

The meeting was held at 10:00 a.m. on Tuesday, May 13, 2008, at the Clark County Commission Chambers, 500 South Grand Central Parkway, Las Vegas, Nevada.

COMMISSIONERS IN ATTENDANCE

Chairman	Jay D. Bingham
Vice Chairman	Ace I. Robison
Commissioner	Andrea Anderson
Commissioner	Marybel Batjer
Commissioner	George F. Ogilvie III
Commissioner	Lois Tarkanian

COMMISSIONER NOT IN ATTENDANCE

Commissioner	Chip Maxfield
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DEPUTY ATTORNEYS GENERAL

Senior Deputy Attorney General	Jennifer T. Crandell
Senior Deputy Attorney General	Ann C. Pongracz

COMMISSION STAFF IN ATTENDANCE

Executive Director	George M. Caan
Deputy Executive Director	James D. Salo
Assistant Director for Engineering and Operations	Bob Reese
Energy Services Manager	Gail A. Bates
Chief of Finance and Administration	Douglas N. Beatty
Manager, Natural Resources Group	McClain Peterson
Manager of Planning and Analysis	Kalyana Kakani
Natural Resource Analyst	Nicole Everett
Office Manager	Judy Atwood
Administrative Assistant IV	Brenda Haymore
Administrative Assistant II	Gina Goodman

OTHERS PRESENT; REPRESENTING

Boulder City, City of	Ned Shamo
Clean Water Coalition	Jim Devlin
Consultant	Sara Price, Esq.
Southern Nevada Water Authority	Sandra Reed Bottino

**COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF MAY 13, 2008**

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The Colorado River Commission meeting was called to order by Chairman Bingham at 10:00 a.m. followed by the pledge of allegiance.

A. Conformance to Open Meeting Law.

Mr. Caan confirmed that the meeting was in compliance with the Open Meeting Law.

B. Approval of minutes of the April 8, 2008 meeting.

Commissioner Anderson moved for approval of the minutes. The motion was seconded by Commissioner Robison and approved by a unanimous vote.

C. Consideration of and possible action to approve Amendment #6 to Contract between the State of Nevada Acting By and Through Its Colorado River Commission and Duncan, Weinberg, Genzer & Pembroke, P.C., extending the term for the firm's services to June 30, 2011.

Mr. Caan explained that since August 2003, the Commission has utilized the services of Duncan, Weinberg, Genzer & Pembroke, P.C., of Washington, D.C., (Duncan Weinberg) to provide needed outside legal services and representation before the Federal Energy Regulatory Commission (FERC).

Experience has shown that the Commission may be required to be actively represented before FERC with very short notice, and that potential conflicts or other causes may preclude the Commission from utilizing the services of Miller, Balis & O'Neil P.C., its primary legal counsel in matters before FERC. This is an area of legal specialization not available to the Commission through the Attorney General's office. Due to the state-mandated approval process for outside services contracts, it can be virtually impossible to enter into a new contract for outside legal services on short notice when the need is immediate.

Currently, the maximum aggregate limit on compensation under the Duncan Weinberg contract is sufficient to cover any reasonably anticipated costs for legal services from that firm for the foreseeable future.

It is important to note that the Duncan Weinberg contract is enabling in nature only, and that further services from this law firm will be provided only upon the specific request of the Executive Director. Since there is no minimum payment or retainer required, the Commission retains full control over the level of expenditures to be incurred under the contract. Staff has worked closely with Duncan Weinberg for several years and finds its legal services to be of a high quality as well as prompt and responsive.

The Amendment #6 To Contract between the State of Nevada Acting By and Through Its Colorado River Commission and Duncan, Weinberg, Genzer & Pembroke, P.C. extends the term of Duncan Weinberg's contract from June 30, 2008, to June 30, 2011, and authorizes the Commission's Executive Director to approve adjustments to the hourly rates set forth in Exhibit 2, provided that the total amount paid is less than the maximum aggregate cost of services approved for Duncan Weinberg's services to the Commission by the Board of Examiners.

Commissioner Robison moved to approve the amendment to the contract. The motion was seconded by Commissioner Tarkanian and approved by a unanimous vote.

D. Consideration of and possible action to approve Contract No. CRC-PDP-100 between the Colorado River Commission of Nevada and the Clean Water Coalition for the Interconnection of Electric Facilities.

Mr. Reese reported that the Clean Water Coalition (CWC) is proposing to develop a hydroelectric generating facility (Hydro Plant) associated with the System Conveyance and Operation Program (SCOP). The SCOP project encompasses the construction and operation of a pipeline that transports effluent through a substantial drop in elevation from the wastewater treatment plants of the City of Las Vegas, the City of Henderson, and the Clark County Water Reclamation District to an outfall location in Lake Mead, bypassing the Las Vegas Wash. The Hydro Plant would utilize the effluent and the drop in elevation to generate hydroelectric power.

The CWC intends to sell the power produced by the Hydro Plant to the CRC for delivery to the Southern Nevada Water Authority's (SNWA'S) pumping loads at Saddle Island. In its letter to the CRC dated May 18, 2007, the CWC requested the CRC to interconnect the Hydro Plant to the CRC's electric system upon the Hydro Plant's completion, presently scheduled for 2012. In addition, CWC has requested CRC to construct temporary construction power facilities.

Interconnection of the CWC's Hydro Plant to the CRC's system will require modification of existing facilities and the construction of Interconnection Facilities. CRC has studied numerous system extensions and modifications to serve the CWC and has developed a plan that allows the interconnection of the CWC Hydro Plant with the greatest reliability and at the lowest practical cost. Under the plan, CRC will construct Interconnection Facilities consisting of: 1) a 69-kV underground circuit approximately 4,300 feet long, from the CRC's Eastside Substation, to the proposed CWC Substation; and 2) the 69-kV substation components at the proposed CWC substation, and associated equipment. In addition, CRC will construct temporary construction power facilities that may include the installation of a 69/4.16-kV step-down transformer, a 4.16-kV distribution circuit, and related facilities and equipment.

Under the proposed contract, CRC shall complete preparation of the project plan, prepare project designs, and construct the necessary high-voltage electrical facilities to connect the Hydro Plant to the CRC electrical system and provide temporary construction power. Following execution of

the contract by the parties, the CRC shall prepare a detailed construction budget, and submit the construction budget to the General Manager of the CWC. Once the CWC's General Manager has approved the budget in writing, the CWC shall advance funds to the CRC for its activities on a quarterly schedule. A reconciliation of funding advances and actual expenditures shall be made at the end of project construction. CRC shall complete activities to allow energization of the interconnection facilities by June 1, 2012. CRC shall meter energy deliveries from the CWC at CRC owned electric meters to be located in the substation at the Hydro Plant site.

Upon completion of project construction, CRC shall own, operate, maintain, and repair the high-voltage electrical facilities. CRC shall charge CWC for its proportionate share of the cost to operate and maintain the interconnection facilities. CRC shall prepare an annual budget for operation and maintenance activities. Once this annual budget is approved by CWC, using an approval process similar to that used for operation and maintenance budgets submitted to SNWA, CRC shall bill CWC quarterly for upcoming expenses. A reconciliation of funding advances and actual expenditures shall be made at the end of each year.

The proposed contract also contains standard clauses pertaining to interconnection contracts including limitations on liability, insurance, facility upgrades, service to others, reliability of facilities, responsibility for facility removal, system emergencies, and operational protocols. The term of the contract is for thirty years, but the contract may be terminated under various conditions including mutual consent or by CRC if CWC fails to make required payments or fails to obtain necessary easements for CRC's facilities.

Mr. Reese said the engineering estimate for construction of the facilities is \$7.1 million.

The contract was approved by the CWC Board at its April 29, 2008 meeting.

Staff recommended the Commission approve the contract with the Clean Water Coalition, and authorize the Chairman to sign the contract.

Chairman Bingham and Commissioner Robison asked whether this hydro plant project would generate enough cost savings by producing its own power to eventually pay for the cost of construction and operation. They also asked about the purchase and sale of the generated power.

Mr. Caan explained that the CWC Board had already decided to go forward with the hydro plant project. The contract before the Commission deals with the interconnection between the CWC hydro plant and the facilities that will use the generated power. As far as the price for the purchase and sale of power, that contract is still under negotiation and will be brought to the Commission for approval at a future meeting.

Commissioner Batjer moved to approve Contract No. CRCPDP-100. The motion was seconded by Commissioner Anderson and approved by a unanimous vote.

E. Consideration of and possible action to approve the:

- 1. Third Amendatory Contract No. SA-02-02 with PAR Electrical Contractors, Inc., for high-voltage transmission and distribution system maintenance support services.**
- 2. Second Amendatory Contract No. SA-02-04 with Wasatch Electric, for high-voltage transmission and distribution system maintenance support services.**
- 3. First Amendatory Contract No. SA-05-05 with Energized Substation Maintenance, Inc., for substation insulator cleaning and coating services.**

Mr. Reese reminded the Commission that in August of 2002, CRC entered into Contract Nos. SA-02-02 and SA-02-04 with, respectively, PAR Electrical Contractors, Inc., (PAR), and Wasatch Electric, a Division of Dynalectric, Inc., (Wasatch) for maintenance support for the Power Delivery Project and the Basic Substation Project. These contracts, as amended in May 2005, extend through June 30, 2008.

The existing service contracts with PAR and Wasatch are enabling-type contracts that allow CRC operation and maintenance staff to receive support on an as-needed basis for certain tasks that cannot be efficiently performed with existing CRC personnel. Experience has shown that most of the operation and maintenance functions that are performed regularly or on a frequent basis on the Power Delivery Project or the Basic Substation Project can be performed efficiently and economically by CRC staff. However, certain functions can be more effectively performed utilizing the services of support contractors. These categories are: (1) infrequent work requiring specialized tools, equipment, or expertise; (2) emergency restoration work requiring the availability of an abundance of manpower and equipment; and (3) small improvement or replacement projects that require a short-term increase in manpower and equipment.

To date the services provided by the contractors have included high-voltage bus work repairs at the Basic Substation, control wiring, crane services, and retrofitting of existing substations. CRC has not had to request emergency restoration work from any contractor. Recently, CRC has utilized these maintenance support contracts to complete installation of metering and communication circuits to facilitate the transfer of operational responsibility for various SNWA substations from Nevada Power Company to CRC. To perform the necessary work, CRC has utilized both PAR and Wasatch.

Mr. Reese said CRC anticipates the continued need for these support services and emergency response and repair services. Staff recommended extending the term of both contracts to June 30, 2013, and amending Contract Nos. SA-02-02 with PAR and SA-02-04 with Wasatch by increasing the maximum aggregate cost of services for each contract by \$400,000.00 to the following not-to-exceed contract amounts:

SA-02-02 with PAR to a total maximum of \$885,480.00.

SA-02-04 with Wasatch to a total maximum of \$580,698.00.

All other conditions of the existing contracts will remain the same.

Mr. Reese said staff also proposes to amend Contract No. SA-05-05 with Energized Substation Maintenance, Inc., (ESM) for substation insulator cleaning and coating services.

CRC owns, operates, and maintains three 230-kV to 14.4-kV substations comprising the Basic Substation Project. These substations serve CRC's six customers located at the Basic Industrial Complex. Given the substations are located in close proximity to the various chemical and metallurgical processing plants at the Basic Industrial Complex, they are exposed to various air-borne emissions. The facilities were designed with recognition of the environmental conditions, including the use of copper components in lieu of aluminum to prevent interaction with on-site chlorine gas. However, the presence of local contaminants does present a condition that also must be mitigated through effective preventative maintenance.

Effective preventative maintenance practice requires the periodic cleaning of the substation insulators. Substation insulators are used to support energized bus, conductor and equipment, and are designed to prevent water from flowing over the surface of the insulator in a continuous path during a rainstorm. If contaminants are allowed to build up on an insulator, electricity would travel from the energized bus, conductor, or equipment over the surface of the insulator to the underlying steel support structure resulting in a "flashover" which then would produce an unscheduled interruption in electric service.

To prevent a flashover, the insulators must be cleaned twice each year. Because of the hazard involved and the unique nature of the work, cleaning and coating of substation insulators is only performed by a handful of contractors nationwide. In June 14, 2005, the Commission entered into Contract No. SA-05-05 with ESM to provide substation insulator cleaning and coating services. ESM has performed exceptionally well under its current contract.

Staff recommended amending Contract No. SA-05-05 with ESM by increasing the maximum aggregate cost of services by \$307,555.00 to a not-to-exceed contract amount of \$572,330.00 and to extend the term of the contract to June 30, 2011. All other conditions of the existing contract will remain the same.

Chairman Bingham reminded the Commission that the RFP process for these contracts demonstrated that there are very few companies nationwide that can provide these services. He asked why the PAR contract amount would be doubled.

Mr. Reese explained that PAR is the only local contractor under contract for these services. Though a scope of work for each project is sent to both Wasatch and PAR, Wasatch's costs tend to be higher due to its out-of-state mobilization costs. Therefore, staff anticipates utilizing PAR for more of its projects in the future.

Commissioner Batjer asked what happens to the contaminants that are cleaned from the insulators.

Mr. Reese explained that the product used to clean the insulators and the buildup itself is biodegradable and within three or four weeks is absorbed into the ground.

Commissioner Anderson moved to approve the amendments to Contract Nos. SA-02-02 with PAR Electrical Contractors, Inc., SA-02-04 with Wasatch Electric and SA-05-05 with Energized Substation Maintenance. The motion was seconded by Commissioner Tarkanian and approved by a unanimous vote.

F. Consideration of and possible action to ratify an extension to a personal services contract with Columbia Research Corporation to complete a study which describes and analyzes innovative international water allocation and management regimes that might have application to the Colorado River Basin.

Mr. Peterson explained that the Columbia Research Corporation is a consulting company that specializes in riverine natural resource and energy issues. Its primary employee, Dan Seligman, has prepared reports for public and private clients on regional power issues, utility rate making, oil tanker safety, forest management, alternative energy resources, and the legal history of the federal power system in the Pacific Northwest. The Commission previously contracted with Columbia Research Corporation to analyze and prepare a report on major river systems in the United States, the “Laws of the Rivers” study.

On June 14, 2007, the Commission entered into a contract with Columbia Research Corporation to prepare a follow-up report to the “Laws of the Rivers” study to describe and analyze innovative international water allocation and management regimes that might have application to the Colorado River Basin. As part of this effort, Mr. Seligman is to review the international law of water apportionment and the law of cross-boundary dispute resolution. The contract is to expire on June 14, 2008, however, the study is not complete.

Mr. Peterson said the working title for the follow up book is, “Multi-National Rivers: A Comparative Analysis”. The scope of work for the document is to collect information on governance on 14 international rivers and to expand on the earlier “Laws of the Rivers” study by examining river treaty agreements between the United States and Canada, and the United States and Mexico.

Commissioner Robison asked how much of the work is compiling of others’ research versus original research.

Mr. Peterson said the majority of the work is compiling. However, there is no document, at any level, where this much work has been done to pull this information into one document.

Mr. Caan added that compiling the research requires a certain level of interpretation to make sense of the variety of data formats used.

Staff recommended ratification of the extension to the personal services contract with the Columbia Research Corporation. Award of the contract as recommended will increase the maximum aggregate cost of services by an additional \$55,000.00 to a not-to-exceed contract amount of \$140,000 and extend the term of the contract until December 31, 2008.

Commissioner Ogilvie asked if there was an increase in the scope of work that required the additional funds.

Mr. Peterson explained that there was a 40 percent increase in the number of rivers added to the study and a change in the final product from a report to a publishable book.

Commissioner Batjer asked what the reasoning was for the change in the scope of work.

Mr. Peterson said an acceleration in the work with Mexico in collaboration with the International Boundary and Water Commission has hastened the need for the study. Another goal was to finalize the study in preparation for its presentation at the annual Colorado River Water Users Association meeting in December 2008.

Commissioner Robison moved to accept staff's recommendation. The motion was approved by a unanimous vote.

G. Update on Nevada's Colorado River water consumption, the status of discussions regarding shortage criteria, and other developments on the Colorado River.

Mr. Peterson provided a report on the following:

- Unregulated inflow into Lake Powell
- Storage conditions on the Colorado River
- Precipitation in the Colorado River Basin
- Mountain snowpack
- Spring/summer streamflow forecasts
- Operational diagrams for Lakes Powell and Mead for coordinated operations & shortage guidelines
- Lake Powell elevation projections

Mrs. Everett continued the report on drought and climate as follows:

- Drought conditions in the West
- Seasonal drought outlook

- Monthly temperature deviations
- 12 month temperature departure from average/3 month temperature outlook
- Monthly precipitation—October 2007 through April 2008

Mr. Peterson provided the final portion of the report:

- Water use in southern Nevada

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

Commissioner Anderson asked how many feet Lakes Mead and Powell are expected to rise this year.

Mr. Peterson said that he would obtain the latest projected numbers and provide them to the Commissioners.

Mr. Caan reported on work that has taken place since September 11, 2001 on security costs at federal power facilities. The higher security costs affect the power rates and those costs were not open for review since it was security related. The states have worked with Congress and the Bureau of Reclamation to draft legislation that would cap the security costs that would be added into the power rates for all the Bureau's facilities. He said he was happy to report that the President signed the legislation that capped costs at \$18.9 million. Any security costs over that will not be included in the power rates paid by our power customers.

Regarding the work with Mexico, Mr. Caan said the Seven Basin States are in the beginning phases of establishing bi-national work groups, to begin a dialog on cooperative projects. The projects may include water efficiency, system operations, and environmental projects. The underlying theme is to prevent shortages from being declared and to develop projects in Mexico that would have benefits on both sides of the border. Mr. Caan assured the Commission that updates on this matter will be provided.

Mr. Caan reminded the Commission that at its April meeting, approval was given to intervene in the Glen Canyon Dam lawsuit. He said he was happy to report that with a great deal of effort by the Commission's counsel, Jennifer Crandell, the intervention on behalf of the Seven Basin States will go forward. That will be a strong group intervention. In addition to the states' intervention, there are separate interventions on behalf of the water and power users.

H. Comments and questions from the public and discussion. (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 will be taken.)

Chairman Bingham asked if there were any comments or questions from the public. There were none.

I. Comments and questions from the Commission members.

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

J. Selection of the next possible meeting date.

The next meeting was tentatively scheduled for 10:00 a.m. on June 10, 2008, at the Grant Sawyer Building.

Mr. Caan noted that a draft of the Commission's budget, which will be submitted to the Executive Branch for inclusion in the state's budget, will be presented for review and comment at the next Commission meeting.

K. Adjournment.

The meeting adjourned at 10:56 a.m.

George M. Caan, Executive Director

APPROVED:

Jay D. Bingham, Chairman