to all of California's uses. The Central Arizona Project can move and deliver 1.2 million acre-feet. The primary beneficiaries of that are the cities of Phoenix, Mesa, Scottsdale, and Tucson. It is the lifeline for central Arizona cities. They would lose their entire water supply under that congressional act before the State of California had to reduce one gallon of water.

Nevada had a share of the shortage going into that confrontation between the two states, and came out of it with the same percentage of responsibility for taking on a shortage.

Philosophically, for the Water Authority, it is impossible for us to say, "Let us offload our shortage onto somebody else." We did not do that when we created the Authority. We fervently believe that if you take a shortage and spread it out over the largest possible base, it is a manageable shortage to everyone. However, if you try to offload that burden on your neighbor, it becomes an unbearable weight for them to carry.

In recognition of that congressional act, Arizona bears the brunt of this shortage; losing almost half of its supply in CAP should we hit elevation 1,025.

This shortage declaration will be called by the Secretary of the Interior. He has no discretion in making that declaration. If the April projection and the August final call by the Bureau show that Lake Mead will drop below 1,075 for the next water year, then the Secretary must declare a shortage, and these cutbacks must go into effect. There is no discretion on this.

By the time we get to 1,025, the cumulative cut is 500,000 acre-feet. In terms of the Colorado River, that is a drop in the bucket. Therein lies the challenge for southern Nevada.

Chair Kirkpatrick:
Excuse me, Ms. Mulroy, can we take a short recess? Our computer seems to have gone down again. We have not recorded anything that you said for some time. Let us take a five-minute recess.

[The Committee recessed at 9:03 a.m. and reconvened at 9:11 a.m.]

We will pick up where we left off.

Patricia Mulroy:
I will step back a minute before I talk about what happens below elevation 1,025. At elevation 1,050, we lose our upper intake. Also, Hoover Dam stops generating electricity. The Colorado River System is in severe stress at elevation 1050. Envision Lake Mead as a "V," so the further you go down in the system, the less water you have in every foot, which means the rate of decline increases. One foot of Lake Mead at a higher elevation that has 100,000 acre-feet in it is going to have 80,000 or even 50,000 acre-feet at a lower elevation. When you have a large agricultural user pulling it, it is going to draw that lake down much faster. The rate of decline between 1025 and

1000 is going to be much faster than the rate of decline between a full reservoir and elevation 1,075. There is a lot less time to play with.

When we go into the next round of discussions, Nevada's position is going to be that everything has to be done to preserve elevation 1,000. At 1,000, you have got less than 5 million acre-feet left in the reservoir, and it has an annual demand of 9.5 million. To protect that elevation, you are going to have to cut easily 3 to 5 million acre-feet of use out of the system. That is more than half of the entire use of the lower basin. Now you are going to severely cut into not only urban uses, but also agricultural uses.

One of the great, quick solutions that I am often confronted with is the question about why we do not simply buy out agricultural rights in other states in the lower basin through a partnership with MWD or with CAP. Here are some of the problems with that: One agricultural district in southern California, the Imperial Irrigation District, provides 11 percent of the country's fresh winter fruits and vegetables. You do not simply eliminate them without consequences to the price of groceries. It has a significant impact. The United Nations and the U.S. Department of Agriculture have just released a report that in the next 30 years, global agricultural production has to go up 50 percent. We have a global food economy. When Australia was going through the ravages of their drought, they ceased rice production. It caused food riots in Southeast Asia. There is a much interconnected global food economy that comes into play here. The Imperial Irrigation District exports $1 billion a year in food produce out of the country to other parts of the world. We need to take that into consideration, not only for the U.S. food security, but also for food security around the world.

With 40 percent of the world's land already in agricultural production and a global population that is supposed to increase from its current 7 billion to somewhere between 9 and 13 billion by 2050, challenges are confronting the global community in terms of food production. It will rapidly become an ever-increasing issue.

Knowing that we are heading toward elevation 1,025, we had to make some real adjustments. We had to look at what would happen if the Colorado River community and the larger national community cannot come together for a larger solution on the Colorado River. How does each of us back up our supply and create secure environments in our communities? This is not just an issue that affects Mr. and Mrs. Jones being able to get water for their domestic use. It is now one of the top three issues that Wall Street analysts look at when they determine whether to invest in businesses in southern Nevada. Every time CNN or FOX News or any of the international news outlets runs their next story on

Lake Mead elevation, it causes an economic reaction. I have talked to everyone from Al-Jazeera to the Japanese press to the Chinese press to the European press to every national news outlet. How are you going to protect southern Nevada?

For that reason, we now submit two resource plans. Slide 18 shows what we would do in the event of catastrophic shortages and what resources we would bring to bear. As you can see, the in-state water project, which was further out on the time horizon, moves much closer in during severe cutbacks. We do not know how much water will be cut back when we break elevation 1,025. The states have not come to any agreement on that.

The first thing we did was get extremely aggressive on conservation. Even the Congressional committees have recognized that southern Nevada is leading the nation in urban conservation. We use the vast majority of our water resources outdoors. When we do that, we use them once. They are not available for reuse, because we put them on plants and grass.

Grass is the number one culprit in southern Nevada. We began to pay our customers first $1, and then $1.50 per square foot to remove their turf. We went all the way up to $2. We are back down to $1.50. We helped them pay the capital cost upfront to make that conversion.

Slide 21 shows that we have been able to reduce the amount of water that we use by 26 billion gallons during a time period in which the population in Nevada increased by 400,000. In 2002, we delivered 325,000 acre-feet from the Colorado River into southern Nevada. In 2010, it was 245,000. There has been a dramatic reduction. It is the lynchpin for all the urban areas to be able to survive what we have to anticipate will happen one day, which is a severe reduction in the amount of resources that we have.

Slide 22 shows where we will end up if we stay on this 69 percent-of-average trajectory. The possibility exists that as early as 2015 we would be approaching elevation 1,000. We would have long left elevation 1,025. It is for that reason that southern Nevada has to stay focused on the in-state project. It is a project that has caused a tremendous amount of acrimony here in Nevada. But, just like TUMWA has an interbasin transfer to protect itself against shortages, southern Nevada is looking to diversify its portfolio. If you talk to any finance or energy group, they will tell you the secret to survival is a diversified portfolio. The same thing holds true for water resources.

On slide 24, you will see what this in-state project entails. It is a network of pipelines, pumping stations, and regulating tanks that reach from southern Nevada all the way into Spring Valley and over into Snake Valley.

We originally filed for these applications many years ago. We went to hearing on what we consider our key basins: Spring Valley, Delamar, Dry Lake and Cave Valley earlier this decade, and the State Engineer awarded us 758,755 acre-feet of water rights. The Nevada Supreme Court threw those water rights out, based on a procedural mistake that they feel the State Engineer made in the hearing process. We are going back to hearing. This re-hearing is costing us a lot of money. Not only do we have to go back and spend millions of dollars to redo our models and bring everything up to date, it has made the environmental impact statement that we are going through with the federal government more expensive and more complicated.

We are going back to hearing in the fall regarding Spring, Delamar, Dry, and Cave Valleys. We have not yet scheduled a hearing for Snake Valley, which has been the bone of contention. It lies between the States of Nevada and Utah. The irony to us in the water business is that the circumstances in Snake Valley are the direct inverse of those on the Colorado River, where the water comes through Utah and is used in Nevada. Here, the water in Snake Valley comes from Nevada and goes into Utah. There is an agreement negotiated and finalized last year between the States of Nevada and Utah, under which there are various monitoring and mitigation measures put into place where the two states will jointly manage that basin as water is developed there. It was signed by Allen Biaggi, the then Director of Natural Resources, and myself and approved by the Water Authority Board. It now sits on the desk of the Governor of Utah. The strategy for Utah is if Nevada is going to stop this project, why should Utah sign the agreement? The ball is back entirely in Nevada's court.

The environmental impact around developing these water resources has been discussed at length. It is at the heart of much of this discussion. It is to that end that we bought a number of ranches, as you see on slide 26, in Spring Valley, which we consider our anchor basis. You can see from slide 27 that we bought 34,000 acre-feet of surface water rights, 7,000 acre-feet of groundwater rights, and 23,000 acre-feet of supplemental water rights. It is our intent to use these resources within Spring Valley to manage the groundwater basin. As part of the original hearing and the original agreements around this project, we entered into a mitigation and monitoring agreement with all the federal land and resource oversight agencies. They include the U.S. Fish and Wildlife Service, the National Park Service, and the Bureau of Indian Affairs. They will forever jointly manage the groundwater resources with us. Our intent

is to use these water rights to recharge the groundwater basin in Spring Valley and to manage the water resources to effectuate no damaging environmental impacts because of our taking water from that area.

This is an issue and a project that is, in my mind, the project of last resort. Our responsibility is to provide a secure water supply to 2 million people. If Mother Nature throws us a "curveball," and we have nowhere else to go, we have to be able to go somewhere that can produce an additional supply of water resources to protect the residents of southern Nevada. I would prefer to not have to build this project, but that is not in the cards.

We will continue to endeavor to work with our rural neighbors. We have an agreement with Lincoln County. This agreement has existed for a long time. We divide the resources in Lincoln County between ourselves and the Lincoln County Water District and have agreed that if and when we begin to build these facilities, we will oversize them in order to be able to meet Lincoln County's water demands. The outstanding issues are with White Pine County. We stand ready at any time to discuss these issues, but it a project that we absolutely have to move forward on.

Before I leave the resource issue, and go into funding sources, . . .

Chair Kirkpatrick:
Ms. Mulroy, we are running out of time. I know you are going to be here all day. The members of this Committee can meet with you. Can you summarize it for me, please?

Patricia Mulroy:
Absolutely. I will cover the funding real quickly. We have been hit by the economic downturn, just like everybody else. Slide 29 shows that there is a much-reduced pie, and that revenue source that we relied on for 57 percent of the revenue to retire our debt service has all but evaporated.

On slide 30, you will see just how dramatic the decrease has been. It has gone from $188 million to $3.2 million in annual proceeds from the regional connection charge, which overlays all the local connection charges.

Slide 31 shows how the Water Authority spends money. Over 65 percent of what we spend money on is debt service and capital. We are a very capital-intensive utility. The operational costs are negligible when compared to our capital costs.

We will be coming to the Legislature to look at getting the cap lifted from the 1/4-cent sales tax that the voters approved and that the Legislature authorized us to pursue in the 1990s. This sales tax is available to every county for water and wastewater projects. The only county with a cap is Clark County. Every other county has no limitations on how long they can collect this 1/4-cent sales tax. We are capped. There is a sunset on the 1/4-cent sales tax in June 2025, or when we collect $2.3 billion in sales tax. That is a problem to us because we have to go back to market for another $400 million to complete the third intake and finish off or projects in southern Nevada. When we sit down with the bankers and run the models of how we are going to repay that debt, there is a significant revenue source that evaporates in 2025. That is not only going to affect our bond rating, but it will implicate whether we can sell those bonds. It makes it very difficult for us, so we are going to ask that the Legislature consider putting us on equal footing with all the other counties in the state and allow us to continue to collect the 1/4-cent sales tax that the voters approved. Of the $800,000 that has been collected in southern Nevada from this sales tax, the Water Authority has only retained $496 million. The rest has gone to the wastewater agencies and the rural Clark County communities of Mesquite and Moapa that have the ability to use this revenue for water and wastewater projects.

That concludes my presentation. I stand ready to answer any questions.

Chair Kirkpatrick:
Because you will be here all day, and because we still have three more presentations and a bill to hear, I am going to allow only Mr. Goedhart to proceed. Mr. Goedhart.

Assemblyman Goedhart:
I applaud the conservation achievements. According to slide 21, we are using about 245,000 acre-feet a year. If you look at slide 18, it shows a current usage of about 600,000 acre-feet a year.

Patricia Mulroy:
Those are deliveries, not net use.

Assemblyman Goedhart:
But even in going forward, it shows quite an increase in deliveries, even during a drought situation. Is that a worst case scenario?

Patricia Mulroy:
Those show deliveries and not net use. To the extent that you could use that water inside, you have the ability to reuse it, rather than use it outside. That

line was very difficult for us. Economic projections are all over the map right now. When we look at what kind of water resources we have to make available, we have to look at the worst-case scenario and how much stress the system can manage. That is how we have to effectuate our planning.

Chair Kirkpatrick:
Ms. Mulroy, there are several questions, but because of our time frame, I suggest you see the Committee members individually.

Patricia Mulroy:
I would be delighted to.

Chair Kirkpatrick:
Thank you. We are going to move to Assembly Bill 130. We will now open the hearing. Good morning, Ms. Smith.

Assembly Bill 130: Revises provisions relating to affordable housing. (BDR 25-874)

Assemblywoman Debbie Smith, Washoe County Assembly District 30:
I am here to introduce to you A.B. 130. This bill is regarding housing authority and risk retention pools. I brought this bill forward at the request of the Reno Housing Authority (RHA). There are a lot of RHA complexes in my district, and I work with them on a regular basis. I had a similar bill two or three sessions ago that helped in this regard. This is another bill that would help them. It is a very technical bill. I will introduce it and then turn it over to the experts to further explain the bill and to answer your questions.

For background, public housing in the U.S. was established by the U.S. Housing Act of 1937 to provide homes to those of low to moderate income and to provide jobs for the unemployed. The RHA was founded in 1943. for a number of years, various public agencies such as the RHA and nonprofit medical facilities have had legislative authority to enter into cooperative agreements across state lines with other housing authorities to purchase insurance, which helps keeps costs down for the members of our community who live in these units. I refer to the previous legislation which we passed that allowed that.

Assembly Bill 130 seeks to expand the insurance pool called the Housing Authority Risk Retention Pool (HARRP) to include other types of affordable housing offered by non-governmental entities that are nonprofit companies or LLCs offering low-income housing. The experts can tell you about the need for this and the provisions. I think you will also hear about some language that we will ask to amend at a later time, working with the Insurance

Commissioner to make sure that there are the proper accountability measures in place for this. With that, I will turn it over to David Morton.

David Morton, Executive Director, Housing Authority of the City of Reno:
[Mr. Morton gave Committee members a letter of explanation (Exhibit F).] Our attorney for the pool of which RHA is a member is here. He can address the technical aspects, and so can the Executive Director whom we hired to run the pool. I want to give you a brief understanding of why RHA got involved.

What we have is a pool of 90 housing authorities in four states (Exhibit G). They are California, Oregon, Washington, and Nevada. The group was founded many years ago when we could not get insurance in the conventional market. There have been times when affordable housing just would not have been in favor in terms of the insurance group. Faced with having no insurance many years ago, some leaders in the affordable housing industry in these four states joined together and decided to form a pool and self-insure themselves.

At that time, Reno was not a part of that group. Later, I saw how beneficial this was and what a great deal they were getting in terms of rates, coverage, and protection. We do not let just anybody in the pool. We make sure the people in the pool are doing a good job and operate housing in a safe and appropriate manner. We have had much success with this pool, but we are only covering public housing entities or properties in a fairly narrow scope. It has worked very well, but many of our members have moved into other activities such as tax credit properties, and we cannot cover those. Many of our members have asked if they can help the other groups. I am one of the board members of this group. I am one of nine people who run the pool. We committed a lot of our resources to try to set up a second pool that would be geared to affordable housing entities that we cannot presently cover. That is what this is all about. It is not something meant to directly benefit the RHA. It will open the door for a lot of other affordable housing entities in Nevada to participate and enjoy lower insurance rates and quality coverage.

Chair Kirkpatrick:
If you could, go through the bill in sections, because it is very technical for even Government Affairs.

James Kennedy, Attorney, Kennedy & Kennedy LLP, Portland, Oregon:
I have served as legal counsel for HARRP since its inception in 1987. As David Morton indicated, HARRP is a public entity insurance pool. It is composed of 90 public housing authorities in its four-state territory.

[Mr. Kennedy read from a prepared statement (Exhibit H).]

The reason for this legislation is that under Nevada law, HARRP, as a public entity insurance pool, can only insure public entities. It lacks statutory authority to insure the tax credit limited partnerships and nonprofit corporations that are currently and increasingly developing and managing affordable housing. The bill permits these types of affordable housing entities to create a new pool.

The bill is very similar in its approach to legislation that was enacted recently in Oregon, Washington, and California. Nevada is the last state in the four-state territory of HARRP in which we are seeking a legislative change.

The bill creates an exemption under the Nevada Insurance Code. There is a provision in the bill that notice will be provided to participants in the pool and that it is not regulated by the Nevada Insurance Commissioner.

The reason for the complexity of the bill is that we have attempted to narrow the exemption from the Nevada Insurance Code. We have done this by limiting the participants in one of these new pools. The pool only allows three different categories of participants in one of these affordable housing entity insurance pools.

The first category of participant is a housing authority or agencies or instrumentalities of a housing authority. The second category is a nonprofit corporation that provides affordable housing. The third category, the one that presents a lot of the complexity in the bill, is either a partnership or a limited liability company that both provides affordable housing and is affiliated in a material way with a housing authority or with a nonprofit corporation that provides affordable housing.

Madam Chair, would you like me to go through individual sections of the bill?

Chair Kirkpatrick:
Most of what you just talked about is on line 37 of page 3 of the regular printout.

James Kennedy:
Yes, the types of entities come under the definition of “affordable housing entity” on page 3, line 37 of the bill.

Chair Kirkpatrick:
Mr. Anderson has a question.

Assemblyman Anderson:
Can you explain what the benefits are? I realize there is some sort of federal tax benefit that these nonprofit entities can get if they are providing affordable housing. Can you explain the benefits that accrue and why affordable housing is moving from public entities more towards these nonprofit entities?

David Morton:
There are a lot of housing authorities that have changed from public housing to some other type of affordable housing. They have acquired vouchers from the U.S. Department of Housing and Urban Development (HUD). There has been a real move in that area. San Diego has no more public housing. At one time they had several thousand units. They have converted those to affordable housing, but not the traditional public housing program. They have been able to expand their housing as a result.

Opponents of this bill feel like they are losing something in the process, but it has happened. There has been a lot of that on the West Coast. Housing authorities are no longer operating the traditional public housing.

Chair Kirkpatrick:
Mr. Lon DeWeese can help you with that, Mr. Anderson. He does a great job.

David Morton:
I would be glad to meet with you individually, if you would like.

Chair Kirkpatrick:
Okay. Are there any other questions?

There are a lot of nonprofits that do affordable housing, and you are exempting them. Is that where the Commissioner is trying to put some accountability piece in there? Is that correct?

James Kennedy:
That is not one of the proposed amendments from the Division of Insurance. The three proposed amendments include the addition of administrative hearing provisions, with respect to the issuance of a cease and desist order that could be issued if there is a violation of the statutory requirements or if the pool is operating in an unsafe financial condition. The second set of amendments would deal with the authority of the Insurance Commissioner to initiate an examination of the pool, at the expense of the pool, if the pool is operating in a hazardous condition. The third amendment is to incorporate the *Insurance Code*'s definition of a "qualified actuary," with respect to the actuarial

report that would be provided to the Commissioner. We concur with all of these amendments.

Chair Kirkpatrick:
When is the Insurance Commissioner going to let this Committee see that? I think it is unfair that we are making assumptions, and I will not allow my Committee to vote on something and then have an amendment pop up on the floor. That is not my style.

James Kennedy:
Janice Moskowitz, from the Division of Insurance, is here today and is available to answer that question. I think, since the need for these amendments was identified just yesterday, we will work diligently to draft the amendments to make them available to the Committee.

Chair Kirkpatrick:
I think it is only fair that the Committee have all its eggs in one basket when casting a vote.

I am looking at section 1, subsection 9, paragraph (b), subparagraph (2), line 43 of the bill. Can you explain how that is supposed to work? That is a very broad statement.

James Kennedy:
Nonprofit corporations can obtain funding for affordable housing that is not available to housing authorities. There are a number of nonprofit corporations that provide affordable housing that are either affiliated with a housing authority in some respect or not affiliated. A number of these nonprofit corporations serve as general partners or as managers of tax credit entities that provide affordable housing. We have a fairly broad definition of "nonprofit corporations" so that we can encompass those types of entities to capture the tax credits and the nonprofits that qualify for funding for which housing authorities do not otherwise qualify.

Chair Kirkpatrick:
With that definition, what are we allowing them to be a part of?

James Kennedy:
We are allowing them to be part of one of the affordable housing entity insurance pools.

Chair Kirkpatrick:
They are just going to be able to get the insurance with everyone else. Is that correct?

James Kennedy:
Yes.

Chair Kirkpatrick:
It is a very cumbersome, technical bill.

James Kennedy:
I apologize for that. It follows the definitions and enabling legislation of the other states. The reason for these rather technical definitions is that we wanted to narrow the exemption from the *Insurance Code*. We did not want the concept to be overly broad.

David Morton:
That is really the point. The fear in this was how wide to make it. We were trying to be as narrow as we could so that we deal with affordable housing entities and not somebody who is just trying to lower their rents or otherwise benefit from this. We want the participants in the pool to be meaningful, nonprofit, affordable entities that are really serious about doing good in their communities.

Chair Kirkpatrick:
We are allowing them to get an insurance pool for what type of insurance?

James Kennedy:
In section 1, subsection 1, paragraphs (a) through (e) of the bill, the categories of insurance offered by the pool are listed. We are basically talking about property and liability insurance.

Chair Kirkpatrick:
Does anybody else have any questions? Do the presenters have anything else?

James Kennedy:
We have the Executive Director of the pool with us today.

William Gregory, Executive Director, Housing Authorities Risk Retention Pool, Vancouver, Washington:
[Mr. Gregory presented a letter of explanation to the Committee (Exhibit I).] We thought of this about five years ago, trying to put something together in response to our members' requests to do something for this line of business

that they have to take out to commercial markets. The commercial insurance market still is not favorable for affordable housing. Risk retention pools across the country provide a vital service with respect to stable cost for insurance, risk management, and claims administration. We are putting this together to answer the needs of our clients, who are the clients of HARRP, and address a situation that will only benefit those members in driving down the cost of insurance.

Chair Kirkpatrick:
This does not limit it to just specifically HARRP. This is just currently the criteria that HARRP uses. Is that correct?

James Kennedy:
That is correct.

Chair Kirkpatrick:
I do not like limiting it to one specific pool, but if this criteria works, then I get it. Does anybody else have any questions? Thank you. If anybody would like to testify in support of A.B. 130, please come forward. If there is anybody in opposition of A.B. 130, please come forward. If there is anybody who is neutral on A.B. 130, please come forward. I will close the hearing on A.B. 130. To whoever is here for the Insurance Commissioner, if my Committee could get those as soon as possible, that would be helpful.

We will return to our presentations. Next is the Truckee Meadows Water Authority.

Mike Carrigan, Chairman of the Board, Truckee Meadows Water Authority and Western Regional Water Commission, Reno:
[A PowerPoint was shown as representatives from the Truckee Meadows Water Authority spoke (Exhibit J).] In 2001, Sierra Pacific Power Company, which is now NV Energy, decided to sell its water department. The governments of Washoe County, Sparks, and Reno got together. In four weeks, we came up with a bid and a way to govern the authority. We were the top bidder, and we issued $455 million in revenue bonds. We are operated by a joint powers agreement among Sparks, Washoe County, and Reno. The purpose was to retain local control of the water resources.

Our revenue source for running the Water Authority is water rates. Along with the water company, we have four hydroelectric plants, which also provide revenue. We also gain revenue through developer fees.

Slide 3 shows the makeup of the Board. We have two members from the City of Sparks, three members from the City of Reno, and two members from

Washoe County. We think it is a very important board. The mayors of Reno and Sparks sit on it, along with the Chairman of the Board of the Washoe County Commissioners. All of us except for Michael Cate are elected officials. We can have either elected officials or appointed officials. Michael Cate has been on the Board for a long time. He owns a construction business.

We get no fees from the government. The bonds were put up with revenue bonds. There is no General Fund money for those bonds. I turn it over to Mark for the technical aspects.

Mark Foree, General Manager, Truckee Meadows Water Authority, Reno:
Slide 4 shows that we have over 90,000 acre-feet of surface water rights. We get about 90 percent of our water supply from Lake Tahoe and the Truckee River system. It is an outstanding source of supply. I would not trade it for anything else in the country. We have 33 groundwater wells. In a drought year, we can pump up to 22,000 acre-feet. In a normal year, we can pump up to 16,000 acre-feet. Very importantly, we have some storage rights that comprise our drought storage. We own half of the water right in Donner Lake and all of the water right in Independence Lake. Those two lakes make up about 22,000 acre-feet of drought storage. The other drought storage comes through a federal contract with the Bureau of Reclamation for storage in Boca and Stampede Reservoirs. That is about 14,000 acre-feet.

We have two surface water treatment plants, and we have three groundwater treatment plants that treat five wells for perchloroethylene (PCE) removal. We have three operating hydroelectric plants on the system. They are run-of-the-river plants. You can see them as you are driving west from Reno. They are a very good revenue source for us. It is a good offset to our total power bill. We have long-term purchase power agreements within NV Energy for those.

Slide 5 has a picture of how water is used in the Truckee Meadows. Much of the land in the Truckee Meadows was once irrigated. What is required here in the Truckee Meadows, as well as much of northern Nevada, is when developers want to build a subdivision or a commercial development or an industrial development, they need to bring water rights to the utility. They need to dedicate those rights to the utility. In the Truckee Meadows, those are typically surface water irrigation rights. The developers bring those water rights to the utility, or they can also purchase will-serve letters from us. We keep an inventory of water rights, as well.

When they bring those water rights to the utility, the rights are converted through the State Engineer process from irrigation rights to municipal use. Those are primarily Truckee River water rights.

Slide 6 shows a pie chart of the water that comes down the Truckee River in a year. This happens to represent a drought year. It shows the amount of use by the Truckee Meadows Water Authority (TMWA), as well as other uses. Half of the water goes to the Truckee-Carson Irrigation District. Those are the Fallon and Fernley-area farmers. About 25 percent of it goes to Pyramid Lake. Only 8 percent is taken out by TMWA, and 15 percent is used for other local irrigation in the Truckee Meadows area. Over 85 percent of our supply comes from Truckee River resources.

Slide 7 shows a snowpack chart for the last 25 or so years in relation to the 30-year moving average. The early part of this chart shows the drought that ranged from 1987 to 1994. That is the longest drought in the 100-year record. In the water planning process, we take the longest drought on record and add another year to that. We plan for a nine-year drought. We have had four below-average snowpack years. There is somewhat of a caveat with 2010, because we had a lot of late spring storms. April 1 is the official snowpack measuring date. After April 1, 2010, we had a lot of storms. They kind of pushed us up over 100 percent of the average. An important thing is that in the last four years of the current dry cycle, we have yet to draw on any of those upstream drought reserves. That is a good thing. In our system in northern Nevada, we have not been as affected by drought as has the Colorado River system. Some of the reasons for that is our system is a much smaller watershed, and the reservoirs like Lake Tahoe are in the higher elevations. We are fortunate.

This year, we have had a pretty good water year so far. Currently, in the Truckee Basin, we are at 122 percent of normal for this time of year. The Lake Tahoe basin is at 139 percent of normal. We will probably see Lake Tahoe at two-thirds full by the end of the runoff season.

Slide 8 shows the historic population in Washoe County and water production over the last 90 years. Toward the end of that graph, about since the time TMWA was formed in 2001, we have had a pretty good reduction in water use, even though our number of customers has increased by about 20 to 25 percent. During that time period, our water usage dropped by about 17 percent. There are a number of reasons for that. One reason is there has been a nationwide trend of using less water. People are more conservation-minded. They pay more attention to those things than they used to. One of the big reasons for the reduction in usage is that in 2001, we were a partially metered system.

Only about half of our residential customers were metered at that time. We have had a meter conversion project going on for a number of years, and we are now 98 percent metered. With the vast majority of customers paying the metered rate, there is an economic driver for water conservation. In the last three years or so, some of the reduction is due to the large number of vacant residences and commercial properties in our service area.

We have a very detailed planning process. We recently completed our 2010 to 2030 water resources plan, which outlines the region's projected demands, along with the current and future water resources to meet those demands over the next 20 years. The takeaway message from this plan is we have sufficient water resources to meet the region's projected water demands through 2030 and well beyond.

I am looking at slide 10. A big part of those future resources has to do with the Truckee River Operating Agreement (TROA). In the late 1980s and early 1990s, Senator Harry Reid got five major parties together on the Truckee River to come up with a negotiated settlement, which was done in the early 1990s. It was called the Negotiated Settlement of the Truckee River. The parties were the States of Nevada and California, the U.S. government, the Pyramid Lake Paiute Tribe, and Sierra Pacific Power Company. In this Agreement, there was recognition that things have changed over the last 60 or 80 years, in that the river system could be operated in a different way to provide benefits. The big benefit for the community is that the Agreement about doubles the available drought storage. It also ratifies the Nevada and California allocation of water, with Nevada getting the lion's share of that. It has benefits for endangered species and recreation. It was the reason why water meters were installed in the Reno and Sparks area. With TROA, water saved through conservation goes to drought storage. It is not remarketed for use by developers.

The Agreement is not implemented yet. It is currently being challenged in court on several fronts, primarily by the Truckee-Carson Irrigation District. We expect to be successful in court regarding the challenges, but it may take a few years before TROA is implemented.

I will move to slide 11. Our biggest challenge today is financial. This is a picture of our revenues. We reached a peak in fiscal year 2007 with about $89 million taken in over the course of that year. We have dropped down steadily since then. We are down to about $78 million from those sources for the fiscal year 2010. That is an $11 million drop in revenue, or 12 percent. Our water sale revenue is at 2006 levels.

Slide 12 shows our operating expenses. We have reached the peak in 2008. Over the last couple of years, we have reduced our expenses significantly. We have eliminated 11 positions, which is 6 percent of our workforce. We have had a very focused energy management program where we take full advantage of NV Energy's time of use rates. We have cut our power costs quite a bit. We have negotiated a lot with chemical venders to hold prices steady or drop them. We are in a period where we have almost a three-year wage freeze in the organization. Our fiscal year 2010 spending is what it was in 2007.

Slide 13 deals with renewable energy. We have four hydroelectric plants on the Truckee River. Currently, three are operating. Consider the last four years of generation, which is represented by the blue bar. In relation to our total energy consumption, which is the red bar, we have generated about 80 percent of the electricity that we use. That is a really good thing. We take full advantage of those hydroelectric plants. With some energy-saving measures that we expect to happen in the next few years, we can see where we could generate 100 percent of our electrical use on a good water year.

The last slide talks about the proposed merger between TMWA and Washoe County. Because Rosemary Menard covered that, I will skip that. That concludes my presentation.

[Chair Kirkpatrick left the room, and Vice Chair Bustamante Adams assumed the chair.]

Vice Chair Bustamante Adams:
Thank you. We have time for two questions. Ms. Neal.

Assemblywoman Neal:
This may not be relevant, because you guys seem to be in a better position than the south. In your water resource plan, did you deal with the population as a fixed variable, or at least calculate it into your proposal as stemming growth, where it does not go anywhere, or are you acting as if we are not going to grow any further? It seems to me like there is a serious impact on the water as we move forward, and there is going be a serious impact on how we decide what kind of corporate diversity we bring into an area, because it is going to impact the water usage.

Mark Foree:
We did our own population forecast. It was very close to the consensus forecast that Washoe County came up with. That forecast probably would have been quite a bit different had we used our previous resource plan. Everyone is seeing now that the population growth is not going to be where it was expected

to go about five years ago. We provide forecast data to Washoe County. Expectation for growth is down somewhat from the last forecast.

Vice Chair Bustamante Adams:
Mr. Ellison.

Assemblyman Ellison:
It looks like your hydroelectric revenues are working quite well. In referring to the water sales graph on page 11, does the graph represent downstream sales, or is that only for housing?

Mark Foree:
That water sales represents only our retail and wholesale customers. It is treated water.

Assemblyman Ellison:
Are you looking at expanding your hydroelectric revenue?

Mark Foree:
We are limited in expanding the three currently operating hydroelectric plants right now. There is a fourth one near the Farad plant. Its diversion dam was washed out in the 1997 flood. It has not been rebuilt yet because NV Energy has been in litigation with their insurance carrier for 14 years on the issue of replacing that dam. That case is now before the Ninth Circuit Court of Appeals in San Francisco. We have been trying to work with NV Energy, being patient for a long time, to allow them to get through this court case. They are obligated to give us, at some point, an operating hydroelectric plant there. That is the biggest hydroelectric plant on the system. It generates about 2.8 megawatts. Mr. Carrigan and I will be in San Francisco next week at a mediation conference. We have been pulled into the case as an affected party. We are hoping the case will be resolved soon. All the permits are in hand for building that plant, which will be a pretty big increase to our hydroelectric system.

Vice Chair Bustamante Adams:
Thank you all for that presentation. I know that you have additional meetings later today, so if any of the members have additional questions for them, please follow up.

Rosemary Menard, Director, Washoe County Department of Water Resources:
I will give you a brief overview of the Washoe County Department of Water Resources (Exhibit K). We are a water, wastewater, and reclaimed water utility. We are doing a number of different utility functions. Page 2 of the handout

(Exhibit K) shows a map of where our services are provided. In general, TMWA's service for water facilities is in the central part of the Truckee Meadows. We are serving populations and communities to the north, south, east, and west of the main concentration of water suppliers and wastewater providers in the central Truckee Meadows.

We have 18 water systems that range from small ones in the north valleys down to Lightning W Ranch, for example. We have 3 wastewater treatment plants and 15 wastewater collection systems. We have a reclaimed water facility, including a storage reservoir in the Huffaker Lane area in the southeast Truckee Meadows. That facility has reclaimed water from our wastewater plant that is then used for non-potable distribution.

We do the full range of utility services: operations, capital planning, and a range of water planning issues further to the north and south having to do with groundwater management issues. We are a large wholesale customer of TMWA, but we also have our own resources that are largely groundwater.

We also are the unofficial administrative home of the Central Truckee Meadows Remediation District. It is a groundwater remediation district established in the mid-1990s to deal with contaminated groundwater in the central Truckee Meadows. The contaminants are basically organic solvents used for degreasing and dry cleaning that got into the ground water table. We are responsible for developing and implementing that program, which has its own funding source.

We are the administrative and management arm for the Western Regional Water Commission (WRWC) and the Northern Nevada Water Planning Commission.

A lot of our emphasis has been working on consolidation, but with any utility, the first job is to deliver the service 24/7 in every kind of weather or condition. We have our workers out there to make sure our customers are receiving utility services. The major thing that we are looking forward to this year is getting on a path towards consolidating the two water utility functions. Quite a bit of work is being done to make that transition happen. There are groundwater management issues that we have been dealing with. In particular, there are a number of planning and evaluative studies looking at capital programs and what we need to do to maintain our facilities at the functional level on an ongoing basis, which are a major part of the work we are doing this year.

Our budget is about $30 million in operating expenses and about $15 million in capital expenses. The Remediation District has its own budget. We have about $6 million in debt service. The chart on page 7 shows what has happened with

our staffing levels over the last five years. We are currently down to about 78 positions. We have about 17 percent fewer employees than we had five years ago. A lot of that has been done through attrition. We are holding open vacant positions. We had a number of people who took advantage of some of the early-out incentive programs that the County was offering a number of years ago. We are consciously holding open a number of key positions so that it is easier for us to merge the water utilities together.

In regards to our financial status, we have a five-year rate increase program in place. We just implemented the third year. It was adopted in July 2009. It was heavily focused on the water side, in order to help us make sure we could meet debt service covenants and other commitments to funding the water utility. The wastewater and reclaimed water utilities recently have been reviewed and it was determined that rate increases are not currently needed.

Page 9 shows the operating revenues versus expenses. The reason the expenses are higher is because on the expense side, you include your depreciation. You do not include that with the operating revenue. In general, our revenues and our expenses are flattening off. We are heavily influenced because we are so focused on groundwater. Power costs are a big part of our cost structure. We have some chemical costs, but not as much as we have with our water treatment plant. The chemical costs are sometimes larger there.

The power is a big issue. As TMWA has been doing, we are moving a lot of our power consumption to off-peak pumping to take advantage of lower rates.

The pie chart on page 10 shows a project called "Sewer Grant Funded." It represents about $3 million of funding. This is funding with which we were working with the federal government and the AB 198 Program at the state to fund the next phase of the Spanish Springs Septic-to-Sewer Conversion Project. There are about 2,000 properties there on septic tanks. They are on one-third acre lots. They are causing nitrate pollution in the groundwater that is being used for municipal production wells. We had been following along with the federal government, the Army Corps of Engineers, and a grant program to help fund the transition of that. It costs about $30,000 per property if you do not have some source of outside funding to mitigate those costs. We were looking at about a 75 percent reimbursement grant for the construction part that would bring those costs down to about $5,000. An AB 198 grant would offer about $2,000 per property. It was to help pay for the on-site cost of conversion, which mainly involves plumbing changes and abandoning septic tanks. The AB 198 funds have basically disappeared completely. We got a letter last year saying that there was not going to be additional bond issues for that program until 2019. The federal funds have also pretty much dried up. That is a major

project that we need to move along as it relates to groundwater protection and protecting the quality of municipal groundwater resources. We do not really have the money to do it, nor can we put in a special assessment district and implement that program, because the costs per properties are simply prohibitive in a market that is largely upside down in terms of people having depreciated values of their home.

Page 11 is a slide of our seasonal water use patterns, looking at peak and off-peak usage. We have had, over the last couple of years, much lower peak consumption than in previous years. We are attributing that to a couple of factors. One is weather. We have had a much cooler spring and a late onset of the summer warm weather in the irrigation season, both in 2009 and 2010. We are also thinking that, because of the economic conditions, people are choosing not to irrigate their landscape as they had historically, simply because they cannot afford the associated water bills. We are seeing some changes to consumption patterns that are driven by a variety of both economic and climatological conditions.

The final slide describes the Central Truckee Meadows Remediation District Program. The picture on top is an air stripping tower at one of the TMWA wells. This is a way to process PCE and trichloroethylene (TCE) by aeration. It volatilizes the chemical and completely removes it from the water supply from relatively low level contamination in the source to basically undetectable. We are looking very hard at ways to find the concentrated sources of these contaminants, which typically are the result of things like pouring it on the ground. It is a volatile organic compound. The idea was that it would volatilize into the air and go away. But, the part that did not volatilize is heavier than water, so it transfers down through the water table and collects in a concentrated mass at the base of the groundwater table. This is a project that is trying to identify the locations of those masses of concentrated contaminants and the strategy for dealing with those. In the meantime, when we do have wells that exceed the federal maximum contaminant level of 5 parts per billion, they have to be treated to sustain the well.

We also do quite a bit of work with the Nevada Division of Environmental Protection (NDEP) on examining cost recovery and other kinds of source referral problems. It is very much a partnership between the County as the program developer and implementer, NDEP as the regulator, and Reno and Sparks as the other agencies that also help manage and regulate some of the usage and make sure that we have, for example, sewer ordinances that do no allow one to put this chemical down the drain. Most sewers are not water tight, so the contaminants can leak out of the sewers and into the groundwater. This remediation program has been going on for quite a number of years and still has

quite a number of years ahead of it before the problem is solved. It is a program in which the County works very aggressively with partner agencies on implementing and making progress on those contaminated groundwater issues. I will take questions.

[Chair Kirkpatrick reassumed the chair.]

Chair Kirkpatrick:
Does anybody have any questions? I know water is a very "dry" subject, and it can get "deep" sometimes. Next week, we will have three water bills in one day that affect every single drop of water in the state. Thank you. We will call up Carson Water.

Edwin James, General Manager, Carson Water Subconservancy District, Carson City:
The advantage you Committee members have is Mr. Livermore served on our board for ten years. He was a treasurer and vice chair. Also, Assemblyman Kite was on our Board for 12 years.

[Mr. James referenced a printed presentation (Exhibit L).]

Regarding the history, I will skip the early years and get to the portion that started effecting the change on the Carson River and how the Legislature got involved. That was in 1989. The state had realized at that time that growth was going to continue, but there were very limited resources. They asked the Carson Water Subconservancy District (CWSD), which was formed in the 1950s, to take the lead and really look at that on a local level. The focus at that time was water supply and how to meet the needs of the growing communities. In 1997, there was a major flood on the Carson River; and in 1998, there was the Carson River Conference, which brought the community together from all different aspects of water resources. They realized that having these different entities looking at different parts of the water picture did not make sense. They felt that an integrated watershed planning process was critical to meet its needs. That included flood management and the health of the environment. They asked CWSD to lead an integrated approach, versus focusing on a single approach. They wanted many different entities to look at the health of the overall watershed.

In 1959, Douglas and Lyon Counties were the first two entities to sign on. In 1989, when the Legislature re-created the Subconservancy, Carson City was added. In 1999, Churchill County became a member. In 2001, Alpine County, California became a member. By that, we became a bistate organization.

In 2009, Storey County, which has a small part in the watershed, became a nonvoting member.

The next page shows the role of CWSD. It shows that the CWSD is responsible for the management and development of water resources in the upper Carson River to alleviate reductions and loss of water supply; promote conservation; and protect the health, safety, and welfare of the people of the upper Carson River Basin. Since that time, we have expanded. We now cover the entire watershed. It is a large task.

The next page is a map of the watershed. We do not have any storage in the Upper Carson River Watershed. Lake Tahoe has six feet of storage. Those six feet are equivalent to two years of runoff of the Carson River. Mother Nature is really critical to us. Our planning horizon is year-to-year, because we could have floods one year and a drought the next. We could actually have a flood one year and have a drought later that same year. We are dependent upon nature. I should also point out that we are connected "at the ankle" with the Truckee River, because there is the Truckee Canal that brings water from the Truckee River into Lahontan Reservoir. Lahontan is our biggest storage. It is located two-thirds of the way down the watershed. That takes care of the Newlands Project, which is a Bureau of Reclamation program. During dry years, there is not enough water to meet the needs; so, much water is diverted from the Truckee River. In wetter years, probably very little water will be diverted from the Truckee River.

The next slide shows the structure of the Subconservancy. We have 14 board members. Most of the board members are elected officials from all the counties. That eliminates local control. We also have a few agricultural representatives. Our funding comes from ad valorem tax and grants. We have a very small staff of two full-time and three part-time employees. We have a lot of expertise in our staff. They are proficient in hydrology, water quality, aquatic, flood management, stakeholder facilitations, and public outreach. With our small staff, we can cover all the needs.

The next slide addresses the balancing of water demands. It is important to understand that one must look at balancing all the needs. We talk of the three-legged stool, in which you have agricultural needs, the environment, and domestic needs. The Subconservancy is not a water purveyor. We are not an agricultural or environmental group, but we represent all three, and we understand the importance of integrating those water resources. In our planning process, we make sure that we are balancing the needs of all three.

The next slide illustrates our current water situation. First of all, the river is fully allocated, even the floodwater. There is no extra water in the system. If you have a new demand on it, it has to come from an existing use. Those resources must be balanced. Now, 95 percent is used for agriculture, but as growth continues, some of that will change for municipal water use.

Most of the groundwater basins are over-appropriated. However, the actual pumping is less than the safe perennial yield. We are in a good situation there.

We have a lot of water quality issues. In the groundwater, we have arsenic issues. There are nitrates from many septic systems. We also have phosphorus in the river. We do not meet the standards there. We have algae problems sometimes. We are working on these things.

Another thing we are looking at for long range planning is runoff pattern changes. With no upstream storage, we depend on nature. With some climate change studies we are looking at, we are seeing a shift in the runoff pattern. We are seeing more water coming off in the spring, which means there will be less in the summer. That means the environment, agriculture, and the municipalities that depend on that river will not have as much in the late summer when demand is highest. We are looking at trying to utilize the resources to move that water in a non-structural manner.

The next slide is on our water challenges. There is limited water supply and the loss of critical floodplain. This happens all over. It happened in the Truckee Meadows area. People tend to want to build next to a river. When that happens, they put themselves in a floodplain. Not having an upstream storage, we have to protect those floodplains. It is critical to have a better plan. Noxious weeds are impacting our agriculture and our environment. We are working with that.

In the past, we always tried to streamline it. The Army Corps of Engineers came here in the 1960s and straightened some of the river to try to move floodwaters around. It actually caused more erosion on the banks and impacted the quality of the stream-repairing corridor. There is a picture of a house that was damaged in the 1997 flood.

The next slide is on maximizing resources. We do a lot with a lot of different partners. That is how we can spread the work we do and the funding, as well. We are so successful because we work with a lot of partners.

We try to stretch dollars in this watershed. We also avoid duplication. There is no reason to have multiple entities doing the same thing. We provide an overall

view, but we let the local entities work locally, and we then provide that information back to the community and the counties.

The next slide shows our regional projects. We developed a regional flood management plan that was adopted by all five counties in the watershed. It was not adopted by Storey County, because they were not on at the time. We will be taking that up to them in the near future. We also developed a watershed stewardship plan, our lifeline, which meets the criteria for Clean Water Act Section 319 grants by the U.S. Environmental Protection Agency (EPA 319). These documents have been noticed throughout the country. The young lady who put these together was contacted by the U.S. Department of State just two weeks ago, asking if she would speak at a conference in Thailand about how we are doing things in the Carson River Watershed. She will be one of the keynote speakers on how to work on a watershed-wide basis. There are several countries with issues. It is a much bigger entity, but they realized if it can be done locally, maybe it can be done on a broader scale.

Our flood management plan is featured on the next slide. It started off with a conference in 2004. We brought the community together and asked what we want to do with our flooding. During that process, the community said it did not want to see engineered channels. It did not want the Carson River to become a Los Angeles river. We wanted to see the natural function of the river. We decided not to build those channels and to allow nature to progress as it was meant to.

The Subconservancy is a technical cooperative partner with the Federal Emergency Management Agency (FEMA), so we get some funding. We are doing some remapping. A new program called a "charter" program is being created by FEMA. It deals with the watershed as a whole. It used to operate on a county by county basis. They are asking us to be the first in the country to implement the program to see how a watershed-wide charter with FEMA could work.

The next one shows some of the programs the Subconservancy is involved with. We are currently developing a comprehensive regional water management plan, looking at the water needs for the municipalities for the next 30 years. We are examining where the water is going to come from, how it is going to be impacted by climate change, and other aspects. We are also developing a regional water conservation program. Every water purveyor in the watershed has a water conservation program. We are just seeing how we can enhance that, working on a regional basis. We do a lot of community outreach and education. We work with the conservation districts on river restoration

projects. They know the community. Most of the river land is owned by private individuals. The conservation districts work with them.

Noxious weed control is a critical issue. We have a lot of weed-free forage in this watershed. Last year, we started losing some of those because of the noxious weeds. We were able to get some stimulus money to work on that. We are working in the communities, getting people to work, and trying to deal with the noxious weeds.

We are a Clean Water Act Section 208 entity appointed by the Governor. We are currently working on some algae problems on the East Fork.

We are also working with FEMA to update some of the flood maps. The last time the flood maps were made was in the 1980s. We have had two major floods since then. There have been a lot of changes. We have a grant with FEMA to upgrade that. Our goal over the next five years is to have a completely new flood map of the entire Carson River.

Continuing on with some of our projects, we coordinate the Carson River Coalition process. The lady going to Thailand is the coordinator for this. We realized early on that one entity cannot do it all. We have to bring the community together. This is what the Carson River Coalition is. It is made up of many different federal, state, and local entities. We get together to provide an input to make sure that everything is being integrated or considered when we look at our process.

We administer several EPA 319 grants. We work with the State Engineer on groundwater pumping inventory. These are critical. They have good data. We do a lot with integrated pipeline interties. Currently, Carson City and Lyon County are tied together with a pipeline. There is a pipeline being constructed from Minden to Carson City. Soon, we will have systems tied together. We help pay for upsizing those lines to ensure we have an integrated plan for working with the different water purveyors.

We are doing some work with nonpoint source pollution with the NDEP and different counties. We are working on habitat enhancement plans and with the United States Geological Survey (USGS) on some groundwater modeling to look at future supplies. We also look at how more groundwater pumping would impact our watershed.

Chair Kirkpatrick:
Thank you. I think it is important for southern Nevadans to know what a key role you play within the entire state. Are there any questions? Ms. Pierce.

Assemblywoman Pierce:
In terms of protecting the flood plain, are you actually limiting how much people are allowed to build there?

Edwin James:
We are first of all looking at putting better flood maps together and better modeling. We do not currently have a model that shows what happens when you build on a flood plain. A flood plain is storage. When a floodwater comes out, the water moves out into the flood plain. When you build on a floodplain, you actually decrease it, and that causes impacts both downstream and upstream. We are working on those tools. Once we have those in place, we will be working with the counties to create ordinances to insure protection so when someone builds on a floodplain, they have a way of mitigating the impact.

Assemblywoman Pierce:
The actual pumping is less than what is appropriated. How much less?

Edwin James:
It depends. We have several basins. Most of them are probably at 50 percent. The problem began when they started allocating the appropriation of the water. A lot of them are supplemental water rights, so when the State Engineer calculates that, they assume a supplemental would be pumping year round. That is never going to occur, because there is always some water in the river. That is why they look so much higher on the books than in reality. We want to keep an eye out, because if you start overpumping the groundwater basins, you will impact the river and the people downstream. We have to work cooperatively as a watershed to ensure those people downstream are not being shorted by people upstream. At the same time, the people upstream who have a valid water right can also utilize theirs to the fullest.

Chair Kirkpatrick:
Mrs. Bustamante Adams.

Assemblywoman Bustamante Adams:
I just have a comment. I had the privilege of hearing your presentation in the Committee on Natural Resources, Agriculture, and Mining. It is very refreshing to hear about the collaboration happening in the northern part of the state. I also want to compliment and congratulate you on the opportunity to charter with FEMA.

Edwin James:
Thank you.

Chair Kirkpatrick:
Mr. Livermore.

Assemblyman Livermore:
Thank you, Madam Chair. We have heard from different water authorities today. The Subconservancy is not a water authority. They do not own any water rights. They do not control any upstream storage. Five counties working together and the connection of the water resources from the different water purveyors is unique. Can you address how that has been managed and how the cooperative of that relationship has developed?

Edwin James:
We are not a water purveyor. When you passed the act, you gave us no regulatory authority at all. That was done on purpose, because the counties did not want another regulatory authority coming in. We have to work cooperatively with everyone. That is what we do. We try to find the common ground to get things done. We have funding, so we can move forward with projects, but when we move forward, we have to ensure that. With these pipelines that we helped fund, we do not want to own the pipelines. If we did, we would have to have staff to maintain them. We contract with the entity where the pipeline is going through. We own the capacity to ensure water in the future can move through those, but we do not own the pipeline. That is important. Our focus is to see if we can work cooperatively to reach the same goals. We have been very successful. It took the towns of Minden and Gardnerville over ten years to put five feet of pipe in the ground to connect to each other because they did not trust each other.

We have come a long way since then. We now have pipelines that connect Minden with Lyon County. Eventually, it will reach Silver Springs. We are moving together, working in cooperation, and protecting each entity as an individual entity. We have communities there. You will find that a water purveyor community is different from each one in this watershed alone. We allow them to keep their own identity, but work cooperatively. That has really helped, especially with this pipeline, because of new arsenic standards. If we did not have this, each entity would have to start building very expensive arsenic treatment plants. It does not help the communities at all. It just costs individuals a lot more. This cooperation is saving millions of dollars for the overall watershed.

Chair Kirkpatrick:
Thank you for coming. We appreciate it, and we look forward to working with you this session. We will now hear public comment from Mr. Baker. Thank you for your patience.

Dean Baker, representing Baker Ranches, Inc., Snake Valley:
Thank you, Madam Chairman and Committee members. I would like to speak about the impacts of the pipeline from southern Nevada water. I very much realize that water is critical to southern Nevada, and it is a problem. We are facing many challenges. The drawdowns in the Ogallala Aquifer mentioned earlier and others in eastern Washington, southern Idaho, Utah, Nevada, and other places where underground water is used are significant.

The underground water use is being shown more and more. In our valley, we have experienced it significantly with the amount of water we pump now. One of the significant things that happened was there is a developer of farmland, and he has told me that his choice was to get the land developed and sell the water to SNWA. But, as he started pumping the land in 2001, he killed 17 wild horses when a spring dried up because of the groundwater decline. We, as pumpers, have dried up springs all around our parts. The water that they say is available is what comes to the surface in springs or creeks, but it is also used by all the plants, hundreds of thousands of acres of greasewood and other plants. There is a lot of environmental impact.

Agricultural use is criticized, particularly above-ground flow, because it comes out of Nevada in some of Snake Valley and goes into Utah. But, that water was going there before there was a State or Territory of Utah. When the white man first came, the Burbank Meadows were very much the same as they are today. It is the home of a couple thousand cows and their calves. That same development that killed the 17 wild horses is drawing that spring down so that it is not carrying as many cattle. That water also feeds Garrison, Utah, and Pruiss Lake.

When you talk about the importance of this thing, there will be environmental impacts. It will draw down. It will change many things. The other day it was mentioned that golf courses are the second largest users of water in Las Vegas. Are you going to dry up millions of acres and hurt the environment and wildlife for the production of those golf courses? I know they are important, and people very much appreciate them, but you must look at the tradeoff on all levels.

Alfalfa hay is grown in the Imperial Valley on around 30,000 acres and a great deal more along the Colorado River in Arizona. All of that hay uses more water than we use in Nevada. In Diamond Valley, and we have some of the best hay there is, we produce hay with less water because of the cooler environment. Nevada is also a major producer of onions and other edible products. We send hay to California dairies, because it is of such high quality that they will pay significantly more to us than Imperial Valley for the water.

I worked on the Utah/Nevada Snake Valley Agreement. I know that agreement gets criticized, but it contained good things, and I agree with Pat Mulroy that it should have been signed. I wish it could have been put forward. But, when drought happens on the Colorado River, it is also happens in eastern Nevada. The amount of water that we get from storms is a fraction of what comes from the Sierras here. You get a lot of the water out of the Sierras. They produce far more water, whether it goes east or west, than we get in eastern Nevada. It is a tiny fraction. If you go over Donner Pass, you may have 15 feet of snow. You are lucky if you go over Connors Pass, which is a little higher and east of Ely, and get 15 inches. There are a lot of factors.

Chair Kirkpatrick:
Mr. Baker, because we have to get to the floor, can you summarize?

Dean Baker:
That is fine. I have many opinions. I wish you could all come and spend a day in Snake Valley, looking at the impacts we have made. I will let it go there.

Chair Kirkpatrick:
Okay. We will see Mr. Baker again. He is a vocal piece of a lot of water legislation. You actually helped with the northern Nevada piece back in 2007. Your group helped work on that. I am sure we will see you.

Dean Baker:
I worked on it for over 20 years, since October 17, 1989.

Chair Kirkpatrick:
And we appreciate that, so . . .

Dean Baker:
We also have developed water, and water has been a limiting factor on the Ranch for over 50 years.

Chair Kirkpatrick:
I do not disagree. Is there anybody else with public comment? The good news is tomorrow we have no Government Affairs, and we have no Taxation. We will reconvene on Friday at 8:00 a.m. With that, we are adjourned [at 10:53 a.m.].

RESPECTFULLY SUBMITTED:

_____
Jenny McMenomy
Recording Secretary

RESPECTFULLY SUBMITTED:

_____
Jeffrey Eck
Transcribing Secretary

APPROVED BY:

_____
Assemblywoman Marilyn K. Kirkpatrick, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Government Affairs

Date: March 2, 2011 **Time of Meeting: 8:02 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Assemblyman David Bobzien	WRWC Report
	D	Western Regional Water Commission and Northern Nevada Water Planning Commission	PowerPoint Presentation
	E	Southern Nevada Water Authority	PowerPoint Presentation
A.B. 130	F	David Morton	Letter of Explanation
A.B. 130	G	David Morton	Brochure explaining the Housing Authorities Risk Retention Pool
A.B. 130	H	James Kennedy	Prepared Statement
A.B. 130	I	William Gregory	Letter of Explanation
	J	Truckee Meadows Water Authority	PowerPoint Presentation
	K	Rosemary Menard	PowerPoint Overview
	L	Edwin James	PowerPoint Presentation