

The meeting was held at 1:30 p.m. on Tuesday, June 13, 2017, at the Clark County Commission Chambers, 500 South Grand Central Parkway, Las Vegas, Nevada.

COMMISSIONERS IN ATTENDANCE

Chairwoman
Vice Chairwoman
Commissioner
Commissioner
Commissioner
Commissioner

Puoy Premrirut
Kara J. Kelley
Duncan R. McCoy
Steve Sisolak
Dan H. Stewart
Cody T. Winterton

COMMISSIONERS NOT IN ATTENDANCE

Commissioner

Marilyn Kirkpatrick

DEPUTY ATTORNEY GENERAL

Special Counsel, Attorney General
Special Counsel, Attorney General

Christine Guerci-Nyhus
Jennifer Crandell

COMMISSION STAFF IN ATTENDANCE

Executive Director
Chief of Finance and Administration
Assistant Director of Engineering and Operations
Assistant Director of Energy Services
Natural Resource Manager
Natural Resource Analyst
Natural Resource Analyst
Senior Accountant
Office Manager
Administrative Assistant IV
Administrative Assistant III

Jayne Harkins, P.E.
Douglas N. Beatty
Robert D. Reese
Gail Bates
Angela Slaughter
Peggy Roefer
Warren Turkett, Ph.D.
Gail L. Benton
Gina Goodman
Kathryn Aguilar-Logan
Kristina Perry

OTHERS PRESENT; REPRESENTING

Southern Nevada Water Authority
Southern Nevada Water Authority

Jordan Bunker
Colby Pellegrino

**COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF JUNE 13, 2017**

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The Colorado River Commission meeting was called to order by Chairwoman Premsrirut at 1:32 p.m. followed by the Pledge of Allegiance.

A. Conformance to Open Meeting Law.

Executive Director Jayne Harkins, P.E., confirmed that the meeting was posted 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.)

Chairwoman Premsrirut asked if there were any comments from the public. There were none.

C. *For Possible Action:* Approval of minutes of the May 9, 2017 meeting.

Commissioner McCoy moved for approval of the minutes. The motion was seconded by Commissioner Stewart, and approved by a unanimous vote.

D. *For Possible Action:* Consideration of and possible action to adopt Colorado River Commission of Nevada Resolution 2017-4 commending Duncan R. McCoy for his service to the Colorado River Commission of Nevada (Commission).

Ms. Harkins read Colorado River Commission of Nevada Resolution 2017-4 into the record commending Commissioner Duncan R. McCoy for his service to the Commission. A copy of the resolution is attached and made a part of the minutes. (See Attachment A)

Chairwoman Premsrirut, Commissioner Sisolak, Vice Chairwoman Kelley, Commissioner Winterton, and Commissioner Stewart, all thanked Commissioner McCoy for his years of service to the State of Nevada, the Commission, and the community. All wished him well in his future endeavors.

Vice Chairwoman Kelley made a motion to approve Colorado River Commission of Nevada Resolution 2017-4. This was seconded by Commissioner Winterton and approved by a unanimous vote.

Commissioner McCoy received a round of applause thanking him for his service to the State of Nevada, City of Boulder City, and the Commission.

E. *For Possible Action:* Consideration of and possible action to approve 1) an Agreement Between the Colorado River Commission of Nevada and Tenaska Power Services Co. (“TPS”) for Power Supply and Scheduling Services (“Scheduling Agreement”) and 2) Letter Agreements with each of the Commission’s contractors at the Black Mountain Industrial (BMI) Complex agreeing to accept the designation of TPS as the Scheduling Entity for the BMI Complex.

Ms. Gail Bates, Assistant Director of Energy Services, explained that the Commission is the full requirements energy supplier for the BMI Contractors and currently has power scheduling arrangements in place to schedule both hydropower and purchased power resources to the BMI Contractors' loads. The Commission's current Power Scheduling Agreement with Nevada Power Company (NPC) expires on September 30, 2017. The NPC advised the Commission that they were unable to continue as the scheduling entity after October 1, 2017.

Before power can be delivered, it must be "scheduled." That is, arrangements for the generation and transmission of electricity must be made in advance of when the electricity is to be consumed. The scheduling function occurs 24 hours a day, seven days a week. All energy buyers and sellers must be able to schedule their own resources on a 24 hour basis or contract with a provider that is capable of performing this function. The Commission does not have a 24 hour scheduling function and has historically contracted with others to perform this function.

In May of 2016, the Commission began a procurement process to select a Scheduling Entity for the BMI Contractors. The initial step in the process was to identify all entities that typically trade at Mead Substation where the Commission receives all energy deliveries. The Commission identified 12 entities that typically trade at Mead Substation and sent them an initial solicitation of interest on May 23, 2016. Those entities that met the Commission's basic screening criteria and were interested in gaining a more in-depth understanding of the Commission's requirements were invited to participate in further discussions with the Staff. A formal request for proposal was sent to 11 entities on October 26, 2016 with responses due on November 30, 2016. The Commission received nine responses. One response was later withdrawn.

After receiving and reviewing all submissions from eligible parties, and in consultation with the BMI Contractors, it was determined that TPS best met the Request for Proposal criteria.

As the designated Scheduling Entity, TPS will schedule all of the BMI contractors' power resources to meet the BMI contractors' projected loads. In providing this service, TPS will seek opportunities to optimize the value of all BMI contractors' available Hoover hydropower resources and supplemental power resources. In conducting this optimization, TPS may, for example, meet all BMI contractors' load with market power and utilize the Hoover hydropower resources and supplemental power resources, when possible, in other power markets. TPS will conduct such activities in accordance with all market and regional reliability rules and the Commission's hydropower contracts with Western Area Power Administration (WAPA).

In months when TPS performs optimization, their fee will be 50% of the total Net Operating Benefit (NOB), which is the net difference between (i) the revenue received by TPS or otherwise resulting from the sale of physical and financial energy, capacity, resource adequacy, and ancillary services from or pertaining to the Commission (BMI contractors') Power Resources, minus the sum of (ii) the total Replacement Power Resources costs for the month, and (iii) pass through costs, including transmission charges, EIM or CAISO charges, charges assessed by the California Air Resources Board (CARB) for Environmental Attributes, and related third party costs incurred. The remaining fifty percent (50%) will be credited to the Commission for distribution to the BMI contractors. In the event of a negative NOB for the month, the

Commission will share in the lower of (a) 50% of the negative NOB for the month or (b) the total amount the Commission has been paid in NOB payments for the prior six (6) months under the Contract. TPS will provide daily NOB reports to the Commission.

At the Commission's election, the Commission may instruct TPS to cease optimization activities and schedule all resources to the BMI load. In that situation, TPS will charge a flat fee of \$10,000 for scheduling and balancing services in any month where optimization is not authorized by the Commission.

The contract between the Commission and TPS is for an initial three year term with a rolling one year extension up to a six year maximum term. After the initial term is fulfilled, the contract may be terminated by either party with a one year notice period.

Chairwoman Premsrirut asked for clarification concerning the terms of the contract in reference to the three year contract term to be followed with a one year renewal period for up to six total years.

Ms. Bates replied the three year contract with additional years limited at six years, was a compromise as Tenaska would have wanted a longer term and Staff preferred a shorter term. The six year term is common ground. This provides enough time to help Tenaska offset the upfront costs associated with setting up for the contract with the Commission and will keep Tenaska engaged and interested in providing service. After the three year term, either side can terminate with a twelve month notice.

Chairwoman Premsrirut asked for clarification concerning the scoring matrix and why the various entities evaluated were not listed with the exception of variables.

Ms. Bates explained counsel advised during the process of selecting a supplier it is important to maintain some level of confidentiality. However, once the contract is executed all of the confidentiality will be lifted and the other suppliers may be identified.

Chairwoman Premsrirut asked for confirmation because each supplier is labeled with a variable, that the data given for that variable is associated with that specific supplier.

Ms. Bates confirmed the suppliers, the variables assigned, and data all corresponded accurately.

Chairwoman Premsrirut asked for clarification as to the pricing proposal and if there had been any cost benefit analysis done with a fifty-fifty structure versus a flat fee per monthly service structure.

Ms. Bates replied from the beginning that the customers preferred a sharing mechanism. It would ensure the suppliers and staff's interests were aligned as opposed to having a flat fee. There were other factors taken into consideration into the matrix such as credit protections and experience when determining the best pricing model.

Commissioner Winterton inquired as to the fee currently being paid to Nevada Power Company.

Ms. Bates replied the number was not readily available as it was not a fixed monthly fee as the Commission receives discounts on other services as part of the arrangement. Ms. Bates also advised the arrangement with NPC was quite different than the proposed arrangement within the new contract.

Commissioner Winterton also inquired as to the month to month fee amount of \$8,000 per month, if the fifty-fifty agreement did not work as the Commission expects.

Ms. Bates advised the amount would actually be \$10,000 per month per the contract. The initial amount for the flat fee was \$8,000 per month. However, any incremental purchases and sales Tenaska would enter into would be negotiated at market prices. When the negotiation for the contract began, staff preferred a pass through on those incremental purchases and sales, so in exchange staff accepted an increase to the higher monthly fee, in order for energy purchased to be passed through dollar for dollar.

Commissioner Winterton asked for clarification concerning a trigger point as to when the Commission can decide whether or not the new optimized way of buying and selling power is more cost effective or not.

Ms. Bates advised optimization can be ceased at any time during the month.

Commissioner Winterton requested confirmation if we are pursuing optimization, it would then be at the fifty-fifty contract pricing. If we go to the flat fixed scheduling it would be \$10,000 per month.

Ms. Bates confirmed both statements were correct.

Commissioner Winterton asked if this contract was the first opportunity to optimize the energy program.

Ms. Bates advised the Tenaska contract is the first opportunity the Commission has had to explore energy optimization as the current contracts with WAPA and NPC do not offer the opportunity.

The Staff recommends that the Executive Director be authorized to sign the contract between TPS and the Commission contingent upon the Commission receiving all executed Letter Agreements from the BMI Contractors.

Commissioner Stewart made a motion to approve. This was seconded by Commissioner Winterton and approved by a unanimous vote.

<p>F. <i>For Information Only:</i> Notification of receipt of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for the Commission's annual financial report for the fiscal year ended June 30, 2016.</p>

Ms. Harkins introduced the Certificate of Achievement.

Each year, the Commission submits its annual financial report to the Government Finance Officers Association (GFOA) for review and evaluation as part of the GFOA's achievement program. The report is subjected to a review by two Special Review Committee members. Both committee members must recommend award of the certificate. The review consists of evaluation in a number of categories including:

1. Reporting in conformity with General Accepted Accounting Principles.
2. Demonstration of compliance with finance-related legal and contractual provisions.
3. Completeness and clarity of a letter of transmittal and introductory section.
4. Inclusion of a complete and clear statistical section.
5. Use of standardized terminology and formatting conventions.
6. Disclosure thoroughness and detail sufficiency.
7. Minimization of ambiguities and potentials for misleading inference.
8. Cohesiveness and internal consistency.
9. Implementation of prior year comments and suggestions for improvement.
10. Readability.

Staff was pleased to inform the Commission's annual financial report again received a Certificate of Achievement.

In the words of GFOA, "The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management." The Commission has received the award for its financial report every year since 1977.

Chairwoman Premsrirut commended Douglas Beatty, Chief of Finance and Administration, on leading the effort and upholding standards that have garnered the Financial Excellence Award, emphasizing efforts in minimizing ambiguities and potentials for misleading inference. Also commending the positive reflection on the Commission, the number of hours and intensive efforts Mr. Beatty and Staff has put forward.

Commissioner Sisolak noted the commendable dynasty of receiving the award for 41 years in a row.

Mr. Beatty provided history, stating the award preceded him starting in 1977. The Commission was one of two entities receiving the award in the State of Nevada in the year 1977. The Commission is also the only entity in Nevada to have received it all 41 years without lapse.

Commissioner McCoy noted the last on the categories being readability. Stating the nice thing about reports coming out of the Agency, concerning financials, are written in a way in which the Commission does not need to be a CPA to understand what is happening within the Agency. The reports put together with collaboration from the auditing firm and staff develops information in a way that takes skill to hit the standard set forth year after year. Commissioner McCoy extended his appreciation for the consistent work the office does.

Chairwoman Premsrirut provided the certificate from the Government Finance Officers Association and a Certificate of Achievement for excellence in financial reporting presented to the Commission for its comprehensive annual report, Fiscal Year ending June 30, 2016.

Chairwoman Premsrirut thanked Mr. Beatty.

G. For Information Only: Status Update on 2017 Legislative Session.

Ms. Harkins provided a report on the 2017 Legislative Session:

- SB 368
- AB 206
- AJR4

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

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, Ph.D., Natural Resource Analyst, provided a report on the following:

- Unregulated Inflow & Storage as of 6/12/17
- May Precipitation and Water Year 2017 Recap
- Colorado Basin River Forecast Center
- Lake Powell Projections June 2017-Month Study
- Lake Mead Projections June 2017-Month Study
- Water Use in Southern Nevada as of January – April 2017
- Hydropower Capacity

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

Dr. Turkett reported that Lake Mead is at 1,081.0 feet and Lake Powell is at 3,625.9 feet of elevation.

Commissioner Stewart asked Dr. Turkett if the main reason for consumptive use is due to the communities of the valley making strides in conservation.

Dr. Turkett replied all indoor water use, goes back into the Las Vegas Wash creating return flow credits. Diversions were down and the return flow credits were up, showing conservation was a contributing factor.

Commissioner Sisolak also stated according to the Southern Nevada Water Authority the temperature was cooler creating reduction in consumption of water. Stating another contributing

factor was a few golf courses allowing their greens to brown out therefore reducing water usage around the valley.

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.)

Chairwoman Premsrirut asked if there were any comments from the public. There were none.

J. Comments and questions from the Commission members.

Chairwoman Premsrirut 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 1:30 p.m. on Tuesday, July 11, 2017, at the Grant Sawyer State Office Building, 555 East Washington Avenue, Room 4401, Las Vegas, Nevada.

L. Adjournment.

The meeting adjourned at 2:12 p.m.

Jayne Harkins, P.E., Executive Director

APPROVED:

Puoy K. Premsrirut, Chairwoman