

The meeting was held at 11:00 a.m. on Tuesday, June 8, 2004 at the Clark County Commission Chambers, 500 South Grand Central Parkway, Las Vegas, Nevada.

COMMISSIONERS IN ATTENDANCE

Chairman
Vice Chairman
Commissioner
Commissioner
Commissioner
Commissioner
Commissioner

Richard W. Bunker
Jay D. Bingham
Shari Buck
Oscar B. Goodman
Roland D. Westergard
Myrna Williams
Ace I. Robison

DEPUTY ATTORNEYS GENERAL

Senior Deputy Attorney General
Senior Deputy Attorney General

Gerald A. López
Sara Price

COMMISSION STAFF IN ATTENDANCE

Executive Director
Executive Deputy Director
Special Assistant to the Director
Division Chief, Finance and Administration
Assistant Director of Engineering & Operations
Division Chief, Water
Natural Resource Specialist
Natural Resource Analyst
Office Manager
Administrative Assistant II
Administrative Aide

George M. Caan
Gail A. Bates
James D. Salo
Douglas N. Beatty
Robert Reese
James H. Davenport
McClain Peterson
Nicole Everett
Deanna Bruno
Vickie L. Dismukes
Maggie Carrillo

OTHERS PRESENT; REPRESENTING

AMPAC
Clark County Public Works
Emerald River, Laughlin, Nevada
Kerr-McGee
Lincoln County Power District
Overton Power District No. 1
Overton Power District No. 1
Southern Nevada Water Authority

Jack Stonehocker
Brian Podmenik
Jim Shaw
John Holmstrom
Dave Luttrell
Kent Bloomfield
Delmar Leatham
Sandra Reed-Bottino

**COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF JUNE 8, 2004**

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Chairman Bunker called the meeting to order at 11:00 a.m. The Pledge of Allegiance was recited. Chairman Bunker introduced Mr. Ace Robison as the Commission's new member. Mr. Robison was appointed by Governor Guinn to fill the un-expired term of Commissioner Lamond Mills. Commissioner Robison is from Logandale, Nevada.

A. Conformance to Open Meeting Law.

Executive Director George Caan confirmed that the meeting was in compliance with the Open Meeting Law.

B. Approval of minutes of the April 13, 2004, meeting.

Commissioner Williams moved for approval of the minutes as written and was approved by a unanimous vote of those present. Commissioner Bingham was not present for this vote.

C. Consideration of and possible action on an increase to the administrative charge used to support the Commission's hydropower operations.

Mr. Caan explained that the Colorado River Commission (CRC) operates a department dealing with the acquisition of hydropower resources. To fund that department and its associated expenses there is an administrative charge that is tied to the customer's bills.

Mr. Beatty explained that this agenda item relates to the power administrative charge assessed on all hydropower customers on their hydropower purchases, and to those customers other than the Southern Nevada Water Authority (SNWA) who purchase supplemental power through the Commission. The charge supports all hydropower activities, activities related to the purchase of supplemental power for non-SNWA customers, and a 50% allocation of costs related to environmental activities. The power administrative charge is evaluated every year for adequacy to support the Commission's functions.

The current review in conjunction with the preparation of the next biennial budget indicates that the administrative charge will not support the hydropower expenses of the Commission without an increase beyond mid fiscal 2005. As part of the budget presentation to the hydropower customers early in May of this year, the status of the administrative charge was reviewed, and an increase of 30% was proposed to provide adequate resources to fund the hydropower related expenses through the next biennium cycle. The current charge, which was approved at .0544 cents per kWh by the Commission in November 1977, will increase under this proposal to .0707 cents. This represents a 30% increase.

Attached hereto and made a part of these minutes are the spreadsheets provided to the customers detailing the historical costs of the agency related to the hydropower function, and an estimate of the cost impact to each customer as a result of the proposed increase.

Staff recommended that the Commission approve the increase in the power administrative charge from .0544 cents per kilowatt hour (kWh) to .0707 cents per kWh (30% increase) effective on the January 1, 2005.

Commissioner Goodman stated that as he understands it, the Commission is going to increase the charge and the increase will go to the providers of power throughout the Valley. Then the customers sell it to his constituents, for example.

Mr. Beatty stated that was correct for the wholesale customers.

Commissioner Goodman asked if the ultimate customer, the ultimate user, the homeowner, will they have their rates increased by 30% as well?

Mr. Beatty stated no, explaining that this 30% increase on the administrative charge is a very small amount and it is unlikely that this particular increase would have any effect on the individual homeowner.

Commissioner Goodman stated he wanted the record to reflect that the ultimate consumer, the homeowner, is not going to be penalized as a result of this increase.

Mr. Caan explained that when the Commission sells hydropower to these utilities that power forms a portion of their portfolios, except for Lincoln County which receives most of their power from the hydropower allocation. Most of these other communities have other power resources. It is their decisions that impact their consumers. The Commission does not believe that the impact of this would translate into a requirement that the utilities would have to raise their rates. Raising the rates is a local decision.

Commissioner Williams moved for approval. The motion was approved by a unanimous vote.

D. Introduction of the Colorado River Commission fiscal 2006 and 2007 budget.
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Chairman Bunker explained this agenda item is merely an introduction of the budget. The budget will be presented for final approval at the August 2004 meeting. He encouraged the Commission members and the customers to contact the CRC staff if there were questions with the budget prior to the August meeting, providing the staff time to meet with the Commissioners or customers to resolve any concerns.

Mr. Caan indicated that the Commission, as a State agency, participates as part of the Governor's Executive budget in the Legislative process. The budget is prepared by the CRC accounting staff based on requests by each department, reviewed in-house, then reviewed with the Commission's customers in special budget meetings.

Mr. Beatty introduced the draft proposed budget for the Colorado River Commission for the upcoming biennium. This budget will cover fiscal years 2006 and 2007. The Commission

utilizes five funds or accounts to account for all of the revenues and costs of the Commission's activities. One fund is the Commission's "general fund" (a governmental type fund), two funds are special revenue funds (also governmental type funds), and two are enterprise funds (these funds operate just like private sector accounts).

He began by reviewing the two small special revenue funds. The first was the Research & Development Fund. This fund accounts for the Lower Colorado River Multi-Species Conservation Program (LCRMSCP – usually called the "MSCP"). The budget anticipates \$1,500,000 in MSCP funding in each year. The second fund is the Fort Mohave Development fund. This fund accounts for the Commission's Laughlin area land sales. The budget anticipates \$5,000,000 in sales revenues in fiscal 2006, with the monies available to Clark County for Laughlin area infrastructure use in each of the two budget years.

He next briefly introduced the two enterprise funds, the Power Delivery Project fund (PDP) and the Power Marketing fund. These funds are used to account for the purchase and sale of electric power, accommodate facilities costs, and debt service costs only. The PDP fund covers the SNWA's supplemental power sales only, and the Power Marketing fund accommodates all Hydropower and other supplemental power sales. These funds are designed as pass through funds only.

Finally, he spoke to the Commission's general fund. This fund includes all administrative and overhead costs of the agency, and accounts for all personnel costs. He started by describing the cost allocations of the expenses, which are based on time sheets kept by all staff members. He briefly reviewed the general expenses in the budget and spent time reviewing three new anticipated contracts, and the new positions requested in the budget. The positions encompass seven new positions, four of which are for SNWA power procurement activities, one is a more appropriate position for Mr. Salo who now handles regulatory issues, and a new administrative assistant and information technology position due to reassignment of existing staff to new duties.

Mr. Beatty indicated that the budget will continue to be a draft document for review, staff will be incorporating customer comments as appropriate and the final draft will be brought back to the Commission for approval at the August meeting.

E. Consideration of and possible action on the transfer of certain land to Clark County for a right-of-way needed in connection with the "Needles Highway, California/Nevada Border to Milepost 4.5" project.

James Salo, Special Assistant to the Director stated that on March 25, 2004, the Clark County Department of Public Works renewed its request that the Commission dedicate a right-of-way for the construction, operation and maintenance of a portion of the Needles Highway in the Fort Mohave Valley. The existing Needles Highway crosses Commission land for a distance of approximately 4.5 miles, from the California-Nevada border north along the existing road alignment. The County is now under contract with the Nevada Department of Transportation (NDOT) to replace the present two-lane county road to an improved all-weather highway stretching from State Route 163 to the California border. Upon completion of the improvements, the Needles Highway, along with

acquired rights-of-way, including the Commission's, will be transferred to NDOT for its future operation and maintenance and will remain a designated state route.

The County's schedule for constructing the road improvements is tentatively set to begin in this quarter of the year. The requested right-of-way comprises a strip of land 270 feet to 300 feet in total width or 135 feet to 150 feet on both sides of the centerline of the existing road alignment. The right-of-way traverses Sections 5, 8, 17, 18, 19, and 30 of Township 33 South, Range 66 East, M.D.M., and Section 25, Township 33 South, Range 65 East, M.D.M. The right-of-way will allow the County to complete construction and grading activities within the project area. Within 90 days after the work is completed, the County will revise the legal description as needed to reflect as-built drawings of the road improvements and then re-record the quitclaim deed.

The Commission historically has preferred to furnish rights-of-way through easements in order to retain more flexible and consistent management between the easement and its adjacent property. For this reason, staff opened negotiations over temporary construction and permanent easements. These negotiations reached an impasse over issues involving indemnification of the Commission and the State against liability for the actions of the County or its contractors arising from their use of the easements. In view of this impasse the fact that an existing fee right-of-way is to be expanded, and the importance of this project to Laughlin, it is recommended that the Commission approve a dedication of the right-of-way through a quitclaim deed, which will transfer complete ownership of the right-of-way parcel to the County and avoid the liability issue. A quitclaim deed is the same form which the County is required to use to transfer rights-of-way acquired for the project to NDOT following completion of the project.

The Needles Highway provides access from Interstate 40 in California to the resort areas of Laughlin and Las Vegas. In addition to furthering the safety of motorists, the road improvements will contribute to the economic development of the Laughlin area.

In order to upgrade the highway, the County needs additional land from the CRC for a wider footprint for this highway going through the CRC land. It is a two-lane road, it is in marginal status, and it has patches, rough spots and clearly needs to be upgraded. The Needles Highway is the lifeline for Laughlin over which the vast bulk of their tourist visitor traffic arrives from Southern California. The current right-of-way that is under the existing highway is currently owned by the State of Nevada and by executing the quitclaim deed requested today, the County would acquire additional land on either side of the existing highway allowing for the upgrading and widening.

Commissioner Bingham stated he had spoken with Clark County Public Works and this repair work is needed and that is why they are asking for the CRC's assistance. He feels it is an absolute necessity and the Laughlin Town Advisory Board strongly supports this road construction project.

Commissioner Goodman asked if this road project is going through the land the CRC is contemplating selling.

Mr. Salo assured the Commission that it is not.

Chairman Bunker stated that the quitclaim deed relieves the CRC of any liability or responsibility once the document is signed and conveyed.

Mr. Salo stated that is correct and Clark County becomes the owner at that point. The CRC would no longer have an interest in the land from that point forward.

Commissioner Williams requested clarification that Clark County in turn would quitclaim the property to the State.

Mr. Salo confirmed this was correct.

Commissioner Bingham moved for approval. The motion was approved by a unanimous vote.

F. Consideration of and possible action on the ratification of a contract extension and authorization to proceed with the annual audit of the books and records of the Commission with Piercy Bowler Taylor & Kern, CPAs.

Mr. Beatty pointed out the contract extension authorizes \$75,000 for the completion of the annual audit and related costs--\$60,000 for the audit, \$5,000 for internal control evaluation as required by the State Controller; \$10,000 for preparation of an annual report to the Department of Administration pursuant to the requirements of the Budget Division. The amount remaining on the special projects budget is under \$10,000.

The contract, as amended, between the Commission and the accounting firm provides for annual audits through fiscal 2006 (costs to be incurred through June 30, 2007). The contract was finalized and executed to continue audit work without a break in service and to meet the Board of Examiners' deadlines.

Piercy Bowler Taylor & Kern continue to provide excellent service and have been instrumental in allowing the Commission to continue to receive the Certificate of Excellence through the first year of GASB 34 reporting standards implementation. The firm enjoys an excellent reputation as an expert in governmental auditing and is respected by the customers of the Commission.

Staff has an excellent working relationship with the firm and has confidence in their knowledge and ability to continue to provide exceptional service and a quality audit.

Staff recommended the ratification of the contract extension and notice to proceed with this year's audit and accounting work.

Commissioner Goodman requested the record reflect that this firm is his personal and electronic filings accounting firm. He asked if Senior Deputy Attorney General Gerald López if this fact should disqualify him from voting on this agenda item.

Mr. López stated that disclosure was all that is necessary.

Commissioner Bingham also disclosed that Piercy Bowler Taylor & Kern is his accounting firm.

Commissioner Williams moved for approval and the motion was approved by a unanimous vote.

G. Colorado River Water Supply Update.

Jim Davenport briefed the Commission regarding the Water Division's activities and introduced the Water Division staff--Sara Price, McClain Peterson and Nicole Everett. He explained how the Water Division attempts to add value to the Colorado River water resource by:

- firming the reliability of the existing water supply
- enhancing the water supply through creation of "supplemental water"
- better definition and understanding of the legal context in which Nevada's Colorado River water users' rights reside
- better breadth and strength of interstate relationships upon which future, creative water transactions may be based
- enhanced communication with federal government and other states caused by state and section 5 contractor concurrence on interstate water policy issues
- solid relationship with the United States Department of the Interior on Colorado River management issues including decree accounting, return flow credit accounting, unauthorized use policy, relationship with Mexico and other issue.
- better developed cadre of water management professionals prepared to address future water management issues.

Mr. Davenport briefed the Commission regarding Colorado River water use in Nevada during 2003 and 2004 and possible river management scenarios in 2005. It is the intention of Nevada's Colorado River water users to use no more than 300,000 acre feet of Colorado River water in 2004 and 2005.

Mr. Davenport also briefed the Commission regarding ongoing discussions between the seven Colorado River basin states and the U.S. Department of the Interior/U.S. Bureau of Reclamation regarding management of the Colorado River under a shortage condition.

Mr. Davenport represents Nevada on the negotiating team with the seven states.

Commissioner Westergard stated he appreciated the update and felt it would be extremely helpful to have an update like this on a monthly basis; perhaps it could be a brief one. And in that update, on Commissioner Goodman's question about this Commission's responsibility, those updates could apprise and advise the Commission of any responsibility in addressing the issues discussed.

H. Comments and questions from the public.

Chairman Bunker asked if there were any comments from the public and to please provide their name and address.

There were none.

I. Comments and questions from the Commission members.

Commissioner Bingham asked what was the status of the Laughlin, Nevada, land sale item that was discussed at the last Commission meeting and requested that the appraisals and the procedure for the land sale be on the next meeting agenda.

Mr. Caan reported that the updated appraisals are to be completed by the end of June and will be on the agenda for the next Commission meeting. Also, he would be working with staff to review and establish the land sale procedures required for sale of Commission land in Laughlin, Nevada.


J. Next meeting date selection.

The next meeting is tentatively scheduled for Tuesday, July 13, 2004, at the Sawyer State Office Building in Room 4412.

The meeting adjourned at 12:38 p.m.


George M. Caan, Executive Director

APPROVED:


Richard W. Bunker, Chairman

Hydropower Revenue & Expense
Summary F/Y 1999 through 2003 & estimated 2004, 2005

Description	Fiscal 1999 (Actual)	Fiscal 2000 (Actual)	Fiscal 2001 (Actual)	Fiscal 2002 (Actual)	Fiscal 2003 (Actual)	Fiscal 2004 (Estimate)	Fiscal 2005 (Estimate) *
Resources:							
Balance Forward	86,031	416,968	623,140	694,144	679,462	447,299	523,565
Administrative Charge	1,143,074	1,060,870	960,533	1,001,193	977,496	875,000	875,000
Transfer from other funds						196,150	
Total Resources	1,229,105	1,477,838	1,583,673	1,695,337	1,656,958	1,518,449	1,398,565
Expenses:							
Direct Salary Expense	395,957	481,941	496,909	565,081	716,773	520,054	600,000
Direct Travel Expense	25,498	13,755	15,261	14,470	16,375	17,289	20,000
Operating and Overhead Expenses	390,682	359,002	377,359	436,324	476,511	457,541	475,000
Total Expenses	812,137	854,698	889,529	1,015,875	1,209,659	994,884	1,095,000
Ending Balance	416,968	623,140	694,144	679,462	447,299	523,565	303,565

* Estimated amount without change in administrative charge.

COLORADO RIVER COMMISSION							
PROJECT POWER							
DETAILED ANALYSIS FY 2000-FY 2004							
	FISCAL YEAR				Actual thru 4/29/04	Estimated Yr End	Estimated Yr End
	2000	2001	2002	2003	2004	2004	2005
TARGET % (PER BUDGET)			30.03%	30.03%	23.40%	23.40%	
BALANCE FWD	(416,967.88)	(623,140.10)	(694,143.69)	(679,461.60)	(447,299.21)	(447,299.21)	(523,564.93)
REVENUES							
POWER SALES	(1,060,870.01)	(960,532.92)	(1,001,193.40)	(977,496.29)	(689,224.71)	(875,000.00)	(875,000.00)
TRANSFERS FROM OPERATING					(129,388.26)	(196,149.94)	
TOTAL	(1,477,837.89)	(1,583,673.02)	(1,695,337.09)	(1,656,957.89)	(1,265,912.18)	(1,518,449.15)	(1,398,564.93)
EXPENSES				(see schedules)			
SALARIES	481,941.18	496,909.40	565,081.11	716,773.42	375,053.74	520,053.74	600,000.00
TRAVEL	13,754.70	15,261.39	14,470.27	16,374.44	14,407.33	17,288.80	20,000.00
OPERATING TOTAL: (see details below)	359,001.91	377,358.54	436,324.11	476,510.82	238,225.68	457,541.68	475,000.00
TOTAL	854,697.79	889,529.33	1,015,875.49	1,209,658.68	627,686.75	994,884.22	1,095,000.00
EXCESS REVENUES OVER EXPENSES	(623,140.10)	(694,143.69)	(679,461.60)	(447,299.21)	(638,225.43)	(523,564.93)	(303,564.93)
					bal @ 4/29/04		
OPERATING TOTAL DETAILS:							
Operating Supplies (OH is chg'd here {7020})	97.00	154.97	-	255.91	578.56	694.27	700.00
Overhead Allocation	189,233.13	207,989.16	236,030.13	264,761.79	134,736.48	269,472.96	280,000.00
	189,330.13	208,144.13	236,030.13	265,017.70	135,315.04	270,167.23	280,700.00
(See details below)							
Contract Services (Environ split chg'd here {7060})	35,407.45	17,217.96	26,193.98	41,302.47	11,068.12	13,281.74	13,000.00
Environmental Split	116,191.26	128,346.02	154,282.53	160,000.50	79,717.96	159,435.92	162,000.00
	151,598.71	145,563.98	180,476.50	201,302.96	90,786.08	172,717.66	175,000.00
Other Operating Expenses							
Legal & Court		1,100.00	630.00	1,801.28			
Equipment Repair	680.00						
Advertising				96.74			
EDP Non DOIT		104.85	437.14				
Minor Improvements		4,201.08					
Building & grounds			58.79				
Host Fund	1,077.37	794.31	148.04	134.90	938.62	1,126.34	
Postage	477.15	63.86	825.84	(748.49)	(48.20)		
Telephone	890.82	162.56	634.50	16.40	(41.23)		
Dues & registrations	9,401.73	9,642.77	8,435.18	8,889.33	9,587.37	11,504.84	
Publications	395.00	422.00					
Computer software	844.00	509.94	179.99		1,688.00	2,025.60	
Computer hardware	4,307.00		8,468.00				
New furnishings		514.76					
Computer hardware		6,134.30					
Total other expenses	18,073.07	23,650.43	19,817.48	10,190.16	12,124.56	14,656.79	15,000.00
	359,001.91	377,358.54	436,324.11	476,510.82	238,225.68	457,541.68	455,700.00
Contract sves detail:							
Environmental split (80% 2003)	116,191.26	128,346.02	154,282.53	160,000.50	79,717.96	159,435.92	162,000.00
Charles Reinhold	31,807.45	17,217.96	9,983.74	10,356.46	10,547.12	12,656.54	12,200.00
Dan Newman	3,600.00						
David Huston			16,210.24	(2,611.90)			
Gordon & Silver				33,557.90	521.00	625.20	800.00
	151,598.71	145,563.98	180,476.51	201,302.96	90,786.08	172,717.66	175,000.00

Administration Charge collected by customer from October 2002 through September 2003

Retail Summary

Customer	KWH	Cost
BWC	25,168,685	\$13,691.78
Timet	216,820,256	\$117,950.22
ChemLime	3,096,765	\$1,684.64
Kerr-McGee	64,051,775	\$34,844.16
Ampac Inc.	134,166,485	\$72,986.56
Sum	443,303,966	\$241,157.36
Pioneer	313,897,923	\$170,760.47
Ind Subtotal	757,201,889	\$411,917.83
SNWA	147,312,294	\$80,137.89
Hydro Subtotal	590,616,260	\$321,295.25
Total Retail	904,514,183	\$492,055.72

Wholesale Summary

Customer	KWH	Cost
LCPD	83,334,257	\$45,333.85
OPD	200,736,101	\$109,200.43
VEA	121,360,894	\$66,020.32
BC	61,820,316	\$33,630.25
Sum	467,251,568	\$254,184.85
NPC	475,711,032	\$258,786.79
Subtotal	942,962,600	\$512,971.64
Total Wholesale	942,962,600	\$512,971.64

Revised Admin Charge from .000544 to .000707 (30% Increase)

Retail Summary

Customer	KWH	Cost
BWC	25,168,685	\$17,799.31
Timet	216,820,256	\$153,335.29
ChemLime	3,096,765	\$2,190.03
Kerr-McGee	64,051,775	\$45,297.41
Ampac Inc.	134,166,485	\$94,882.53
Sum	443,303,966	\$313,504.57
Pioneer	313,897,923	\$221,988.61
Ind Subtotal	757,201,889	\$535,493.18
SNWA	147,312,294	\$104,179.26
Hydro Subtotal	590,616,260	\$417,683.83
Total Retail	904,514,183	\$1,266,681.57

Wholesale Summary

Customer	KWH	Cost
LCPD	83,334,257	\$58,934.01
OPD	200,736,101	\$141,960.56
VEA	121,360,894	\$85,826.42
BC	61,820,316	\$43,719.33
Sum	467,251,568	\$330,440.31
NPC	475,711,032	\$336,422.83
Subtotal	942,962,600	\$666,863.13
Total Wholesale	942,962,600	\$666,863.13