

The meeting was held at 1:00 p.m. on Tuesday, January 14, 2014 at the Grant Sawyer State Office Building, 555 East Washington Avenue, Suite 4412, Las Vegas, Nevada.

### **COMMISSIONERS IN ATTENDANCE**

Chairman	George F. Ogilvie III
Vice Chairman	Berlyn D. Miller
Commissioner	Bob Coffin
Commissioner	Duncan R. McCoy
Commissioner	Puoy K. Premsrirut
Commissioner	Steve Sisolak

### **COMMISSIONERS IN ATTENDANCE VIA TELECONFERENCE**

Commissioner	J. Brin Gibson
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### **SPECIAL COUNSEL, ATTORNEYS GENERAL**

Special Counsel Attorney General	Jennifer T. Crandell
Special Counsel Attorney General	Ann C. Pongracz

### **COMMISSION STAFF IN ATTENDANCE**

Executive Director	Jayne Harkins, P.E.
Deputy Executive Director	James D. Salo
Chief of Finance and Administration	Douglas N. Beatty
Manager, Energy Services	Gail A. Bates
Manager, Hydropower Program	Craig N. Pyper
Assistant Hydropower Program Manager	Lisa M. Ray
Hydropower Program Specialist	Dana Corkill
Natural Resource Analyst	Jason Thiriot
Natural Resource Analyst	Warren Turkett
Senior Accountant	Gail L. Benton
Senior Energy Accountant	Richard M. Sanders
Senior Energy Accountant	Kalora E. Snyder
Office Manager	Judy K. Atwood
Administrative Assistant II	Melissa Dibert
Administrative Assistant II	Carla Miguel

### **OTHERS PRESENT; REPRESENTING**

Consultant	Sara A. Price, Esq.
Piercy, Bowler, Taylor & Kern	Richard Bowler
Overton Power District No. 5	Mendis Cooper
Southern Nevada Water Authority	Natalia Londono
Self	Todd Farlow
Self	Gary Brodt

**COLORADO RIVER COMMISSION  
OF NEVADA  
MEETING OF JANUARY 14, 2014**

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The Colorado River Commission meeting was called to order by at 1:00 p.m. followed by the pledge of allegiance.

**A. Conformance to Open Meeting Law.**

Executive Director Jayne Harkins confirmed that the meeting was in compliance with the Open Meeting Law.

**B. Comments from the public. (No action may be taken on a matter raised under this item of the agenda until the matter itself has been specifically included on an agenda as an item upon which action may be taken.)**

Chairman Ogilvie asked if there were any comments from the public. There were none.

**C. For Possible Action: Approval of minutes of the November 26, 2013, and December 10, 2013 meetings.**

Commissioner McCoy moved for approval of the minutes. The motion was seconded by Commissioner Premsrirut and approved by a unanimous vote of those present. Vice Chairman Miller was not present for the vote.

**D. For Possible Action: Consideration of and possible action to approve the Colorado River Commission of Nevada (Commission) Hoover power Customer contracts previously executed by the affected Customers (Contractors) which agree to the repayment of their proportionate share of securities issued by the Commission to prepay Hoover power base charges, including contracts executed by Basic Water Company, Titanium Metals Corporation, Tronox LLC, and Valley Electric Association.**

Ms. Harkins provided a summary of the contract for the prepayment of Hoover power base charges by the Hoover power Customers.

At the December 10, 2013 meeting, the Commission approved contracts executed by the City of Boulder City, Lhoist North America of Arizona, Inc., Lincoln Power District No. 1, and Overton Power District No. 5.

As stated at the December 10, 2013 meeting, the Commission's Hoover power Contractors currently make payments to the Commission sufficient to pay their individual proportional shares of all capital and operations and maintenance costs at Hoover Dam. Currently a portion of the costs borne by the Commission's Hoover power Contractors is associated with reimbursing the federal Treasury for construction funds advanced to construct the Hoover Visitor Center and Hoover Airslots (Federal Reimbursement Obligation(s)). The Federal Reimbursement Obligations are payable, with interest, through 2045.

The current interest rate for the Federal Reimbursement Obligation associated with the Hoover Visitor Center is 8.06% and the current interest rate for the Federal Reimbursement Obligation associated with the Hoover Airslots is 9.84%. At these interest rates, the total cost of reimbursement for Hoover power Contractors in Nevada is approximately \$80 million through 2045.

Under current and anticipated future market conditions, the total cost of Hoover hydropower could be substantially reduced if the Contractors authorized the Commission to issue securities at substantially lower interest rates to prepay the portion of Western Area Power Administration's (Western) base charges for Hoover power to the extent necessary to prepay and thereby extinguish Nevada's share of the Federal Reimbursement Obligations, and agreed to pay the Commission for the costs of these securities through payment of their bills from the Commission.

It is currently estimated that the total cost to the Nevada Hoover power Contractors of the refinanced Federal Reimbursement Obligations with new lower interest rate securities issued by the Commission would be approximately \$60 million, which would save these Contractors approximately \$20 million.

At the request of the Commission, the 2013 Session of the Nevada Legislature passed, and the Governor approved, Senate Bill (S.B.) 438 which authorized the Commission to borrow up to \$35,000,000 and to issue general and special obligation securities for the purpose of funding prepayment of the State's share of the Federal Reimbursement Obligations.

The United States Bureau of Reclamation (Reclamation) and Western have issued "payoff letters" which acknowledge prepayment of the debt associated with the Federal Reimbursement Obligations, and that this debt will be extinguished if all federal Hoover Contractors in Arizona, California and Nevada pay 100% of those obligations on a single date. The Commission has been working with all federal Hoover Contractors, Reclamation and Western to ensure that all the federal Hoover contractors will deposit funds on a single date to extinguish those obligations.

The Commission's Hoover power Contractors have agreed to enter into contracts under which each will pay its proportionate share of the cost of the principal and interest and related costs of the securities associated with the prepayment of the Federal Reimbursement Obligations, for the full term of the securities.

These contracts also provide that the Commission will offer contracts to be effective by October 1, 2017, under which the participating Contractors will receive allocations for Schedule A and Schedule B Hoover power in a quantity equal to or not less than 95% of the Contractor's current allocation, at cost-based rates, for a term of 50 years. The Contractor's bond repayment obligation continues regardless of whether the Contractor accepts the new Hoover Power Contract effective on October 1, 2017.

Staff recommended that the Commission approve Hoover power contracts previously executed by the affected Contractors which agree to the repayment of a proportionate share

of securities to be issued by the Commission to prepay Hoover power base charges, and authorize the Executive Director to execute for the Commission those approved contracts. Staff proposed that contracts executed by Basic Water Company, Titanium Metals Corporation, Tronox LLC, and Valley Electric Association be considered and approved by the Commission today. Staff anticipates that the remaining contracts with American Pacific Corporation, Nevada Power Company d/b/a NV Energy, and the Southern Nevada Water Authority will be proposed for Commission consideration and approval on February 11, 2014.

Ms. Harkins advised that Staff provided a presentation of the entire refinancing process to the Board of Finance at its meeting today.

Chairman Ogilvie asked in clarification whether this Agenda item, which is specifically for Basic Water Company, Titanium Metals Corporation, Tronox, and Valley Electric Association, is essentially the same agenda item that was presented for approval before the Commission last month for the other four Hoover power Customer contracts.

Ms. Harkins clarified that to be correct.

Vice Chairman Miller arrived at this time.

**Commissioner McCoy moved for approval of Hoover power contracts previously executed by the affected Contractors which agree to the repayment of a proportionate share of securities to be issued by the Commission to prepay Hoover power base charges, and authorize the Executive Director to execute for the Commission those approved contracts. The motion was seconded by Commissioner Coffin and approved by a unanimous vote.**

<p><b>E. <i>For Information Only:</i> Presentation of the Commission's Annual Financial Report for the Fiscal Year Ended June 30, 2013.</b></p>
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Ms. Harkins introduced Mr. Richard Bowler from Piercy, Bowler, Taylor & Kern, the Commission's external auditor. Ms. Harkins mentioned that the required communication letters to the Commissioners and the Comprehensive Annual Financial Report of the Commission were provided to the Commissioners.

Chairman Ogilvie acknowledged and welcomed Mr. Bowler.

Mr. Bowler stated that his office had completed the audit for fiscal year ending June 30, 2013, and found nothing that required to be reported to the Commission.

Commissioner McCoy commended Mr. Bowler's office for a clean audit and for producing a report that was easy to understand. He also commended Douglas Beatty and Commission Staff for their efforts in providing Piercy, Bowler, Taylor & Kern the necessary documents and records to do the audit.

Commissioner Coffin agreed to Commissioner McCoy's commendation. He thanked Staff for a job well done and expressed pleasure for a clean audit.

Commissioner Coffin asked Mr. Bowler if Staff had delivered needed materials for the audit in a timely fashion, and if Mr. Bowler felt that the Commission had adequate staff to continue to handle the workload.

Mr. Bowler affirmatively answered saying that Commission Staff responded to the requests for information and documents for the audit report to be done in a timely manner. Mr. Bowler said that Mr. Beatty would be the person to answer whether he had adequate staff to handle the load.

Chairman Ogilvie congratulated Mr. Beatty for a fine job.

**F. *For Information Only:* Status update on Motions to Intervene in various regulatory proceedings before the Public Utilities Commission of Nevada (PUCN) and Federal Energy Regulatory Commission (FERC) proceedings.**

Energy Services Manager, Gail A. Bates provided a status update on a number of PUCN and FERC regulatory proceedings the Commission has intervened.

FERC Docket Nos. ER13-1605-000, ER13-1607-000, and EC13-113: Interrelated applications made by NV Energy, Inc., on behalf of its public utility subsidiaries, Nevada Power Company (Nevada Power) and Sierra Pacific Power Company (Sierra Pacific), (collectively NV Energy) requesting authorization for: (1) an internal corporate reorganization of Sierra Pacific and Nevada Power (EC13-113); (2) the combination of the transmission and ancillary service rates of Nevada Power Company and Sierra Pacific Power Company into single-system rates (ER13-1605-000); and (3) a revision of the terms and conditions in their Open Access Transmission Tariff (OATT) to reflect the consolidation of Nevada Power and Sierra Pacific, their respective transmission systems and single-system rates (ER13-1607-000). The operational merger of Nevada Power Company and Sierra Pacific Power Company was approved by FERC. The rates, terms, and conditions of transmission service were accepted without suspension (effective January 1, 2014), set for hearing, and are now in settlement negotiations. Staff anticipates a draft Offer of Partial Settlement and Partial Settlement Agreement will be submitted to FERC in the next few weeks resolving the limited issue of energy imbalance rates in Schedules 4 and 9 of the OATT.

FERC Docket No. EC13-128: Merger application of Silver Merger Sub, Inc., NV Energy, Inc., Nevada Power Company, and Sierra Pacific Power Company (collectively, "Applicants"). FERC approved the merger on December 19, 2013.

PUCN Docket No. 13-05056: Application of Nevada Power Company d/b/a NV Energy (Nevada Power) and Sierra Pacific Power Company d/b/a NV Energy (Sierra) for approval to consolidate Nevada Power and Sierra into a single jurisdictional utility, transfer and modify Certificates of Public Convenience and Necessity to reflect the

consolidated utility's new legal name of NV Energy Operating Company, and consolidate generation assets. The Joint Applicants state that the need to consolidate the legal and regulatory structures of Sierra and Nevada Power is driven by the completion of the One Nevada Transmission Line or "ON Line." ON Line went into service on January 1, 2014. Pursuant to Procedural Order No. 2 issued by the PUCN, NV Energy was required to submit additional information, supporting testimony and analyses to support their merger application on or before October 21, 2013. However, on October 17, 2013, NV Energy filed a Motion to Vacate Existing Procedural Schedule and Adopt a New Procedural Schedule. NV Energy also filed with the FERC an Interim Joint Dispatch Agreement (IJDA) and related tariff that would allow joint dispatch to occur for a one year period pending formal PUCN approval of the consolidation.

A hearing in this docket has been delayed until at least next fall pending the examination of technical data demonstrating whether joint dispatch savings will occur and how they will be calculated. Several informal technical meetings have been scheduled to examine NV Energy's joint dispatch models. NV Energy is required to comply with Procedural Order No. 2 by filing a preliminary analysis and amended application by March 31, 2014, and a final analysis including some summer peak information by August 29, 2014. Following that filing, the procedural dates will be established so that the case can be resolved prior to the expiration of the IJDA at the end of 2014.

PUCN Docket No. 13-07021: Application of NV Energy, Inc. (NVE) and MidAmerican Energy Holdings Company (MidAmerican) (with its wholly owned subsidiaries Silver Merger Sub, Inc. (Merger Sub) and NVE Holdings, LLC (LLC)) (together, the "Joint Applicants") for approval to proceed with the merger of NVE with Merger Sub. The PUCN approved a stipulation among the Joint Applicants, the PUCN Staff, the Bureau of Consumer Protection and several other intervening parties, under which the Applicants made significant concessions including the withdrawal of a request to recover in customer rates a \$2 billion acquisition premium. The remaining parties in the case, including the Southern Nevada Water Authority (SNWA) and the Commission withdrew from the case.

Ms. Bates explained that FERC has issued a ruling approving the corporate merger of NV Energy and MidAmerican; and PUCN has approved the stipulations among the parties settling the case. However, two operational merger dockets are still pending with FERC and PUCN. One is the consolidation of the Sierra Pacific and Nevada Power Company operating areas into a single consolidated system, which is driven by the completion of the ON Line transmission that went live on January 1, 2014. The other pending docket is regarding the rates, terms and conditions for the consolidated systems, which has already been set for hearing and settlement judge proceedings. The first settlement conference will be held on Thursday of this week. The stipulations on the issue on rates, terms and conditions of energy imbalance service have already been reached.

Hearings on the PUCN side have delayed until later this year due to the IJDA that went into effect simultaneously with the ON Line transmission going live on January 1, 2014. Under the Interim Joint Dispatch Agreement, the company will quantify and allocate the

savings that can be obtained from jointly dispatching or operating the system. PUCN feels that it would be in a better position to wait first for data from some months of live operations before making its final ruling on the case. The hearing might occur late this year, closer to the fall.

Chairman Ogilvie asked if there had been any operational effects of the ON Line merger.

Ms. Bates replied that she was not aware of any.

Commissioner Coffin commented that changes in company names, in this case, NV Energy merging with MidAmerican could really be hard to follow.

**G. *For Information Only: Status update on the Colorado River Commission of Nevada's efforts to implement the provisions in the Hoover Power Allocation Act of 2011 (H.R. 470) passed by Congress.***

Hydropower Program Manager, Craig N. Pyper stated that Western Area Power Administration (Western) issued in October 2012 its proposed criteria for implementing the allocations required by the Hoover Power Allocation Act of 2011, including a public comment forum in which the Commission participated. On December 30, 2013, Western issued in the Federal Register its response on the final criteria and its call for applications for Western's portion of the post 2017 Hoover Power, which are due March 31, 2014.

Mr. Pyper further explained that Western has eliminated the draft criteria which would have required new allottees, except for Tribes, to have a utility status, which had been a concern to the Commission. Tribes, however, still have the first preference in the new criteria. One of the criteria is for the applicants, except for Tribes, to be ready, willing and able to receive and deliver power from Western. Meaning, applicants will have to have either direct transmission or an agreement with transmission providers. Another criterion is having a minimum allocation of 100 kW and a maximum allocation of 3 MW, which could potentially make eligible over a hundred new customers. The criteria also provide that each allocation for Tribes should not exceed 25% of the customer's load, which means, if the customer's average load is 1000 kW, the customer would be allocated, at most, 250 kW. Also, the allocation would go by proportional shares to non-Tribal entities, not to the state that donated to the pool.

From the time the Commission received Western's Federal Register notice, Staff has sped up its efforts in disseminating the material and information, highlighting the application submittal which is due in March 2014. Staff is in the process of setting up three informational workshops. Mike Simonton of Western will conduct a presentation on Western's application and process. Staff is also in the process of updating the contact list for potential applicants in Nevada.

Chairman Ogilvie inquired about the workshop schedules and potential invitees.

Mr. Pyper replied that two workshops will be held on February 12, 2014, one in the morning in Las Vegas, Nevada and one in the afternoon in Pahrump, Nevada. The third workshop will be on February 13, 2014 in Overton, Nevada. Invitees could include several hundred representatives of the local cities, State prison system, local Tribes, State agencies, municipalities, and townships.

Chairman Ogilvie asked if the purpose of the workshops is to familiarize the potential applicants with the Western process.

Mr. Pyper replied that is indeed the purpose of the workshops, adding that following Western's process Staff plans to conduct workshops on the Commission's process.

Chairman Ogilvie asked in clarification if March 31, 2014 is the deadline to submit applications to Western.

Mr. Pyper clarified that to be correct.

**H. *For Information Only: Status update on the hydrologic conditions, drought, and climate of the Colorado River Basin, Nevada's consumptive use of Colorado River water, and other developments on the Colorado River.***

Warren Turkett, Natural Resource Group Analyst provided a report on the following:

- Unregulated Inflow into Lake Powell
- Storage Conditions
- Lake Powell End of Month Elevations Based on December 23, 2013 24-month Study
- Lake Mead End of Month Elevation Projections
- U.S. Monthly Drought Outlook
- Precipitation – Colorado River Basin
- Monthly Precipitation for December 2013
- Record of Precipitation, Las Vegas, NV as of December 31, 2013
- Clark County Regional Flood Control District Rain Gages
- Water Use in Southern Nevada
- Nellis / McCarran Airport History

A copy of the report is attached and made as a part of the minutes. (See Attachment A.)

Chairman Ogilvie inquired why the total system storage is greater than the combination of the average of Lake Mead and Lake Powell and where was the rest of the water.

Mr. Turkett said that the figures include the other storage and reservoirs, Flaming Gorge Reservoir and everything up stream in the Colorado River System.

Chairman Ogilvie posed a question to Ms. Harkins as to what percentage of Lake Mead and Lake Powell is of the total system storage.

Ms. Harkins replied that she did not have the exact percentage handy, but that it is 60 million acre-feet storage in total: 50 million acre-feet from Lake Powell and Lake Mead, and the rest from Parker and Davis Dams, the two smaller reservoirs in the Lower Basin. Also included are a number of Upper Basin reservoirs above Lake Powell.

Chairman Ogilvie commented that the elevation of those other upstream reservoirs has to be far greater than 50% in order for the total system storage to be 2% higher than combination of Lake Powell and Lake Mead system storage, and the other upstream reservoirs have to be fairly full.

Ms. Harkins said that these other reservoirs are kept full for the most part as they are not operated the same way as Lake Powell and Lake Mead, which are the main storage reservoirs.

Commissioner Sisolak asked if the figures on the report include the Arizona banked water.

Mr. Turkett replied that it did not include the SNWA's banked water in Arizona groundwater.

Commissioner Sisolak inquired if the 1,106.64 acre-feet banked in Lake Mead includes the water from other jurisdictions.

Ms. Harkins answered it to be correct. The ICS or Intentionally Created Surplus is believed to be included in the numbers.

Commissioner Sisolak further asked as to how much of the banked water in Lake Mead comes from other source, and if there were rules as to how much can be taken out of the reservoir.

Ms. Harkins replied 10 to 12 feet comes from other sources, and there is, indeed, a limitation on how much can be taken out of Lake Mead per year and under what reservoir conditions.

Mr. Turkett added that he could put together numbers on ICS when December reports for Arizona and California are done.

Chairman Ogilvie said that he would be interested to see a spreadsheet of different significant reservoirs on the system, including information on capacity and elevation.

Mr. Turkett said that he would provide said spreadsheet.

Chairman Ogilvie asked if the most updated information for the 24-month study report is where the line dips below 1075 elevation.

Mr. Turkett said that in the June 2015 time frame, it is projected to go below 1075 elevation but expected to come back up, with a lot of factors affecting these numbers.

Commissioner Sisolak asked if Mr. Turkett's numbers on the 24-month study, specifically the dip below 1075 elevation have already occurred or were just a projection.

Ms. Harkins clarified it was last month's projection of Calendar Year 2015 Mead elevations.

Mr. Turkett said that the study is a hydrology projection of what the elevation of Lake Mead and Lake Powell would be for the next 24 months, so steps can be planned ahead if needed.

Commissioner Coffin asked if there was an ocean research done to see the correlation between ocean temperatures and future droughts.

Mr. Turkett said that he was not aware of any ocean studies that relate to the Colorado Basins.

Commissioner Sisolak commented that the color code on the Drought Monitor report is not reflective of what Nevada is experiencing. The drought is severe and it does not seem reflected in the report.

Mr. Turkett said that precipitation, soil moisture and other factors influenced the report for Las Vegas reflecting only a moderate drought.

**I. Comments from the public. (No action may be taken on a matter raised under this item of the agenda until the matter itself has been specifically included on an agenda as an item upon which action may be taken.)**

Chairman Ogilvie asked if there were any comments from the public.

Mr. Todd Farlow of 240 North 19<sup>th</sup> Street, Las Vegas, Nevada 89101 addressed the Commission. Mr. Farlow commented about an article in the last issue of the High Country News. He talked about the predictions of the three scientists in New Mexico on climate change.

Mr. Gary Brodt of 10113 Hunter Springs, Las Vegas, Nevada addressed the Commission. Mr. Brodt asked why the measurement or percentage of water in the storage is not available.

Chairman replied that the percentage is available as the report indicates the total system storage to be 49% of 60 million acre-feet.

**J. Comments and questions from the Commission members.**

Chairman Ogilvie asked if there were any comments or questions from the Commission members. There were none.

**K. Selection of the next possible meeting date.**

The next meeting is tentatively scheduled for 1:00 p.m. on Tuesday, February 11, 2014, at the Grant Sawyer State Office Building, 555 East Washington Avenue, Suite 4401, Las Vegas, Nevada.

**L. Adjournment.**

The meeting adjourned at 1:50 p.m.

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Jayne Harkins, P.E., Executive Director

APPROVED:

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George F. Ogilvie III, Chairman