

## ***Spring Creek Water and Wastewater Utility Service Frequently Asked Questions***

### **GENERAL INFORMATION**

#### **Why are the Spring Creek water and wastewater utility systems privately owned?**

When the development was approved by local and state regulatory bodies, a community water system was required. The developer, McCulloch Oil Corporation, constructed the water system infrastructure and owned and operated the water system as a regulated utility from 1980 until 1996 when it was sold to a private company, Utilities, Inc., the predecessor to Great Basin Water Company (GBWC).

#### **Who owns the water rights to serve Spring Creek lots?**

The developer secured water rights to serve Spring Creek lots in the 1970's and 1980's. The water rights were deeded to the buyer (Utilities, Inc.) as part of the water system sale. All system facilities and water rights are owned by GBWC.

#### **How do we know the systems are managed financially prudently?**

Just like private companies that provide public services such as telephone and electricity, GBWC is regulated. The Public Utilities Commission of Nevada (PUCN) regulates what GBWC can and cannot do, and it approves or disapproves charges to Spring Creek customers. The PUCN reviews all costs of operation and capital needs, and it balances the interests of the provider, which is entitled to a profit to stay in business, and the customers it serves. There isn't financial incentive for the provider to have higher operating costs and pass them on to customers as the allowable profit is based on rate of return on investment in the utilities, not total cost to provide service.

#### **Why doesn't each lot have a well and a septic system?**

Water and wastewater service is regulated by state authorities, with requirements specified in the Nevada Revised Statutes (NRS) and the Nevada Administrative Code. For a new development the size of Spring Creek, the State Engineer and the Nevada Department of Environmental Protection require community utility systems, primarily for health reasons. Community water systems do also help to reduce stress on the groundwater aquifer, as less water is typically consumed than when a lot has its own well.

#### **Can I disconnect and drill my own well?**

No. State agencies will not allow a private well to be drilled on a property already served by a community water system.

#### **Can lots not already served by GBWC drill their own well?**

Generally, no. Any property within 1,250 feet of the water system must be furnished with water by the community water system (NRS 534.120). An exception (hardship letter) might be provided if the cost to connect is prohibitive, but this waiver would have to be approved by the State Engineer. In addition, basin 048 is designated. When a basin is designated, the State Engineer may deny applications to appropriate groundwater for any use in areas served by a water system and may prohibit drilling of wells for domestic use in areas where water can be furnished by a water provider, amongst other actions.

## **SERVICE PROVISION STUDY**

### **Why did SCA commission this study?**

Consultants were primarily hired to examine whether it is a) possible to make the utility systems public assets with public governance, and b) if doing so would benefit SCA owners by reducing their water rates. In addition, the consultants were asked to examine the ability to serve projected growth, and the effect that water rates might be having on property values.

### **What are the study's findings?**

There are tremendous hurdles to overcome to make the utility systems public.

1. GBWC is not looking to sell the systems. Without a willing seller, systems can only be converted to public ownership by eminent domain. Certain findings must be made to legitimize eminent domain, such as consistently not providing adequate service that meets all regulatory requirements. In addition, the party filing eminent domain would have to be Elko County. Spring Creek Association has no decision-making role in such a process.
2. The fair market value to purchase the utility systems is estimated to be at least \$27 million; with additional costs to finance the acquisition, total costs of purchase are estimated to be about \$35 million. The lowest-cost financing that may be available is a State loan program that would require Elko County (or a General Improvement District) to managerially consolidate water and wastewater services with the City of Elko.
3. To be financially feasible, the acquisition requires cooperation and agreement between Elko County and the City of Elko. The SCA is not party to these discussions and decision-making.

Although groundwater basin 048 is designated (because it is over-appropriated – it is not over-pumped), sufficient water rights are held to serve anticipated SCA growth. Water resources and extraction capacity is not a hurdle to service growth; but cost to extend and/or replace service lines to the development could potentially make development unfeasible.

Water bills in Spring Creek are high, but they are considered reasonable by federal and state regulatory bodies, as the community's household income is also relatively high for Nevada. It is much more likely that other factors affect property values, such as regional housing supply, unemployment, and wages.

### **Why are water rates so much lower in the City of Elko?**

Elko's water rates are subsidized by the City's General Fund (for operations) to the amount of about \$0.5 million each year, and by federal grants (the water fund received \$18 million from the American Rescue Plan Act for infrastructure projects starting in 2023). The water rates are not a true reflection of the cost of service. This practice (water rates subsidized with other funds) is common in many of the other public water systems in Nevada.

