

The meeting was held at 1:30 p.m. on Tuesday, May 9, 2017, at the Clark County Commission Chambers, 500 South Grand Central Parkway, Las Vegas, Nevada.

COMMISSIONERS IN ATTENDANCE

Chairwoman
Commissioner
Commissioner
Commissioner
Commissioner
Commissioner

Puoy Premsrirut
Marilyn Kirkpatrick
Duncan R. McCoy
Steve Sisolak
Dan H. Stewart
Cody T. Winterton

COMMISSIONER IN ATTENDANCE VIA TELEPHONE

Vice Chairwoman

Kara J. Kelley

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, Energy Services
Hydropower Manager
Information Technology Systems
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
Gail A. Bates
Craig Pyper
Kaleb Hall
Angela Slaughter
Peggy Roefer
Warren Turkett, Ph.D.
Gail L. Benton
Gina Goodman
Kathryn Aguilar-Logan
Kristina Perry

OTHERS PRESENT; REPRESENTING

City of Henderson
City of Las Vegas
Consultant, Colorado River Commission
Eide Bailly LLP
Las Vegas Valley Water District
Lincoln County Power District No. 1
Lincoln County Power District No. 1
Litigation Services
Nevada Department of Administration, Chief Procurement Services
Nevada Department of Administration, Purchasing Officer
Overton Power District

Adrian Edwards
Marco Veloita
Sara A. Price, Esq.
Tamara Miramontes
Julie Wilcox
David Luttrell
Gian Brown
Andrea Martin
Mark Stewart
Heather Moon
Keith Buchalter

Overton Power District
Self
Self
Southern Nevada Water Authority
Southern Nevada Water Authority
Southern Nevada Water Authority
Valley Electric Association

Terry Romero
Andy Garcia
Jim Salo
Darce Johnson
Mitch Bishop
Scott Krantz
Daniel Tillman

**COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF MAY 9, 2017**

INDEX

<u>Agenda Item</u>	<u>Subject</u>	<u>Page No.</u>
A.	Conformance to Open Meeting Law.....	1
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.)	1
C.	<i>For Possible Action:</i> Approval of minutes of the April 11, 2017 meeting	1
D.	<i>For Possible Action</i> Consideration of and possible action to adopt Colorado River Commission of Nevada Resolution 2017-3 commending James D. Salo for his service to the Colorado River Commission of Nevada (Commission).....	1
E.	<i>For Possible Action:</i> Consideration of and possible action to adjust the amount of collateral the Commission’s retail industrial customer, Pioneer America LLC d.b.a. Olin Chlor Alkali Products (Olin) is required to post for Calendar Year 2017 pursuant to their contracts with the Commission.....	1
F.	<i>For Possible Action:</i> Public Hearing for the Reallocation of Hydropower Resources formerly held by American Pacific Corp. and consideration of and possible action to approve, modify or reject, in whole or in part, the proposed revised Draft Order dated April 18, 2017, setting forth the reallocations of the hydropower resources.	3
G.	<i>For Information Only:</i> Briefing on State contracting and procurement laws, policies and regulations.....	4
H.	<i>For Possible Action:</i> Consideration of and possible action to approve a contract between Eide Bailly LLP and the Colorado River Commission of Nevada (Commission) for accounting and auditing services.....	5
I.	<i>For Information Only:</i> Status Update on the 2017 Legislative Session.....	7
J.	<i>For Information Only:</i> 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..8

K. 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.).....8

L. Comments and questions from the Commission members.....9

M. Selection of the next possible meeting date.9

N. Adjournment.....9

The Colorado River Commission meeting was called to order by Chairwoman Puoy Premsrirut at 1:30 p.m.

A. Conformance to Open Meeting Law.

Executive Director Jayne Harkins, P.E., 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.)

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

C. *For Possible Action:* Approval of minutes of the April 11, 2017 meeting.

Vice Chairwoman Kelley moved for approval of the minutes. The motion was seconded by Commissioner Stewart and approved. Chairwoman Premsrirut abstained.

D. *For Possible Action* Consideration of and possible action to adopt Colorado River Commission of Nevada Resolution 2017-3 commending James D. Salo for his service to the Colorado River Commission of Nevada (Commission).

Ms. Harkins read Colorado River Commission of Nevada Resolution 2017-3 into the record commending James D. Salo 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, Vice Chairwoman Kelley, Commissioner Kirkpatrick, Commissioner McCoy, Commissioner Sisolak, Commissioner Stewart, and Commissioner Winterton thanked Mr. Salo for his years of service, professionalism, consistency, and skills to the Commission and to the State of Nevada. They wished him well in his future endeavors.

Commissioner Sisolak moved for approval of Colorado River Commission of Nevada Resolutions 2017-3. The motion was seconded by Commissioner McCoy, and approved by a unanimous vote.

Mr. Salo received a round of applause thanking him for his service to the Commission.

E. *For Possible Action:* Consideration of and possible action to adjust the amount of collateral the Commission's retail industrial customer, Pioneer America LLC d.b.a. Olin Chlor Alkali Products (Olin) is required to post for Calendar Year 2017 pursuant to their contracts with the Commission.

Ms. Gail Bates, Assistant Director of Energy Services, explained that during Staff's October 2016 Annual Collateral Review for each retail industrial customer, Olin requested their collateral

requirement be further reduced due to a reduction in load pursuant to changes in the company's operations at the Henderson plant that became effective April 1, 2016. Staff explained that under NAC 538.744, the Commission is required to conduct a creditworthiness review during October of each operating year, and that Staff could not recommend a further reduction at that time due to the requirement that the analysis be based upon the preceding 12 month test period. Staff added that the regulations further state that the Commission can conduct a creditworthiness review at any other time it deems necessary. On April 3, 2017, Staff received a submitted request from Olin to conduct another creditworthiness review in light of it being one year since the Henderson plant reduced load and stated that they are currently operating at their expected future load levels.

NRS 538.181(2) requires that certain of CRC's power customers, provide collateral "in such sum and in such manner as the commission may require, conditioned on the full and faithful performance" of their power contracts. NAC 538.744 requires that "During October in each operating year, and at any other time it deems necessary, the Commission will conduct a review to determine the creditworthiness of each of its contractors." Based on the 2016 review, the Commission established during its November 8, 2016 Commission meeting Olin's required collateral amount for calendar year 2017 as \$777,361.52.

To determine the collateral required for Olin for the remaining Calendar Year 2017, Staff calculated 25 percent of Olin's Adjusted Gross Annual Purchases during the test period, April 1, 2016 through March 31, 2017 reflecting actual purchases during the test period with adjustments for prior year reconciliations, interest to cash collateral, and their share of projected transmission and ancillary service costs which have not yet been finalized for federal fiscal year 2018. Staff also reviewed Olin's payment history and credit rating.

Based on Staff's evaluation of the data it has been concluded that the creditworthiness of Olin warrants a recommendation that the Commission adjust and set the respective amount of their required collateral to \$115,011.07.

Chairwoman Premsrirut asked if the formula of one-quarter of gross annual purchases is utilized and universally applied and if Staff made any changes to the formula.

Ms. Bates stated Staff took the gross annual purchases, and added a small amount back in due to unknowns in the future costs. This is because the contracts that go into effect October 2017 are not all finalized. Staff did err on the conservative side to ensure there was enough collateral to cover the unknowns.

Commissioner Kirkpatrick asked are the billing aspects factored into how the collateral works and is there any risk that is put into this in case the Commission needs it for anything different.

Ms. Bates stated that the billing changes that were discussed at other times, do not have anything to do with the required collateral. Collateral is set by regulation, 25 percent of the gross annual purchases of the contractor are required, in case it needs to be drawn upon for any reason, including an event of billing default.

Commissioner Kirkpatrick stated although it may be two separate issues, it begs the question when going to the billing issue, when contractors were asked to pay ahead, this would be counterintuitive.

Ms. Bates stated Staff will need to consider that at the time the billing issues are revisited.

Commissioner Sisolak asked if Olin has been late on any of their payments.

Ms. Bates stated no, they have a very good payment history.

Commissioner Sisolak asked how they post the collateral.

Ms. Bates stated that Olin currently posts cash.

Staff recommended that the Commission lower the amount of required collateral for Olin from \$777,361.52 to \$115,011.07 which is 25 percent of the adjusted Gross Annual Purchases from April 1, 2016 through March 31, 2017 totaling \$460,044.29.

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

F. *For Possible Action:* Public Hearing for the Reallocation of Hydropower Resources formerly held by American Pacific Corp. and consideration of and possible action to approve, modify or reject, in whole or in part, the proposed revised Draft Order dated April 18, 2017, setting forth the reallocations of the hydropower resources.

A court reporter transcript of Agenda Item F is attached and made a part of the minutes. See Attachment B.

Ms. Harkins and Ms. Guerci-Nyhus provided a summary and presentation of the proposed revised Draft Order for reallocations of the hydropower resources. In late 2016, the American Pacific Corporation (AMPAC) declined the Commission's offer for a 50-year contract for Hoover power. AMPAC also requested the Commission lay-off their power and transmission from the Salt Lake City Area Integrated Project (SLCAIP) (Glen Canyon Dam), and reallocate those resources. In response to AMPAC's request, the Commission laid-off the resources through September 30, 2017 and initiated a public process, as outlined in NAC 538.455 to permanently reallocate these resources effective October 1, 2017. To date, the Reallocation process has been as follows:

November 1, 2016	Draft Notice and Draft Application Form available for Comment
November 10, 2016	Public Information Meeting
November 17, 2016	Comments on Draft Notice and Draft Application Form Due
January 10, 2017	Commission Reviewed and Approved Notice, Criteria and Application Form
January 13, 2017	Commission Issued Approved Notice and Application Form
February 13, 2017	Applications Due before 5 pm.
March 6, 2017	Draft Order with Staff Recommendations for Public Review

April 6, 2017 Comments on March 6, 2017 Draft Order Due
 April 18, 2017 Draft Order revised based on Comments received on March 6, 2017 Draft Order
 May 9, 2017 Hearing on Reallocation and Draft Order Presented to the Commission

Staff recommended the Commission approve, modify, or reject, in whole or in part, the proposed revised Draft Order dated April 18, 2017, setting forth the reallocations of the hydropower resources.

A copy of the presentation by Ms. Harkins and Ms. Guerci-Nyhus is attached and made a part of the minutes. (See attachment C).

A public hearing was held with Mr. Scott Krantz of the Southern Nevada Water Authority and Mr. David Luttrell, General Manager of Lincoln County Power District No. 1 testifying.

Following the close of the hearing, Commissioner’s asked numerous questions of the staff. The Commissioner’s modified the Staff’s recommendations as follows:

1. All of the SLCAIP resource, including energy, capacity and associated transmission is hereby reallocated to Valley Electric Association;
2. The post 2017 BCP resource is hereby reallocated as follows:

<u>Allottees</u>	<u>Capacity (KW)</u>	<u>Energy (kWh)</u>
City of Henderson	1,787	7,909,120
City of Las Vegas	1,789	7,909,122
Clark County Water Reclamation District	1,787	7,909,121
Las Vegas Valley Water District	1,789	7,909,122
Lincoln County Power District No. 1	1,789	7,909,122
Southern Nevada Water Authority	1,789	7,909,122
Total:	10,730	47,454,729

Commissioner Winterton motioned to modify the Staff Draft Order to reflect as even allocation of 16.67 percent among the six Schedule A applicants; City of Henderson, City of Las Vegas, Clark County Water Reclamation District, Lincoln County Power District No. 1 and Southern Nevada Water Authority as shown in the spreadsheet, as well as approving the Valley Electric Association allocation per Staff’s recommendation. The motion was seconded by Commissioner McCoy, and approved by a unanimous vote.

G. *For Information Only:* Briefing on State contracting and procurement laws, policies and regulations.

Ms. Harkins introduced Mark Stewart, Chief Procurement Services and Heather Moon, Purchasing Officer from the State Department of Administration, Purchasing Division to the Commission to provide an overview of the outside consultant and professional services contracting procurement process. The overview focused on the State of Nevada’ Board of Examiners process and the methodology required of all state agencies in procuring contract services.

Mr. Stewart stated his department facilitates with procurement services for the Executive Branch agencies of the State with includes the Commission. NRS 333, NAC 333, and SAM 300 and 1500 is the framework for their operation. NRS 333.165 specifically authorizes the Administrator of the Purchasing Division to solicit for contracts over \$100,000. There is criteria set in the Statute that is provided with solicitation also known as Request for Proposal. All proposals are required to have posted submission dates or deadlines. These deadlines are strictly followed. The selection committee that reviews the submitted proposal after the deadline are required to adhere to NRS and NAC guidelines. This includes who is authorized to supervise the review team and set criteria needed for approval of bids. The weighting criteria has to be approved prior to the sending solicitation to potential bidders. Procurement services receives the proposals, evaluates, sends out the Notice of Intent of Award and negotiates with the selected Firm based upon the proposal. Upon successful negotiation of the desired contract there is an issuance the Notice of Award. Any contract over \$50,000 has to be approved by the Board of Examiners.

Chairwoman Premsrirut asked what are the general duration of the contracts. The Commission has had concerns in the past about the length of contracts before doing a new Request for Proposals.

Mr. Stewart replied that Nevada State Administrative Manual mentions two years with the option to renew, but it is only a suggestion. In the past it has been a hard line, but when moving into contracts, it is good to be mindful of the up front costs for the firms, along with the nature of the contracts. All options should considered before entering into a contract. It is a case by case situation that would have to be confirmed by the Board of Examiners.

Commissioner Kirkpatrick asked if there is any Legislation or Regulation that would affect how business is being done today that is being watched.

Mr. Stewart replied that there are some preference laws in regards to gender equality and local preferences to Nevada businesses as opposed to companies from outside the state. There is also Legislation in regards to removing advertising in newspapers, and allowing advertisements by using the Purchasing website and other electronic resources that are available.

H. *For Possible Action: Consideration of and possible action to approve a contract between Eide Bailly LLP and the Colorado River Commission of Nevada (Commission) for accounting and auditing services.*

Douglas N. Beatty, Chief of Finance and Administration gave a summary of the contract with Eide Bailly LLP.

The Commission's contract for annual financial audit services (including internal control review) will expire on June 30, 2017. The contract is required to provide publication of the Commission's Comprehensive Annual Financial Report (CAFR), audited in accordance with Governmental Auditing Standards as required under bond covenants applicable to the Commission's existing General Obligation Bonds currently outstanding.

This contract had been anticipated to be over \$100,000. So in January, Staff requested that the Purchasing Division of the State Department of Administration conduct a request for proposals for audit and accounting services for the Commission's books and records. The Purchasing Division in accordance with state regulations and with input from Commission Staff developed a scope of services for the annual audit and internal control review and issued a Request for Proposals. The request for proposals was released February 2, 2017 with bidders responses due on March 16, 2017. The Purchasing Division published the request on the applicable State and Purchasing websites and contacted qualified accounting firms in their data base.

The request resulted in four proposals, all received timely in accordance with the deadline. The four bidders were:

1. Eide Bailly LLP
2. Piercy Bowler Taylor & Kern, CPAs
3. Casey Neilon, Inc.
4. Baker Tilly Virchow Krause, LLP

The proposals were provided to a review team consisting of three members of Commission Staff (two from the accounting group and one from the natural resources group), and one commission customer representative. The review team was tasked with providing a review and numeric scoring of each of the proposals as they addressed the five Solicitation Evaluation Criteria.

The Criteria was:

1. Demonstrated competence
2. Experience in performance of Comparable Engagements
3. Conformance with the terms of the Request for Proposal
4. Expertise and availability of key personnel
5. Cost

The Purchasing Division developed the draft contract based on the State approved form, obtained signatures from the apparent winning bidder and provided final copies to Staff to present to the Commission for final approval. These are the contracts in the briefing material.

The contract anticipates ongoing audit and internal control review services for the fiscal years 2017 through 2020 in accordance with Board of Examiners guidelines for contract periods. The contract anticipates three tasks: the annual financial audit of the Commission's books and records, assistance with the development of the CAFR, and review of the Commission's internal control procedures as required by the State Controller. The total authorized under the contract is \$202,208 and anticipates the full four year term for the contractor.

Chairwoman Premsrirut stated that she noticed the Piercy, Bowler, Taylor & Kern's (PBTK) name is on the list as having submitted a response. While she would like to see a pattern of continuity, she did have an issue with their pricing. It was almost double of what the Eide Bailly proposal was.

Commissioner Kirkpatrick disclosed that Piercy Bowler Taylor and Kern handle her financials. It has no bearing either way.

Mr. Beatty stated PBTK's response to the cost for the contract was \$44,970 for each year of the contract. There was some confusion, because they split the audit from the internal cost review. All the bids were close.

Commissioner McCoy stated he is not familiar with Eide Bailly, and asked if they have a background in auditing State agencies.

Mr. Beatty stated they do have a background in auditing, and are currently the auditor of the State.

Tamara Miramontes, a partner from Eide Bailly LLP, stated that in addition to the State of Nevada, she is personally the engagement partner for the Clark County audit, as well as several others. They have a very strong background in governmental auditing in the State of Nevada.

Commissioner Sisolak stated he can attest they are very thorough with the County audit.

Staff recommended the Commission approve the contract and authorize the Executive Director to sign it on behalf of the Commission.

Commissioner Kirkpatrick moved for approval. The motion was seconded by Commissioner Winterton, and approved by a unanimous vote.

I. <i>For Information Only: Status Update on the 2017 Legislative Session.</i>

Ms. Harkins stated that our four budget accounts were approved April 14, 2017 in joint session of the Senate Finance Sub-Committee and the Assembly Ways and Means Sub-Committee of Public Safety, Natural Resources, and Transportation.

AB11 has made it out of the Assembly and through the Senate Transportation Committee, which voted it out of Committee on May 2, 2017. It is now on the Senate General File, it was there today, May 9, 2017.

AJR4 requests the National Research Council of the National Committee of Sciences to conduct an independent, scientific, and economic analysis of the current management practices of the Colorado River, the impact of these practices on water security, flood protection, and [bio diversity] to recovery and alternate management options, including draining Lake Powell and decommissioning and destroying Glen Canyon Dam. It passed the Assembly with 30 yes votes and 12 nay votes. The Senate Committee on Natural Resources is intending to hold a hearing in the next two weeks.

AB206 changes the renewable portfolio standards in the State. Moving the goal upwards to 80 percent. There have been amendments to the bill that would apply it to all retail customer loads in

the State, not just NV Energy's retail loads. The bill has had several hearings in the Assembly with no action being taken on the bill, and it has been granted a waiver of deadlines.

J. 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 and Storage as of May 8, 2017
- April Precipitation and Temperature
- Colorado Basin River Forecast Center
- Lake Powell Projections April 2017 24-Month Study
- Lake Mead Projections based on April 2017 24-Month Study
- April 2017 CRSS Results
- Water Use in Southern Nevada as of January – March 2017

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

Commissioner McCoy asked with a combined storage at 51 percent for Lake Powell and Lake Mead, what was the combined storage last year at this time.

Dr. Turkett stated the combined storage a year ago was 1.8 million acre feet less. Around 49 – 50 percent.

Chairman Sisolak asked how can the combined storage be 51 percent with Lake Powell storage at 51 percent, and Lake Mead's storage at 40 percent.

Dr. Turkett stated that there are other reservoirs in the upper basin that do have several million acre feet.

Chairman Sisolak asked then if all the other reservoirs are included in the combined storage percentage.

Dr. Turkett stated that for the combined storage, it does include some significant reservoirs in the upper basin.

K. 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.

David Luttrell from Lincoln County Power District No. 1 thanked the Commission for the additional Hydropower resource. He stated it was much appreciated. He also stated the

Commission has a great Staff, they do really good work protecting these resources for the benefit of the State of Nevada. Sometimes it is not well recognized, as you know the work in Hydrology and Environmental issues, and cost controls at the Dam. Hydropower could be an unintended consequence of Energy Choice, Jayne and the other Staff members have been doing a very good job of working to educate folks. He gave his compliments to the Staff.

There were no additional public comments.

L. Comments and questions from the Commission members.

Chairwoman Premsrirut asked if there were any comments or questions from the Commission members. There were none.

M. Selection of the next possible meeting date.

The next meeting is tentatively scheduled for 1:30 p.m. on Tuesday, June 13, 2017, at the Clark County Government Center, Commission Chambers, 500 South Grand Central Parkway, Las Vegas, Nevada.

N. Adjournment.

The meeting adjourned at 3:36 p.m.

Jayne Harkins, P.E., Executive Director

APPROVED:

Puoy K. Premsrirut, Chairwoman