



SOUTHERN
NEVADA
WATER
AUTHORITY



SNWA BOARD OF DIRECTORS



Amanda Cyphers *Chair*
City of Henderson



Rory Reid *Vice Chair*
Big Bend Water District



Andrea Anderson
City of Boulder City



Shari Buck
City of North Las Vegas



Oscar Goodman
City of Las Vegas



Lynette Boggs McDonald
Clark County Water
Reclamation District



Myrna Williams
Las Vegas Valley Water District

**SOUTHERN NEVADA
WATER AUTHORITY**

Formed in 1991 to address Southern Nevada's unique water needs on a regional basis, the Southern Nevada Water Authority—with an eye toward the importance of our planet's most precious natural resource—also works with agencies in Nevada and in other Colorado River Basin states to help ensure water supplies for consumers throughout the western United States.



MISSION STATEMENT



To manage the region's water resources and develop solutions that will ensure adequate future water supplies for the Las Vegas Valley.



From the
CHAIR

To our friends and neighbors,

For more than a decade, the Southern Nevada Water Authority has played an integral role in maintaining the sustainability of our community's water supply. This has not happened by accident; rather, we have carefully developed strategies, in line with our mission statement, which enable us to achieve our goals through a series of innovative approaches.

Simultaneously, the worst drought in the recorded history of the Colorado River Basin has united the community in reducing water consumption, while compelling us to advance water resource options that diversify our portfolio. Addressing the drought and its ramifications is not just a local phenomenon, but one with wide-ranging impacts requiring increased collaboration among agencies statewide and regionally.

In 2004, the SNWA formed the Integrated Water Planning Advisory Committee (IWPAC), a 29-member panel with representatives from stakeholder constituencies in Clark, Lincoln, Nye and White Pine counties. The Advisory Committee adheres to the SNWA's core value of seeking out public participation—the free flow give-and-take of ideas and opinions among IWPAC members is encouraged at each meeting, supporting SNWA's commitment to public involvement in the formation of water policy.

Coupled with our new Water Smart Home, Water Smart Car Wash and Water Smart Pool Management programs, we believe the community continues to embrace innovative ways to conserve water.

Thanks to the collective strength of the SNWA's seven member agencies and the community, we will build on our successes while remaining committed to examining issues from all vantage points, both within our state and outside its borders, to meet the myriad challenges and opportunities ahead.

Sincerely,

Amanda Cyphers, Chair
SNWA Board of Directors





“...the community’s cooperative spirit has led to a steady decline in water use each of the last two years.”



From the
**GENERAL
MANAGER**

To our community stakeholders and customers:

In 2004, the ongoing drought simultaneously presented the Southern Nevada Water Authority with challenges and opportunities for innovation and cooperation. The invaluable lesson the drought has taught us serves to underscore the importance of the SNWA's mission of managing the region's water resources and developing solutions that will ensure adequate future water supplies for the Las Vegas Valley.

Locally, the community's cooperative spirit has led to a steady decline in water use each of the last two years. Exemplifying this trend is the fact that the community achieved a 29.5 percent conservation rate in 2004—exceeding our 25 percent goal established for 2010.

As part of our long-term water resource strategy, the SNWA continues to develop non-Colorado River resources in Nevada, including groundwater in rural Clark, Lincoln and White Pine counties, as well as surface water rights to the Muddy and Virgin rivers.

True to our organization's values, we have reached out to our neighbors in rural Nevada, initiating an open and collaborative dialogue with relevant stakeholders. This approach will involve them in the process and identify potential opportunities for cooperation and mutual benefits. Our goal, in the face of ongoing drought and increased demands on the river, is to reduce our current 90 percent dependence on Colorado River water to 60 percent—which will serve to benefit not only Southern Nevada, but our lower Colorado River basin neighbors as well.

On a regional level, the SNWA has established banking agreements with Arizona and California. The partnerships demonstrate greater collaboration among the three states, while providing more operational flexibility.

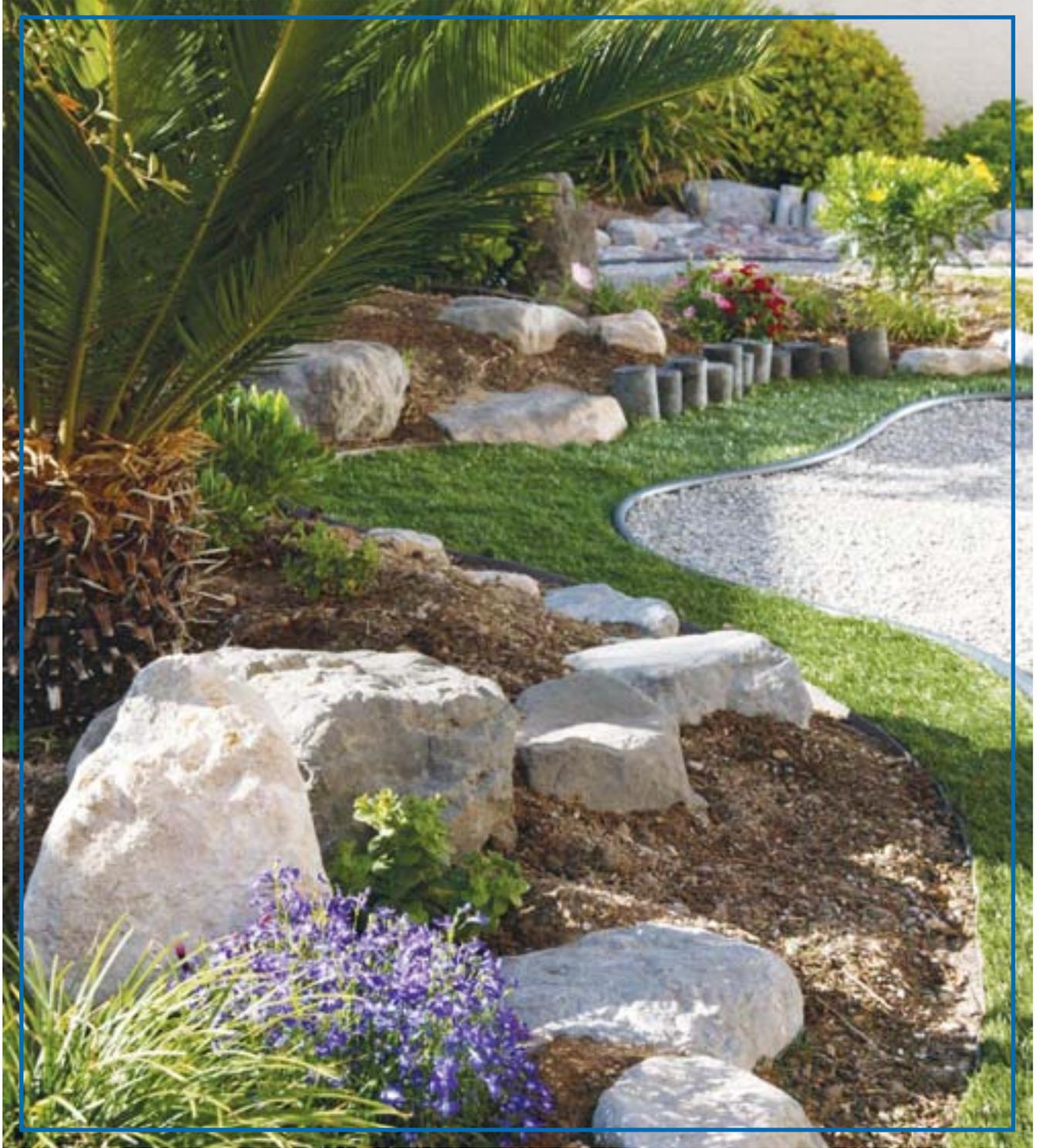
The SNWA remains committed to managing and developing resources for Southern Nevada—while acknowledging our role as a regional leader in water conservation. Through innovation, determination and hard work, we will continue mapping a course toward a bright, sustainable future for our community.

Sincerely,

Patricia Mulroy, General Manager
Southern Nevada Water Authority







LOCAL



LOCAL

In an effort to make efficient use of its water resources, the SNWA has implemented one of the most comprehensive water conservation programs in the nation. The SNWA also continued an aggressive drought management program in 2004 as the worst drought on record continues to impact the Colorado River.

CONSERVATION

Residents and businesses in Southern Nevada heeded the SNWA's call to conserve water in response to drought restrictions and conservation incentive programs that yielded significant results in 2004.

Southern Nevada's consumptive use for customer needs declined to 270,000 acre-feet in 2003 and to approximately 265,000 acre-feet in 2004, despite the addition of approximately 165,000 new residents in Clark County. Because of this reduction, the SNWA was able to bank a significant portion of its unused Colorado River water for future use during each of the last two years, allowing the region to expand its reserves for future use and ongoing drought protection. These impressive water savings were encouraged in large part due to aggressive drought management and conservation programs.

Water Smart Landscapes

Responding to the SNWA's ongoing and successful Water Smart Landscapes rebate program, residents and businesses in the community converted a record 34 million square feet of turf in 2004, resulting in savings of nearly 1.8 billion gallons of water. Since the



From its inception in 1999 through 2004, the Water Smart Landscapes program has enabled the community to save more than 2.8 billion gallons of water.

program's inception in late 1999 through 2004, Southern Nevada residents and businesses have replaced more than 52.3 million square feet of grass—equivalent to 885 football fields—generating savings of more than 2.8 billion gallons of water.

Water Smart Home

In 2004, the SNWA began working with the Southern Nevada Home Builders Association to develop a Water Smart Home program. Participating builders offer homes with high-efficiency appliances, plumbing fixtures and water-efficient landscapes designed to save as much as 75,000 gallons of water per year compared to a home built 10 years ago. The new Water Smart Home is expected to use 10,000 to 20,000 gallons less water each year than other new homes. The average Las Vegas Valley household uses about 173,000 gallons of water annually. Home builders participating in the program can select from three designations including Water Smart Home, Water Smart Neighborhood and Water Smart Builder. Participating builders help fund the program through an annual fee, which will be used to educate potential homebuyers on the benefits of a Water Smart Home. Those builders also pay a fee to

have the SNWA inspect a percentage of Water Smart Homes to ensure program conditions are being met.

Development of the Water Smart Home program follows building codes adopted by city and county governments in 2004 that prohibit or restrict the installation of new turf at businesses and residential properties.

Water Smart Car Wash

In conjunction with local car washes, the SNWA in late 2004 developed the Water Smart Car Wash program, which offers the public discount incentives to use commercial car wash facilities and self-service bays where the water can be recaptured and recycled. By encouraging use of commercial car washes, the program also helps to maintain the community's water quality. Car washing at home often results in harsh soaps and cleaners being washed down the driveway and into gutters along with runoff, which in turn may send contaminants into the Las Vegas Wash and Lake Mead.

CAPITAL IMPROVEMENTS

Among the most substantial local achievements by the SNWA in recent years was the expansion of Southern Nevada's treatment and transmission facilities, which are about 90 percent complete and under budget. The SNWA has a treatment and delivery capacity of approximately 750 million gallons per day; upon the completion of the

River Mountains Water Treatment Facility expansion scheduled for 2005, the SNWS will be able to treat and deliver up to 900 million gallons per day.

Facing declining lake levels, other facility improvements were designed to help insulate the community from the drought and ensure reliable water delivery. The SNWA in 2004 began preliminary studies into siting a third intake at Lake Mead, with the goal of beginning design for the third intake in 2005.



Silverhawk Power Plant

The Silverhawk Power Plant, which began operating in May 2004, is a 580-megawatt natural gas-fueled, combined-cycle generating station located 20 miles northeast of Las Vegas in the Apex industrial area. The SNWA, the largest single consumer of power in the Las Vegas Valley, has a 25 percent ownership interest in the Silverhawk Combined Cycle Generating Station.

The plant provides a reliable, cost-effective and self-sustaining



OZONATION IN SOUTHERN NEVADA

No other water agency in the United States has as large of an ozone treatment operation as the SNWA's River Mountains (RM) and Alfred Merritt Smith (AMS) treatment facilities.

Currently, AMS generates about 16,000 pounds of ozone daily with RM contributing another 8,000 pounds each day, making SNWA the largest ozone manufacturer in North America.

The ozone is produced from 90 percent pure oxygen by five ozone generators at AMS and by three ozone generators at RM. Two 50-tons-per-day Vacuum Swing Adsorption (VSA) units at AMS and two 25-tons-per-day VSA units at RM produce the oxygen. Each facility has liquid oxygen storage and feed systems to back up the VSA oxygen-producing systems.

power source for the SNWA's water treatment facilities and pumping stations. The plant's dry-cooled technology also supports SNWA's conservation efforts by using 90 percent less water than a typical water-cooled plant.

WATER QUALITY

Commensurate with its commitment to providing the highest level of water quality, the SNWA's Research & Development division in 2004 was selected as the principal investigative team for a national, multi-agency study of the health implications of pharmaceuticals and personal care products in drinking water supplies. This important research will benefit municipal water purveyors around the country as they grapple with this emerging issue, and could establish industry standards for determining acceptable levels of these chemicals.

A member of the national Partnership for Safe Water, the



Ozonation is an innovative water treatment tool used by the SNWA.

SNWA continues to research and test water to ensure drinking water meets or exceeds federal standards, while launching into advanced research initiatives that place it at the forefront of the water industry.

Watershed protection continues to play a critical role in the SNWA's operations. As the implementation arm of the multi-agency Las Vegas Wash Coordination Committee, the Las Vegas Wash Project Team has been diligently executing the Comprehensive Adaptive Management Plan approved more than five years ago by the committee. This plan, which emphasizes stabilizing the Las Vegas Wash channel and supporting water-polishing wetlands vegetation, has been tremendously successful to date, as evidenced by the dramatic decline in the concentrations of total suspended solids entering Lake Mead.

Public outreach activities related to water quality were effective in 2004 and will continue in 2005. Residents' confidence in the safety of the drinking water supply rose significantly as a result of a consumer advocacy-based water quality education campaign. Since its inception, more than 5,000 residents have requested and received the SNWA's water quality information kit, which includes a copy of the appropriate water purveyor's annual water quality report, fact sheets about various treatment technologies and the Consumer Reports Water Filter Buying Guide.



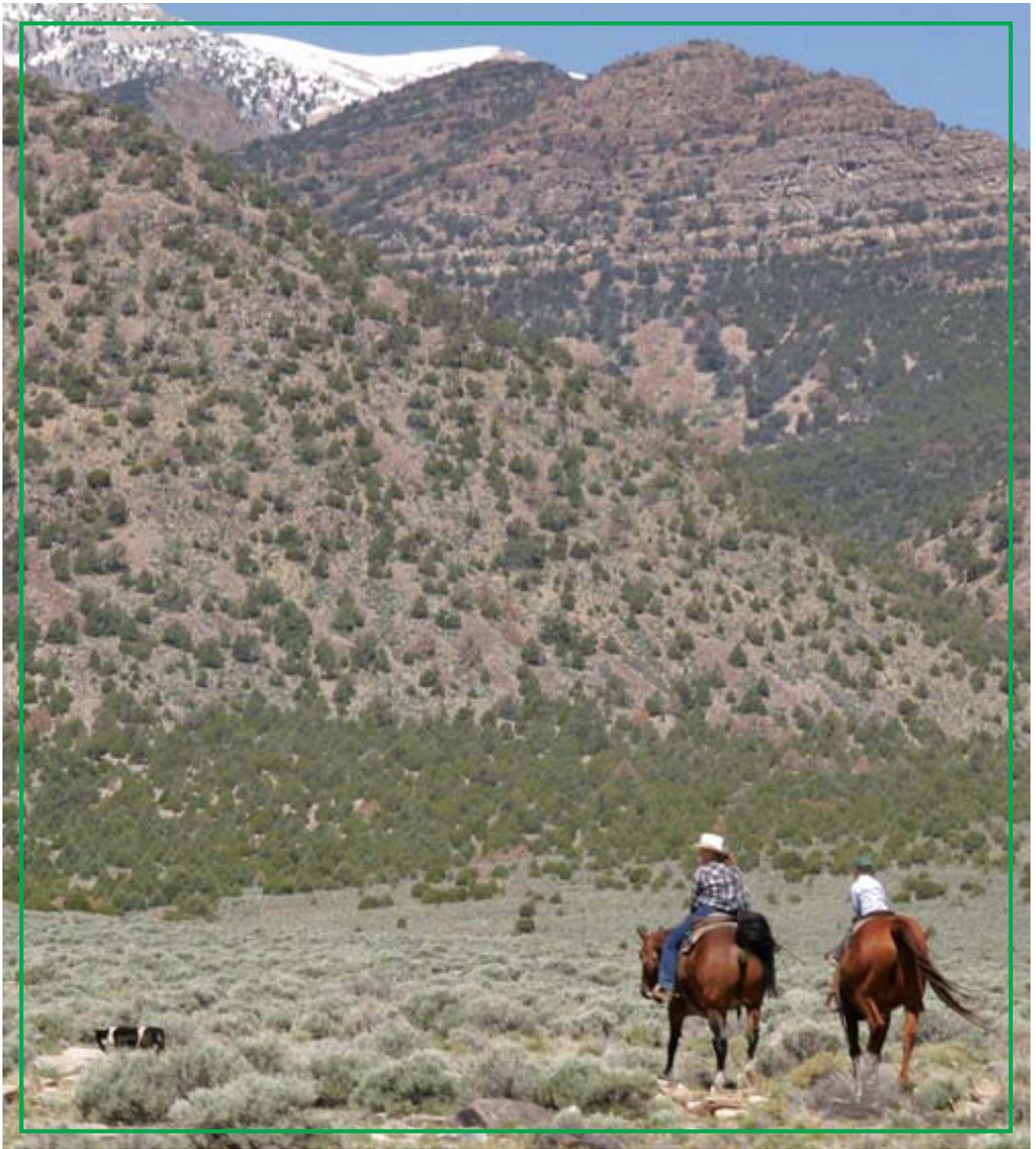
WASH RESTORATION

The Las Vegas Wash Coordination Committee has partnered with community volunteers to revegetate approximately 50 acres along the Las Vegas Wash and construct weirs to mitigate the effects of erosion.

Over 30 years, erosion had destabilized the wash channel and caused increased sedimentation in Lake Mead.

As of early 2005, nine of the 22 weirs designed to reinforce the wash's banks were completed, as part of the Comprehensive Adaptive Management Plan. Restoring the wash, which serves as the final link in the valley's water supply, is a priority of the plan.

The improvements to the wash and subsequent benefits to Lake Mead water quality were recognized by the North American Lake Management Society in 2004, which presented to the coordination committee and SNWA staff its Technical Excellence Award for outstanding research in lake restoration, protection and management.



STATEWIDE



STATEWIDE

To assure Southern Nevada's long-term sustainability, the SNWA is accelerating development of in-state, non-Colorado River water resources. In the coming months and years, the SNWA will invest significant resources to responsibly develop these additional water resources in compliance with environmental standards, while addressing the concerns of neighboring communities.

The SNWA's strategy is to reduce Southern Nevada's dependency on Colorado River water from 90 percent to 60 percent through the development of alternative in-state groundwater and surface water resources. In-state resources are just one component of a diverse portfolio that includes conservation and interstate banking agreements.

As it has since its inception, the SNWA is committed to a collaborative and cooperative process with all stake-holders, while adhering to a strict ethic of environmental stewardship.

LINCOLN AND WHITE PINE COUNTIES

The SNWA has applied to the federal Bureau of Land Management (BLM) for rights-of-way to build wells and pipelines within Clark, Lincoln and White Pine counties to develop up to 180,000 acre-feet of water. SNWA's member agency, the Las Vegas Valley Water District, filed 147 applications in 30 basins in 1989 in accordance with Nevada water law; since then, 49 applications have been withdrawn or transferred.



The SNWA is exploring the feasibility of tapping in-state, non-Colorado River resources including basins in rural White Pine and Lincoln counties.

This BLM application sets in motion an environmental evaluation and review process for the project, which must comply with all National Environmental Policy Act and Endangered Species Act requirements and regulations.

In addition to federal approval, the SNWA must also obtain approval from the state. Nevada water law is one of the most comprehensive in the West, granting permits only if existing water users are not adversely impacted and if it is demonstrated that new water permits are for beneficial use. The Nevada Office of the State Engineer is responsible for deciding whether to grant permits for SNWA's water rights applications.

If both water rights and rights-of-way are granted by the appropriate state and federal agencies, SNWA will build a number of groundwater production wells, pipelines and other facilities to pump groundwater and convey the water to the Las Vegas Valley.

The rights-of-way application filed with the BLM follows a 2003 agreement with Lincoln County that clearly demonstrates the SNWA's partnership approach

to developing water rights. Under that agreement, the SNWA transferred groundwater applications in some basins to Lincoln County, maintained others and identified some to share. Similarly, the SNWA is working to establish an agreement with White Pine County with the ultimate goal of partnering to develop vital water resources in a mutually beneficial and environmentally ethical manner.

In tune with its organizational values, the SNWA is committed to engaging in responsible practices and finding solutions that balance water resource options with economic needs and environmental safeguards.

While specific facilities and site locations for the proposed project will be identified following federal agency and public scoping, the SNWA anticipates that the total length of pipeline will be several hundred miles. In addition, pumping stations would be required to move water over sections of higher elevation and a power supply system—including approximately 200 miles of power lines and several substations—would be required to operate pumping and treatment facilities.

Construction of the proposed project would occur in phases, with facilities built as needed beginning in the southern portion of the project area and proceeding northward. The SNWA anticipates that construction would begin in the next couple of years, and may

extend through 2014 or later, depending upon approvals and phasing.

RESOURCES IN RURAL CLARK COUNTY

Virgin and Muddy Rivers

The Virgin and Muddy Rivers Surface Water Development Project seeks to develop existing water rights held by the SNWA in those two rivers, located less than 100 miles north of the Las Vegas Valley.

In October 2004, the SNWA filed a right-of-way application with the BLM to develop the rights it holds to the Virgin and Muddy rivers. The application filed with the BLM initiated an environmental impact statement process that began in the first half of 2005.



The SNWA holds rights to approximately 113,000 acre-feet annually on the Virgin River and approximately 7,500 acre-feet of water on the Muddy River.



LINCOLN COUNTY LAND ACT

In 2004, Congress passed the Lincoln County Land Act, legislation that enables the SNWA to move forward on environmental studies for a pipeline that would link basins in Lincoln County with Clark County. The bill, which defines utility corridors and releases some federal lands within Lincoln County, also requires environmental compliance and authorizes a groundwater study for a portion of White Pine County.

Additionally, the new law will provide the federal Bureau of Land Management with 85 percent of the money from federal land sales in the county; 5 percent will go to the state's general education fund and Lincoln County will receive 10 percent. The law also allows Lincoln County to secure funds from federal land sales in Clark County.

The Surface Water Development Project will involve a delivery method that will be determined based on a variety of environmental and operational factors. The SNWA is committed to responsible environmental practices, and will comply with all applicable state and federal regulations.

Three Lakes Valley and Tikaboo Valley

The Three Lakes project, which is located in Clark County immediately northwest of the Las Vegas Valley, includes approximately 9,000 acre-feet of permitted water rights held by the SNWA.

The SNWA is planning to convey groundwater from Three Lakes Valley South by constructing wells and linking them to the Las Vegas Valley through a pipeline. The SNWA plans to construct the pipeline and transmission facilities within an existing utility corridor entering the northwest portion of the Las Vegas Valley along U.S. 95, minimizing environmental impacts and increasing delivery efficiency from this area.

In support of groundwater applications filed in 1989, the SNWA filed a detailed report on the results of hydrologic investigations in the groundwater basins that in turn led the Nevada Division of Water Resources to grant those



The SNWA is committed to adhering to state and federal environmental laws in developing water resources in rural Nevada.

water rights. A requirement of the permits is a monitoring plan that enables data collection to further characterize the hydrology of the basin and protect senior water rights. As the SNWA conducts necessary environmental compliance activities, the monitoring efforts will be analyzed to ensure long-term viability of the water resources in Three Lakes Valley.

COMMUNITY OUTREACH

Exemplifying the SNWA's ongoing commitment to developing

community partnerships, the SNWA Board of Directors in June 2004 initiated the Integrated Water Planning Advisory Committee (IWPAC). This 29-member panel includes various stakeholders representing a wide range of constituencies, including representatives from Clark, Lincoln, Nye and White Pine counties, business, environmental organizations, gaming, unions and the development industry.

The IWPAC is expected to meet monthly through most of 2005, and anticipates making recommendations on a variety of water-related issues to the SNWA Board of Directors including the three in-state, non-Colorado River projects.

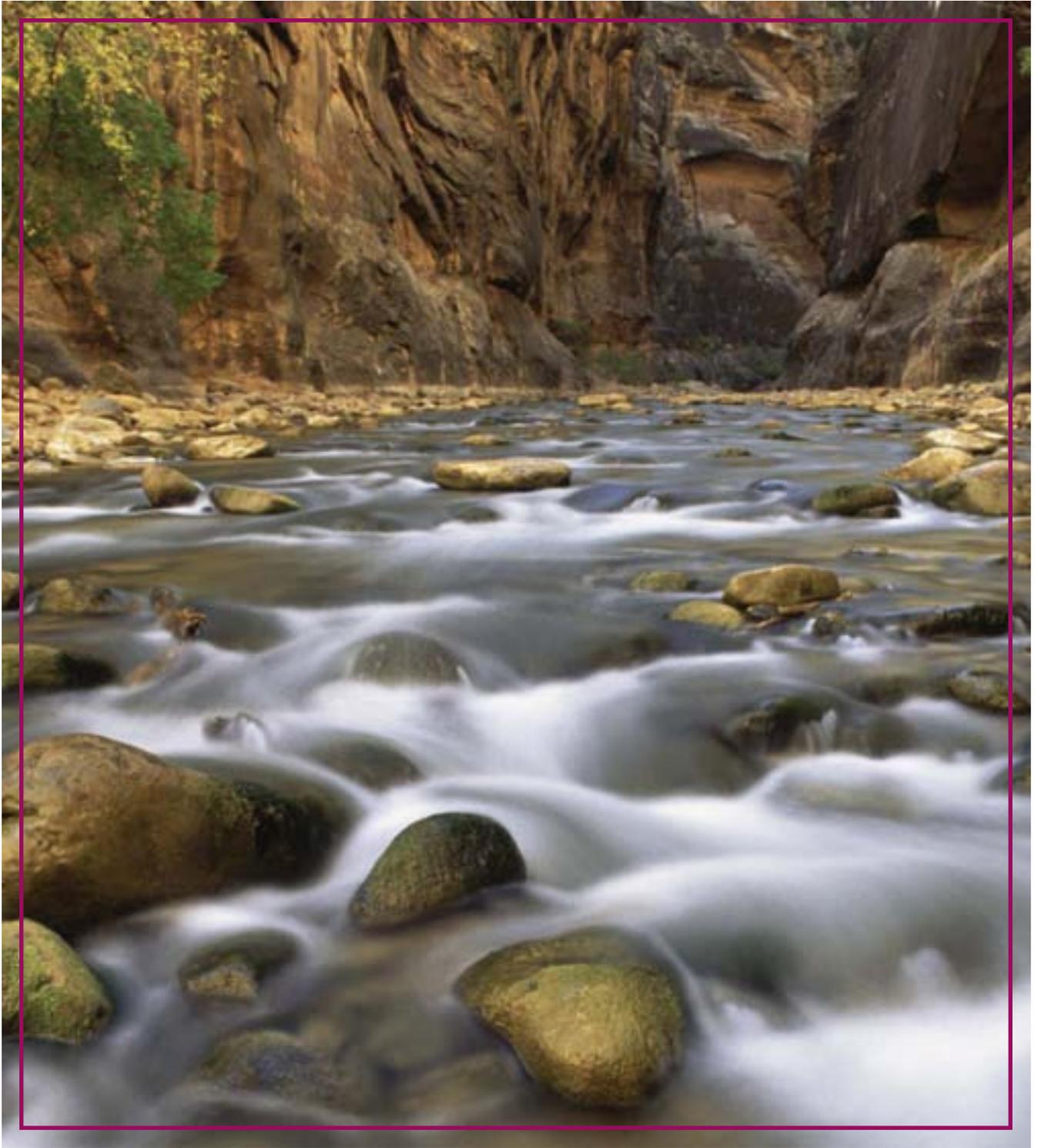
As the SNWA has embarked upon these projects, it has continued reaching out to neighboring communities. Part of this collaborative effort includes a series of public workshops held in Baker, Caliente, Ely and Las Vegas.

The SNWA also broadcasts IWPAC meetings live to audiences in Alamo, Baker, Ely, Logandale, Lund, Pahrump and Panaca to provide those communities with access to the proceedings. Meetings also are broadcast live on snwa.com.



WATER FACT

Global demand for fresh water doubles every 20 years, which is twice as fast as the human population grows.

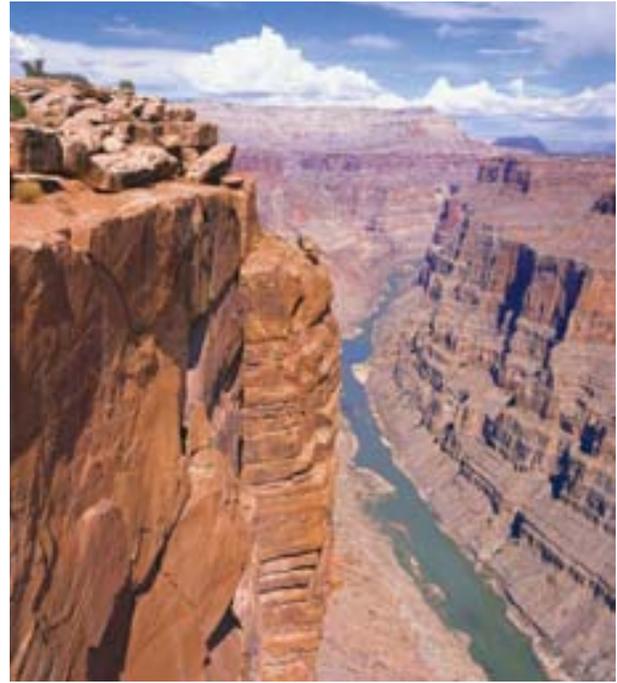


REGIONAL



REGIONAL

Acknowledging that water management is an issue requiring enhanced collaboration on a regional basis, the SNWA in 2004 signed groundbreaking agreements with its counterparts in neighboring Arizona and California. These innovative approaches to regional river cooperation represent the future of water resource management.



The Colorado River and its tributaries provide water resources for seven western states.

ARIZONA AND CALIFORNIA BANKING AGREEMENTS

The SNWA successfully fortified its future reserves in 2004 by negotiating water banking agreements with neighboring Arizona and California.

The landmark Arizona Water Banking Agreement will bank more than 400 billion gallons of water for Nevada that will be stored in Arizona's groundwater aquifers. An amendment to a 2001 groundwater banking agreement between the two states, the pact creates a water savings account, guaranteeing Nevada access to 1.25 million acre-feet of water. The agreement allows the SNWA to begin withdrawing 20,000 acre-feet of credits per year as early as 2007, ramping up to as much as 40,000 acre-feet annually by 2011.

The agreement protects Nevada from any reductions associated with a shared shortage evaluation by the Department of the Interior, unless municipalities in Arizona are required to reduce use. The agreement also provides a number of benefits to Arizona, including

increased funding for banking and water acquisition costs, fixed annual recovery obligations, flexibility in terms of storage and recovery facilities, and increased reliability.

Under the agreement, Nevada pays Arizona to store a portion of its Colorado River water for Nevada's use. When Nevada requests water, Arizona will use stored water from its bank and leave an equivalent amount of its Colorado River water in Lake Mead for Nevada. Nevada will then divert this river water from existing facilities at Lake Mead.

In October 2004, the SNWA and the Colorado River Commission entered into a groundbreaking agreement with the Metropolitan Water District of Southern California (MWD) to store a portion of Nevada's unused Colorado River water in Southern California until it is needed.

Under the program, MWD will receive up to 30,000 acre-feet of water each year from the SNWA's share of the Colorado River, and will use the water to help meet

water quality goals until it can build new treatment facilities. This transfer will give SNWA credits for future use beginning in 2006. The Department of the Interior has hailed this agreement as a model of exemplary cooperation among Colorado River users.

COLLABORATION WITH UTAH AND ARIZONA

Some resource development projects that the SNWA is undertaking primarily within Nevada may have ramifications for our neighbors in the region. For example, as part of the Clark, Lincoln and White Pine counties groundwater project, the SNWA has applied for water right permits in Snake Valley, a basin that overlaps the state line into western Utah. Reflective of its commitment to establishing partnerships and collaboration among neighboring agencies, the SNWA is beginning discussions with Utah to address their questions about potential groundwater development in Snake Valley.



A razorback sucker is released back to the Colorado River.

In a similar approach, the SNWA also is initiating discussions with officials in Utah and Arizona regarding surface water rights the SNWA holds to the Virgin River, which traverses all three states before emptying into Lake Mead.

ENVIRONMENTAL INITIATIVES: Practicing responsible stewardship

In the arena of regional environmental planning, the SNWA has committed approximately \$54 million as part of an overall \$78.25 million investment from water and power entities in Nevada for the Lower Colorado River



Reflecting its dedication to responsible environmental practices, the SNWA is committing significant resources to the Lower Colorado River Multi-Species Conservation Program, protecting habitat for such migratory waterfowl as the Northern Shoveler (above).



SNOWPACK SHEDS OPTIMISM

The SNWA continually monitors conditions along the Colorado River, the source of the majority of our drinking water. Snowpack in the Colorado Rockies for the first quarter of 2005 was above average levels, resulting in additional runoff, but not enough to end the six-year drought.

Ultimately restoring Lake Mead's previous water level will require several years of above-average snowfall in the Rocky Mountains.

Lake Mead holds 3 trillion fewer gallons since the drought began.

The SNWA continues to collaborate with the other basin states that share the Colorado River to find effective methods to manage the water supply.

REGIONAL

Multi-Species Conservation Program. One of the largest public/private partnerships in the nation, the habitat conservation program encompasses 26 species along more than 400 miles of the lower Colorado River from below Glen Canyon Dam to the boundary with Mexico.

Nevada, in collaboration with Arizona and California, initiated the program in 1994 to coordinate efforts to the designation of critical habitat for three endangered fish in the lower Colorado River. Agencies within the three states have signed a Memorandum of Agreement with the Department of the Interior to conserve habitat and work toward



A Las Vegas Wash team member takes samples in the wash to determine sedimentation levels and check for water quality.

recovery of included species, reduce the likelihood of additional species listings, accommodate current water diversions and power production and optimize opportunities for future water and power development.

The SNWA also has conducted field research efforts, including studies of the razorback sucker in Lake Mead, Virgin River fishes research, sensitive bird surveys on the Virgin and Muddy rivers, assisting federal and state agencies on research such as Moapa dace surveys and integrating biological efforts with hydrological studies related to spring snails and other biological indicators.

The SNWA also has funded research related to federally listed or candidate avian species such as the southwestern willow flycatcher, Yuma clapper rail and yellow-billed cuckoo. SNWA biologists also conduct annual fish surveys and implement recovery actions such as augmenting wild populations by introducing hatchery-reared endangered fish, eradicating competing non-native species and constructing fish barriers. Additionally, the SNWA coordinates water quality and habitat protection through the Las Vegas Wash Comprehensive Adaptive Management Plan.



SEAWATER DESALINATION

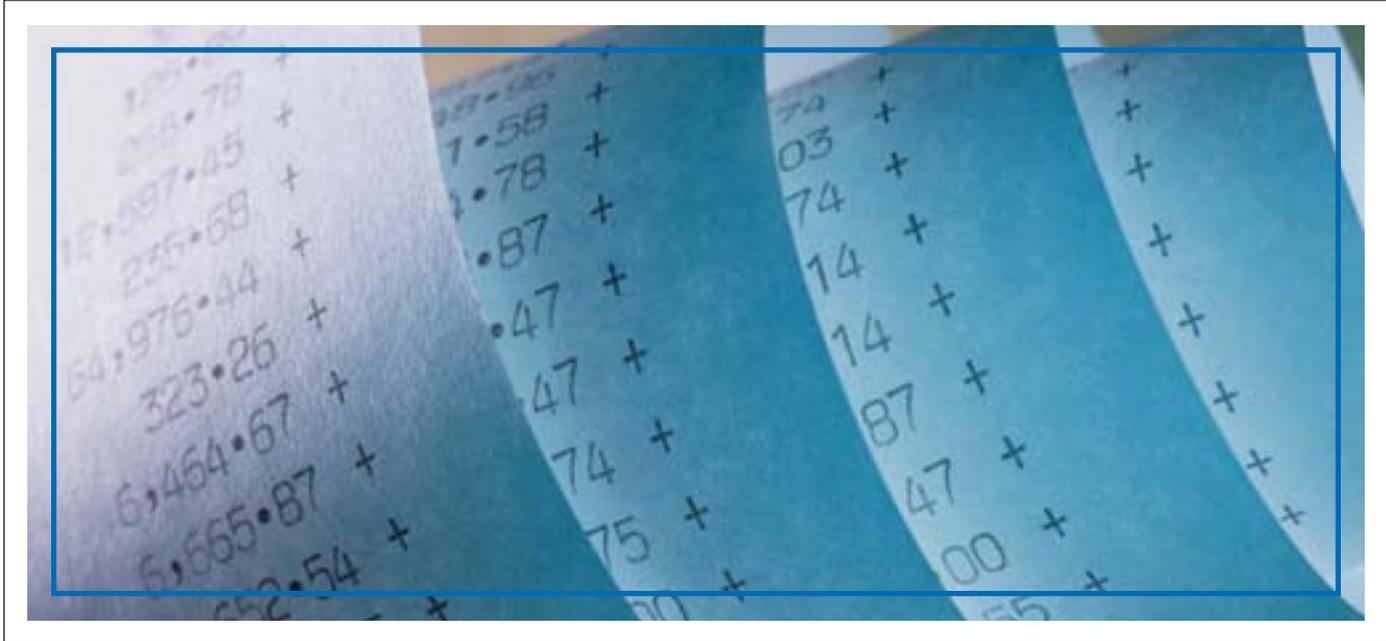
The SNWA is active on several multi-agency committees that are exploring desalination.

Seawater desalination is viewed as a long-term option in the SNWA's water resource strategy; participation in desalination research exemplifies the agency's commitment to exploring long-range water resource solutions.



WATER FACT

Less than 0.5 percent of the Earth's water is directly suitable for human consumption, agricultural or industrial uses.



SOUTHERN NEVADA WATER AUTHORITY

FINANCIAL PICTURE



OUR FINANCIAL PICTURE

Due to financial strategies that maximize resources and reduce debt, the financial picture for the SNWA is exceptionally strong. A result of long-range planning, use of diversified funding resources and commitment to fiscal responsibility, the Water Authority's financial strength is perhaps best illustrated by its AA- Standard & Poors bond rating. As a not-for-profit local government entity, the SNWA has been able to access capital at relatively low interest rates, which is vital as it invests revenues in facilities and services to ensure a high-quality, reliable water supply.

The SNWA operates from three primary sub funds: Wholesale Delivery Operations, which is funded by wholesale delivery charges paid by retail purveyor members of the Water Authority; New Expansion Debt Service, which is funded by New Expansion Revenues—primarily connection charges, water rates and sales tax; and the Capital Improvements Construction fund, which is funded almost entirely by tax-exempt municipal bonds the Water Authority has sold. By state statute, the SNWA operates as a single proprietary fund: Costs of providing goods and services to customers are recovered through user charges.

In the last Fiscal Year, operating costs were most impacted by historically high electric power rates, which represented 46 percent of operational expenses. The SNWA is the largest single power user in Southern Nevada and uses power to treat water and deliver it to retail purveyors. The SNWA has managed to curb the greatest impacts of the electric rate increase by conserving energy and exploring innovative power opportunities, such as investing in the recently completed Silverhawk

Generating Station in Apex, Nev. The financial impact of rising power rates will continue to be a primary focus for the SNWA.

The following financial information is based on the Fiscal Year ended June 30, 2004, and represents an overview of the SNWA's individual operating programs, funds, revenues and expenditures.

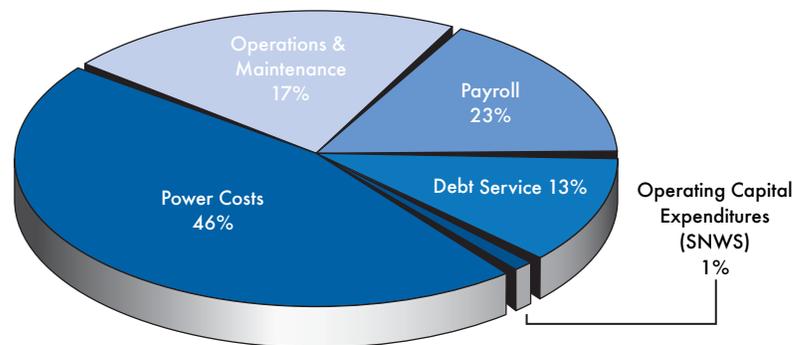
Wholesale Delivery Operations

The Wholesale Delivery Charge is designed to cover the costs of administration and operation of the Southern Nevada Water System. For the Fiscal Year ended June 30, 2004, the Wholesale Delivery Charge was \$215 per acre-foot of treated Colorado River water delivered to purveyor members of the SNWA and to Nellis Air Force Base, up from \$200 per acre-foot in the previous Fiscal Year. Those purveyor members then sell that water to retail customers. The SNWA has no retail customers of its own. Nellis Air Force Base also pays a modified Wholesale Delivery Charge, and Boulder City also pays a Raw Water Wholesale Delivery Charge.

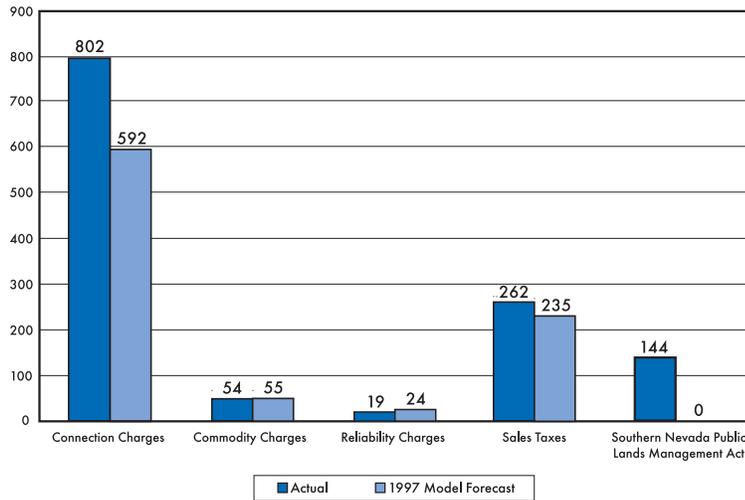
New Expansion Debt Service

The New Expansion Debt Service Fund had a balance of \$353.5 million as of June 30, 2004. This balance is needed to provide a prudent debt service coverage ratio, and exceeds projections with the Capital Improvements Funding Program, which determines how the construction costs of the SNWA Capital Improvements Plan (CIP) will be funded. Most of those construction costs will be provided by funds from the sale of tax-exempt municipal

WHOLESALE DELIVERY OPERATIONS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2004



NEW EXPANSION REVENUES
CUMULATIVE THROUGH DECEMBER 2004
ACTUAL VS 1997 MODEL FORECAST



bonds. The money to make debt service payments on those bonds is derived from the New Expansion Debt Service Fund. Because debt service on those bonds will continue for years after the last connection to the new system is sold, the balance in this fund is projected to continue to grow for the next few years, and will then begin to slowly decline.

The adjacent graph explains the major revenue sources in the New Expansion Debt Service Fund. The major revenue source in this fund is the Regional Connection Charge. This charge on every new connection to the system is collected by SNWA’s purveyor members and remitted monthly.

The second major revenue source in this fund is sales tax. This is the one-quarter of 1 percent that was added to the existing 7 percent sales tax rate in Clark County in April 1999. This revenue is collected by the state Department of Taxation and remitted to SNWA monthly on a two-month lag. The SNWA shares this revenue with wastewater agencies, rural water and wastewater systems and the Las Vegas Wash. This sales tax will conclude in June 2025, or when \$2.3 billion has been collected, whichever occurs first. Over the life of this sales tax, the SNWA is projected to receive approximately 58 percent of the proceeds to fund the Capital Improvements Plan. However, according to phase-in agreements, to date the SNWA has received 68 percent of the approximately \$347 million gross that has been collected.

One revenue source that has been challenging to forecast has been the SNWA’s share of revenues from the Southern Nevada Public Land Management Act (SNPLMA), a federal law passed in 1997. The SNPLMA calls for the

SNWA to receive an amount equal to 10 percent of the purchase price of certain public land sales in the Las Vegas Valley, with proceeds restricted to paying debt service or construction costs of the SNWA’s Capital Improvements Plan. SNWA revenues from the SNPLMA are based solely on the availability and sale price of public lands in the valley which was impossible to predict for the 1997 forecast. The \$144 million in SNPLMA revenue we have received to date makes it the third largest New Expansion revenue source.

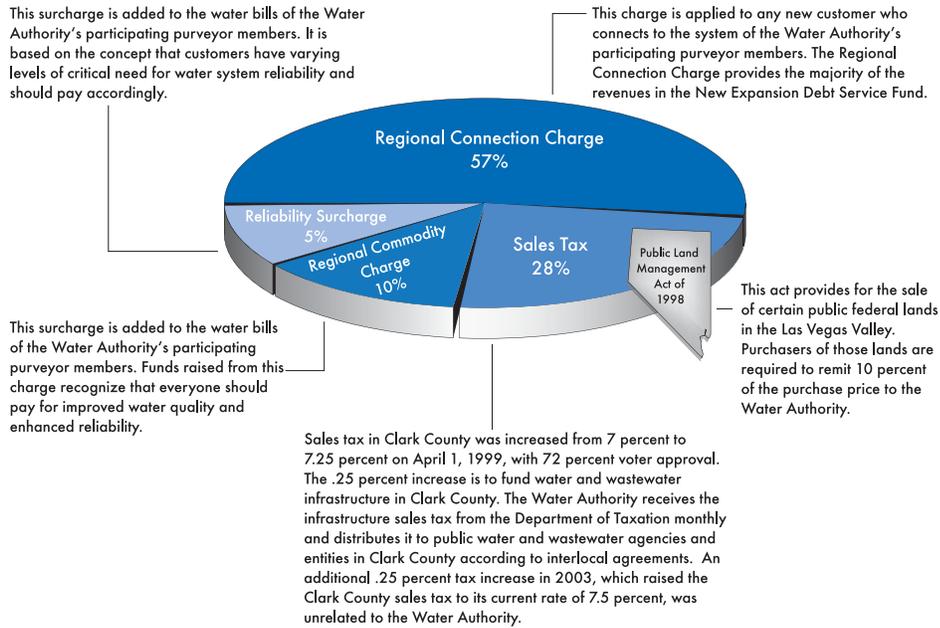
As can be seen in the chart above, two New Expansion Revenues are beginning to exceed forecast—the SNPLMA and the Regional Connection Charge. The connection charge is exceeding forecast because the population growth rate of the Las Vegas Valley has not declined as forecasted. As a result, we are selling significantly more connections than forecast. However, each of those connections is using less water than forecast, so the amount of system capacity we have used to date is essentially consistent with forecast.

The primary outflow of this fund is debt service payments on bonds sold to fund the Capital Improvements Program. Also, according to the Capital Improvements Funding Plan, this fund also pays some construction expenses directly (Pay-As-You-Go), which eliminates the cost of borrowing (interest).

Capital Improvements Program Fund

This sub fund opened the Fiscal Year with a balance of \$88.8 million, and ended with a balance of zero, which reflects the fact that as of June 30, 2004, we were using

CIP FUNDING SOURCES
PERCENTAGES ESTIMATED OVER LIFETIME OF CIP



New Expansion revenues to make construction payments on a pay-as-you-go basis. During the fiscal year we issued \$140 million in tax-exempt commercial paper notes to fund construction payments, which was completely expended by June 2004. Subsequent to these financial statements, in July 2004, we issued another \$60 million in tax-exempt commercial paper notes to continue funding construction payments.

The Capital Improvements Fund is almost always "over-committed but under-expended," meaning construction contract commitments generally exceed the amount of bond proceeds on hand. However, to avoid unnecessary interest costs, additional bonds are not sold until this fund is depleted. This fund has earned an estimated \$5 million in tax-exempt arbitrage interest, by complying with federal requirements for exemption. These interest earnings have reduced the overall costs associated with the Capital Improvements Program.

Groundwater Program

The SNWA's Groundwater Management Program is designed to protect and manage the groundwater aquifer in the Las Vegas Valley. As authorized by state law, the SNWA assesses an annual fee of \$30 per acre-foot of

permitted groundwater rights, or \$30 per domestic well. Proceeds from this fee are used to manage the aquifer, fund permanent recharge of the aquifer and, when needed, to fund well abandonment and conversion to the municipal system. This sub fund has a balance of \$3.7 million for the Fiscal Year ended June 30, 2004, but much of that balance will be spent on artificial recharge and well conversions in the next Fiscal Year.

Las Vegas Wash

The SNWA invests in programs and research to find solutions to critical environmental issues surrounding the Las Vegas Wash, the natural channel that returns runoff from the Las Vegas Valley to Lake Mead. The SNWA has organized the Las Vegas Wash Coordination Committee, which comprises stakeholders in the Las Vegas Wash. Operating costs are funded by assessments of member agencies. In addition, the Las Vegas Wash receives as its only revenue 4 percent of sales tax proceeds received by the SNWA. These proceeds have been used to fund capital improvements in the wash, such as the construction of weirs to stabilize and protect wash banks. However, a funding formula is in place for stakeholders in the Las Vegas Wash to reimburse the SNWA for operations of the committee.

SOURCES AND USES OF FUNDS SUMMARY
FISCAL YEAR ENDED JUNE 30, 2004

The following table provides a ledger view of sources and uses of funds within the individual sub funds discussed in this financial overview for the Fiscal Year ended June 30, 2004. The first half of the ledger represents sources of funds received during the Fiscal Year; the bottom half represents

expenditures of those funds. Dollar amounts in each row are added across for a total. The numbers shown in the beginning and ending balance rows are balances in these funds before and after this year's sources and uses of funds. Dollar amounts are presented in millions.

	Wholesale Delivery Operations	New Expansion Debt Service	Capital Improvements Program	Groundwater Management Program	Las Vegas Wash	Las Vegas Wash CIP	SNWA Total
Beginning Balance (July 1, 2003)	5.6	341.7	88.8	2.7	0.0	1.3	440.1
Source of Funds							
Operating Revenues	97.2			2.1	1.0		100.3
Other Revenues	0.3	0.1					0.4
New Expansion Revenues		245.6				2.7	248.3
Proceeds of Debt Issues			140.0				140.0
Intra Fund Loan	18.0	(18.0)					0.0
Interest Income	0.1	6.4	0.4	0.1			7.0
Total Sources of Funds	115.6	234.1	140.4	2.2	1.0	2.7	496.0
Uses of Funds							
Power Costs (SNWS)	(55.6)						(55.6)
Payroll Costs	(27.5)			(0.1)	(0.3)		(27.9)
Operations & Maintenance	(20.4)			(1.1)	(0.7)		(22.2)
Operating Capital Expenditures	(1.5)						(1.5)
Const. & Resource Expenditures		(109.3)	(229.2)			(2.6)	(341.1)
Debt Service	(16.2)	(113.0)					(129.2)
Total Uses of Funds	(121.2)	(222.3)	(229.2)	(1.2)	(1.0)	(2.6)	(577.5)
Fiscal Year Net Change	(5.6)	11.8	(88.8)	1.0	0.0	0.1	(81.5)
Ending Balance (June 30, 2004)	(0.0)	353.5	0.0	3.7	0.0	1.4	358.6

SNWA member agencies

Big Bend Water District



City of Boulder City



City of Henderson



City of Las Vegas



City of North Las Vegas



Clark County Water Reclamation District



Las Vegas Valley Water District



SOUTHERN NEVADA WATER AUTHORITY

1001 South Valley View Blvd. Las Vegas, NV 89153

snwa.com