



August 5, 2016

Senator Pete Goicoechea
Attn: Alysa Keller, Subcommittee Policy Analyst
Legislative Commission's Subcommittee to Study Water
Research Division
Legislative Counsel Bureau
401 South Carson Street
Carson City, Nevada 89701-4747

Re: Water Utility Best Practices to Support Protection of the Resource

Dear Honorable Chairman Goicoechea,

Utilities, Inc. of Central Nevada (UICN) is currently working on a filing before the Public Utilities Commission of Nevada (PUCN) to support Hydrographic Basin 162. The over-appropriation of the basin, and the water challenges we face as a State require everyone's participation. We must become a water wise society who takes the ethic of water conversation as a part of daily life. Towards this goal, UICN must participate as a member of society, and specifically, part of the Pahrump Community.

UICN has held meetings with other utilities, the State Engineer, the Director of Regulatory Operations of the PUCN, and Nye County on potential solutions to which the utility can contribute. I also participated on the Nye County Advisory Committee on the Groundwater Management Plan where we met, with public comment, for twenty months to formulate a plan to protect the groundwater resource and meet the needs of the people who depend on the basin not just for life, but for quality of life. The ideas which will be presented to the PUCN come from this collective work and center on how we incentivize utility connection as opposed to ignoring the hazards to the basin of continued new domestic wells and septic systems.

I do not believe that any of these ideas require a legislative change; rather, they require a change in thinking. The State of Nevada's general adherence to the policy that growth pays for itself financially discourages utility connection for both the developer, who may or may not be able to justify the cost of the necessary infrastructure to serve, and the utility, that under the general view of the policy that growth pays for itself policy, does not earn on growth. And, under this circumstance, leads to further jeopardizing the resource itself by leading to new domestic wells. We must change our way of thinking about supporting responsible growth. Growth is good for our current customers as long as it doesn't overtax the resources.

During the 1970's, developers in Pahrump identified 40,000 lots to receive utility water service. There is not infrastructure to the vast majority of these lots. Other lots were designated to be domestic well and septic, other lots a combination of the central service, domestic well, septic system. This checkerboard of lot designation, lack of infrastructure, undersized infrastructure, service territory boundaries, creates unique challenges in the Pahrump Basin. Furthermore, adequate infrastructure to serve is many times available to lots outside of the utility service territory.

This specific PUCN filing is focused on the ability to more readily (and affordably) provide utility connection to residents within our service territory (i.e encourage connection versus another straw in basin.). Other ideas to support the basin will be presented to the Public Utilities Commission of Nevada in March of 2017 when our statutorily required Integrated Resource Plan is due. In that filing, UICN will propose a more aggressive water conservation education to promote a water wise community ethic. Data is a critical need in the basin to make educated decisions. Metering is a part of that data collection. It is not only how much do we have and how does it flow; it is also how much do we consume and for what purpose. To that end UICN will propose separate metering to future separate units (strip malls, multi-family dwellings, etc.) to raise water consumption awareness and data collection. We will also propose better measurements such as automated meter reading and Non-Revenue Water¹ controls.

Again, while I don't see any need for legislative change, we do see the need to change how our statewide community thinks about water policy. I would encourage the Subcommittee to support utilities who are trying to make a difference for water in Nevada – accounting for connection of new customers to avoid proliferation of new wells in an over-appropriated basin is critical to the protection of the resource and, therefore, part of the true cost of providing water.

Additionally, all of this takes capital spending from the utilities' shareholders. In order to continue to attract this kind of investment in Nevada, recovery mechanisms need to be enhanced. Private utilities frequently under earn (earn below the revenue requirement set by the PUCN to keep utility viable and to keep investment coming into Nevada). Major contributors to under earning are outside of utility control; they are regulatory lag and increasing costs. (And, of course, there is the conflict between encouraging water conservation and shrinking revenues.)

Regulatory lag is simply that the utility must invest and (in most cases) place the infrastructure in service before the utility can recover the investment dollars. Recovery is based on an historic test year. Rate cases can take up to 210 days to complete once they are compiled (and compilation is a lengthy process, usually requiring as much as six months after the end of the historic test period). In the meantime, investment is still occurring and expenses are still going up.

Nevada has made strides in making it possible for private utilities to shrink the gap between PUCN determined prudent return and what a utility can actually achieve. However, there is more to be done. Ideas to keep private utilities viable and encourage investment in Nevada have been discussed with the Regulatory Operations Staff of the PUCN. We will continue these discussions to find the appropriate regulatory recovery mechanisms. Some of these ideas may or may not take legislative change. I mention it to the Legislative Subcommittee to Study Water as I am sure that funding mechanisms will be a consideration when determining recommendations from the Committee to ensure protection of the resource. UICN (as well as the other three Utilities, Inc. owned subsidiaries in Nevada) has and will continue to work to be a part of the solution for water in the driest state in the nation. The ability to attract investment to be the best we can be for Nevada is critical.

Finally, these thoughts on how to support water in Nevada will all be vetted by the Public Utilities Commission of Nevada. Furthermore, any investment in Nevada by a private utility company will be vetted by the PUCN before recovery is allowed as well.

Sincerely,



Wendy S.W. Barnett, President
Utilities, Inc. of Central Nevada
Utilities, Inc. of Nevada
Sky Ranch Water Services Corp.
Spring Creek Utilities Co

¹ Non-Revenue Water (NRW) is made up of real water losses: leaks, tank overflows, etc., and apparent water losses: data handling errors, slow meters, etc.