

The meeting was held at 1:00 p.m. on Tuesday, November 8, 2016, at the Grant Sawyer State Office Building, 555 East Washington Avenue, Room 4401, Las Vegas, Nevada.

COMMISSIONERS IN ATTENDANCE

Chairwoman	Puoy K. Premsrirut
Vice Chairman	Duncan R. McCoy
Commissioner	Kara J. Kelley
Commissioner	Cody T. Winterton

COMMISSIONER PARTICIPATING BY TELECONFERENCE

Commissioner	Daniel H. Stewart
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COMMISSIONERS NOT IN ATTENDANCE

Commissioner	Marilyn Kirkpatrick
Commissioner	Steve Sisolak

DEPUTY ATTORNEYS GENERAL

Special Counsel, Attorney General	Jennifer T. Crandell
Special Counsel, Attorney General	Christine Guerci-Nyhus

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 Resources Program Manager	Angela K. Slaughter
Natural Resource Analyst	Peggy Roefer
Natural Resource Analyst	Warren Turkett, Ph.D.
Senior Accountant	Gail L. Benton
Office Manager	Judy K. Atwood
Administrative Assistant III	Kristina Perry
Administrative Assistant II	Gina Goodman
Administrative Assistant II	Alison M. Otero

OTHERS PRESENT; REPRESENTING

Consultant, Colorado River Commission	Sara A. Price, Esq.
Overton Power District No. 5	Mendis Cooper
Overton Power District No. 5	Scott Fullman

OTHERS PRESENT; REPRESENTING (CONTINUED)

Overton Power District No. 5
Overton Power District No. 5
Southern Nevada Water Authority
Tronox, LLC

Lorrie Laird
Merlin Wollenzien
Jordan Bunker
John Holmstrom

**COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF NOVEMBER 8, 2016**

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The Colorado River Commission meeting was called to order by Chairwoman Premsrirut at 1:00 p.m. followed by the Pledge of Allegiance.

A. Conformance to Open Meeting Law.

Executive Director Jayne Harkins confirmed that the meeting was in compliance with the Open Meeting Law. Commissioner Stewart was present via teleconference.

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

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

C. For Possible Action: Approval of minutes of the September 13, 2016 meeting.

Vice Chairman McCoy moved for approval of the minutes. The motion was seconded by Commissioner Winterton and approved by a unanimous vote.

D. For Possible Action: Consideration of and possible action to set the amount of collateral the Colorado River Commission of Nevada's (Commission's) retail industrial customers are required to post for Calendar Year 2017 pursuant to their contracts with the Commission.

NRS 538.181(2) and NAC 538.744 require that certain power customers of the Commission provide an indemnifying bond or other collateral "in such sum and in such manner as the Commission may require, conditioned on the full and faithful performance" of their power contracts. Accordingly, each contract by which the Commission sells power to the retail customers who are subject to the requirements of this statute contains provisions for collateral in the form of a letter of credit, cash deposit or other approved collateral.

NAC 538.744 requires the Commission to conduct an annual review of the creditworthiness of its retail industrial customers during October of each operating year. Based on that review, the Commission establishes the amount and prescribes the manner in which the customer is required to furnish collateral pursuant to its contracts with the Commission.

NAC 538.744(3) provides that "[i]n no case will the amount of collateral established by the Commission be less than one-fourth of the contractor's gross annual purchases" and, provides further that the amount of the required collateral may be greater than this minimum where necessary to protect the State of Nevada from potential loss. "Gross annual purchases" is defined in the regulation as "the total amount of a contractor's actual purchases of power, transmission and other related services, if any, under all its contracts with the Commission, invoiced by the Commission during the test period," that is, "the 12 consecutive months immediately preceding the month containing the date of review." Given the present date of

review as October 1, 2016, the test period runs from October 1, 2015, through September 30, 2016.

To determine the collateral required of each industrial customer for Calendar Year 2016, 25 percent of each customer’s Adjusted Gross Annual Purchases during the test period, October 1, 2015, through September 30, 2016 was calculated by the Staff. This calculation reflected actual purchases during the test period with adjustments for prior year reconciliations, and adjustments, including interest for those customers who provide cash collateral in the prior period. Staff also continuously monitors the payment history, stock value and credit rating of the affected customers and reviews the financial press for information that may be of value in determining their credit risk.

During the test period there are two specific items that are the impetus for Staff’s recommended changes in collateral requirements for Calendar Year 2017:

- 1) Lhoist has submitted several late payments. Staff is working with Lhoist to resolve their payment processing problems. Due to the number of late payments, Staff recommends that Lhoist, be required to provide their collateral to the Commission in the form of cash for Calendar Year 2017.
- 2) American Pacific Corporation’s (AMPAC’s) entire power and other contract costs for Fiscal Year 2017 have been laid off to, and assumed by, Valley Electric Association, Inc. (VEA). Because AMPAC will not be purchasing any power, and their current obligations have been assumed by VEA, Staff recommends that AMPAC’s collateral requirement be reduced to \$0.00 for Calendar Year 2017. Based on the Commission’s regulations, VEA is not required to post collateral.

Based on its evaluation of this data, Staff has concluded that the creditworthiness of these customers warrants a recommendation that the Commission adjust and set the respective amounts of the required collateral as reflected below:

Customer	Adjusted Gross Annual Purchases* 10/1/15 through 9/30/16	Proposed Collateral 25% of previous column	Present Collateral	Increase or Decrease Of Present Collateral	Proposed Type Of Collateral
American Pacific Corporation^{2,4}	\$1,238,135.12	\$0.00⁴	\$772,169.97	(\$772,169.97)	
Basic Water Company^{1,2}	\$720,317.62	\$180,079.41	\$236,944.10	(\$56,864.69)	Letter of Credit or Cash
Lhoist North America, Inc.^{2,3}	\$72,256.32	\$18,064.08	\$17,305.32	\$758.76	Cash Only
Tronox, LLC²	\$2,032,648.47	\$508,162.12	\$550,515.18	(\$42,353.06)	Letter of Credit or Cash
Olin Chlor Alkaline Products^{1,2}	\$3,109,446.07	\$777,361.52	\$2,260,931.60	(\$1,483,570.08)	Letter of Credit or Cash
Titanium Metals Corporation²	\$8,532,595.69	\$2,133,148.92	\$2,841,318.43	(\$708,169.51)	Letter of Credit or Cash
Total	\$15,705,399.29	\$3,616,816.05	\$6,679,184.60	(\$3,062,368.55)	

*The "Gross Annual Purchase" is based on the total Monthly Invoices plus the total Parker-Davis Advance Fund Invoices and then adjusting for the following:

- 1) Cash collateral adjustments and interest credits added back in.
- 2) Adjusted for prior years reconciliations.
- 3) Total amount of collateral to be provided in cash.
- 4) Entire FY2017 power charges have been assumed by VEA.

Craig Pyper, Hydropower Program Manager, explained that the Commission conducts annual reviews of commercial customer creditworthiness in accordance with NRS 538.181 and NAC 538.744. The minimum collateral amount of 25% of Adjusted Gross Annual Purchases, as required by regulation, for the industry customers was calculated and deemed to be appropriate. This collateral amount could be satisfied with either cash or a letter of credit with the exception of two customers:

1. Lhoist has submitted several late payments, and while they are working with the Commission to resolve payment issues, it is the recommendation that a cash-only collateral be required for 2017.
2. American Pacific Corporation's (AMPAC's) entire contract and outstanding obligation was assumed by Valley Electric Association, Inc. (VEA). Because AMPAC will no longer purchase power in 2017 and because VEA is exempt from having to provide collateral, the collateral should be lowered to \$0.00.

Mr. Pyper asked the Commission to authorize the recommended changes to the required collateral.

Commissioner Kelley asked if Lhoist was aware of the change and if there was any comment received back from the customer.

Mr. Pyper responded in the negative.

Vice Chairman McCoy asked if Lhoist did not use the cash collateral during this upcoming year does it roll into future years.

Mr. Pyper responded that upon review next year, if the requirements remain the same (percentage of purchase) and Lhoist is in better financial standing with the Commission that the cash could be reimbursed to the customer and the obligation be satisfied with a letter of credit.

Chairwoman Premsrirut asked if we have had customers with late payments before.

Mr. Pyper responded that the Commission has seen an increase in late payments. Staff is reviewing late payment processes to address this issue.

Chairwoman Premsrirut further asked what would happen if Lhoist rejects the cash collateral requirement.

Mr. Pyper responded that it is part of the statute that Lhoist meet this obligation. It is required by law.

Chairwoman Premsrirut asked if the Commission had the authority to make the “no collateral” decision regarding AMPAC.

Christine Guerci-Nyhus, Special Counsel, Attorney General, answered yes.

Commissioner Kelley moved for approval to set the amount of collateral the retail industrial customers are required to post for Calendar Year 2017 pursuant to their contracts with the Commission. The motion was seconded by Commissioner Winterton and approved by a unanimous vote.

E. *For Information Only: Update on the reallocation process.*

Ms. Harkins provided an update on the reallocation process after providing background on the topic. Earlier this year, the American Pacific Corporation (APC) declined the Commission’s offer for a 50-year contract for Hoover power. APC also requested the Commission lay-off their power and transmission from the Salt Lake City Area Integrated Project (SLCAIP) (Glen Canyon Dam), and the transmission from the Parker-Davis project as well as reallocate these resources.

Since April, the Commission monthly laid off the energy from APC’s Hoover and SLCAIP contracts. Beginning October 1, 2016 through September 30, 2017, Valley Electric Association, Inc. (VEA) has agreed to take and pay for all of APC’s energy from both contracts as well as all of the Parker-Davis transmission. While APC’s energy and transmission are laid off to VEA, the Commission has started the process to reallocate these resources.

It should be noted that NRS 704.787 limits the customers the Commission can contract with for federal hydropower. Eligible entities for APC’s Hoover, SLCAIP and Parker-Davis Project resources are limited to the Commission customers as defined in NRS 704.787 (a) and (b).

Under the Commission’s regulations NAC 538.455, a public process is laid out to allocate power that is not contracted for or an entity has turned back. Below is the current timeline and process the Commission will be following:

November 1, 2016	Draft Notice and Draft Application Form available for Comment
November 10, 2016	Public Information Meeting
November 17, 2016	Comments on Draft Notice and Draft Application Form Due
January 10, 2017	Commission Review and Approve Notice, Criteria and Application Form
January 11, 2017	Commission Issues Approved Notice and Application Form
February 13, 2017	Applications Due
March 2, 2017	Draft Order with Staff Recommendations for Public Review
April 11, 2017	Draft Order Presented for Commission approval

F. *For Information Only: Annual update of Power Delivery Project.*

Robert Reese, Assistant Director of Engineering and Operations, presented the annual update of the Power Delivery Group (PDG). A copy of the presentation is attached and made part of the minutes. (See Attachment A)

Mr. Reese thanked the Commissioners for instilling and creating the safety culture within the PDG and listed the numerous safety programs that are ongoing to protect the PDG staff.

Commissioner Kelley commented on the complexity of the management of the facilities, and in particular, with regards to safety. The Commissioner encouraged her fellow Commissioners to go on a tour of the facilities if given the opportunity. Commissioner Kelley then asked how many technicians worked on the 365/24-7 effort.

Mr. Reese responded seven and then echoed her encouragement for the other Commissioners to tour the facilities.

Chairwoman Premsrirut praised Mr. Reese on the PDG's safety record and presented the team with a safety award – American Public Power Association 2015 Electric Utility Safety Award of Excellence.

G. *For Information Only: Status update on the hydrologic conditions, drought, and climate of the Colorado River Basin, Nevada's consumptive use of Colorado River water, and other developments on the Colorado River.*

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

- Unregulated Inflow & Storage as of November 7, 2016
- Lake Powell Projections based on October 2016 24-Month Study
- Lake Mead Projections based on October 2016 24-Month Study
- Precipitation – Above Lake Powell October Precipitation/Water Year Precipitation
- Colorado Basin River Forecast Center – Lake Powell 104 Group
- Water Use in Southern Nevada as of January – September 2016
- Hydropower Capacity

Dr. Turkett said the Water Year ended in September, 2016. The first month into the 2017 Water Year is already below last year's first month. Temperatures have also been above average versus the previous Water Year. There was an increase in Lake Mead elevation which increased the Hydropower Capacity by 13MW.

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

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

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

I. Comments and questions from the Commission members.

Chairwoman Premsrirut 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 is tentatively scheduled for 1:00 p.m. on Tuesday, December 13, 2016, at the Clark County Government Center, 500 South Grand Central Parkway, Las Vegas, Nevada.

K. Adjournment.

The meeting adjourned at 1:37 p.m.

Jayne Harkins, P.E., Executive Director

APPROVED:

Puoy K. Premsrirut, Chairwoman