

The meeting was held at 1:00 p.m. on Tuesday, December 9, 2014 at the Clark County Commission Chambers, 500 South Grand Central Parkway, Las Vegas, Nevada.

COMMISSIONERS IN ATTENDANCE

Vice Chairman
Commissioner
Commissioner
Commissioner
Commissioner
Commissioner

Berlyn D. Miller
Bob Coffin
J. Brin Gibson
Duncan R. McCoy
Puoy K. Premsrirut
Steve Sisolak

COMMISSIONER NOT IN ATTENDANCE

Chairman

George F. Ogilvie III

DEPUTY ATTORNEYS GENERAL

Special Counsel, Attorney General
Special Counsel, Attorney General

Jennifer T. Crandell
Ann C. Pongracz

COMMISSION STAFF IN ATTENDANCE

Executive Director
Chief of Finance and Administration
Assistant Director of Engineering and Operations
Assistant Director of Energy Services
Manager, Hydropower Program
Natural Resource Analyst
Natural Resource Analyst
Senior Accountant
Senior Energy Accountant
Senior Energy Accountant
Office Manager
Administrative Assistant III
Administrative Assistant II

Jayne Harkins, P.E.
Douglas N. Beatty
Robert D. Reese
Gail A. Bates
Craig N. Pyper
Jason L. Thiriot
Warren Turkett
Gail L. Benton
Richard M. Sanders
Kalora E. Snyder
Judy K. Atwood
Carol Perone
Carla Miguel

OTHERS PRESENT; REPRESENTING

City of Las Vegas
Consultant
Fairchild Consulting Company
NV Energy
Overton Power District No. 5
Southern Nevada Water Authority
W.F.I. / W.A.M.

Nichole Malichky
Sara A. Price, Esq.
Sandra Fairchild
Chelsie Campbell
Mendis Cooper
Jordan Bunker
Sam Routson

**COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF DECEMBER 9, 2014**

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OF NEVADA
MEETING OF DECEMBER 9, 2014**

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The Colorado River Commission meeting was called to order by Vice Chairman Miller at 1:03 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.

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.)

Vice Chairman Miller asked if there were any comments from the public. There were none.

C. For Possible Action: Approval of minutes of the November 13, 2014 meeting.

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

D. For Possible Action: Consideration of and possible action to approve, in materially the same form, the Memorandum of Understanding among the United States of America, through the Department of the Interior, Bureau of Reclamation; the Central Arizona Water Conservation District; the Metropolitan Water District of Southern California; the Southern Nevada Water Authority; the Arizona Department of Water Resources; the Colorado River Board of California; and the Colorado River Commission of Nevada, for Pilot Drought Response Actions.

Sara A. Price, Consultant, gave a summary of the Memorandum of Understanding (MOU). A copy of the slide presentation is attached and made a part of the minutes. (See Attachment A.)

Ms. Price stated that the MOU is an agreement among the Bureau of Reclamation (Reclamation); the Colorado River Lower Basin States (Nevada, through the Colorado River Commission of Nevada; Arizona, through the Arizona Department of Water Resources; and California, through the Colorado River Board of California, collectively “Lower Division States”); and Lower Basin municipal water agencies (the Southern Nevada Water Authority (SNWA), Central Arizona Water Conservation District (CAWCD), and Metropolitan Water District of Southern California (MWD), collectively “Municipal Water Agencies”) to develop voluntary drought response actions to protect against Lake Mead reaching critical reservoir elevations. The MOU is the culmination of numerous Lower Basin Colorado River meetings held at the behest of the Secretary of the Interior to address potential catastrophic impacts as a result of 15 years of historic drought. The Colorado River Basin drought has caused dramatic drops in elevation in Lakes Mead and Powell. Colorado River System modeling projections continue to show risks of further elevation declines, potentially low enough to trigger shortage conditions in Lake Mead operations (as set forth in the 2007 Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead (2007 Guidelines)), as well as to indicate negative impacts to hydropower resources and a threatened ability to draw or benefit from Colorado River water.

While the Municipal Water Agencies have made major funding investments to conserve Colorado River water and have succeeded in significantly reducing the consumptive use of water in each of their municipal service areas, the need to provide additional water to Lake Mead to avoid reaching critical reservoir conditions remains vital. This motivated Reclamation, the Municipal Water Agencies and Denver Water District to recently enter into an agreement and fund \$11,000,000 for a System Conservation Pilot Program to encourage qualified water users to voluntarily reduce their Colorado River water use (“Agreement for a Pilot Program for Funding the Creation of Colorado River System Water Through Voluntary Water Conservation and Reductions in Use”, dated July 30, 2014) and to commit this water to Lake Mead as system water.

The MOU marks the next step in drought contingency planning. The parties have been working together collaboratively over the last year to identify and develop voluntary proactive measures to help facilitate long-term supply and demand sustainability in the Lower Basin. The main component of this effort is to provide additional quantities of water stored in Colorado River reservoirs, particularly Lake Mead, to reduce the risk of Lake Mead reaching critically low reservoir elevations. These additional quantities of water are referred to as “Protection Volumes.” Reclamation, the Lower Division States, Municipal Water Agencies and other water users identified the goal of developing between 1.5 and 3.0 million acre-feet of Protection Volume between 2014 and 2019 to leave in the system.

The MOU, entered into by Reclamation, the Municipal Water Agencies and the Lower Division States (collectively “Participants”), reflects a commitment by Reclamation and the Municipal Water Agencies, in collaboration with the Lower Division States, to use their best efforts over the next few years to take the first step toward meeting the Protection Volume goal. Accordingly, the following Protection Volumes have been assigned and may be met through new methods or programs, or expansion, addition or changes to existing methods or programs:

SNWA:	45,000 acre-feet
CAWCD:	345,000 acre-feet
MWD:	300,000 acre-feet
Reclamation:	50,000 acre-feet

The MOU further provides a number of triggers for Reclamation and the Municipal Water Agencies to consult with the Lower Division States: (1) annually to discuss actions taken by Reclamation and the Municipal Water Agencies over the course of the year; (2) by August 2016 to discuss expanding activities to meet the full Protection Volume goal by 2020 and to address long-term sustainability of the River and flexibility for water users during low reservoir conditions; and (3) whether modeling projections indicate a drop in Lake Mead elevation to 1060 feet or a rise in elevation to 1105 feet.

It is the hope of the MOU Participants that consensus may continue to be developed, and activities expanded, particularly by other Colorado River water users, so that ultimately the sustainability of this very important water resource will be safeguarded. Thus, Staff recommends the Commission approve, and authorize its Executive Director to execute, in materially the same form, the Memorandum of Understanding.

Vice Chairman Miller asked what CAWCD had done in the past in terms of creating water savings.

Ms. Price replied that she was unsure of the method used in achieving the water savings but surmised that efficiency was the key. She added that the CAWCD is spending a lot of money to develop alternative resources to use of the Colorado River. Ms. Price said that she would be happy to research further and provide the Commission the details.

Vice Chairman Miller said that he was curious to know Arizona's records and accomplishments in conserving water compared to California and Nevada.

Ms. Price said that California undeniably puts much effort in conserving water, and Arizona is seriously battling the issue since it is Arizona who will take the first hit in shortage. It has been a long-term effort for both Arizona and Nevada in trying to address the issue over the last twenty years.

Vice Chairman Miller inquired about the \$11 million and the participation of the Denver Water District in the program.

Ms. Price said the \$11 million was intended to improve system water for everybody's benefit. She explained further that the System Conservation Pilot Program (Pilot Program), which is jointly funded by Reclamation, SNWA, MWD, and CAWCD, aims to create funding incentives for new additional water opportunities. Ms. Price added that the Pilot Program applies in both the Upper and Lower Basins. She said that Denver Water District, which is in the Upper Basin, is still working on the procedural details of the program, while the Lower Basin program is making more progress at this time. Reclamation, which is the contracting entity, has already received and is now reviewing with Denver Water District, responses on the pre-proposal letters.

Vice Chairman Miller asked if Denver Water District, which is in the Upper Basin, sees the urgency of conserving water the same way as the States in the Lower Basin.

Ms. Price replied that there are ongoing Upper Basin efforts similar to the efforts indicated in the MOU. While the Upper Basin is still developing details of its programs, its efforts mostly focus on managing and maximizing reservoirs. The Upper Basin, which is very much a part of this contingency planning, is collaborating its efforts with the Lower Basin.

Ms. Harkins added that the Upper and Lower Basins have been trying to keep Lake Powell and Lake Mead protected from the critical reservoir elevation. The Upper Basin has been looking to maintaining the critical reservoir elevation in Lake Powell, with hydropower elevation as its more critical elevation. The Lower Basin is doing the same on Lake Mead.

Commissioner Coffin asked about California's plan for the residential or domestic use of water. He commented that while the water regulators were aware of the residential or domestic use, the consumers were not.

Ms. Price said that since MWD recognizes the concern for residential or domestic delivery, more education on the domestic component may be in the offing. There have been a lot of agricultural water transfers to municipalities in the past fifteen or twenty years. The level of concern in California is reaching a level that needs to be addressed. Ms. Price added that she thinks California consumers are becoming more aware of the concern on a daily basis.

Commissioner Gibson stated for the record that he felt that the project was a wonderful development. And he added that he thought it was not enough in the end; but, he wanted to applaud the people involved and the good negotiations that have happened so far.

Ms. Price said that it is indeed an important step. She added that it is only one step in a series of steps that the Commission would continue to see over the future years.

Commissioner Coffin moved for approval of the Memorandum of Understanding among the United States of America, through the Department of the Interior, Bureau of Reclamation; the Central Arizona Water Conservation District; the Metropolitan Water District of Southern California; the Southern Nevada Water Authority; the Arizona Department of Water Resources; the Colorado River Board of California; and the Colorado River Commission of Nevada, for Pilot Drought Response Actions, and authorize its Executive Director to execute, in materially the same form, the Memorandum of Understanding. The motion was seconded by Commissioner McCoy and approved by a unanimous vote.

E. *For Possible Action:* Consideration of and possible action to authorize the Executive Director to take all appropriate steps to pursue legislative action on proposed Bill Draft Request No. 31-359.

Vice Chairman Miller stated that Item E had been removed from the Agenda to allow the Staff to do further research and due diligence on it.

F. *For Possible Action:* Consideration of and possible action to approve the first amendment to Contract Number 13978 between Fairchild Consulting Group, Inc. and the Colorado River Commission of Nevada (Commission) for Administrative Support Services for Hydropower Department allocations and contracting.

Craig N. Pyper, Hydropower Program Manager, provided a summary on the Fairchild Consulting Group, Inc. (Fairchild) contract and the service provided to the Hydropower Department, specifically the Hoover power allocation process.

The passage of the Hoover Power Allocation Act of 2011 created a mandate for the Commission to allocate Hoover Schedule D power to new customers in Nevada. This allocation process has entailed detailed and extensive regulatory and public processes that the Commission had not recently experienced and for which the Commission is not staffed. In 2012, Staff reviewed the personnel required to continue to provide normal services to our existing Hydropower customers as well as fulfill our statutory Trust duties in the State in the new allocation process and found

that an additional staffing resource was needed. In November 2012, the Commission approved a contract with Fairchild for administrative support services. The original contract was for a term of three years with a not-to-exceed amount of \$125,000.00.

Fairchild has provided much needed support for the Commission's efforts to revise our Regulations to allow the Commission to allocate the new Hoover Schedule D power and to approve the Commission's new Hoover Schedule D allocation criteria. Fairchild continues to be an invaluable part of the Hoover Allocation Team and to support the Hydropower Department's administrative staff.

After a review of the work completed to date, it was apparent that the amount of work Staff needed Fairchild to perform was well in excess of what Staff originally estimated. Over the past two years Staff learned that these processes involve much more work than originally estimated. Therefore, Staff revisited its 2012 work estimates and revised the scope of work to include the additional duties that it needs Fairchild to perform if Staff is to be able to complete the allocation process and to complete new contracts for Hoover Schedule D power and other post-2017 Hoover power contracts.

Mr. Pyper stated that the proposed contract amendment would amend this contract's scope of work to add additional services related to support for development, negotiation and finalization of hydropower contracts, extend the contract term for an additional year through January 8, 2017, and increase the amount of the contract by \$131,000.00 for a new not-to-exceed amount of \$256,000.00. The hourly compensation has not changed from the original \$95.00 per hour.

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

Commissioner Sisolak commented that with the figures presented on the report, it seemed to be a full-time salaried position.

Mr. Pyper replied that Ms. Fairchild has, at times, worked on the Hoover allocation process for as much as two to three straight weeks, eight hours a day. She also has also travelled with the Hoover Allocation Team for public meetings in Overton and Pahrump, Nevada. Mr. Pyper also stated that Ms. Fairchild's support duties on the Hoover allocation process is expected to end by the time new contracts have been finalized with all of the customers receiving allocations from the Western Area Power Administration (Western) and the Commission.

Commissioner Sisolak asked how this position would compare to adding in-house staff to do the duties.

Mr. Pyper said that the position's duties would drop off after the process in 2017. He added that this work is not anticipated to continue once the new contracts are executed.

Ms. Harkins added that the need for the consultant's administrative functions is quite unique since Fairchild's work is dedicated to the Hoover allocation process, mainly for public meetings. When the allocation process is done and with the new contracts in place by 2017, this public process will not be needed for another fifty years; thus, these specific administrative functions will no longer be needed.

Commissioner Sisolak inquired about Ms. Fairchild's background.

Ms. Fairchild, President of Fairchild Consulting Group, Inc., detailed the background of her company and her own professional background. She said she is a hydrologist by training, and that she worked for environmental consulting companies prior to establishing her own company in 2012. Ms. Fairchild added that she has a solid background working in transmission, power and water utilities.

Commissioner Sisolak asked if Ms. Fairchild has ever worked in-house for a water agency, a utility company, or a public entity.

Ms. Fairchild replied that she had not.

Commissioner Gibson stated for the record that he is grateful for the Staff to have found somebody qualified to do the work who lives in Nevada.

Vice Chairman Miller commented that he thought Commissioner Gibson and Commissioner Sisolak would particularly be delighted that the Commission is using a local company.

Commissioner Sisolak said that he was indeed pleased to have somebody from Henderson doing the work; but wanted to make sure that the company was not a retirement entity, doing double-dipping.

Commissioner McCoy asked if the Commission would be adequately staffed to perform the workload of servicing the new accounts after the preliminary allocation processes.

Ms. Harkins replied that after the Hoover allocation process, with all the new contracts in addition to the agency's existing customers, there would definitely be a need for more staff to manage the scheduling, billing, and accounting aspect of the Hoover power.

Mr. Pyper added that Hydropower Department is currently understaffed, with only three people and administrative support. He pointed out that the request for additional staff is already included on the budget that was previously presented to and approved by the Commission.

Commissioner Coffin asked if there are enough salary savings to absorb the cost of this amendment.

Mr. Pyper replied affirmatively, pointing out that the administrative costs are being passed on to the customers who are very well informed of the costs.

Commissioner Coffin moved for approval of the first amendment to Contract Number 13978 between Fairchild Consulting Group, Inc. and the Colorado River Commission of Nevada (Commission) for Administrative Support Services for Hydropower Department allocations and contracting. The motion was seconded by Commissioner Gibson and approved by a unanimous vote.

G. For Information Only: Status update on Staff's implementation of the provisions in the Hoover Power Allocation Act of 2011 (H.R. 470) passed by Congress.

Craig Pyper, Hydropower Program Manager, provided a status update on Staff's implementation of the provisions in the Hoover Power Allocation Act of 2011 (H.R. 470) passed by Congress.

Three public meetings on the final allocation criteria for marketing Nevada's share of Hoover Schedule D power and application were held on December 4 and 5, 2014 in Overton, Pahrump, and Las Vegas, Nevada. A total of 16 people from various entities, including a staff member from a Nevada congressional office attended the meetings. Mr. Pyper stated that the call for applications has been posted and explained. Applications are due at the Commission's office by January 9, 2015. Staff plans to present the draft order setting forth proposed allocations at the April Commission meeting. Western is also expected to announce the result of its allocation process by the end of this month. In January 2015, Western is anticipated to call for a meeting of all of the current customers, as well as the potential new customers to start discussing the Hoover contract.

Vice Chairman Miller thanked Mr. Pyper for the update.

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
- Storage Conditions
- Reservoir Storage as of December 5, 2014
- Lake Powell End of Month Elevations based on November 2014 24-month study
- Lake Mead End of Month Projections based on November 2014 24-month study
- Precipitation – Colorado River Basin as of December 1, 2014
- U.S. West Drought Monitor
- U.S. Seasonal Drought Outlook
- Monthly Precipitation for November 2014
- Seasonal Precipitation for October 2014 - November 2014
- Monthly Precipitation, Las Vegas, NV as of November 30, 2014
- Cumulative Precipitation, Las Vegas, NV as of November 30, 2014
- Water Use in Southern Nevada, January 2014-October 2014
- Nevada Consumptive Use 2013-2014

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

Commissioner Sisolak commented that while he appreciates the graphs, he wanted to clarify usage of the terms "minimum probable" and "maximum probable".

Mr. Turkett replied that Reclamation has three different modeling runs. The maximum probable scenario uses a large unregulated inflow input in the model that would be exceeded only 10% of the time, and the minimum probable scenario uses an unregulated inflow that would be exceeded 90% of the time. The minimum and maximum model runs are used to show the statistical bounds that could occur during the next 24 months. The most probable scenario uses current forecasts and is the best estimate of future reservoir conditions.

Commissioner Premssrirut said that the most probable line seems to hug the minimum probable line versus gravitating towards the maximum probable. She asked if the conditions are so attenuated to affect the probability.

Mr. Turkett said that it was mainly due to the hydrology that we are anticipating to see. He added that the amount of inflow also matters on the elevation. Both the most probable and the minimum probable have a nine-million acre-foot release from Lake Powell. The only real difference between the two probabilities is that some of the side inflows have less input in the model; however, both of them are affected by the water leaving Lake Powell. Mr. Turkett also said that the most probable is the most accurate forecast for the next 24 months. In the past the maximum probable is shown usually a lot higher than expected, because it is based on the high end of what has been observed in the past.

Commissioner Sisolak asked if it would be possible to get a cloud seeding report that SNWA used to provide on their Board briefings.

Mr. Turkett replied that Wyoming is working on a report that is expected to come out this week. He said that he would be glad to provide the Commission information once the report is received and reviewed.

Commission Coffin commented that he had been watching cloud seeding for over thirty years and expected that with the Desert Research Institute's (DRI) foundation of knowledge, we should have a measurable result.

Ms. Price said that aside from the extended reservoir operations, there has also been a weather development and modification program. She said that it would really be interesting to see what DRI would ultimately develop.

Vice Chairman thanked Mr. Turkett for the status update.

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.)

Vice Chairman Miller asked if there were any other comments or questions from the public. There were none.

J. Comments and questions from the Commission members.

Vice Chairman Miller asked if there were any comments or questions from the Commission members.

Commissioner Gibson announced his departure from the Commission and his acceptance of a position with the Office of the Attorney General. He thanked Governor Sandoval for the opportunity to serve Nevada, and the members of the Commission with whom he had the privilege to work with. Commissioner Gibson also thanked and appreciated the Staff's hard work and professionalism.

Commissioner Coffin in return thanked Commissioner Gibson for his service and for serving Nevada. He commended Commissioner Gibson for taking the position with the State as his skills in Southern Nevada water issues would tremendously help the Attorney General.

Vice Chairman Miller commented that he agreed on the selection of Commissioner Gibson for the position.

Commissioner Sisolak echoed the same words of thanks and appreciation on Commissioner Gibson's service, adding that it had been a great pleasure to work with him.

Commissioner McCoy expressed his congratulations and gratefulness for having Commissioner Gibson on the Commission. He also said that the State of Nevada is very fortunate to have Commissioner Gibson.

K. Selection of the next possible meeting date.

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

L. Adjournment.

The meeting adjourned at 1:53 p.m.

Jayne Harkins, P.E., Executive Director

APPROVED:

George F. Ogilvie III, Chairman