

The meeting was held at 1:00 p.m. on Tuesday, October 13, 2015, at the Clark County Commission Chambers, 500 South Grand Central Parkway, Las Vegas, Nevada.

COMMISSIONERS IN ATTENDANCE

Chairman	George F. Ogilvie III
Vice Chairwoman	Puoy K. Premsrirut
Commissioner	Sam Bateman
Commissioner	Kara J. Kelley
Commissioner	Steve Sisolak
Commissioner	Cody T. Winterton

COMMISSIONERS NOT IN ATTENDANCE

Commissioner	Duncan McCoy
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DEPUTY ATTORNEYS GENERAL

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

COMMISSION STAFF IN ATTENDANCE

Executive Director	Jayne Harkins, P.E.
Deputy Executive Director	James D. Salo
Chief of Finance and Administration	Douglas N. Beatty
Assistant Director of Energy Services	Gail A. Bates
Assistant Director of Engineering and Operations	Robert D. Reese
Hydropower Program Manager	Craig N. Pyper
Natural Resource Analyst	Warren Turkett
Senior Accountant	Gail L. Benton
Senior Energy Accountant	Richard M. Sanders
Senior Energy Accountant	Kalora E. Snyder
Office Manager	Judy K. Atwood
Administrative Assistant IV	Brenda Haymore
Administrative Assistant II	Abigail O. Price
Administrative Assistant II	Rebecca Suafoa

OTHERS PRESENT; REPRESENTING

Consultant	Sara A. Price, Esq.
Self	Ed Uehling
Sherman and Howard	David Lucas
Southern Nevada Water Authority	Jordan Bunker
Southern Nevada Water Authority	Greg Walch

**COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF OCTOBER 13, 2015**

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The Colorado River Commission meeting was called to order by Chairman Ogilvie at 1:02 p.m. followed by the pledge of allegiance.

At the discretion of the Chairman, agenda items were heard in the following order:

- Items A, B and C
- Items F, G and H
- Items D and E
- Items I, J, K and L

A. Conformance to Open Meeting Law.

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

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

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

C. For Possible Action: Approval of minutes of the September 8, 2015 meeting.

Ms. Harkins stated that due to technical corrections on the court reporter's transcript, the meeting minutes are not final. Approval of the minutes for the September 8, 2015 meeting was tabled until the November meeting.

D. For Possible Action: Consideration of and possible action to approve and authorize the Chairman and its Executive Director to execute the Third Amended Operational Agreement among the Metropolitan Water District of Southern California, the Southern Nevada Water Authority, and the Colorado River Commission of Nevada (Commission) for interstate banking of Colorado River water in California.

Ms. Harkins provided background information for the Commission's consideration of Third Amended Operational Agreement.

Since October 27, 2004, the Colorado River Commission of Nevada (CRC) and Southern Nevada Water Authority (SNWA) have been authorized to store water in California with the Metropolitan Water District of Southern California (MWD) under a Storage and Interstate Release Agreement (SIRA) executed among the United States, acting through the Secretary of the Interior, MWD, CRC and SNWA. To effectuate this interstate banking, MWD, CRC and SNWA entered into an Operating Agreement on October 21, 2004. This Agreement was amended on August 11, 2009 (First Amended Operational Agreement), and again on October 24, 2013 (Second Amended Operational Agreement). Pursuant to these Agreements, Nevada has stored over 205,000 acre-feet of water with MWD over the past ten years. Such storage efforts

have been possible because of SNWA's successful implementation of conservation efforts, which have made an increasing amount of Nevada's unused apportionment of Colorado River available for storage for future uses.

MWD is only one source of storage. The CRC and SNWA also bank water in Arizona with the Arizona Water Banking Authority (AWBA). Under the SIRA executed among the United States, acting through the Secretary of the Interior, AWBA, CRC and SNWA, and underlying operating agreements among the AWBA, SNWA and CRC, Nevada has banked over 600,000 acre-feet of water in Arizona. Additionally, under the 2007 Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead (2007 Guidelines), SNWA currently maintains over 560,000 acre-feet of Intentionally Created Surplus (ICS) in Lake Mead. It is this kind of inter-basin coordination that is instrumental in helping to secure Southern Nevada's future water resource needs and to prepare Southern Nevada against drought.

California is experiencing an unprecedented drought and is currently in a declared State of Emergency. MWD receives the water supply for its service area from the Colorado River and the California State Water Project (water originating from the Sierra Nevada mountains). Unfortunately, the California drought has severely impacted water deliveries from the California State Water Project, reducing MWD's water resources and forcing MWD to implement water rationing regulations to reduce demands by fifteen percent this year.

Ms. Harkins explained that this Third Amended Operational Agreement represents a continuing collaborative effort between MWD, CRC and SNWA to provide needed flexibility to mitigate against drought in the lower Colorado River basin and plan for future water needs. Under the proposed Agreement, SNWA will store 150,000 acre-feet of water with MWD in 2015. In exchange, MWD will pay SNWA \$44,375,000.00 (MWD Payment). SNWA may recover most of this water in the future upon reimbursement to MWD of a proportion of the funds it paid to SNWA. This Agreement also provides an opportunity for SNWA and the Central Arizona Water Conservation District (CAWCD) to reach an agreement under which SNWA would pay \$2,000,000.00 of the MWD Payment to CAWCD for the construction of recovery infrastructure for water stored in Arizona, in accordance with the Recovery Agreement among AWBA, CAWCD, SNWA and CRC. This funding would help ensure the existence of sufficient recovery infrastructure if and when the time comes for Nevada to recover the water it has banked in Arizona. Under the terms of this agreement, SNWA would receive a \$1,000,000.00 credit against future costs of recovering its Arizona banked water.

There are several additional benefits to Nevada under this proposed Third Amended Agreement. The 150,000 acre-feet of water stored with MWD would be available to Nevada under any reservoir condition (including a declared shortage under the 2007 Guidelines) and would not be subject to an annual three percent evaporation charge. Further, the Agreement contains a provision for MWD to mitigate against ongoing drought provisions. If Lake Mead drops below a lake elevation of 1,045 feet on January 1 of any year prior to 2027, and the Authority has not yet recovered an equal volume of water from storage with MWD, then MWD would be responsible for creating 75,000 acre-feet of ICS to be stored in Lake Mead. This water would not be

available to MWD for delivery until Lake Mead begins a year at or above 1,080 feet. Thus MWD would be helping Nevada guard against future critical Lake Mead elevations.

The Third Amended Operational Agreement was approved by the SNWA Board of Directors on September 17, 2015 and the MWD Board of Directors on September 22, 2015.

Ms. Harkins turned the time over to Greg Walch from the SNWA for a presentation on its water resource plan.

Mr. Greg Walch, SNWA's General Counsel, greeted Chairman Ogilvie and other members of the Commission, and thanked them for the opportunity to share SNWA's water resource plan with them. He said southern Nevada's water outlook is better today because of the water conservation measures that began in 2000 through today. SNWA approved the resource plan back in September and grouped the water into three different categories: permanent resources, temporary resources, and future resources. He said he wanted to focus on the temporary resources as that is the majority of what is involved here.

A copy of Mr. Walch's presentation is attached and made a part of these minutes. (Attachment A)

Mr. Walch's presentation included the following water resource details:

- 337,000 acre-feet banked in the Las Vegas Artesian base
- 600,000 acre-feet in banked in Arizona
- 200,000 acre-feet banked in California
- 530 acre-feet in ICS stored in Lake Mead
- Total of approximately 1.7 million-acre-feet of available water
- Based on existing use that equals 7-8 years of stored water of temporary resources

Mr. Walch provided three water planning scenarios:

- A conservative approach with no shortage taken—temporary resources would be exhausted by 2065 which provides a 50-year planning horizon.
- Lower demand but with a contractual shortage taken of 20,000 acre-feet every year (based on a 1025 lake elevation)—temporary resources exhausted by 2060.
- Aggressive growth with a 40,000 acre-foot shortage taken—temporary resources would be exhausted by 2045.

Mr. Walch said that the water we are discussing today under this agreement would not be needed until 2045—even assuming aggressive growth and a large shortage taken.

Commissioner Kelley asked whether demand is expected to increase over Nevada's 300,000 acre-foot allocation in the near future.

Mr. Walch replied the slides show the Las Vegas valley's total diversion, but consumptive use is well below these numbers. For instance, total diversions may be 500,000 acre-feet but consumptive use may be only 275,000 acre-feet.

Mr. Walch said that in 1999 the U.S. Bureau of Reclamation (USBR) authorized storage under the storage and interstate release agreements through a series of regulations. Nevada entered into a water banking agreement with Arizona for an interim period and, in 2004 entered into a water banking agreement with MWD. The CRC, SNWA, MWD, and the USBR are parties to the storage and interstate release agreement. This agreement compels the federal government to either divert water, or in our case leave water in the lake for use if MWD sends them a certificate that Nevada has water stored down there. At the same time, an operational agreement between the parties was signed. Nevada has been storing water under that operational agreement and two amendments and has about 205,000 acre-feet stored with MWD. The current terms of that deal with MWD say that if we send an unused apportionment to MWD, hypothetically 75,000 acre-feet, there would be a one-third cut to that water that would be credited to our interstate account. So, the amount credited would actually be 50,000 acre-feet not 75,000 acre-feet. That is a resource positive.

Chairman Ogilvie requested clarification.

Mr. Walch stated that the current operational agreement, which is the Second Amended Agreement, provides that one-third of the water that is an unused apportionment, that goes downstream to California which is a cut to the California system because of evaporation losses and system losses. We would send 150,000 acre-feet as an unused apportionment and have the feds direct that to MWD. 75,000 acre-feet of that is made up of water that SNWA would take delivery of which is now extraordinary conservation ICS (ECICS). Under the proposed Amendment, 125,000 acre-feet of the 150,000 acre-feet will always be available to Nevada, even in shortage. Alternatively under the Second Amended Agreement, 75,000 acre-feet would have been sent downstream as unused apportionment, one-third of which would have been cut to 50,000 acre-feet and then another 75,000 acre-feet would be kept in the lake as ICS. As the water sits in the lake, three percent evaporates unless we are in a declared shortage. We could not use the water at all in a shortage if it is in the lake. As a comparison, under the existing arrangement, again 75,000 unused acre-feet would be directed to California leaving 50,000 acre-feet in our account. The ICS portion, which would be the other 75,000 acre-feet, would be left in the lake, but after 30 years, if you look at the resource plan, most likely the temporary resources will be exhausted at about 2045 or about thirty years out, so in thirty years, 75,000 acre-feet at a three percent cut a year becomes 31,000 acre-feet. The total available under the existing framework, thirty years out when it is needed, would be 81,000 acre-feet.

Commissioner Kelley asked why evaporation does and does not occur depending on whether we are in a declared shortage.

Mr. Walch responded it is in the rules. He said he suspects the notion was that the Upper Basin required that when we store unused water in Lake Mead, they want evaporation to be deducted so that the Lower Basin will not be able to take its full stored amount out of the lake. In the accounting that is done between Lakes Powell and Mead, the Upper Basin would be hurt by no evaporation being charged. The Lower Basin then said, if we cannot use the water during a shortage, we cannot be charged for evaporation.

Mr. Walch presented a comparison in terms of what is being termed resource positive, and what is elevation positive to the lake. MWD gets water from two places, half from the State Water Project, and half from the Colorado River. In 2013 MWD received a five percent allocation from the State Water Project. In 2014 MWD received a twenty percent allocation. To compensate, MWD planned to take their ICS out of the Colorado River. Under this amendment, they have agreed to not take out all of their ICS this year. In addition to that, in the event that hydrology gets even worse and we reach the 1045 foot lake level, MWD has agreed to fill the hole immediately by creating 75,000 acre-feet of ICS without debiting our account, so we will still have the same interstate account balance and they will be required to fill the hole.

Commissioner Kelley asked how they would refill the hole—will they just take less water?

Mr. Walch replied yes, they will take less water. MWD will do a conservation project that will create yield and won't take as much out of the lake. We have the option of adding water to the lake and that is what we do.

Commissioner Kelley asked how we add water to the lake.

Mr. Walch replied we do it two ways—we lease or purchase water from irrigation districts up north and the Virgin and Muddy Rivers and we also have our own pumping system in Coyote Springs Valley where we can create extraordinary conservation. If the lake level falls to 1045 feet, MWD will fill the hole with their ICS and finally it will be revenue positive as well.

Commissioner Sisolak stated the agreement said our ability to reclaim the water never expires. Where is that stated?

Mr. Walch referred to 3.1 of the operational agreement which says that it expires upon recovery of all the water and both parties mutually agreeing to terminate it, or concurrently with the termination of the SIRA or whichever occurs first. The SIRA says that termination will occur only when the account is zeroed out or when there is a notice given by either party plus 90 days. So, yes, we get it all back if we want it.

Vice Chairwoman Premsrirut inquired about uncontrollable forces. After reading what constitutes uncontrollable forces, and there are quite a few provisions that talk about natural disasters such as flood and earthquake and storm, would not extreme drought fall under that provision as well? To have enforceability of this agreement, does that essentially give a party a way out?

Mr. Walch said he did not think that it does long term.

Chairman Ogilvie stated we are in a devastating drought and that is the premise for this amendment. We are not sure when the drought is going to end, it is basin wide and we are dealing with water, which is a limited resource. We do not know whether we have seen the worst or whether the worst is still coming. You said this is resource positive for this community and I am looking beyond this community or this state and am looking at the basin-wide impacts.

If the basin is suffering this common, potentially disastrous issue, why is it that we want to enter into this agreement?

Mr. Walch responded the presentation was addressed from our clients' perspective, however, addressing your question about the basin at large, this is part of an enduring relationship that began twenty plus years ago whereby we help each other. The flexibility that we have gained by our extraordinary conservation in this community has allowed us to be helpful to other states, and in this case it happens to help us at the same time. It is a win-win situation. MWD is desperate for the water, they have agreed to not withdraw their ICS and they have agreed to pay us. It is lake neutral and it is resource positive for us so the SNWA does not see a particular facet of this at all that is negative.

Chairman Ogilvie replied that it is said to be lake neutral but is it? Once the water is gone, it is gone. We cannot manufacture more water. Will MWD get this water whether we approve this amendment or not? Won't they just get the water at a less advantageous method or benefit to us?

Mr. Walch said yes, they are going take the water out of the lake regardless of whether it is their ICS or our unused apportionment. We think the latter is much preferable to their just taking their own ICS.

Chairman Ogilvie asked Ms. Harkins if she agreed that from a resource position there is not any difference whether we approve this or do not approve it.

Ms. Harkins replied yes, MWD needs the water this year. That is a fact and they need to have whatever water is available to them off the Colorado.

Chairman Ogilvie said that, with respect to the temporary resources, groundwater banking, do we know where we are storage-wise in the aquifer today versus the 1950s or 60s when water was flowing out of the ground?

Mr. Walch replied yes, and provided some history on the condition of the aquifer. When the community first started developing, water was coming out of the springs. Then, almost immediately following that, in 1906 and 1907, they started drilling wells that dropped the water table precipitously and we over-pumped the groundwater until 1950 when the legislature said that water in the lake must be brought into the valley. The State Engineer was told that revocable rights should be issued and at such time as water from the Southern Nevada Water System was available, those rights would have to go away. Water rights were issued for another 15 to 20 years and the appropriation in the basin got way ahead of its ability to recharge itself. The basin then began to be managed better through a pumping inventory, so people who were over pumping and illegally pumping and using wells that weren't authorized, were stopped and their permits revoked. The SNWA started injecting water into the aquifer about 20 years ago. There are now places in town where there is nuisance water that is almost too high. The basin itself is in good shape compared to what it used to be.

Chairman Ogilvie asked a question about the Staff comments in the briefing material. At the bottom of paragraph 2, there is a sentence under terms of this agreement that SNWA would

receive a one million dollar credit towards future costs of recovering its Arizona banked water. Is there some quantification of what those future costs will be?

Mr. Walch answered that it is anticipated that when we begin withdrawing water out of the Arizona water bank, that it would cost more than two million dollars to drill the wells and the infrastructure that would be necessary to recover the water out of the ground. At this time, there is not an itemization of what will be spent, but ultimately it will be credited towards us. Arizona will spend a lot more than that when we actually go to recover that water. That is why we were comfortable with that credit. It also eased some of Arizona's concerns regarding the agreement as well.

Chairman Ogilvie asked for clarification. Will Arizona get two million dollars, half of which will go towards future costs of retrieving Nevada's banked water, correct?

Mr. Walch replied yes.

Commissioner Winterton asked if his understanding was correct that, given the most conservative approach to the resource plan, we would not need the water banked with MWD for 30 years.

Mr. Walch replied that is correct.

Commissioner Winterton said he understood that there is a resource positive benefit, which is that if we waited for 30 years to use this water there would be a reduction for evaporative loss and contractual reduction because of MWD taking its ICS from the river.

Mr. Walch said that is correct.

Commissioner Winterton asked if he understood correctly that if MWD pays forty-four million dollars for our unused apportionment, and we have the opportunity to buy this water back as long as this SIRA is in existence, and that by entering into this Third Amended Operational Agreement we bring in forty-four million dollars, the opportunity to buy back the banked water at any time, and we receive the benefit of 125,000 acre-feet, assuming the 30 year prediction is correct, versus 81,000 acre-feet. Is that accurate?

Mr. Walch said yes.

Commissioner Winterton asked for clarification of the groundwater banked on behalf of Nevada.

Mr. Walch said there is 337,000 acre-feet of groundwater in the Las Vegas artesian basin, approximately 205,000 acre-feet of water in the California bank with MWD, 605,000 acre-feet in the Arizona water bank and 53,000 plus or minus at the end of this year of ICS. At the beginning of this year it was about 564,000 acre-feet of ICS that we have in Lake Mead.

Commissioner Winterton said that we have 1.7 million acre-feet stored between the Arizona water bank, the aquifer in Nevada, and the water being stored with MWD which amounts to, I believe you said, eight years of use if the lake were to stop flowing.

Mr. Walch replied that the 1.7 million acre-feet is not counting any of the water that would go to MWD this year.

Commissioner Kelley asked if California can take their water either way, what is the benefit to California to make this deal?

Mr. Walch replied that California is trying to preserve some of its ICS in the lake to extend the length of time before its use becomes critical. Because their storage during the past two years has been reduced, if they get another year of a reduced allocation from the State Water Project, it looks like they will be in serious trouble with twenty-five million people and the world's twelfth largest economy to support.

Commissioner Kelley asked what SNWA's plans are for the MWD Payment for the water. She said she read somewhere that it will be used for rate stabilization.

Mr. Walch replied it will go into the rate stabilization fund which will allow it to be used for such things as to defer capital projects, pay off capital debt or maintain rates.

Commissioner Kelley asked if your neighbor or mine asked how the rate payer benefits from the money, what would the answer be?

Mr. Walch responded that it is \$44,375,000 less in expenses that SNWA will have this year, either in capital charges or in being able to defray the purchase of bonds that eventually would find its way into rates.

Staff recommended the Commission approve the Third Amended Operational Agreement and authorize the Chairman and its Executive Director to execute it on behalf of the Commission.

Commissioner Sisolak moved to approve the Third Amended Operational Agreement. The motion was seconded by Commissioner Winterton and approved by a unanimous vote.

<p>E. <i>For Possible Action:</i> Consideration of and possible action to determine the contract term for the allocation of Nevada's share of Hoover Schedule D electric power.</p>
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Ms. Harkins reminded the Commission that this item was on its September agenda. After considerable discussion and questions regarding our bond obligations, it was decided to postpone action on the item until some concerns and questions could be addressed. She asked Doug Beatty, the Commission's Chief of Finance and Administration, to provide a briefing on the Commission's bond obligations with regard to approving a term of less than fifty years for the contracts to be executed for the Commission's allocations of Hoover Schedule D electric power. Dave Lucas with Sherman and Howard was also present to address bond questions. He works with John Swendseid who has worked as our bond counsel for the past few bond issuances.

Mr. Beatty noted that the Commission first issued Hoover power resource related bond anticipation debentures in December of 1985. The debt issuance provided initial cash to the United States Bureau of Reclamation for the purpose of rebuilding the power generating assets to take advantage of technology advances that would provide increased power resources to the customers. At the time the Federal government was not willing to advance the funds necessary for the rebuild, and the customers were asked to advance funds for the program. This program is known as the Hoover Upgrading Program. These anticipation debentures were replaced in 1987 with a 30-year bond in the amount of \$79,500,000. The 1987 bonds were replaced (or partially replaced) with refunding bonds in 1992, 2001, 2002, 2011, and 2012. All remaining Hoover upgrading bonds will be fully paid in October of 2017, at the end of the existing contracts for power from the facilities.

This background is helpful as it demonstrates that the Commission and its customers, including both governmental and private entities, have been involved with Hoover power related bonds for many years. Over the term of the upgrading bonds there have been a number of corporate consolidations and acquisitions, bankruptcy, and even an explosion. None of these events has disrupted the servicing of the bond debt and the Commission and State bond rating has remained steady throughout the Upgrading Program years.

In 2014 the Commission issued new bonds to support the accelerated repayment of debt owed to the United States Treasury for the Hoover Dam Visitors Center and Airslots, which saved the Commission's Schedule A and B Hoover Contractors over \$29 million in debt repayment costs. The cost of the Visitors Center and the Airslots was originally paid through federal funds and was then included in the Hoover power rate as debt items to be repaid over various time frames at assigned interest rates. The federal rates assigned to the debt were nine percent or greater; the bonds issued to repay the federal debt bear an interest rate of approximately four percent.

Prior to the bond issuances, the Commission approved bond-repayment contracts with the Nevada Schedule A and B Contractors under which these Contractors agreed to pay their proportionate shares of the amounts needed to repay these securities, and the Commission agreed to offer each of the Schedule A and B Hoover Contractors a new post-2017 contract for a term of fifty years for an allocation of ninety-five percent of each Contractor's then current Hoover power allocation. This was necessary as the Commission did not at that time, and still does not, hold a contract with the federal government for Hoover power beyond 2017. The bond market needed assurances that a revenue stream would be available to support the bonds through the full term. These contracts provided this assurance.

These contracts further provided that the Commission will not execute any contract for post-2017 Hoover power unless the new Contractor executes with the Commission both a Hoover Power Contract and a Bond Repayment Contract for that Contractor's proportionate share of Hoover debt repayment.

The Bond Resolution adopted by the Commission on May 13, 2014 does not contain any specific language regarding the term of the Hoover contracts to be approved by the Commission. Rather,

it states more generally that the State, on whose behalf the Commission is acting, must charge rates which include all the costs of Hoover power including the costs of the current Bond Repayment Contracts and any Future Bond Repayment Contracts.

As noted above, the Commission has committed itself in the 2014 contracts for repayment of the cost of securities to repay the Hoover Visitor Center and Airslots debt, to not execute a contract for post-2017 Hoover power unless the Contractor also executes a bond repayment contract. This commitment will remain in force regardless of whether the Commission decides to apply a term of less than fifty years to these contracts.

The debt service related to the 2014 bond issue is approximately \$1,670,000 each year (the federal debt was approximately \$2,450,000 each year). Note that the Commission's current Schedule A and B customers, with their new post-2017 contracts, will provide funds for at least ninety-five percent of the necessary debt service, or approximately \$1,586,500 each year. The new Schedule D customers will, among them all in proportion to their respective resource allocation, only provide approximately \$83,500 each year related to the 2014 bond issue.

Commissioner Sisolak asked if the 1987 bonds were thirty-year bonds?

Mr. Beatty responded yes, they were issued and ran concurrent with the then existing contract. The 2014 issuance for the Hoover Visitor Center and Air Slot debt, came at a very interesting time. The federal government had funded that debt and assigned it to the Hoover rate at a fairly high interest cost. The opportunity to advance pay that debt to the federal government came at a time where we did not have fifty-year contracts or thirty-year contracts—we had just a few years. That was in 2014, but it was a very positive opportunity because we could have substantial savings and so we were in a position where we could issue the debt but did not have an underlying resource for the full term of the debt. In consultation with our existing customers we entered into contracts with them whereby they agreed to repay this debt over the term of its existence. That satisfied the market that there was a repayment stream and so we were able to issue the debt.

Commissioner Winterton asked if he understood correctly that the agreement with the customers covers the entire amount of bonds issued in 2014. The five percent power allocation that we are going to discuss today has been covered by them as well, correct?

Mr. Beatty replied that is correct. The bond covenants related to the 2014 issuance with respect to the Schedule D contracts and these new contractors does not specify any contract term. There are a couple of bond covenants, section 903 and 904, that speak to rates and charges generally. These provisions state that we have covenanted to charge for the electric resource an amount that covers all of the costs including all of the bond debt cost. With regard to term of contract, it does not speak to that. From a bond market perspective, I believe that the bond markets are very concerned that the Colorado River Commission of Nevada has a contract with the federal government for the resource for the full term of the bond.

Ms. Harkins provided some background on Schedule D Hoover Power Contracts process. She explained that in 2011, the United States Congress passed the Hoover Power Allocation Act (the

Act) (125 Stat. 777), which sets forth terms and conditions for contracts for delivery of Hoover power beginning October 1, 2017. The Act mandated that the Western Area Power Administration (Western) offer new fifty year contracts for ninety-five percent of their current allocations to current federal Hoover power contractors, including the Commission, which receive Hoover power under Schedule A and Schedule B.

The Act also created a pool of the remaining five percent of Hoover power resources, to be offered under a new Schedule D to new allottees which do not currently receive Hoover power (the Schedule D pool).

The Act directed Western to allocate two-thirds of the Schedule D pool, and directed the remaining one-third of the Schedule D pool to be allocated as follows: eleven percent by the Commission to Nevada new allottees, eleven percent by the Arizona Power Authority to Arizona new allottees, and eleven percent by Western, for California new allottees.

Western has completed its allocation of the Schedule D pool, making allocations to eleven Nevada new allottees, including one tribal new allottee, the Las Vegas Paiute Tribe, which will contract with Western, and ten non-tribal new allottees which will contract with the Commission, including: the cities of Henderson, Las Vegas, and North Las Vegas; Clark County School District; Clark County Water Reclamation District; the College of Southern Nevada; the Las Vegas Valley Water District; the State of Nevada Departments of Administration, Corrections, and Transportation; and the University of Nevada, Las Vegas. The contracts for all of the allocations approved by Western, including the contracts the Commission will execute with the ten Nevada non-tribal new allottees, will include a contract term of fifty years, as mandated by the Act.

The Commission presently is concluding its responsibilities under the Act to allocate to applicants in Nevada 11,510 kW of contingent capacity and associated energy of Schedule D Hoover power, through the hearing conducted at the Commission's meeting on September 8, 2015, and subsequent publication of the notice required by subsection 4 of NRS 538.181 and the Commission's regulations.

On September 8, the Commission decided to allocate post-2017 Hoover Schedule D power to the University of Nevada, Las Vegas (UNLV), the Las Vegas Valley Water District (LVVWD), Pioneer Americas doing business as Olin Chlor Alkali Products (Olin), Clark County Water Reclamation District (CCWRD), and the cities of Mesquite, North Las Vegas, Henderson, and Las Vegas. Of these eight applicants, six (UNLV, LVVWD, CCWRD, and the Cities of North Las Vegas, Henderson and Las Vegas) received allocations from Western and from the Commission, and two (Olin and the City of Mesquite) received allocations only from the Commission.

Ms. Harkins summarized the legal requirements applicable to setting the term of Post-2017 Hoover Contracts. She said the Act mandates a fifty-year term for the Commission's contracts with the eleven Schedule D Nevada contractors which received allocations from Western, and for Western's post-2017 contracts with the Commission and the City of Boulder City. Nevada state law and the bond repayment contracts approved by the Commission in 2013 also require the

Commission to include a fifty-year term in the contracts it will execute with its Schedule A and B contractors.

The Commission may set a different term for the allocations it grants to Schedule D contractors. Doing so will result in six of these contractors having a fifty-year term for their federal allocation, and a term of less than fifty years for their state allocation.

In the event the Commission determines approval of a term of less than fifty years is in the best interest of the State, Staff recommends a term of no less than twenty years.

Commissioner Winterton stated he thought that one of the intents of the five-percent power allocation was to help develop economic growth opportunities in southern Nevada, to entice business manufacturers to move or relocate to southern Nevada. For various reasons, that didn't happen in this particular situation. Based on that concept, if we believe that this could be used as a tool to help entice business and lure others to southern Nevada, it would seem that keeping these contracts as short as possible would be an advantage so the Governor or his economic development group would have one more incentive to help lure businesses to southern Nevada.

Chairman Ogilvie said that state economic development Staff advised that the eleven-megawatt allotment in conjunction with the one-megawatt minimum allotment was not really useful as an enticement in the economic development arena. If there was someone that fit within the parameters, a one-megawatt allotment would be substantial for their business. The fact that there are only eleven-megawatts to allocate just did not provide us with the economic development basis that we had previously, maybe naively, anticipated.

Commissioner Sisolak asked Sherman and Howard for their recommendation for the length of the contracts.

Dave Lucas, of Sherman and Howard, stated they did not have a recommendation since the bond documents themselves, including the bond repayment contracts the Commission entered into, speak to the length of the Schedule A and B contracts but are silent to the Schedule D contracts. That is up to the Commission entirely as far as what lengths it would like the contracts to be.

Commissioner Sisolak asked if one length versus another would affect the rates?

Mr. Lucas said no, the bond interest rates are fixed and have been fixed for the life of the term.

Commissioner Sisolak asked if Commissioner Winterton had any suggestions on terms for the contracts.

Commissioner Winterton stated that in his conversations with Staff, it seemed like a contract term shorter than ten years would not make economic sense for various reasons based on commitments that are made in the contract for repayable advances. There is a commitment for five years where they would have repayable advances, then a commitment for five years where they would receive the benefits of the contracts—so ten years would be the minimum that would be economically feasible. He said he felt fifteen years would be an appropriate contract term.

Commissioner Kelley said the difference between a fifteen, twenty or twenty-five year contract period for the recipient is the longer the better. They have cheaper power and are able to spread the cost that they have to help carry over a longer period of time.

Ms. Harkins stated that new allottees will have five years to repay the repayable advances.

Commissioner Kelley asked whether the benefit is recognized after five years.

Ms. Harkins said yes.

Commissioner Kelley said thank you.

Commissioner Winterton moved for approval of a fifteen-year contract term for the allocation of Nevada's share of Hoover Schedule D electric power. The motion was seconded by Commissioner Sisolak and approved by a unanimous vote.

<p>F. <i>For Possible Action:</i> Consideration of and possible action to approve Amendment No. 3 to Contract No. SA-13-01 for Transmission and Distribution System Support Services between PAR Electrical Contractors, Inc. and the Commission.</p>
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Robert Reese, Assistant Director of Engineering and Operations, stated that the Commission owns, operates and maintains seventeen high-voltage transmission and distribution systems, which include the electric substations at the Basic Industrial Complex, and has executed contracts under which it provides operation and maintenance services for the ten electric substations owned by the Southern Nevada Water Authority (SNWA) and three owned by the Clark County Water Reclamation District (CCWRD).

The Commission's Power Delivery Group's currently has scheduled and upcoming work for SNWA and CCWRD which includes:

- Installation of temporary power to Saddle Island for SNWA's Lower Lake Level Pumping Station (L3PS) Project
- Supplying labor, equipment and materials to build a temporary 69/12kV substation for SNWA's L3PS Project
- Installing metering interconnection with the SNWA's solar installation project by the River Mountains Water Treatment Plant
- Installing a new bay, power circuit breaker, medium voltage cable and associated protection equipment at CCWRD's Advanced Wastewater Treatment Plant.

Experience has shown that most of the operation and maintenance functions that are performed regularly or on a frequent basis for SNWA, CCWRD and Basic can be performed efficiently and economically by Commission Staff. However, certain functions are performed more cost-effectively utilizing the services of support contractors. These functions 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) improvement or replacement projects that require a short-term increase in manpower and equipment.

SNWA and CCWRD have recently issued work requests to Staff to perform additional work in these types of functions on an expedited basis. The purpose of Contract Amendment No. 3 is to make it possible for Staff to perform this work on behalf of its customers in a timely fashion, utilizing PAR Electrical Contractors, Inc. (PAR), the one contractor already under contract with the Commission to perform this type of work.

The Commission approved the current contract with PAR in 2013 following a Request for Proposal (RFP) process. This contract is an enabling type contract that allows the Commission's operations and maintenance Staff to receive support from PAR on an as-needed basis, through the development and execution of written task authorizations. These task authorizations are project driven and subject to the Commission customers' requirements and deadlines. Mr. Reese noted that the Commission's customers often are not able to provide Staff with advance notice of upcoming projects.

Since 2013, PAR has proven that it is well qualified and fully capable of providing the support services necessary to the Commission's provision of electric facilities operation and maintenance. An example of recent work performed by PAR pursuant to task authorizations included the installation of new high-speed power circuit breakers and more sophisticated relay systems for SNWA's pumping plants 3, 4, 5 and 6.

Amendment No. 3 for Commission consideration today proposes to increase the contract amount by \$350,000.00 to a not-to-exceed total of \$1,250,000.00 over the term of the contract. The additional funds are needed to carry out the necessary services for SNWA, CCWRD and Basic. Staff recommended approval of this amendment.

In a related matter, Mr. Reese said that a RFP for Transmission and Distribution System Support Services was issued on October 5, 2015 to begin the process of selecting new contracts for these services. We hope there will be an increase in the number of successful vendors responding to the RFP so the Commission will have multiple companies to draw from for electric support services, and will bring the results of this RFP process to the Commission at a future meeting.

Chairman Ogilvie asked if this amendment had been discussed with SNWA and CCWRD.

Mr. Reese responded yes it has been discussed with them and yes they are supportive.

Mr. Reese noted that the RFP has been advertised on the Commission's website, the Nevada State Purchasing website, and in the newspaper. The RFP outlines the activities that we anticipate, and the qualification statements and requirements. We have received several requests for more information.

Commissioner Kelley asked if Mr. Reese felt that this process is broad enough for us to attract as many contractors as possible.

Mr. Reese said yes, in fact there have already been requests for more information from companies back East. He said he believed we are attracting the appropriate market of contractors. It is important to remember that we are not seeking a typical electrical contractor. There are few contractors that have the expertise and qualifications that we require.

Commissioner Sisolak asked what the closing date of the RFP was.

Mr. Reese responded December 5.

Commissioner Sisolak replied that is a long time. Is there a contact list that we e-mail these RFPs to?

Mr. Reese responded yes, we have a prequalified vendors list that we send packages out to.

Commissioner Sisolak asked who evaluates these RFP's when they come in. Who is on the Committee?

Mr. Reese replied a customer representative, a design engineer, and our Staff.

Commissioner Sisolak asked if the RFP is graded, voted on, or is there a matrix?

Mr. Reese replied there is a matrix that is used to grade the submittals.

Commissioner Sisolak asked if the evaluations are public after you are finished.

Mr. Reese replied that is correct.

Commissioner Sisolak stated he just wants to ensure that we get a diverse group of people grading these.

Mr. Reese responded we have a minimum of three people who facilitate this evaluation process, one from our customers, one from our design team, which will be someone from Burns and McDonnell, and one member from Commission Staff participate in evaluation of the submittals.

Commissioner Kelley moved for approval of Amendment No. 3 to Contract No. SA-13-01 for Transmission and Distribution System Support Services between PAR Electrical Contractors, Inc. and the Commission. The motion was seconded by Vice Chairwoman Premsrirut and was passed by a unanimous vote of those present. Commissioner Bateman was not present for the vote.

<p>G. <i>For Information Only:</i> Presentation of the Colorado River Commissions of Nevada Power Delivery Group's annual Safety Report.</p>

Robert Reese, Assistant Director of Engineering and Operations, provided a report on the following:

- Power Delivery Project Overview
- Power Delivery Funding Overview
- Power Delivery Project
- Safety
- 2014 APPA Safety Award
- Safety Training
- CPR/First Aid
- Monthly Safety Meetings
- Safety Priorities
- Procedures
- Personal Protective Equipment
- Operations Center
- Preventative Maintenance
- Hot Cleaning
- Testing
- Outside Resource
- Clark County Water Reclamation District
- Pumping Plant #3
- Boulder City Bypass Project
- Some of Our Wild Friends
- Scenic Side of CRC

Commissioner Bateman arrived at this time.

Commissioner Kelley commented how terrific it is that once the CCWRD facility was renovated the employees were able to move from Class 4 Personal Protective Equipment to a Class 0. Referring to Mr. Reese's videos of the Boulder City Bypass Project work, she asked where the helicopter company was based out of and commented that the precision used to set the tops on the transmission poles was phenomenal.

Mr. Reese replied they are a Phoenix based company and that is what they specialize in.

Commissioner Kelley did not have any questions, however she did compliment Mr. Reese and his team for the work they do and the impressive safety record.

Vice Chairwoman Premsrirut thanked Mr. Reese and his team as well and presented him with the 2014 Electric Utility Safety Award issued by the American Public Power Association.

Mr. Reese pointed out that in over seventeen years, even though the first two years are not taken into consideration for the safety program, there has not been a safety incident with Power Delivery Staff or any of our contractors.

Commissioner Sisolak requested a copy of the presentation.

A copy of the presentation is attached. (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, Natural Resource Group Analyst, provided a report on the following:

- Unregulated Inflow Into Lake Powell as of October 5, 2015
- Lake Powell Unregulated Inflow Water Year 2016 Forecast
- Storage Conditions as of October 5, 2015
- Reservoir Storage as of October 11, 2015
- Lake Powell Projections Reclamation's September 24 - month Study
- Lake Mead Projections Reclamation's September 24 - month study
- U.S. Drought Monitor West Released October 8, 2015
- U.S. Seasonal Drought Outlook Released September 17, 2015
- Precipitation – Colorado River Basin as of October 5, 2015
- Monthly Precipitation for September 2015
- Seasonal Precipitation, October 2014-September 2015
- Precipitation as McCarran International Airport January – September 2015
- Cumulative Precipitation at McCarran International Airport January – September 2015
- Las Vegas Average Temperature
- Water Use in Southern Nevada January – August 2015

Vice Chairwoman Premsrirut asked why the Lake Mead Projections are falling below the minimum probable.

Mr. Turkett replied the minimum and probable projections are done four times a year, with the last one being done in August. They put in projections into the model, but the last month has been slightly drier, so the projections input into the model for the most probable have been drier. That is why it is hugging pretty close to that line and the most minimum probable is based on the probabilities. It is a ten percent probability for the minimum probable and the ninetieth percentile for the most probable so there is a ten percent chance that the values will be exceeded.

Commissioner Kelley asked if there are any projections at this point on the impact that El Nino may have.

Mr. Turkett replied he has been doing a lot of reading on that and was going to include a slide, but it does not show much correlation in the Upper Basin. In California, and the Lower Basin, if there is a strong El Nino, we could see more precipitation. There is a ninety percent chance of the El Nino conditions continuing. He said he will include a slide on his next presentation showing the correlation of precipitation and water levels in El Nino years versus non-El Nino years.

Chairman Ogilvie requested a video of El Nino versus the Blob weather event off the Alaskan coast be circulated to the Commissioners.

A copy of the presentation is attached. (Attachment C)

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.)

Ed Uehling, representing himself, stated that SNWA is selling water for \$300 per acre-foot. The average prices that they charge users here in the valley is \$1,300 per acre-foot with some being charged as much as \$9,000 per acre-foot. The difference in water treatment is minimal, \$50 or something like that. They are getting \$45 million which they say is going to the rate payer which is absolutely absurd. They have raised their rates ten times in the past ten years. Huge raises and none of it has benefited the users, they are only asked for more money. It has benefited the employees and the bond holders tremendously. If this water were sold for a more reasonable price, say the \$1,300 per acre-foot, SNWA would receive \$135 million versus \$45 million. That could be used to pay for the pump in five years or for a lot of other things. If they sold it for the \$9,000 per acre-foot that some are charged, they would take in \$1.35 billion dollars. That would pay for three new stadiums, the new Las Vegas Convention and Visitor's Authority structure and the infrastructure that we need in the valley.

Chairman Ogilvie stopped Mr. Uehling and stated that he would have liked to have heard these comments before the Commission had voted as Mr. Uehling had valid input. Chairman Ogilvie stated that he agrees with Mr. Uehling and that he also had concerns; however this Board is entrusted with the resource as opposed to the cost of the resource. He did not raise any issue with Mr. Walch about how much SNWA is selling the water to MWD for because that is an SNWA issue. The Commission is charged with protecting the resource.

Mr. Uehling responded that if you drive through the Imperial Valley and the Palo Verde Valley that you can see the thousands of acres that are used to grow alfalfa and cotton, things that should not be farmed in the desert. 10,000 acres of land uses 50,000 acre-feet of water alone. MWD can make a deal with the Palo Verde District and let those farms fallow. You cannot do that, SNWA cannot do that, but MWD can. They are creating their own crisis, they get over 4 million acre-feet per year and most of it is wasted.

Commissioner Sisolak stated that if you read the agenda, this is the time for the public to comment and Mr. Uehling is well aware that this is limited to three minutes. This is not meant as an interaction between his opinion and what the opinion of the board was. So I think we need to clarify for the record where this is going.

Jennifer Crandell, Special Counsel, Attorney General, stated that you can limit public comments to three, five, or ten minutes, however long the Commission decides. The agenda says five minutes and then the Chairman Ogilvie may stop him when he wants.

Chairman Ogilvie asked Mr. Uehling to wrap up his comments.

Mr. Uehling continued, if the SNWA really wanted to save water and resource they would extend the tiers but they won't do that because they get political contributions from the golf course and very wealthy people that pour water on their lawns. They pick on politically weak groups and charge them these outrageous rates. The other is the evaporation issue. This is a totally phony issue and I am sure inaccurate data is being used. The highest I have heard of evaporation at the lake when it was full is between 300,000 and 400,000 acre-feet per year. The lake holds 27 million acre-feet take three percent of that and he is saying that if the lake is full we lose 810,000 acre-feet of water. That is absurd. By his theories then what we should do is not have any storage of water we should just have minimal storage and we should just take it out as it goes and then we should not have any evaporation so you save all this water. The notion that by loaning water you have more water in the end then you do in the beginning this is based on false information and this is typical of the half-truths that are perpetuated at the SNWA. Thank you.

Chairman Ogilvie thanked Mr. Uehling for his comments.

J. Comments and questions from the Commission members.

Ms. Crandell stated she has left a book for each of the Commissioners. The Attorney General has revised the Boards and Commission Manual and she wanted to make sure each Commissioner had a copy. There is training on the rules governing boards and commissions later this month. It would be great if the Commissioners are able to attend. Also included in the binder is the most recent version of the Open Meeting Law Manual that is produced by the Attorney General's office. She directed attention to section 5, regarding gatherings and communications among Commissioners. Usually when we are all in a room together we (the attorneys) usually keep you in line, but communication among yourselves and when you can do it and how you can do it is necessary to avoid problem. Serial communication has always been one of the biggest problems that the Attorney General gets complaints on. The Attorney General's office is the prosecutor for Open Meeting Law violations and this is the Attorney General's manual. It includes not only statutes but case law and Attorney General opinions on the Open Meeting Law. It is a great resource. The Attorney General is the prosecutor of violations and if we get a complaint, Ms. Crandell will be the person to defend you. She encouraged the Commissioners to look at section 5 in the Open Meeting Law Manual.

Chairman Ogilvie thanked Ms. Crandell for the binder. He asked if there are any other questions or comments from the Commissioners.

Commissioner Kelley thanked Mr. Walch for his presentation. She stated it was very informative. She was frustrated, however, that the Third Amended Operational Agreement was being presented to the Commission so late in the process. Many questions arose and she felt she was put in an uncomfortable position going into this meeting after what was clearly an enormous amount of work on the part of SNWA and many others. Commissioner Kelley stated she takes great pride in coming from southern Nevada and the conservation that we have done. She would like the Commission to be included in the process a little earlier. She would have hated to delay this because of questions, since California wants the water by the end of the year. It just does not

seem productive in terms of supporting the good work that is trying to be done. If in the future we could remedy that, it would be really helpful. Thank you Mr. Chairman.

K. Selection of the next possible meeting date.

The next meeting is tentatively scheduled for 1:00 p.m. on Tuesday, November 10, 2015, at the Clark County Commission Chambers, 500 South Grand Central Parkway, Las Vegas, Nevada.

L. Adjournment.

The meeting adjourned at 3:00 pm.

Jayne Harkins, P.E., Executive Director

APPROVED:

George F. Ogilvie III, Chairman