

A green-tinted background featuring a water splash on the left and a vertical column of green circles on the right. The circles vary in size and are arranged in a pattern that tapers towards the top. The word 'innovation' is centered in white lowercase letters, with the final 'n' enclosed in a white circle.

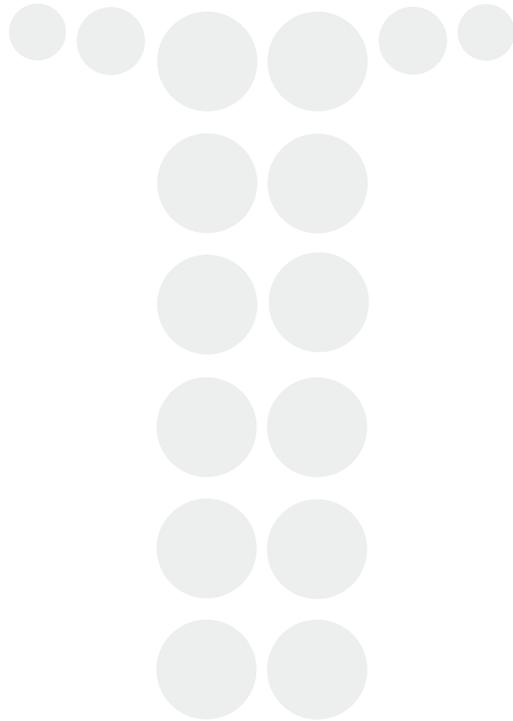
innovation



SOUTHERN NEVADA WATER AUTHORITY | 2007 Annual Report



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INTRODUCTION

The Southern Nevada Water Authority (SNWA) was formed in 1991, marking an innovative decision by seven local agencies to come together and agree to manage water resources on a regional basis.

Since its inception, the SNWA has established itself as a leading model of interagency cooperation as well as a responsible steward of our environment. Today, the SNWA administers one of the nation's most aggressive and comprehensive water-efficiency programs.

SNWA Executive Team

Patricia Mulroy, *General Manager*

Kay Brothers, *Deputy General Manager of Engineering/Operations*

Richard Wimmer, *Deputy General Manager of Administration*

Chuck Hauser, *General Counsel*

SNWA Member Agencies

Big Bend Water District

Boulder City

Clark County Water Reclamation District

Henderson

Las Vegas

Las Vegas Valley Water District

North Las Vegas

BOARD OF DIRECTORS



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Rory Reid, *Vice Chair*
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Clark County Water Reclamation District



Steven Kirk
Henderson



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Las Vegas



Chip Maxfield
Las Vegas Valley Water District





To our friends and neighbors,

This past year was nothing short of innovative for the Southern Nevada Water Authority and our entire region, which worked together to develop inventive solutions and ensure a sustainable future for our residents.

Without question, water is vital to the present and future success of the Las Vegas Valley so that our residents can continue to work, live and thrive in this arid, desert environment.

Much of last year's resourcefulness was in response to the persistent drought and yet another factor of uncertainty—climate change. Despite these daunting obstacles, we continued to realize extraordinary conservation in 2007. Southern Nevadans used 1.5 billion gallons less water in 2007 than in 2002, despite the addition of 400,000 residents during that span and more than 40 million annual visitors.

You don't need to drive far to see the very landscape of our community changing for the better. Evidence of residents replacing turf with colorful water-smart landscaping continues everywhere you look.

Beyond this commendable community response, the SNWA has made significant strides with neighboring Basin States along the Colorado River to help develop and maintain an adequate water supply for our future.

Going forward, we will not be able to rest on these accomplishments alone. The complexities of climate change and our environment will continue to challenge our thinking and stretch our imaginations even further as we evaluate the global impacts of a dwindling water supply. The SNWA is working to address these and other challenges through the formation of crucial alliances with organizations throughout the U.S. and internationally.

Much has been gained, as evidenced by the significant accomplishments outlined in this report, and there is much work yet to be done. With the resourcefulness characteristic of Southern Nevadans we have proven that we are ready for the challenge.

Sincerely,

Shari Buck

Shari Buck, Chair
SNWA Board of Directors





To our community, stakeholders and customers,

Complex problems require innovative solutions, and the water challenges facing the West and the world on the surface appear insurmountable—drought, climate change, global water shortages.

The SNWA is no stranger to innovation, born of a collaborative effort that in 1991 brought together individual water utilities throughout the Las Vegas Valley for a common goal. That type of visionary leadership continued throughout 2007, leading to some of the most significant accomplishments this agency has ever realized, amid some of the toughest water issues of the modern era.

As a provider of wholesale water treatment and delivery for our member agencies within the greater Las Vegas Valley, the future viability of the SNWA and our water supply rests with our ability to both conserve our existing water supplies while diversifying our water resources.

The SNWA responded in 2007 with an innovative accord with six other Basin States for the future management of the Colorado River. Valuable partnerships were formed during the decades-long discussion that led to the landmark agreement, signed by Interior Secretary Kempthorne last December. This collaborative process may well serve as a global blueprint for addressing the challenges of climate change.

Locally, our community has embraced the call to conserve, realizing that a water smart landscape can also support a sustainable lifestyle without sacrifice. The SNWA is taking careful measures to lessen our environmental impact, as well, through the installation of solar arrays at our facilities, the conversion to an 80 percent alternative-fueled fleet and the use of alternative energy to deliver water to the Las Vegas Valley.

While our water resources have never been more challenged, our hope for the future has never been more inspired. As you read the SNWA's annual report, our hope is that you will celebrate with us the innovative paths we have forged, but more importantly our preparations to blaze a new trail—one that blends seamlessly with the environment that surrounds it.

Sincerely,

A handwritten signature in black ink that reads "Pat Mulroy". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Pat Mulroy
SNWA General Manager



INNOVATIVE COMMUNITY

1

It is often said charity begins at home. The same can be said of conservation. The watershed moments realized throughout the 2007 year began quite literally in our own backyards. The SNWA has long promoted community participation as essential to conservation success, and Southern Nevadans have stepped up to the plate—in a big way.

The Water Smart Landscapes program, which pays participants to replace water-guzzling lawns with water-efficient landscaping, doubled its rebate in 2007, realizing twice as many participants as the previous year's enrollment. From 1999 through 2007, participants in the Water Smart Landscapes rebate program replaced more than 96.7 million square feet of grass, saving the community approximately 5.4 billion gallons of water annually.



From 1999 through 2007, participants in the Water Smart Landscapes rebate program replaced more than **96.7 million square feet** of grass, saving **5.4 billion gallons** annually.



Simply Beautiful

Today's yards have become the new outdoor living space—an extension of our homes. The SNWA has developed award-winning tools to help homeowners plan the Water Smart Landscape of their dreams.

The SNWA introduced a user-friendly beauty book and interactive planning CD that includes a searchable plant database and sample designs. The tools blend form with function, as water-smart landscaping is only efficient if installed and maintained correctly. Customers can request the free resources by calling 258-SAVE.

The SNWA realized that in order to keep the community engaged in conservation, fresh inspiration was needed. New community campaigns challenged homeowners, businesses and community associations to take conservation to the next level—to take control of their irrigation clocks and replace more grass. While designed to capture our community's attention, these original campaigns also caught the eye of the nation and industry leaders, earning coveted titles including the prestigious Effie Awards honoring the most significant national achievements in the marketing communications business.

The response at home was equally impressive. In 2007, Southern Nevadans used 15 billion gallons less water compared to 2002, despite the addition of 400,000 residents and more than 40 million annual visitors. This accomplishment not only demonstrated significant water savings but proved a valuable point—desert communities can still grow and thrive in harsh climates and the most difficult of conditions, including prolonged drought, if they live water smart.

“Our community is becoming more aware of its environmental footprint and water is central to sustainability,” said SNWA General Manager Pat Mulroy. “We are seeing more people every year conserving

water and energy resources. Residents are realizing that they have the opportunity to redefine their lifestyles around water savings.”

Getting down to business

In no small measure, the valley business community has led the conservation charge. Reinvigorated with a new call to action, the Water Conservation Coalition (WCC)—a membership organization comprising area businesses dedicated to promoting water conservation—challenged business partners to find new ways to conserve. The Linen Exchange Program was developed by the WCC, in coordination with the SNWA, to provide local hotels and resorts with a method to save the water used in their linen service without inconveniencing their clientele. Participants in the program agree to only change linens and towels once every three days during a guest’s stay unless otherwise requested, resulting in an average savings of approximately 50 gallons per room each day, potentially saving hundreds of thousands of gallons annually.

“**Our community is becoming more aware of its environmental footprint and water is central to sustainability.**”



Changing landscapes

Conversions such as this 2007 Water Smart Landscapes Award winner contributed to the community removing record amounts of grass, opting instead to recapture the natural beauty of the Southwest with water-smart plants and trees. The Water Smart Landscapes awards program honors area residents, businesses and agencies for the creative transformation of water-guzzling turf landscapes to water-efficient landscaping.

John and Sandy Johnson, whose inspiring landscape won in the residential category, use their outdoor space that features several sitting areas to entertain their 8 children and 20 grandchildren.



Water-efficient luxury

The Palazzo Resort-Hotel-Casino installed water-efficient upgrades, including 3,210 high-efficiency toilets in guest rooms that alone will save 33 million gallons per year and cooling tower upgrades expected to save another 9.2 million gallons per year. By accomplishing this with incentives offered through the SNWA's W.E.T. program, the resort was able to achieve conservation goals from the very beginning. The interior plumbing fixtures use at least 30 percent less water than those in conventional buildings and helped the Palazzo earn Silver LEED (Leadership in Energy and Environmental Design) status, making it the largest "green" building in the world.



While Las Vegas resorts work hard to create the illusion of an oasis in the desert, the reality is that they are already a highly water-efficient industry—consuming only about 3 percent of Southern Nevada's water resources.

The work of the Coalition wasn't just about aggregate water savings. WCC businesses partnered in the fall of 2007 to facilitate a complete indoor and outdoor water-smart renovation at the 22-acre Girls and Boys Town of Nevada residential campus. Business leaders worked shoulder-to-shoulder with volunteers to replace grass and install water-saving fixtures and appliances that will help the 20-year old campus save a projected 2.2 million gallons of water annually. The project, funded entirely by donations, was a cornerstone example of how innovative thinking can inspire a community to come together to make a difference.

Beyond the initiatives of the WCC, other area businesses contributed to water conservation by implementing innovative programs into their work processes. Valley businesses reduced their water use and utility costs through the SNWA's Water Efficient Technologies program (W.E.T.), which provides incentives for large-scale institutional, commercial, multi-family and industrial businesses to install capital

Southern Nevada courses converted more than 19 million square feet of grass—about 436 acres—realizing a water savings of about 1.1 billion gallons between 2001 and 2007.

improvements that save water over the long term—5 years or more. These technologies, in turn, helped businesses earn up to \$435,000 in rebates from the Water Authority in 2007. Since the program's inception, participating businesses have saved an estimated 1.75 billion gallons of water.

Less on the green

Golf courses contributed to conservation efforts by removing non-playable turf while still offering players a great day on the green. Southern Nevada courses converted more than 19 million square feet of grass—about 436 acres—realizing a water savings of about 1.1 billion gallons between 2001 and 2007.

Living green

Valley home builders also re-engineered new construction and entire communities to achieve water efficiency as part of the SNWA's Water Smart Home program, developed in partnership with the Southern Nevada Home Builders Association. Pulte Homes joined KB Home, R/S Development and Astoria Homes in developing water-efficient communities. Together, these progressive builders created about 7,000 Water Smart Homes, making the program the nation's largest for water-efficient homes. Participating builders not only agree to



incorporate water-smart landscaping and high-efficiency appliances in their Water Smart Homes but also commit to constructing entire communities, including parks, pools and community buildings, to water-efficiency standards. The result: A single Water Smart Home can save 75,000 gallons of water compared to one built a decade earlier.



Fact: 1.1 billion people around the world do not have access to safe drinking water

Youth Advisory Council

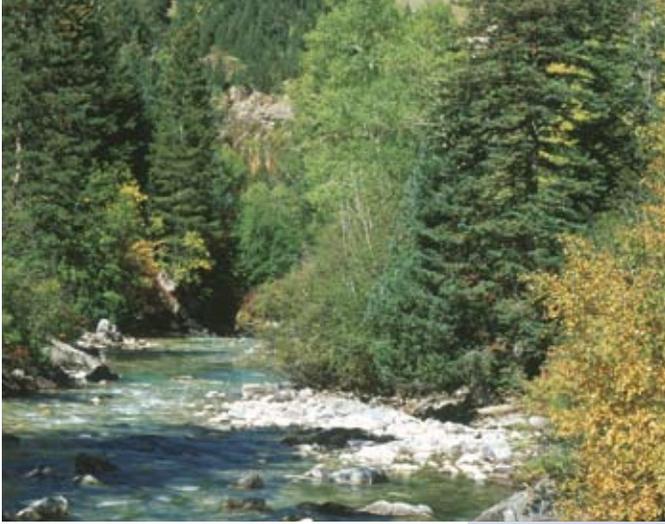
The SNWA's Youth Advisory Council is learning leadership skills today to help provide for a sustainable tomorrow. Comprised of high-school juniors and seniors from throughout Clark County, the council learns about local and worldwide water issues and develops a project to contribute to its solution.

The 2007-2008 council chose to raise awareness of the limited global supply of fresh water. The students organized a World Water Day walk at the Springs Preserve to signify the miles women and children in developing countries must walk every day to find fresh water. The event drew more than 2,000 people and offered the opportunity to contribute to Water for People, a nonprofit organization dedicated to building water and sanitation facilities in needy communities around the world.

Instilling the conservation ethic in every aspect of community life and in every generation is at the very core of the SNWA mission. The SNWA's Youth Advisory Council, comprised of high-school students from throughout the Las Vegas Valley, works throughout the school year to develop a conservation initiative that will have a lasting impact on our community. The students mentor with staff advisors and education experts to tackle real-world conservation issues and offer viable solutions.

The SNWA's educational outreach extends to elementary classrooms throughout the Clark County School District in the form of newsletters and teaching guides that weave conservation lessons into the school district curriculum. Continuing-education classes for teachers through the SNWA's Water Education Institute are hosted at the Springs Preserve, itself a world-class model of sustainable living. With the opening of the Preserve and its LEED (Leadership in Energy and Environmental Design) Platinum-certified facilities in 2007, the community learned that living sustainably can be educational and entertaining. In its first year of operation, the Preserve hosted more than 100,000 residents, including thousands of students from the Clark County School District on free school tours.



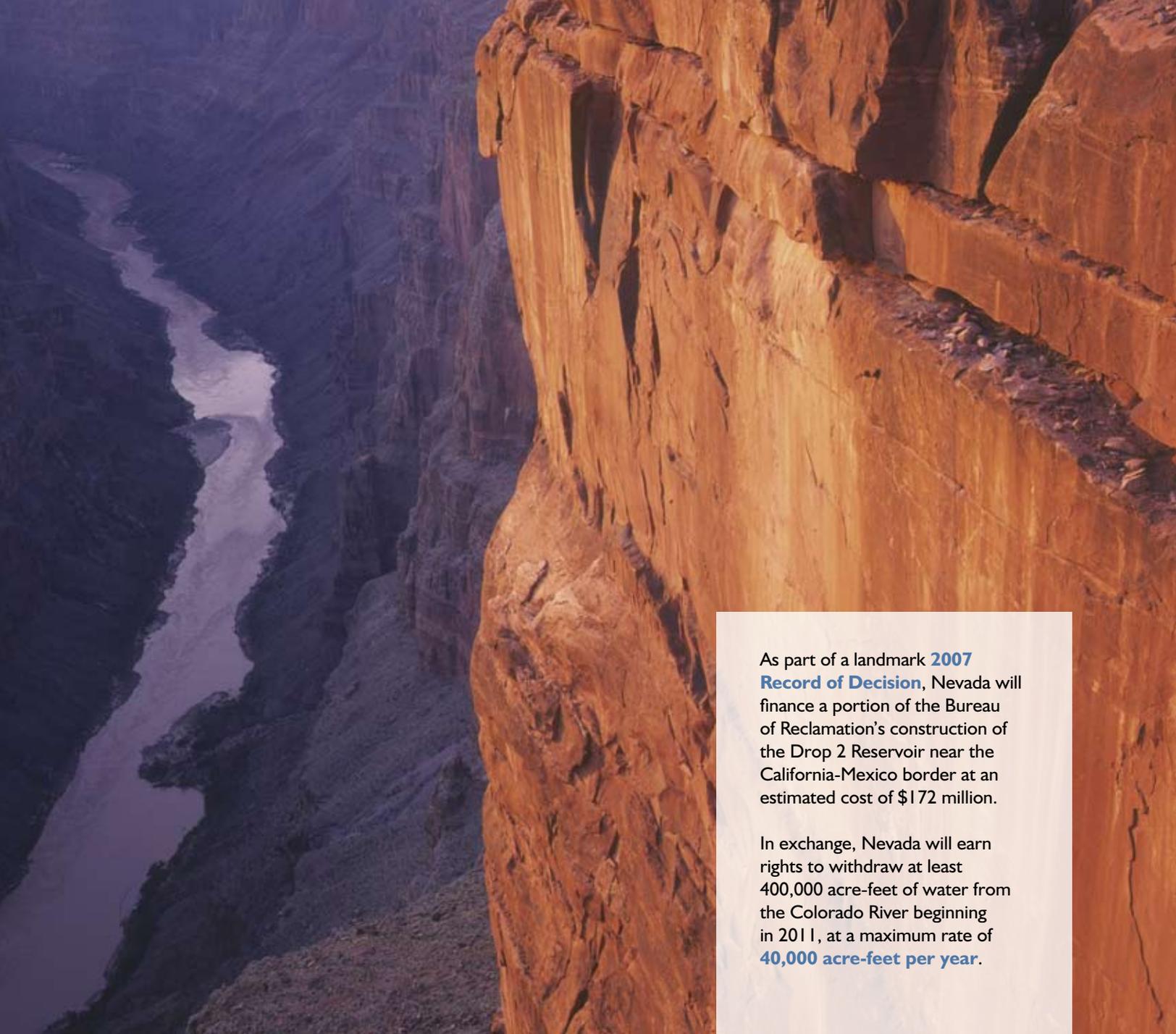


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INNOVATIVE LEADERSHIP

Whether it's revitalizing a once-eroded 12-mile waterway here in the Las Vegas Valley or forging a policy to transform use of a river system that is the water source for nearly 30 million people, the SNWA has been at the forefront of pioneering a vision for our water resources.

In 2007, the SNWA and the six other states that share the Colorado River ushered in a new era of co-managing the river's precious resources. In December, U.S. Secretary of the Interior Dirk Kempthorne signed the Record of Decision on the Colorado River Interim Guidelines, a sweeping interstate accord that established new rules for how states will share shortages on the river system through 2026.



As part of a landmark **2007 Record of Decision**, Nevada will finance a portion of the Bureau of Reclamation's construction of the Drop 2 Reservoir near the California-Mexico border at an estimated cost of \$172 million.

In exchange, Nevada will earn rights to withdraw at least 400,000 acre-feet of water from the Colorado River beginning in 2011, at a maximum rate of **40,000 acre-feet per year**.

Fact: Southern Nevada depends on the Colorado River for about 90 percent of its water supply.

The Record of Decision culminated a decade of discussion among the seven Basin States—Nevada, Arizona, California, Colorado, New Mexico, Utah and Wyoming—that share Colorado River resources.

The Record of Decision modifies and extends previously approved interim surplus guidelines through 2026, establishes new rules for how states will share shortages on the Colorado River, defines new coordinated operations for lakes Powell and Mead and creates a new category of water called Intentionally Created Surplus (ICS). These provisions will allow the SNWA to develop a portion of its water resources portfolio by conveying water rights to the Colorado River in exchange for ICS credits.

Under provisions for tributary conservation, the SNWA can accrue ICS credits for its pre-1929 surface water rights from the Muddy and Virgin rivers. The SNWA has rights to approximately 13,700 acre-feet per year of Virgin and Muddy river water and can develop up to 50,000 acre-feet of water per year.

Nevada can also accrue ICS credits for Coyote Spring Valley groundwater that is pumped by the SNWA directly into Lake Mead. Up to 15,000 acre-feet per



year of Coyote Spring groundwater rights can be developed for ICS credit.

Central to the accord, Nevada will finance a portion of the Bureau of Reclamation's construction of the Drop 2 Reservoir near the California-Mexico border at an estimated cost of \$172 million. In exchange, Nevada will earn rights to withdraw at least 400,000 acre-feet of water from the Colorado River beginning in 2011, at a maximum rate of 40,000 acre-feet per year. The reservoir is projected to capture about 20 billion gallons of water a year that was previously lost or flowed into Mexico.

Finally, the interim guidelines establish when water supply shortages will be declared and the amount of shortage that will be incurred. As part of an interstate agreement signed in early 2007 between Arizona and Nevada, the state of Nevada will take a smaller share of the shortage. In return, the SNWA will invest \$8 million to bank water through the Arizona Water Banking Authority to offset the impacts of shortage.

“The signing of this accord is proof this region can work cooperatively on complex water issues and reach agreements that mutually benefit the communities we serve,” said SNWA General Manager Pat Mulroy. “This accord provides Nevada with much additional security in our Colorado River water supply.”

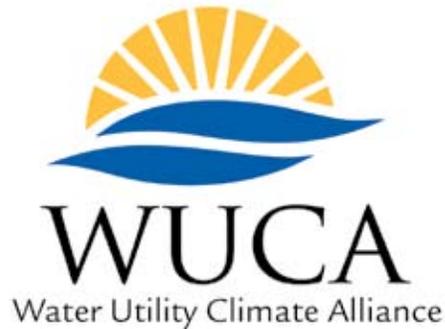
Locally, the SNWA took on the challenge of a different waterway. While the 12-mile Las Vegas Wash is certainly less expansive than the Colorado, its significance to our water supply is no less diminished. The Wash is the one channel from the valley to Lake Mead that carries and polishes up to 180 million gallons daily of highly treated wastewater, urban runoff, shallow groundwater and stormwater. In addition to its role in our watershed and water quality, the Wash also is a vital habitat for hundreds of wildlife species.



Global dialogue

SNWA General Manager Pat Mulroy is interviewed by the Discovery Channel on the topic of drought and climate change.

Coverage of the SNWA's innovative conservation programs captured the attention of international media, from newspapers in Tokyo, Paris and Beijing to the BBC, CNN International and Aljazeera TV. Global discussion on water issues included a Mulroy speaking engagement as part of a panel of expert presenters at a climate-change conference in Singapore.



The SNWA is a founding member of the Water Utility Climate Alliance, which will conduct research into global climate change and work to improve regional climate models.

In addition to the SNWA, charter members include:

- Denver Water
- Metropolitan Water District of Southern California
- New York City Department of Environmental Protection
- Portland Water Bureau
- San Diego County Water Authority
- San Francisco Public Utilities Commission
- Seattle Public Utilities

Through the efforts of the 30-member Las Vegas Wash Coordination Committee, administered by the SNWA, more than 700 volunteers at “Green-up” events have installed more than 3,300 shrubs and trees, stabilizing more than 20 acres of banks along the Wash. Progress continues on a long-range plan to install 22 erosion control structures, also called weirs, that help to slow Wash flows and allow sediment to settle to the bottom of the Wash before the water is returned to Lake Mead. Work began in 2007 on an 11th erosion control project—The Upper Diversion Weir and Bridge includes a Bypass Channel that will be used in the future to divert flows during maintenance and future construction projects downstream.

What was once a deteriorated expanse of potential flood water, nearly a decade later has been restored as a vital waterway and a vibrant home to tens of thousands of native trees and shrubs and more than 500 species of plants and animals, thanks to the work of the coordination committee and its adaptive management plan.

“Addressing the issues critical to the restoration of the Las Vegas Wash was no easy task,” said Las Vegas Watershed Advisory Committee Chairperson Kay Brothers. “Now, nearly a decade later, the wetlands

and wildlife are flourishing and the community has a place they can visit to enjoy or study the environment.”

The SNWA is applying this type of collaborative alliance to global issues. United by the fact that climate change poses a major long-term challenge to delivering high-quality drinking water, the SNWA and seven of the nation’s largest water agencies came together in late 2007 to form an unprecedented coalition, the Water Utility Climate Alliance (WUCA). The initiative—comprising agencies from Seattle to New York City—was developed to provide leadership and collaboration on climate-change issues affecting drinking water utilities by improving research into the impacts of climate change, developing adaptation strategies and striving to reduce their greenhouse gas emissions.

“Water agencies throughout the nation will invest hundreds of billions of dollars in infrastructure over the next 15 years alone, and those investments must be informed by climate projections that are as accurate as possible,” said Mulroy.

The power required to generate that water is an equally important investment. As a result, the SNWA

joined peer utilities and agencies to form the Silver State Energy Association, a cooperative effort among public agencies with the common goal to jointly plan, develop, own and operate power resources to meet their own needs and those of their customers. Membership offers improved project development opportunities and power purchasing capabilities, sharing of resources and expertise, and the opportunity to jointly manage energy needs.

Managing regional water supplies means managing the environment that surrounds them as well. The





Innovative conference

With more than 1,000 projected participants and speakers from around the world, the SNWA's WaterSmart Innovations Conference and Exposition is expected to be the largest and most comprehensive conference of its kind.

Keynote speakers include Jonathan Overpeck, coordinating lead author for the United Nations' Nobel Peace Prize-winning Intergovernmental Panel on Climate Change Fourth Assessment, and Prince Faisal Bin Hussein of Jordan, who will speak at the opening session of the conference to be held Oct. 8-10 in Las Vegas.

Presented by the Water Authority in conjunction with the U.S. Environmental Protection Agency's (EPA) WaterSense Program, WaterSmart Innovations will serve to broaden the knowledge of innovations in urban water efficiency and water conservation.

SNWA works with local, state and federal agencies by committing resources and personnel to research and protect endangered species, among them the Moapa dace, a small fish found only in the Muddy River and its tributaries in Clark County. The SNWA purchased the environmentally diverse 1,200-acre Warm Springs Ranch, near the Moapa Valley National Refuge, to research and protect this endangered species.

Regionally the SNWA is actively involved in the Lower Colorado River Multi-Species Conservation Program (MSCP) and the Clark County Multi-Species Conservation Plan. Nevada provides 25 percent of the \$626 million funding for the MSCP, and SNWA scientists are actively involved in the multi-species program, designed to create more than 8,000 acres of habitat, including the establishment of mesquite woodlands and cottonwood-willow riparian habitat for birds and animals. The plan also calls for marsh and backwater areas to sustain the existing population of endangered razorback sucker and bonytail fish.

The program also will restore thousands of acres of riparian habitat that is able to support new breeding centers for species such as the southwestern willow flycatcher, western yellow-billed cuckoo and other riparian-associated wildlife.





INNOVATIVE TECHNOLOGY

3

If necessity is the mother of invention, then the challenges posed to our water supply and our environment have given the SNWA further inspiration to explore new solutions and new technologies.

Two groundbreaking achievements in technological advancement occurred in 2007 with the grand opening of the SNWA's new Water Quality Laboratory and Applied Research and Development Center in Henderson and the SNWA's move into its new home in the LEED Gold-rated Molasky Corporate Center.



SNWA

SOUTHERN NEVADA WATER AUTHORITY

Green turned to gold at the Molasky Corporate Center, new home of the Water Authority. The building achieved LEED Gold certification from the U.S. Green Building Council in early 2008.

The building is designed to use **30 percent less** energy than its “non-green” counterparts and includes sustainable features such as recycled blue jeans for insulation, photovoltaic cells to generate solar power and equipment and appliances that minimize water and energy use.

The 50,000 square-foot lab, located at the River Mountains Water Treatment Facility, provides space for the SNWA staff to process and analyze water samples, perform research on emerging water-quality issues and to pilot test new treatment processes and technologies. Every year, Water Authority scientists collect more than 35,000 water samples from various locations throughout the Las Vegas Valley and conduct about a half-million analyses on those samples.

“By consolidating and expanding our water-quality research capabilities, this laboratory underscores the SNWA commitment and dedication to providing reliable, quality water supplies to our member agencies and the community,” said SNWA Deputy General Manager Kay Brothers.

Exploring new treatment technologies to enhance water quality, the SNWA’s research and development

“**...this laboratory underscores the SNWA commitment and dedication to providing reliable, quality water supplies to our member agencies and the community.**”

team constantly reviews drinking water regulations to anticipate changes to contaminant limits, testing requirements and analytical methods. The team has secured nearly \$3 million in research grants and has been recognized as an industry leader in the study of pharmaceutical compounds and their potential effects on water quality.

In downtown Las Vegas, another technological achievement was unveiled. The Molasky Corporate Center (MCC) welcomed the SNWA as its anchor tenant in late July 2007. The MCC received a LEED Gold certification, making it one of only a few hundred office buildings around the world to receive such a distinction.

The 852,000 square-foot high-rise building includes a 6 1/2-story, 1,400-space parking garage, installed with 150 photovoltaic panels on the top level that serve as covered parking and generate solar power to offset a portion of the building’s alternative energy usage.

The building’s environmentally conscious features, designed in consultation with SNWA environmental experts, are projected to save an estimated 30 percent of the energy required by an average office building while creating a healthier environment

for its tenants and visitors, with features that include natural light and an underfloor air distribution system that improves air quality. Up to 85 percent of all products used during construction contained recycled content, including shredded blue jeans used for wall insulation and 95 percent scrap metal, such as old car parts. In addition, floor and interior products include 100 percent recycled polyester modular-panel fabric and carpet made from recycled pop bottles.

“It is vital that we continue efforts on every front to reduce our carbon footprint and live sustainably in our desert environment,” said Deputy General Manager Dick Wimmer. “The Molasky Corporate Center is a testament to corporate sustainability.”

To further its sustainability initiatives, the SNWA utilized renewable energy resources to generate power for water treatment and delivery and to run its operations, including:

- Converting vehicles from gasoline to hydrogen-power and utilizing a hydrogen refueling station that operates completely on solar power.
- Using hydropower generated from Hoover Dam. Approximately 10 percent of the Water Authority’s



Water Quality Laboratory and Applied Research and Development Center

The SNWA is the principal investigator along with 10 other utilities in a national study to determine the impacts of pharmaceuticals and personal care products (PPCPs) in drinking water. The project will develop drinking-water reference doses for the most prevalent compounds and pharmaceuticals using Environmental Protection Agency risk assessment guidelines.

The study, to be conducted at the SNWA’s new state-of-the-art Water Quality Laboratory and Applied Research and Development Center, will compare concentrations of PPCPs found in drinking water to those found in food and beverages.



A hydroelectric turbine and induction generator operate off of water that passes through SNWA pipelines, generating more than two megawatts of clean energy.

annual energy supply comes from Hoover Dam hydropower.

- Developing hydropower projects at three Rate of Flow Control Stations in Las Vegas and Henderson. The projects include a small turbine and induction generator at each site. As water passes through the pipeline, it turns the turbine

and can generate more than two megawatts of electricity.

- Operating the Silverhawk Power Generation Facility using “dry-cooling” technology that produces electricity using one-tenth of the water consumed by traditional “wet-cooled” power plants.

In addition, the SNWA has installed 250 kilowatts (kW) of solar photovoltaic (PV) systems as part of the covered parking facilities at the Alfred Merritt Smith Water Treatment Facility and the River Mountains Water Treatment Facility. In addition to providing shaded parking, the carports will generate 540,000 kW of electricity. Work is beginning on a second high-concentration solar PV, capable of generating 200 kW.

The SNWA's newly created Energy Management Department is evaluating the potential for wind, solar and geothermal energy resources to meet future needs while the Environmental Resources Department oversees the sustainability and renewable energy initiatives of the SNWA. The agency has committed to voluntarily meet 20 percent of its energy needs through renewable resources by 2015.





4

INNOVATION FOR THE FUTURE

With the prolonged drought and fluctuating flows along the Colorado River, the SNWA has long recognized that water planning cannot rest on just one water source. The agency's Water Resource Plan was developed as a portfolio of water resources with this type of variability in mind. Now, climate change has entered a new, even more unpredictable variable into the picture.

"Open, ongoing dialogue and active cooperation must be at the center of our efforts to confront the possible burdens presented by climate change," said Mulroy. "Voices from research and scientific communities, the public, government and environmental organizations all should be heard."

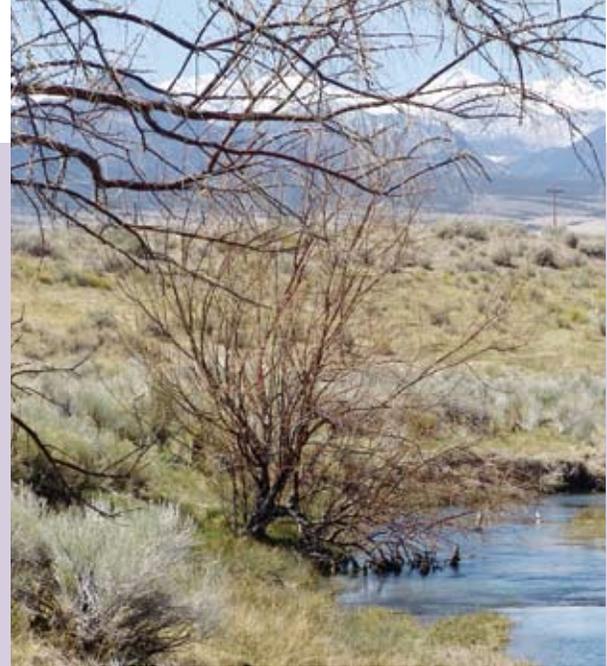


Long recognized for its responsible environmental practices, the Water Authority will work to protect sensitive wildlife and fragile habitat in White Pine, Lincoln and Clark counties through a comprehensive monitoring, management and environmental mitigation plan.

Since 2000, the Colorado River has been mired in a severe long-term drought, the result of which has been a combined reduction in storage of more than 7.3 trillion gallons between lakes Mead and Powell. Water within these reservoirs has declined to approximately 50 percent of capacity.

In response, the member agencies of the SNWA in 2007 worked to build greater diversity into our water resource portfolio and advance groundwater applications identified in the Water Resource Plan. The portfolio includes a variety of Colorado River resources and groundwater resources, such as groundwater rights and applications in east-central Nevada.

The applications will lay the foundation for the SNWA's Clark, Lincoln and White Pine Counties Groundwater Development Project, a water transportation pipeline that extends from Clark County to Lincoln and White Pine counties, just north of Las Vegas. The project would utilize unused, naturally replenished, available water. Following initial approvals from the Nevada State Engineer and the Bureau of Land Management, the SNWA will begin constructing the pipeline, with the first major delivery of water expected by 2015.



The SNWA is exploring the purchase of land in the Lincoln County area to house a manufacturing plant to assist in the engineering and construction logistics for the pipeline project. The location would be centrally positioned between the northern and southern reaches of the project, which will help minimize emissions from the transportation of construction materials.

In another series of landmark water-resource decisions, the SNWA was granted water rights for a portion of its applications in Delamar, Dry Lake, Cave and Spring valleys.

The Nevada State Engineer granted the SNWA permission to develop up to 60,000 acre-feet of groundwater annually from the Spring Valley Basin in east-central Nevada. Following that decision, the Water Authority was also granted more than 18,700 acre-feet of water annually for its applications in Delamar, Dry Lake and Cave valleys.

The SNWA's purchase of seven land holdings in Spring Valley will aid in the development of groundwater resources while providing opportunities to preserve the ecological health and ranching culture of the area.

In addition to the land holdings, the Water Authority acquired surface and groundwater rights associated with the properties—34,000 acre-feet per year (AFY) of surface water rights, 6,000 AFY of groundwater rights and 24,000 AFY of supplemental water rights. The SNWA does not intend to export the surface water rights, which will be used to help manage the groundwater basin and support other environmental management activities in the area.

Ultimately, the land holdings will provide opportunities for the SNWA to better understand the hydrology of Spring Valley and introduce innovative water-conservation practices.



Intake No. 3 construction

The construction of a third intake at Lake Mead, slated to begin in late 2008, will be one of the most challenging and technologically advanced tunnel projects in the world.

Upon completion, the new intake will both maintain the SNWA's ability to draw upon Colorado River water even at extremely low Lake Mead elevations and protect municipal water customers from water-quality issues associated with declining lake levels.

The project was approved by the SNWA Board of Directors in 2005 to replace Intake No. 1, which could become inoperable if lake levels continue to fall.



Sustainable resource development is the basis for all ongoing research and monitoring in Spring Valley. The SNWA exceeds the scope of studies mandated to establish baseline conditions for the environmental impact statement and biological assessment for studies of species such as the greater sage grouse, pygmy rabbit, Pahrump poolfish, relict dace and bald eagle.

With partnerships a key aspect to the management of the land holdings, the SNWA is working cooperatively

with the Bureau of Indian Affairs, the National Park Service, the Bureau of Land Management and the Fish and Wildlife Service to implement a Monitoring, Management and Mitigation Plan that ensures municipal water supplies are developed in a way that protects federal water rights and the environment.

Additionally, the SNWA will work with the agricultural community in a cooperative partnership to explore, adapt and implement models of irrigation efficiency in ranch management.

The groundwater resources located outside the Las Vegas Valley are critical to meeting long-term water supply needs and protecting the quality of life for communities of the region. These proposed projects will provide greater flexibility in the water supply as well as reduce the region's dependence on Colorado River flows.

The SNWA is looking beyond its groundwater resources to future advancements. In December 2007, the SNWA Board approved a Memorandum of Understanding regarding an assessment of options for the reactivation and operation of the Yuma Desalting Plant in Yuma, Arizona.

Recognizing the importance of a reliable water supply for the entire Southwest, the seven Colorado River Basin States conducted a robust analysis of potential measures that could be used to augment the water supply provided by the river. Completed in 2007, the Colorado River Augmentation Study offered a matrix of 12 augmentation options for water managers to use for reference.

The SNWA is committed to ensuring the long-term viability of the Southern Nevada community and the outlying communities that it touches. With innovative thinking, long-term planning and a focus on preserving our environment, the SNWA continues to explore future water resources for Southern Nevada.



Desalination revisited

The SNWA continues to research efforts into desalination as a future water resource. As part of the effort, SNWA officials witnessed the 2007 test reopening of the Yuma Desalting Plant along the California-Mexico border.

The plant, which has been closed for more than 15 years, was built to treat salty water drained from farm fields, enabling the U.S. to meet water quality standards required for the 1.5 million acre-feet of Colorado River water it delivers to Mexico each year through a treaty between the two countries.

With the persistent drought depleting the river's flows, the resurrected plant will provide a vital alternative. At full production, the nation's largest brackish-water desalting plant would produce some 80 million gallons of water a day, returning treated water to the Colorado River.





FINANCIAL PICTURE

5

A year focused on innovative, long-range water resource planning, the formation of unique partnerships and the utilization of state-of-the-art technology was necessary in order for the SNWA to maintain a strong financial rating. Through diverse funding resources and innovative financial strategies to maximize resources and reduce debt, the Water Authority's financial strength is perhaps best exemplified by its AA- Standard and 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 primarily by connection charges, usage fees and sales taxes; and
- Capital Improvements Construction, which is funded almost entirely by tax-exempt municipal bonds the SNWA has sold.

Sub funds for the SNWA's Groundwater Management Program and for the Las Vegas Wash are also operated, but their activity is minimal.

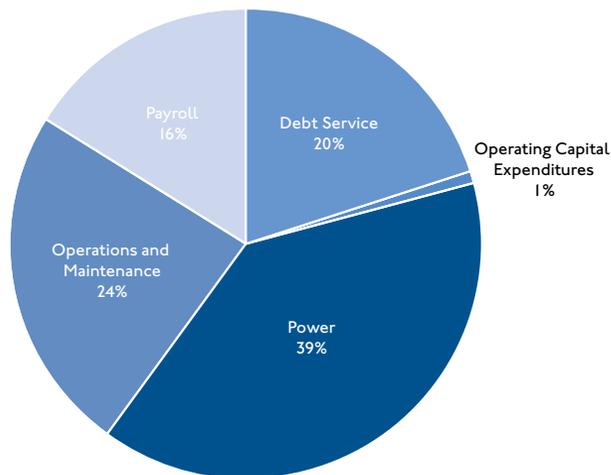
By state statute, the SNWA operates as a single proprietary fund. Costs of providing goods and services to customers are recovered through user charges.

In the last Fiscal Year, wholesale delivery operating costs were most impacted by increasing electric power rates, which represented 39 percent of operational expenses. The SNWA is one of the largest power users in Southern Nevada and requires power to treat and deliver water to retail purveyors. The SNWA has managed to curb the greatest impacts of higher energy costs through conservation, exploring innovative power opportunities and its cooperative business accord with Nevada Power and its parent company, Sierra Pacific Resources, and the Colorado River Commission, as well as its 25 percent

stake in the Silverhawk Generating Station in Apex, Nev. Mitigating the financial effects 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, 2007, and represents an overview of the SNWA's individual operating programs, funds, revenues and expenditures.

Wholesale Delivery Operations Expenditures Fiscal Year ended June 30, 2007



Wholesale Delivery Operations

The Wholesale Delivery Operations sub fund had a balance of \$17.9 million as of June 30, 2007. The Wholesale Delivery Charge is designed to cover the costs of administration and delivery of water through the Southern Nevada Water System. For the fiscal year ended June 30, 2007, the Wholesale Delivery Charge was \$252

per acre-foot of treated Colorado River water delivered to purveyor members of the SNWA. Purveyor members then sell the water to retail customers. The SNWA has no retail customers of its own. Nellis Air Force Base pays a modified Wholesale Delivery Charge, and Boulder City pays a Raw Water Wholesale Delivery Charge.

New Expansion Debt Service

The New Expansion Debt Service sub fund had a balance of \$506.3 million as of June 30, 2007. This balance is needed to provide a prudent debt service coverage ratio, and is consistent with projections of the Capital Improvements Funding Program, which determines how the costs of the SNWA Capital Improvements Plan (CIP) will be funded. Most of the construction costs will be provided by funds from the sale of tax-exempt municipal bonds. The money to make debt service payments 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 years, and then will begin to decline to a zero balance.

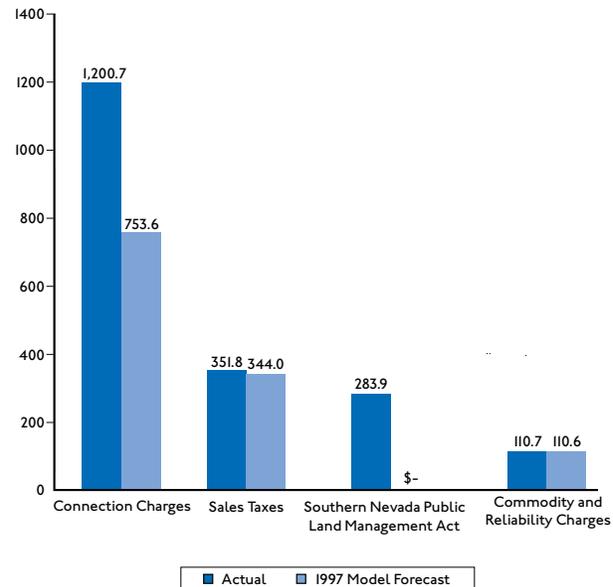
The graph on the right shows the major revenue sources in the New Expansion Debt Service Fund through December 2007. The major revenue source in this fund is the regional connection charge. This charge on every new connection to the system is collected by the SNWA's purveyor members and remitted monthly.

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 sales tax rate in Clark County in April 1999. This revenue is collected by the state Department of Taxation

and remitted to the 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. Sales tax collections will conclude in June 2025, or when \$2.3 billion has been collected, whichever occurs first. The SNWA has received approximately \$550 million through June 30, 2007, retaining approximately \$352 million, with the balance allocated to the Las Vegas Wash, rural systems and wastewater purveyors.

One revenue source that is challenging to forecast is the SNWA's share of revenues from the Southern Nevada

New Expansion Revenues
Cumulative through June 2007
Actual vs. 1997 Model Forecast



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 of 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. Since the act was finalized after the 1997 model forecast was prepared, that forecast contained no projection of revenue from this source. The \$283.9 million in SNPLMA revenue received to date makes it the third-largest New Expansion revenue source. However, its prominence as a revenue source is expected to decrease substantially in future years.

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, the fund also pays some construction expenses directly (pay-as-you-go), which eliminates the cost of borrowing (interest).

A fourth revenue source is a combined rate-based commodity charge and reliability surcharge. The commodity charge is paid monthly by Southern Nevada residents who are connected to a municipal water system. Funds raised from this charge are used to improve water quality and enhance the reliability of the water system. The Water Authority commodity charge is 10 cents per 1,000 gallons of water used and is applied to all customers. This

accounts for about 10 percent of Capital Improvements Program (CIP) funding.

The reliability surcharge is based on the need of every customer to have water when they turn on their tap. The reliability surcharge is based on the concept that customers have varying levels of critical need for water and should pay accordingly. The surcharge shifts some of the financial burden of costs associated with reliability from residential customers to all other customers. The rate, which is applied against the total water bill with a few line item exceptions, has been set at 0.25 percent for residential customers and at 2.5 percent for all other customers. The reliability surcharge provides about 5 percent of CIP funding.

Capital Improvements Construction

The Capital Improvements Construction sub fund ended the Fiscal Year with a balance of \$290.7 million as of June 30, 2007. The sub fund opened the Fiscal Year with a balance of zero. This fund receives bond proceeds and pays construction expenses with those proceeds. When bond funds are depleted, the cash balance in the New Expansion Debt Service sub fund is used until additional bonds can be sold. At that time the New Expansion Debt Service sub fund is reimbursed for its capital expenditures and the remaining bond funds stay in the Capital Improvements Construction sub fund to pay for future capital expenses. The SNWA sold additional bonds in November 2006.

The Capital Improvements Construction sub fund is almost always "over-committed but under-expended," meaning

construction contract commitments generally exceed the amount of bond proceeds on hand. This fund has earned an estimated \$6 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 Construction sub fund. Debt-management strategies are expected to save an additional \$370 million over the life of the projects.

Groundwater Program

The Groundwater Program sub fund had a balance of \$3.3 million as of June 30, 2007. 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, fund well abandonment and conversion to municipal water systems. Much of the ending balance will be spent on artificial recharge and well conversions in future fiscal years.

Las Vegas Wash

The Las Vegas Wash sub fund had a balance of \$0.2 million as of June 30, 2007. 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. To assist in this, the SNWA organized the Las Vegas Wash Coordination Committee, which comprises stakeholders in the Las Vegas Wash. Operating costs are funded by

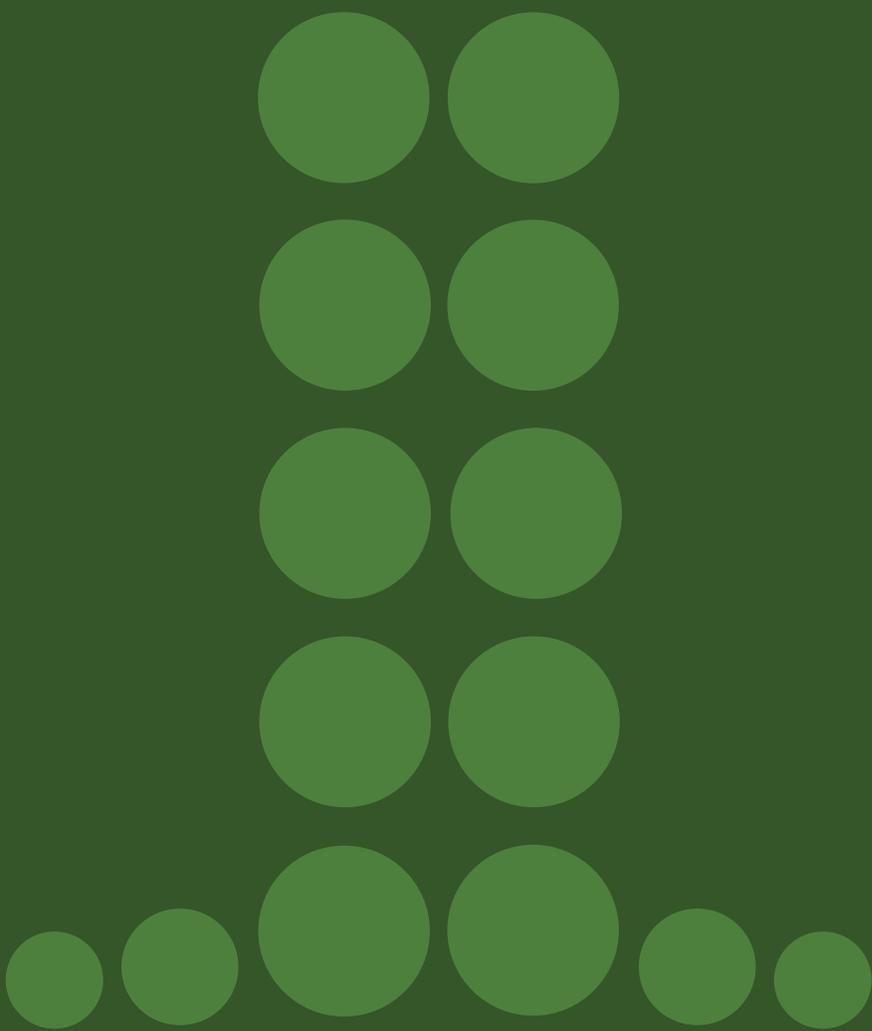
assessments of member agencies. In addition, the Las Vegas Wash receives 4 percent of sales-tax proceeds received by the SNWA. These proceeds have been used to fund capital improvements in the Wash, such as the construction of weirs to stabilize and protect wash banks. However, a funding formula is in place for stakeholders in the Las Vegas Wash to reimburse the SNWA for operations of the committee. Grants also represent a significant revenue source for activity related to the Wash.

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 ending June 30, 2007. 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.

Sources and Uses of Funds Summary
 Fiscal Year ended June 30, 2007
 (In millions of dollars)

	Wholesale Delivery Operations	New Expansion Debt Service	Capital Improvements Construction	Groundwater Program	Las Vegas Wash	Total
Beginning Balance (July 1, 2006)	9.3	513.0		2.9	0.1	525.3
Sources of Funds						
Operating Revenues	121.4			2.0	1.0	124.4
Other Revenues	1.5	0.1			0.3	1.9
New Expansion Revenues		238.7			3.9	242.6
Intra Fund Loans	5.3	(8.1)			2.8	
Debt Issuance Proceeds			392.8			392.8
Interest Income	0.4	24.5	11.6	0.2		36.7
Total Sources of Funds	128.6	255.2	404.4	2.2	8.0	798.4
Uses of Funds						
Power Costs	(47.3)					(47.3)
Payroll Costs	(28.8)			(0.3)	(0.8)	(29.9)
Operations & Maintenance	(19.3)			(1.5)		(20.8)
Operating Capital Expenditures	(1.0)					(1.0)
Reclassifying Prior Period Expenses						
Const. & Resource Expenditures		(141.0)	(113.7)		(7.1)	(261.8)
Debt Service	(23.6)	(120.9)				(144.5)
Total Uses of Funds	(120.0)	(261.9)	(113.7)	(1.8)	(7.9)	(505.3)
Fiscal Year Net Change	8.6	(6.7)	290.7	0.4	0.1	293.1
Ending Balance (June 30, 2007)	17.9	506.3	290.7	3.3	0.2	818.4





SOUTHERN NEVADA WATER AUTHORITY

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