

The Colorado River Commission of Nevada meeting was held at 1:30 p.m. on Tuesday, September 11, 2018 at the Grant Sawyer State Office Building, 555 East Washington Avenue, Suite 4412, Las Vegas, Nevada.

COMMISSIONERS IN ATTENDANCE

Chairwoman	Puoy Premsrirut
Vice Chairwoman	Kara J. Kelley
Commissioner	Marilyn Kirkpatrick
Commissioner	John F. Marz
Commissioner	Steve Sisolak
Commissioner	Dan H. Stewart

COMMISSIONER(S) NOT IN ATTENDANCE

Commissioner	Cody Winterton
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DEPUTY ATTORNEY(S) GENERAL

Special Counsel, Attorney General	Jennifer Crandell
Special Counsel, Attorney General	Christine Guerci

COMMISSION STAFF IN ATTENDANCE

Executive Director	Jayne Harkins, P.E.
Deputy Executive Director	Eric Witkoski
Chief of Finance and Administration	Douglas N. Beatty
Assistant Director of Engineering and Operations	Robert D. Reese
Assistant Director of Energy Services	Gail Bates
Manager, Hydropower Program	Craig N. Pyper
Natural Resources Program Manager	Angela K. Slaughter
Natural Resource Analyst	Peggy Roefer
Senior Energy Accountant	Gail L. Benton
Assistant Director of Energy Information Systems	Kaleb Hall
Office Manager	Gina L. Goodman
Administrative Assistant IV	Katie Aguilar
Administrative Assistant IV	Kira Bakke
Administrative Assistant III	Kristina Perry

OTHERS PRESENT; REPRESENTING

EMD Acquisition, LLC	Jack Luna
EMD Acquisition, LLC	John Holstrom
EMD Acquisition, LLC	William Golden
Nevada Division of Environmental Protection	James Dolchin
Nevada Division of Environmental Protection	Jeffrey Kinder
Overton Power District #5	MeLisa Garcia
Overton Power District #5	Randall Ozaki
Overton Power District #5	Terry Romero
Southern Nevada Water Authority	Jordan Bunker
Valley Electric Association	Angela Evans

**COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF SEPTEMBER 11, 2018**

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COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF SEPTEMBER 11, 2018

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The Colorado River Commission of Nevada meeting was called to order by Chairwoman Premsrirut at 1:32 p.m. followed by the pledge of allegiance.

A. Conformance to Open Meeting Law.

Executive Director Jayne Harkins, P.E. confirmed that the meeting was posted 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 will 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 July 10, 2018 meeting.

Commissioner Stewart moved for approval of the minutes. The motion was seconded by Vice Chairwoman Kelley and approved by a unanimous vote.

D. For Possible Action: Public Hearing for the Allocation of Salt Lake City Area Integrated Projects (SLCAIP) Hydropower Post-2024 including the consideration of and possible action to approve, modify or reject, in whole or in part, the proposed Draft Order dated August 21, 2018, setting forth the recommended allocations of the hydropower resource.

Assistant Director of Energy Services Gail Bates gave a presentation on the background of the Public Hearing. The Commission's current contracts with the Western Area Power Administration (WAPA) and with its customers for SLCAIP hydropower expire on September 30, 2024. WAPA began the process for the post-2024 allocations in 2015 and the Commission has been offered a contract through September 30, 2057 which contains the same allocation amounts it currently holds - 20,851 kW of capacity and 37,944,500 kWh of energy (Summer Season) and 27,414 kW of capacity and 50,267,119 kWh of energy (Winter Season).

Before the Commission commits to taking this resource through 2057, it must ensure that there are customers in Nevada who will take the resource. To that end, the Commission began an allocation proceeding in accordance with the process recently revised in NAC 538.455. Staff prepared a Notice and Invitation to Apply for the resource which contained the criteria to be utilized by the Commission in determining the allocations awarded, as well as an application form.

The Commission approved the Notice, Invitation to Apply and Application for post-2024 SLCAIP Hydropower on June 12, 2018. Staff posted the Notice and solicited Applications. Applications were due July 16, 2018.

The Commission received four (4) applications: City of Boulder City (current SLCAIP contractor); City of Las Vegas (new request); Overton Power District No. 5 (current SLCAIP contractor); and Valley Electric Association (current SLCAIP contractor).

Staff reviewed the Applications and drafted an Order which provided an allocation to each applicant. In order for some of the resource to be allocated to the City of Las Vegas, the three current contractors' allocations were each reduced by approximately 7%.

Staff provided the Draft Order containing the proposed allocations to each of the four Applicants on July 24, 2018 and asked for written comments on August 14, 2018. Valley Electric Association filed a comment letter supporting the proposed allocations.

A copy of the presentation was attached and made a part of the minutes. See Attachment A.

A full transcript of the Hearing is attached and made a part of the minutes. See Attachment B.

Vice Chairwoman Kelley motioned to approve the proposed Draft Order dated August 21, 2018, setting forth the recommended allocations of the hydropower resource. The motion was seconded by Commissioner Stewart. Chairwoman Premsrut, Vice Chairwoman Kelley and Commissioner Stewart voted in favor of the motion. Commissioners Sisolak, Kirkpatrick, and Marz voted against the motion. The motion failed.

Commissioner Kirkpatrick motioned to leave the allocations as is excluding the recommended allocation to the City of Las Vegas. Commissioners Sisolak, Commissioner Kirkpatrick, and Commissioner Marz voted in favor of the motion. Chairwoman Premsrut, Vice Chairwoman Kelley and Commissioner Stewart voted against the motion. The motion failed.

Chairwoman Premsrut asked Staff to look at the criteria again for economic development and/or support of economically disadvantaged areas or rural communities.

Vice Chairwoman Kelley strongly encouraged the applicants to have representation at meetings for their Agendized items.

E. *For Possible Action:* Discussion and possible action to approve, deny or condition the approval of the Joint Application of Tronox LLC (Tronox) and EMD Acquisition LLC (EMD) for assignment of all contracts and agreements between the Commission and Tronox to EMD upon closing of the sale of Tronox's Electrolytic Division to EMD. Current Contracts and Agreements include but are not limited to:

- Contract No. P05-BCPESC-A for the Sale of Electric Service from the Boulder Canyon Project.
- Contract No. P05-70R for the Sale of Electric Power from the Parker Davis Project.
- Acknowledgement of Assignment Agreement to assign all rights, interests and obligations to EMD under Contract No. 14-06-300-2083 for delivery of Colorado River Water as amended and supplemented.
- Contract No. P20-77 Agreement to Advance Funds for Parker-Davis Project Generation Facilities.
- Contract No. P05-79 Agreement to Repay its Proportionate Share of the Cost of Securities Issued by the Commission to Prepay Hoover Power Base Charges.
- Contract No. P05-62 for Supplemental Electric Power Supply Services.
- Contract No. P05-TSNF for Transmission Service.
- Contract No. CRC-BMIOM for the Interconnection, Operation and Maintenance of Electric Facilities.
- Contract No. P20-47 First Amended Agreement to Share the Costs of Implementation of the Lower Colorado River Multi-Species Conservation Program.
- Letter Agreement for Designation of Scheduling Entity dated June 5, 2017.
- Letter Agreement for Billing Procedures dated June 21, 2017.

Representatives from Tronox and EMD Acquisition gave an overview for the proposed transaction with Dan Reaser, a legal representative from Tronox, explaining the acquisition and John Walker of PolyCap explaining special situations regarding industrial acquisition and private equity investors.

A. Introduction

Tronox LLC (Tronox) has entered into a Purchase Agreement with EMD Acquisition LLC (EMD) for the sale of Tronox's Electrolytic Division which operates the chemical manufacturing facilities located at the Black Mountain Industrial Complex (BMI). Tronox and EMD have requested that the Commission approve the assignment of all current contracts and agreements between Tronox and the Commission to EMD.

B. Background

Currently, Tronox has contracts and agreements which include electric service contracts for Boulder Canyon Project (Hoover Dam), and Parker-Davis Project

power, transmission arrangements, bond payments and other operational agreements.

Also listed is the Colorado River Water Service Contract in which Tronox has an interest. Specifically, contract No. 14-06-300-2083 dated September 18, 1969, as amended, between Basic Water Company, the United States Bureau of Reclamation and the Commission for delivery of Colorado River water to the BMI complex. Basic Water Company consists of multiple member entities that own an interest in this contract and are entitled to delivery of a proportionate share of Colorado River water under this contract. Commission staff is working with the Bureau of Reclamation in the development of an Acknowledgement of Assignment Agreement to assign Tronox's interest in the water service contract to EMD.

1. Tronox – Henderson Remediation Power Agreement

Tronox also has entered into the Henderson Remediation Power Agreement dated February 14, 2011 with the Nevada Environmental Response Trust (NERT) wherein Tronox provides a portion of the CRC provided power to NERT to power the groundwater intercept and treatment systems located at BMI which address environmental contamination from the Tronox site. The Commission approved this arrangement in November of 2010.

An interruption of the ongoing groundwater intercept and treatment systems would cause an "imminent and substantial threat to human health" as documented by the Nevada Department of Environmental Protection in its 2009 Administrative Order. Tronox has worked with NERT to assign the Remediation Power Agreement to EMD. The Commission must ensure that NERT continues to receive power in the event EMD is in default and electric service is suspended to its plant.

2. EMD Acquisition LLC (EMD)

EMD is acquiring the Tronox assets and will be the entity that operates the plant. EMD is a Nevada Company and was formed on January 25, 2018. EMD is owned by Polymathes Mojave Funding LLC, a Delaware Company that is in turn owned by EMD Holdings LLC which owns 75 percent and Acrewood VIII LLC that owns 25 percent. A chart showing the ownership hierarchy and percentages are attached as Exhibit A.

EMD is a startup company and formed to acquire and operate the Tronox plant. EMD's Balance Sheet shows Cash of \$3.5 million Paid in Capital. The Balance Sheets for EMD Acquisition LLC, Polymathes Mojave Funding LLC, and EMD Holdings LLC are attached as Exhibit B.

Given that EMD is a new company without any operating history or established credit, Staff has no operating history by which to assess the risk of not being paid for power delivered to EMD. Further, the Commission is a state agency that purchases and sells energy at cost plus a small administrative fee added. Consequently, the Commission is not in a position to assume risk of non-payment of power sold to its customers.

Further, NRS 538.181(2) requires that certain of the Commission's power customers, provide collateral "in such sum and in such manner as the commission may require, conditioned on the full and faithful performance" of their power contracts. Additionally, NAC 538.744 requires "during October of each operating year, and at any other time it deems necessary, the Commission will conduct a review to determine creditworthiness of each of its contractors."

C. Staff's Recommended Conditions:

1. Access to Shutoff Power and assure continued service to NERT.

Staff recommended that the assignment be conditioned on EMD executing an agreement with Commission containing the following provisions:

- a) EMD will demonstrate that its facilities can be turned off without affecting the flow of energy to NERT;
- b) EMD will agree that any subsequent changes to its facilities will preserve the ability to supply energy to NERT if its facilities are turned off;
- c) EMD agrees to turn off power to its own facilities at the Commission's request, after they have received the required notices under NAC 538.746;
- d) Commission Staff has the right to witness the shut-off and install locks which will prevent EMD from re-energizing their facilities;
- e) Such turn off will be done in a manner that allows for NERT to continue to receive energy; and
- f) In the event EMD refuses to provide personnel, Commission staff has the right to enter the property and perform the shut off and locking itself.

2. *Required Collateral for Electric Service*

Based on Staff's 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. Pursuant to NAC 538.744(3), the required amount of collateral can be no less than one-fourth of the Contractor's gross annual purchases.

For Calendar Year 2018, the Commission approved collateral for Tronox in the amount of \$508,630.44. Tronox provided the Commission with a letter of credit. Given that EMD is a new company without any operating history or established credit, Staff recommended that the collateral amount be increased from \$508,630.44 to \$750,000 which represents approximately one-third of Tronox's gross annual purchases during the period of July 1, 2017 through June 30, 2018. Staff also recommended that the Commission require that cash be provided in lieu of other forms of collateral.

EMD Acquisition LLC (EMD) representatives agreed to the enumerated conditions set forth in the agenda and presented to the Commission by Staff.

Commissioner Stewart motioned to approval of the Joint Application of Tronox LLC (Tronox) and EMD Acquisition LLC (EMD) for assignment of all contracts and agreements between the Commission and Tronox to EMD upon closing of the sale of Tronox's Electrolytic Division to EMD. The motion was seconded by Commissioner Sisolak. The motion was approved unanimously.

A full transcript of Agenda Item E is attached and made a part of the minutes. See Attachment B.

F. *For Possible Action:* Consideration and possible action to approve the Contract for Capacity Services, Contract No. 18-DSR-12831 (Contract) between Western Area Power Administration (WAPA) and the Commission related to the unused hydropower capacity available from the Boulder Canyon Project.

Ms. Bates gave an overview of the Commission's contracts with each of its Boulder Canyon Project Contractors (Contractors) containing provisions for the Commission to market its Contractors' unused hydropower resources. At times, Contractors cannot utilize all of the hydropower capacity available to them under their contracts with the Commission. Western Area Power Administration (WAPA) has the ability to utilize this unused capacity. The Contract for Capacity Services contains provisions for WAPA to use the hydropower capacity made available by the Commission and to compensate the Commission for it. The Commission approved a similar agreement in May of 2018 benefitting the Southern Nevada Water Authority and the City of Boulder City which reside in WAPA's balancing area. The Contract for Capacity Services provides similar benefits to the remaining Commission Contractors that reside in other Balancing Authority areas.

Staff offered the ability to participate in the Contract to all its Contractors that were eligible to participate, except the City of Boulder City, and SNWA. Thus far, Lincoln County Power District No. 1 and Overton Power District No. 5 have indicated that they would like to participate. The Agreement contains provisions to add or remove Contractors with 30 days written notice. Revenue received by the Commission from WAPA will be credited to the participating Contractors.

Staff recommended that the Commission authorize the Executive Director to execute the Contract.

Commissioner Kirkpatrick motioned to approve the Contract for Capacity Services, Contract No. 18-DSR-12831 (Contract) between Western Area Power Administration (WAPA) and the Commission related to the unused hydropower capacity available from the Boulder Canyon Project. The motion was seconded by Vice Chairwoman Kelley. The motion was approved unanimously.

G. *For Information Only:* Update on the activities of the Financial and Audit Subcommittee.

Chief of Finance and Administration Doug Beatty gave an update on the activities of the Financial and Audit Subcommittee (Subcommittee.) On August 14, 2018, the Subcommittee held their first meeting at the Commission main office in the Grant Sawyer Office Building.

The Subcommittee members are Vice Chairwoman Kelley, Commissioner Kirkpatrick, and Commissioner Stewart.

The following is a summary of the items approved or discussed:

Selection of Chairwoman Kelley and Vice Chairwoman Kirkpatrick.

Approval of the Scope of Work and deliverables for the review of the 2017 audit as expanded by the Subcommittee and the list of seven audit firms that will be sent Request for Solicitation (The list is in no particular order.)

- RubinBrown LLP
- Grant Thornton LLP
- Bradshaw Smith & Company
- Houldsworth, Russo & Company
- Casey, Neilon & Associates, LLC
- PricewaterhouseCoopers (PwC)
- Hinton Burdick CPAs & Advisors

Update of entrance conference with Eide Bailly held on June 27, 2018. The audit is scheduled for October 3, 2018.

Vice Chairwoman Kelley commented to the Commission that the subcommittee was made available for Commissioners to stay on track and verify that the Commission would not miss state-appointed deadlines.

H. *For Information Only:* Update on pending legal matters, including Federal Energy Regulatory Commission or Public Utilities Commission of Nevada filings.

Christine Guerri explained that there were no updates at this time.

I. *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.

Natural Resources Program Manager Angela Slaughter a status update on the hydrological conditions, drought, and climate of the Colorado River Basin,

Nevada's consumptive use of Colorado River water, and other developments on the Colorado River.

- Summary of Lake Powell, Lake Mead, and Nevada Water Supply
- Water Use in Southern Nevada
- Precipitation and Temperature
- Unregulated Inflow, Current and Projected Reservoir Status
- Lower Basin Conservation
- Las Vegas Ground Water Accounting

Vice Chairwoman Kelley asked if there was a per capita analysis for conservation per person.

Ms. Slaughter answered that that information was not immediately available however Staff will provide the information.

A copy of the report was attached and made a part of the minutes. See Attachment C.

J. 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.)

Mr. Dan Reaser representative from the City of Boulder City came forward to confirm their presence at the Commission meeting.

Terry Romero, representing Overton Power District, commented that she appreciates that the Commission keeps the best interests of smaller water districts in mind, and also confirmed their presence at the meeting.

There were no further comments.

K. Comments and questions from the Commission members.

Chairwoman Premsrirut commended Jayne Harkins on her recent International Boundary & Water Commission appointment and suggested to the Commission and Staff that they begin to discuss her replacement.

L. Selection of next possible meeting date.

The next meeting is tentatively scheduled for 1:30 p.m. on Tuesday, October 9, 2018, at the Grant Sawyer State Office Building, 555 East Washington Avenue, Room 4412, Las Vegas, Nevada.

M. Adjournment.

The meeting was adjourned at 2:55 pm.


Jayne Harkins, P.E., Executive Director

APPROVED:


Puoy Premsirut, Chairwoman

Colorado River Commission of Nevada (CRCNV)

Salt Lake City Area Integrated Project (SLCAIP) Post-2024 Allocation Hearing



Sep 11, 2018



SLCAIP Information

- Initial hydroelectric generation began in 1963.
- SLCAIP is comprised of two Utah Dams, three Colorado dams and one Wyoming dam, and 5 additional power plants.
- Total of 11 powerplants with a combined installed capacity of 1,816 MW.
 - Installed Capacity at Hoover is 2,074 MW
- CRCNV's federal allocation is approximately 1.5% of the total capacity.

SLCAIP Allocations

- CRCNV's federal contract and state customer contracts expire September 30, 2024.

CRCNV Current Allocations of SLCAIP Hydropower

<u>Contractor</u>	<u>Winter Capacity (kW)</u>	<u>Summer Capacity (kW)</u>	<u>Annual Energy (kWh)</u>
City of Boulder City	7,279	5,537	23,422,458
Overton Power District No. 5	8,256	6,279	26,565,338
Valley Electric Association	11,879	9,035	38,223,823
CRCNV Total	27,414 kW	20,851 kW	88,211,619 kWh

Updated 12/08/2017

3

Federal Contract Process

- Federal Register Notice (FRN) was published December 15, 2016.
 - This began the Federal Marketing Plan and Allocation Process.
- Customer meetings, presentations and negotiations took place December, 2016 through January, 2018.
- Federal contract issued to CRCNV on March 9, 2018.

3/3/2017

4

Federal Contract Process

- About half of the Federal Contractors have already signed their post-2024 contract.
- CRCNV Staff recommends that state contracts be executed simultaneously with federal contract execution.
- New federal and state contracts will not be effective until 2024; however, certain favorable provisions will go into effect for current contractors when the CRCNV executes the federal contract.

5

CRCNV Allocation Process

- April, 2018: Staff issued a Notice of Public Meeting and Request for Comments on the draft Notice and Invitation to Apply, draft allocation criteria, and draft application.
- May 15, 2018: Public Meeting
- June 12, 2018: Commission approved the draft Notice and Invitation to Apply, allocation criteria, and application.

3/3/2017

6

CRCNV Allocation Process

- June 14, 2018: Staff issued the Notice, allocation criteria, and application
- July 16, 2018: Staff received four applications.
- Staff received three applications from existing SLCAIP Contractors:
 - City of Boulder City
 - Overton Power District No. 5
 - Valley Electric Association
- Staff also received an application from the City of Las Vegas

3/3/2017

7

Applications and Criteria

Staff reviewed all applications:

- Determined eligibility under NRS 704.787.
- Verified load and resources data.
- Reviewed creditworthiness and payment history.
- Reviewed applicants statements explaining how award of a SLCAIP hydropower allocation to the applicant would meet the criteria of providing the “greatest possible benefit to the State.”

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Applicant Requests

Applicants	Applicant Request				Current Allocations			
	Summer		Winter		Summer		Winter	
	Capacity kW	Energy kWh	Capacity kW	Energy kWh	Capacity kW	Energy kWh	Capacity kW	Energy kWh
Boulder City	5,537	9,278,621	7,279	12,291,887	5,537	10,075,243	7,279	13,347,215
Las Vegas	1,000	4,380,000	2,000	8,760,000				
Overton Power	6,593	14,563,065	8,669	19,292,475	6,279	11,427,162	8,256	15,138,176
Valley Electric	20,851	37,944,500	27,414	50,267,119	9,035	16,442,095	11,879	21,781,728
Total	33,981	66,166,186	45,362	90,611,481	20,851	37,944,500	27,414	50,267,119

9

Applicant Requests

- Boulder City intended to ask for its current allocation to be preserved but the amount they requested was mistakenly taken from an outdated contract exhibit.
- The City of Las Vegas requested an allocation that was inconsistent with the ratio of capacity to energy available to the CRCNV.
- OPD requested an increase in their allocation.
- VEA requested the total resource available to the CRCNV.

3/3/2017

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Staff Recommendations

- Reduce current contractor allocations by approximately 7% to create a resource pool for the City of Las Vegas.
 - During the 2004 allocation process, there was also a 7% reduction to create a pool for new applicants.
- Award the City of Las Vegas an allocation but adjust the energy and capacity ratios to be consistent with the CRCNV's federal allocation.

3/3/2017

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Staff Allocation Recommendation

<u>Applicants</u>	<u>Summer</u>		<u>Winter</u>	
	<u>Capacity</u>	<u>Energy</u>	<u>Capacity</u>	<u>Energy</u>
	<u>kW</u>	<u>kWh</u>	<u>kW</u>	<u>kWh</u>
City of Boulder City	5,138	9,350,439	6,755	12,387,030
City of Las Vegas	1,500	2,729,689	1,972	3,616,166
Overton Power District No. 5	5,828	10,605,104	7,662	14,049,151
Valley Electric Association, Inc.	8,385	15,259,268	11,025	20,214,772
CRCNV Total	20,851	37,944,500	27,414	50,267,119

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Draft Order

- Staff submitted the Draft Order to the Applicants for review and received one comment letter from Valley Electric Association supporting the proposed allocations.

3/3/2017

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Questions?



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Total Annual Load to Current Hydropower Allocation							
Applicants	FY2017 Load Annual kWh	Current SLCAIP Annual kWh	Parker- Davis Annual kWh	Hoover Annual kWh	Total Annual Hydro kWh	Percent Hydro to Load	Percent SLCAIP to Load
City of Boulder City	162,103,855	23,422,457	0	92,976,897	116,399,354	72%	14.45%
City of Las Vegas	43,166,261	0	0	12,397,834	12,397,834	29%	0.00%
Overton Power District No. 5	397,177,313	26,565,339	21,923,409	46,438,260	94,927,008	24%	6.69%
Valley Electric Association	566,249,450	38,223,823	40,097,644	41,209,635	119,531,102	21%	6.75%
Total:	1,168,696,879	88,211,619	62,021,053	193,022,626	343,255,298	29%	7.55%

Total Annual Load to Proposed Hydropower Allocation								% Change SLCAIP
Applicants	FY2017 Load Annual kWh	Proposed SLCAIP Annual kWh	Parker- Davis Annual kWh	Hoover Annual kWh	Total Annual Hydro kWh	Percent Hydro to Load	Percent SLCAIP to Load	
City of Boulder City	162,103,855	21,737,469	0	92,976,897	114,714,366	71%	13.41%	-7.19%
City of Las Vegas	43,166,261	6,345,855	0	12,397,834	18,743,689	43%	14.70%	
Overton Power District No. 5	397,177,313	24,654,255	21,923,409	46,438,260	93,015,924	23%	6.21%	-7.19%
Valley Electric Association	566,249,450	35,474,040	40,097,644	41,209,635	116,781,319	21%	6.26%	-7.19%
Total:	1,168,696,879	88,211,619	62,021,053	193,022,626	343,255,298	29%	7.55%	

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COLORADO RIVER COMMISSION OF NEVADA

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TRANSCRIPT OF PROCEEDINGS OF AGENDA ITEMS D & E

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TUESDAY, SEPTEMBER 11, 2018

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GRANT SAWYER STATE OFFICE BUILDING

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24 REPORTED BY: BRITTANY J. CASTREJON, RPR, CCR NO. 926

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JOB NO.: 491934

1 TRANSCRIPT OF PROCEEDINGS, AGENDA ITEMS D & E,
2 held at Grant Sawyer State Office Building, located at
3 555 East Washington Avenue, Room 4412, Las Vegas,
4 Nevada, on Tuesday, September 11, 2018, at 1:33 p.m.,
5 before Brittany J. Castrejon, Certified Court Reporter,
6 in and for the State of Nevada.

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9 APPEARANCES:

10 PUOY K. PREMSRIRUT, Chairwoman
11 KARA J. KELLEY, Vice Chairwoman
12 JAYNE HARKINS, P.E., Executive Director
13 MARILYN KIRKPATRICK, Commissioner
14 JOHN F. MARZ, Commissioner
15 STEVE SISOLAK, Commissioner
16 DAN H. STEWART, Commissioner
17 CODY T. WINTERTON, Commissioner
18 CHRISTINE GUERCI-NYHUS, General Counsel
19 GAIL BATES, Assistant Director of Energy Services
20
21 DAN REASER, ESQ, Fennemore Craig
22 JOHN WALKER, EMD Acquisition
23 WILLIAM GOLDEN, EMD Acquisition
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1 Las Vegas, Nevada; Tuesday, September 11, 2018

2 1:33 p.m.

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4 MS. HARKINS: Agenda D is the public hearing
5 for the allocation of Salt Lake City Area Integrated
6 Projects (SLCAIP) Hydropower Post-2024, including the
7 consideration of and possible action to approve, modify,
8 or reject, in whole or in part, the proposed Draft Order
9 dated August 21, 2018, setting forth the recommended
10 allocations of the hydropower resource.

11 Staff is recommending that the commission
12 approve the draft order. The draft order is the first
13 document that you have in your packets. The next thing
14 you have is the notice that was sent out and the
15 invitation for folks to apply for the Salt Lake City
16 hydropower. You have the applicants that we got and
17 their applications from the City of Boulder City, City
18 of Las Vegas, Overton, and Valley Electric. We received
19 one comment letter. That came from Valley Electric
20 Association. Then you have the presentation that
21 Gail Bates, our assistant director for Energy Services,
22 will present today.

23 CHAIRWOMAN PREMSRIRUT: Thank you, Jayne.

24 At this time, I will open public hearing on
25 the proposed allocations. I'd like to start with staff

1 confirming that the notice of hearing was properly
2 posted, as well as give us a brief overview of the
3 allocations proposed in the Draft Order and any feedback
4 that's been received today.

5 Upon conclusion, when staff is finished, I
6 will then proceed to invite comments from the public.
7 Commissioners, respectfully, if you could just hold your
8 questions until after the public has commented, that
9 would be appreciated.

10 Gail, please proceed.

11 MS. BATES: Good afternoon, Commissioners.
12 Just to refresh everyone's memory on what the Salt Lake
13 City Integrated Area Projects are -- the Salt Lake
14 Project -- SLIP, as we commonly refer to it, is actually
15 comprised of a series of dams and power plants, 11 power
16 plants to be exact. Glen Canyon is the largest of the
17 dams and plants, and the total installed capacity is
18 about 1,816 megawatts. Just to give you a frame of
19 reference, Hoover is about 2,074, so it's slightly
20 larger.

21 The CRC's allocation is actually fairly
22 small. We have about one and a half percent of the
23 total capacity of SLIP. The CRC's federal contract, as
24 well as our state customer contract, expire in September
25 of 2024. You have, shown on the screen, the current

1 contractors, the City of Boulder City, Overton Power
2 District, and Valley Electric Association. Those
3 contracts do not currently contain an automatic right to
4 renewal, which is why we're going through this
5 allocation process.

6 About -- the federal register notice was
7 really the process that kicked off the whole allocation
8 proceeding at the federal level in December of 2016, and
9 throughout -- from -- between December 2016 through
10 January 2018, that's when all the customer meetings,
11 presentations, negotiations, all took place at the
12 federal level.

13 The federal contract was actually issued to
14 the CRC on March 9th of 2018. About half of the federal
15 contractors have already signed their post-2024 federal
16 contracts. The CRC is not one of them. What we're
17 recommending is that we execute the federal contract and
18 our state contract simultaneously so that we know that
19 we have purchasers for the resource before we execute at
20 the federal level.

21 The new federal and state contracts don't go
22 into effect until 2024. However, they do contain
23 certain provisions that are favorable to our current
24 contractors that will go into effect as soon as we
25 execute the federal contract. So it would be beneficial

1 for us to execute earlier rather than wait until we get
2 closer to 2024.

3 The CRC's allocation process began about --
4 around April of 2018. We issued a notice of public
5 meeting, a request for comments on the draft notice and
6 invitation to apply for the resource as well as the
7 draft allocation criteria and application. We held a
8 public meeting in May on all of those documents. We
9 considered comments and questions that came from that
10 public meeting. And on June 12th, this commission
11 approved all of those documents: the draft notice and
12 invitation to apply, the allocation criteria, and the
13 application.

14 On June 14th, we issued the formal notice,
15 allocation criteria, and application. And on July 16th,
16 we received four applications. Three of the
17 applications came from our existing contractors, the
18 City of Boulder City, Overton Power District, and Valley
19 Electric Association, and we received one application
20 from the City of Las Vegas, which is a current Hoover
21 contractor that has never received SLIP before.

22 We reviewed all of the applications for
23 eligibility under NRS 704.787, verified the data that we
24 received. We looked at the credit worthiness and
25 payment history. All of the applicants have a good

1 payment history and are credit worthy. And we also
2 reviewed their statements explaining how awarded the
3 SLIP resource would serve to meet the greatest -- be the
4 greatest possible benefit to the state.

5 In reviewing those, we really found all of
6 their statements compelling and consistent with the
7 criteria which work to support economic development
8 and/or provide support to disadvantaged or rural
9 communities and also to support public entities.

10 And I have before you what the applicants
11 requested. The City of Boulder City, they actually
12 requested slightly less than their current allocation,
13 and that was done simply because they picked up an old
14 contract exhibit in error. They intended to request
15 what they currently have.

16 The City of Las Vegas requested one megawatt
17 of capacity during the summer and two megawatts during
18 the winter. But when staff looked at their request,
19 what we noticed was that they requested a different
20 product than the CRC actually has in their contract to
21 it. What I mean by that is the ratios of capacity to
22 energy were a little off. And so, as you'll see, one of
23 our recommendations is to adjust those consistent with
24 what the CRC's allocation looks like.

25 Overton requested a little bit more than

1 they currently have.

2 Valley Electric really requested everything
3 that could possibly be available to request.

4 Staff's recommendations are to reduce the
5 current contractor allocations by approximately
6 7 percent -- it's 7.2 percent, actually -- to create a
7 resource pool for the City of Las Vegas. This is not
8 something that's totally unfamiliar with -- for the
9 current contractors. When we went through the Hoover
10 allocation process, the contractors gave up 5 percent of
11 their resource to create a pool for new applicants.
12 And, in fact, during the 2004 allocation process for
13 Salt Lake, there was a 7 percent reduction to create a
14 new pool.

15 In addition to that, we're requesting -- or
16 we're recommending that we award the City of Las Vegas
17 an allocation but that we adjust those energy capacity
18 ratios to be consistent with our federal allocation.

19 And this is how the numbers sort of shake
20 out. We submitted the Draft Order to the applicants for
21 their review, and we received one comment letter from
22 Valley Electric Association supporting the proposed
23 allocations. Beyond that, we received no other formal
24 comments. Questions?

25 CHAIRWOMAN PREMSRIRUT: Gail, before that,

1 at this time, I think I want to invite members of the
2 public, if there's anyone that wishes to comment on the
3 process or anything that was just provided in the
4 presentation?

5 Seeing and hearing none, I will open this up
6 to the Commissioners for any questions.

7 Gail, just to clean up the record here,
8 going through the applicant request -- so discovering
9 that error from Boulder City, they're actually
10 requesting 13,347,215, that number in the right column,
11 versus the 12,291,887. I'm looking --

12 MS. BATES: Yes, that's correct. They're
13 requesting their current allocation. Summertime the
14 energy is 10,075,243 kilowatt hours, and in the winter
15 it's 13,347,215 kilowatt hours.

16 CHAIRWOMAN PREMSRIRUT: And then regarding
17 the City of Las Vegas. The method in which the 3.6
18 number came up was a function of just adjusting per
19 ratios that are customary for the CRC in the federal
20 world?

21 MS. BATES: That's correct. Consistent with
22 our current ratios.

23 CHAIRWOMAN PREMSRIRUT: Has anyone from
24 staff talked to the City of Las Vegas about this? Did
25 they acknowledge that they were seeking the wrong

1 product?

2 MS. BATES: Yeah. They simply requested
3 what they thought they could use. I think they were
4 under the impression that we would go ahead and make
5 those adjustments as we saw fit so that we could
6 maintain consistency.

7 CHAIRWOMAN PREMSRIRUT: Okay. And then in
8 looking at the numbers that staff is recommending for
9 allocation, it appears to be almost a straight math
10 formula across the board. Is that not correct?

11 MS. BATES: Yes. It's a 7 percent
12 reduction. It's actually 7.2 percent for the current
13 applicants, and -- to make -- to create the pool to give
14 to the City.

15 CHAIRWOMAN PREMSRIRUT: That's all that I
16 had. Do we have any questions? Commissioner
17 Kirkpatrick?

18 MS. KIRKPATRICK: Thank you, Madam Chair.
19 So I guess I want to understand -- so the current folks
20 that we have -- and I'll use Overton power because
21 that's my district. So we're going to reduce their
22 current load to accommodate someone else new coming in?

23 MS. BATES: All of the current contractors
24 would be -- we would reduce all of them by the 7 percent
25 to create a resource to give to the City of Las Vegas.

1 MS. KIRKPATRICK: So what is the benefit?
2 Because this is a question I'm going to get asked in my
3 district. What is the benefit to opening the pool to
4 somebody else, and what reduction might the actual
5 constituents see in the grand scheme of things when we
6 talk about their power rates?

7 MS. BATES: I can't exactly speak to
8 Overton's power rates, but I can show you with regard
9 to -- I happened to throw a slide in here at the end
10 which might help answer your question of what's the
11 overall impact to Overton load-wise.

12 So you can see from the slide that Overton's
13 current percent hydro to load is 24 percent and their
14 percent Salt Lake to load is about 6.69 percent. So
15 with what we're proposing, they would go from 6.69
16 percent down to 6.21 percent.

17 CHAIRWOMAN PREMSRIRUT: Gail, is that a
18 slide in the presentation? My eyes are failing me.

19 MS. BATES: It is not. But we can certainly
20 provide it. It was something that we -- I sort of
21 slipped in, thinking that we might get the question, but
22 it didn't make it into the package. My apologies.

23 CHAIRWOMAN PREMSRIRUT: Thank you.

24 MS. KIRKPATRICK: So let me ask it a
25 different way because I -- rates are always a big

1 concern; right? And you project on what your energy
2 level and your energy resource is going to be. So
3 even -- although for us it may seem like a very small
4 change, 6.9 to 6.2, it could be very impactful to some
5 of the smaller entities. So I guess I'm just trying to
6 understand -- because whether it's Boulder City, whether
7 it's valley Electric, right, they kind of come to count
8 on that as they build out their resource plan. So I'm
9 just trying to understand what's the -- and I get it's
10 for the City of Las Vegas. I'm not picking on them.

11 MS. BATES: Understood.

12 MS. KIRKPATRICK: I represent some of them.
13 But in the grand scheme of things, the smaller entities,
14 the impact of the rates?

15 MS. BATES: Yeah, let me try it this way.
16 Salt lake is, of all of the CRC resources, the most
17 expensive one. Right now the resource is competitive
18 with market. So, presumably, if they're not getting
19 Salt Lake, they should be able to go out and replace the
20 resource at a cost that is somewhat commensurate with
21 the cost of Salt Lake. So there's not a big
22 differential right now between the cost of Salt Lake and
23 market. However, for most of these entities that are
24 utilities, it's nice to have that long-term hedge where
25 you've locked in and you know what it's going to cost

1 you. If we maintain the current market differential,
2 then in theory, they wouldn't be harmed at all.

3 MS. KIRKPATRICK: So if -- and I apologize,
4 Madam Chair, if I -- just tell me when to stop if I need
5 to.

6 CHAIRWOMAN PREMSRIRUT: No. By all means.

7 MS. KIRKPATRICK: So let me ask this,
8 though. So if we had only had three applications,
9 everything would have been split upon that, and they
10 could have actually seen an increase on their capacity?

11 MS. BATES: No. They -- without the City of
12 Las Vegas, they would have just maintained their current
13 allocations. There wouldn't be anything -- we didn't --
14 the CRC did not get an overall increase in its
15 allocation. We maintain the same allocation that we
16 have had and currently have under contract. So we've
17 taken away from the current -- we're recommending that
18 we take away from the current to give to the City of
19 Las Vegas. Without the City, we would have most likely
20 just kept it status quo with today's allocations.

21 MS. KIRKPATRICK: Then so does the -- and
22 I'm asking because I didn't see it in the application
23 for the City of Las Vegas. So this -- does this take
24 away from some other resource that they're currently
25 getting? I read that they're all in sort of renewal

1 component of it. So does this take away from someone
2 else that would be providing that service that could
3 have an impact?

4 MS. BATES: No. What this will do is
5 basically replace the market purchases that the City is
6 utilizing to operate its waste water treatment plant.
7 Right now a portion of that load is served with market
8 resource. Having Salt Lake just replaces that portion.

9 MS. KIRKPATRICK: So maybe the constituents
10 might see a decrease in their sewer rate?

11 MS. BATES: Possibly.

12 MS. KIRKPATRICK: Just asking.

13 CHAIRWOMAN PREMSRIRUT: Commissioner
14 Sisolak.

15 MR. SISOLAK: What was the reason behind
16 them coming in? I mean, it seems like the three are
17 going to suffer as a result of the fourth. So is the
18 City here to represent?

19 MS. BATES: What they cited in their
20 application was economic development resulting from
21 primarily their green goals. The City has very
22 ambitious renewable energy goals, and this sort of falls
23 in line with their renewable energy goals. So that's --

24 MR. SISOLAK: I get that. But this isn't
25 their renewable. This is --

1 MS. BATES: They're contracting for.

2 MR. SISOLAK: Yeah.

3 MS. BATES: Correct.

4 MR. SISOLAK: They're not doing any
5 generating other than contract work; right?

6 MS. BATES: Well, I can only point you to
7 the application, and what they cited.

8 MS. GUERCI: Just for Commissioners'
9 reference, Draft Order, paragraph 27, is their statement
10 from the application as to why they wanted power.

11 MS. BATES: It's paragraph number 3 in the
12 application.

13 MS. GUERCI: In the Draft Order, it's
14 paragraph 27, page 10 of 16. And it continues on to
15 page 11. It's really on the top of page 11 where they
16 talk about their renewables and why they want the power.

17 MR. SISOLAK: Are they selling any back of
18 their generated renewal?

19 MS. BATES: I know that they're utilizing
20 their solar resource right after water pumping and waste
21 water plant.

22 MR. SISOLAK: All of it?

23 MS. BATES: Of the -- at the waste water
24 treatment plant; correct. They have a three megawatt
25 solar facility that's being consumed at the plant. I'm

1 not sure if they have other solar installations or other
2 renewable energy installations throughout the City. I'm
3 assuming they do. I do not know what the arrangements
4 for those are.

5 CHAIRWOMAN PREMSRIRUT: Any additional
6 questions or comments from the commission? Commissioner
7 Kelley.

8 MS. KELLEY: I thought I understood this,
9 and now I'm confused. So the current contract for this
10 power expires in 2024?

11 MS. BATES: Yes.

12 MS. KELLEY: And, currently, we are serving
13 the City of Boulder City, the Overton Power District,
14 and Valley Electric Association; correct?

15 MS. BATES: Yes.

16 MS. KELLEY: This new contract will be from
17 what date? Commence what date? Assuming it gets
18 approved.

19 MS. GUERCI: It's for deliveries commencing
20 on October 1, 2024.

21 MS. KELLEY: So -- so through 2057?

22 MS. GUERCI: Correct.

23 MS. KELLEY: So those three clients that we
24 are currently serving aren't actually -- I mean, I think
25 it may be semantics, but I'm trying to understand in my

1 head -- aren't actually having anything being taken away
2 from them in their current contract through 2024; is
3 that correct?

4 MS. BATES: Yes, that's correct.

5 MS. KELLEY: So the new process -- what ends
6 up happening with the new process is the reality is
7 they're getting 7 percent less than what they're getting
8 now, but it's a new process and a new contract?

9 MS. GUERCI: That's correct. Yes.

10 MS. KELLEY: So let me say one more thing
11 affirmatively. So what we're not doing, should this get
12 approved, is taking away power from them in order to
13 give it to the City of Las Vegas? Because we're talking
14 at two separate contracts.

15 MS. GUERCI: Starting in 2024, they will get
16 less, but nothing has been taken away from their current
17 contract.

18 MS. KELLEY: Correct. But it's a brand-new
19 contract?

20 MS. BATES: It's a brand-new contract.
21 That's correct.

22 MS. KELLEY: Thank you very much.

23 CHAIRWOMAN PREMSRIRUT: Commissioner
24 Kirkpatrick.

25 MS. KIRKPATRICK: Well, I was just going to

1 say, that gives them six years, potentially, to come up
2 with something different, but I always worry about the
3 smaller ones because they don't get to -- they don't get
4 the same rates as everybody else gets. So this is why
5 they go for the Salt Lake rates. So they get a
6 consistent rate for the 50-year plan, so they can manage
7 their portfolio. And the City of Las Vegas tends to go
8 into the bigger portfolio than everybody else has. I
9 mean, six years seems like a long time from us, not
10 necessarily when you're a small cooperative entity
11 set-up. So just trying to understand.

12 MS. BATES: I'll point out too that one of
13 the criteria was support and cost control for public
14 entities. City of Las Vegas, clearly, is also is a
15 public entity. So when we reviewed the application, we
16 felt that they fit that criteria very well. We're
17 trying to control costs for our public constituents, and
18 this would serve to help them with cost control for
19 their waste water treatment plant.

20 MS. KIRKPATRICK: So the only thing that I
21 would say -- and I would say it to who no matter who was
22 sitting here -- is the cities tend to have an automatic
23 3 percent increase no matter what; right? That's built
24 into their budget for the long-term. The smaller
25 agencies don't have that luxury because some years they

1 got to do 12 percent. Some years they do 3 percent. So
2 when you talk about cost control, we got to talk about
3 everybody's cost control. So that's why it just makes
4 me nervous because what would we have done if North Las
5 Vegas, Henderson, everybody applied, we would have cut
6 it trying to make everybody have a new piece for their
7 personal goals as opposed to providing the resource. So
8 I'll be quiet now.

9 CHAIRWOMAN PREMSRIRUT: Commissioner Marz.

10 MR. MARZ: Just out of curiosity, do you
11 know why Henderson and North Las Vegas did not apply for
12 any of this power? Did you have conversations with
13 them?

14 MS. BATES: I did not, but I do know that
15 the City of North Las Vegas, the load that would have
16 qualified to use this power is very, very small, and is
17 being, for the most part, met with Hoover power. So
18 they probably would not have had the load to be able to
19 receive a Salt Lake allocation. Henderson, I am not
20 sure about.

21 MR. MARZ: Okay. Thank you.

22 CHAIRWOMAN PREMSRIRUT: Any further
23 questions or comments from the commission? Commissioner
24 Stewart.

25 MR. STEWART: Backing up. You mentioned

1 that only Valley submitted comments, and they were okay
2 with their reduction of 7.2 percent. And we did not get
3 comments from Boulder City or Overton; is that right?

4 MS. BATES: That is correct.

5 MR. STEWART: Interesting.

6 CHAIRWOMAN PREMSRIRUT: Yeah, just a general
7 comment from myself. I'm in favor of the process. I
8 really appreciate how staff deliberated each and every
9 application, handled each one with diligence and
10 actually made findings to support the allocation. While
11 I understand some of the resistance to allowing a new
12 member in the club, looking at the allocations itself, I
13 don't think the haircut to the others are that
14 substantial to warrant any exclusion of the City of
15 Las Vegas.

16 So just from that perspective, I am in favor
17 of this, but at this time, I'll entertain a motion. If
18 there are no further questions or comments.

19 MS. KELLEY: I'll move to approve.

20 CHAIRWOMAN PREMSRIRUT: Is there --

21 MR. SISOLAK: I've got to make a comment.

22 CHAIRWOMAN PREMSRIRUT: Commissioner
23 Sisolak.

24 MR. SISOLAK: I'm troubled by a couple
25 things. First off, I think that certain entities did

1 not participate because they understand, as commissioner
2 Kirkpatrick said, the difficulty of smaller units of,
3 you know, these costs, and I -- I'm -- if it's that
4 important to the City and there's nobody here to explain
5 why it's that important to the City, I'm troubled by
6 that as well. Were they aware we're discussing this?

7 MS. BATES: Yes. They were on the
8 notification list that there would be a meeting and
9 hearing today.

10 MR. SISOLAK: If it was additional power, I
11 could understand it, but to force somebody to take a
12 cut, however small the cut is, to help one of the big
13 ones is kind of like Clark County coming in and taking a
14 big chunk, you know? I know the struggles the smaller
15 ones have. It's a big, big struggle for them to offset,
16 even though it doesn't sound like much. As Commissioner
17 Kirkpatrick says, it is a lot. I have trouble
18 supporting it.

19 CHAIRWOMAN PREMSRIRUT: So is there anything
20 in the criteria that we publish that would make it such
21 that those who do have access that are larger entities
22 would have read it to interpret it as maybe an obstacle
23 to them applying? Was that ever stated or was it more
24 sort of an implicit understanding?

25 MS. BATES: I'm not sure I understand the

1 question. I'm sorry.

2 CHAIRWOMAN PREMSRIRUT: It seems to me some
3 of the comments from the commissioners are that, you
4 know, other entities didn't apply because they
5 understand that the smaller entities need this sort of
6 subsidized -- or this cheaper power. So, as a result, a
7 lot of them sat on the sidelines and didn't participate
8 in the process.

9 My question: Was there anything in here
10 that would translate to that, or is it more just a
11 common understanding?

12 MS. BATES: I don't think that we included
13 anything in the criteria that would have really
14 discouraged anyone from applying. I think that they
15 were all invited to participate in the process, and they
16 all had their own reasons for either applying for it or
17 not applying for it.

18 CHAIRWOMAN PREMSRIRUT: So we do have a
19 motion, but I think we're trying to reopen this for
20 comment.

21 MS. KELLEY: Madam Chairwoman, I'll withdraw
22 my motion because there's no one to second anyway.

23 CHAIRWOMAN PREMSRIRUT: Commissioner
24 Stewart.

25 MR. STEWART: You alluded to the fact that

1 -- help me out here to understand -- that one reason the
2 smaller -- or North Las Vegas didn't apply because they
3 didn't have loads that would qualify. Could you explain
4 what loads qualify and what don't? I mean, general
5 terms. I don't want to get into the weeds, but it
6 sounds like maybe that's one reason some of these other
7 entities did not apply. They might not have a
8 qualifying vote. I'm just trying to understand what
9 that qualifying vote is.

10 MS. BATES: There are certain of the SNWA
11 member agencies that receive power from the market for
12 water pumping and waste water loads. And those are the
13 loads that would qualify to receive this power. North
14 Las Vegas is the only one that I'm aware of that could
15 not -- would have not have met the threshold because of
16 load. Henderson, Clark County Reclamation, they would
17 have met load qualifications.

18 MR. STEWART: Thank you.

19 CHAIRWOMAN PREMSRIRUT: Commissioner
20 Sisolak.

21 MR. SISOLAK: Thank you. It's been my
22 understanding that a lot of the people didn't like
23 Clark County because we fully understand, you know, when
24 you get to Overton and you get to some of these, the
25 impact to them is enormous. As I commend Commissioner

1 Kirkpatrick for pointing out and defending those parts
2 of her district, but, you know, some of them are easier
3 to forward than others. While I think everybody can use
4 saving the money, I think it's kind of like you want to
5 help out those that need help the most kind of a deal.
6 That was -- I'll leave it at that.

7 CHAIRWOMAN PREMSRIRUT: Thank you.
8 Commissioner Kelley.

9 MS. KELLEY: So I certainly acknowledge the
10 points that Commissioner Kirkpatrick and Sisolak have
11 made, but I want to take us back to the criteria we
12 approved, which is under the tab called "invitation."
13 And we did not ask for -- we did not ask that there be
14 consideration or -- I'm going to be careful how I use
15 this word -- but consideration for the size of the
16 requested entity, let me just say it that way. There's
17 probably a much more eloquent way to say it.

18 In our history of awarding power contracts,
19 does anyone know if we have previously at some point
20 given that type of consideration where we would -- we
21 staff in the analysis, there would be some sort of
22 waiting perhaps, or maybe it's just part of the criteria
23 for the decision-making process where you would perhaps
24 give more of the request -- of the requested amount to
25 smaller entities than you would necessarily the big

1 entities?

2 MS. BATES: I am not aware of us ever having
3 set a criteria based on smaller entities versus larger
4 entities.

5 MS. KELLEY: Okay. Thank you.

6 CHAIRWOMAN PREMSRIRUT: Commissioner Marz.

7 MR. MARZ: You said at the beginning that
8 this power source is not necessarily cheaper right now
9 than other power sources.

10 MS. BATES: That's correct.

11 MR. MARZ: So what these entities are doing
12 is kind of hedging their bet for 2024. I understand
13 where the commissioners are coming from, Sisolak and
14 Marilyn Kirkpatrick, but I don't understand why they
15 asked for such a small amount? It seems to me that if
16 the City of Las Vegas needed this, they would have asked
17 for a larger amount of the pie, not what they asked for.

18 MS. BATES: Once again, they have a limit
19 that is based on the load that is receiving market power
20 today. And the limit is their waste water treatment
21 plant. They can't utilize this power beyond that
22 facility. And so a portion of that today is receiving
23 Hoover power. So they asked for what they could get to
24 fill their remaining load needs.

25 MS. GUERCI: If I could jump in for a

1 second.

2 MR. MARZ: That's like Henderson. Most of
3 our -- for the waste water is coming from Hoover power;
4 correct?

5 MS. BATES: That's correct. Yes.

6 MS. GUERCI: Because by statute, the CRC can
7 only provide to the member agencies, being Henderson,
8 North Las Vegas, hydropower for water and waste water
9 treatment purposes. We can't supply hydropower for any
10 general power purposes.

11 MR. MARZ: Just one other comment. It seems
12 to me that if the other entities had to have been that
13 upset about that, they would be here or that they would
14 have at least submitted comment of disapproval rather
15 than we agree it's all right.

16 MR. SISOLAK: You can make the same argument
17 for Las Vegas to make their case, and they're not here
18 either.

19 CHAIRWOMAN PREMSRIRUT: Commissioner Kelley.

20 MS. KELLEY: Yes. I'm prepared to
21 reintroduce my motion to approve the staff's
22 recommendation for the Salt Lake City Area Integrated
23 Project hydropower post-2024.

24 CHAIRWOMAN PREMSRIRUT: I have a motion. Do
25 I have a second?

1 MR. STEWART: I'll second that.

2 CHAIRWOMAN PREMSRIRUT: All in favor to
3 approve staff's recommendation of the Salt Lake
4 allocations. Aye.

5 MR. STEWART: Aye.

6 MS. KELLEY: Aye.

7 CHAIRWOMAN PREMSRIRUT: All opposed?

8 MR. SISOLAK: Nay.

9 MS. KIRKPATRICK: Nay.

10 MR. MARZ: Nay. Roll call.

11 CHAIRWOMAN PREMSRIRUT: I believe we're
12 tied. Commissioner Stewart?

13 MR. STEWART: Yes.

14 CHAIRWOMAN PREMSRIRUT: Commissioner Kelley?

15 MS. KELLEY: Yes.

16 CHAIRWOMAN PREMSRIRUT: Myself is a yes.
17 Commissioner Sisolak?

18 MR. SISOLAK: Nope.

19 CHAIRWOMAN PREMSRIRUT: Commissioner
20 Kirkpatrick?

21 MS. KIRKPATRICK: No.

22 CHAIRWOMAN PREMSRIRUT: Commissioner Marz?

23 MR. MARZ: No.

24 CHAIRWOMAN PREMSRIRUT: So motion does not
25 pass, and it fails. And, therefore, Jayne, I guess the

1 next step would be to potentially consider what an
2 alternative allocation would be given the resistance to
3 the current recommendation.

4 MS. HARKINS: So you're asking staff to take
5 it back and bring it back in October? Do you want to
6 make -- you can make a different proposal today and give
7 us something else to name. We can rewrite the order.
8 It's a draft order. It's not final.

9 CHAIRWOMAN PREMSRIRUT: I would either --
10 plan A would be for staff to reevaluate -- or
11 alternatively, I would evaluate the dissenting
12 commissioners to make an alternative proposal to
13 consider, if they're prepared at this time; otherwise,
14 we can table it to October. Gail, does that present a
15 timing problem?

16 MS. BATES: I'm going to defer to Jayne and
17 Christine on that one. The intent was to hopefully wrap
18 up a contract fairly quickly for the customers so that
19 we could go ahead and execute the federal contract.

20 MS. GUERCI: The way the timing works is we
21 have to give the public entities 60 days when we give
22 them a final contract because they need to go through
23 their boards and commissions. So if we want to get this
24 wrapped up by December, have this -- have the contracts
25 at your December meeting and the federal contracts, so

1 we have it done before the end of the year. We need a
2 decision fairly shortly because otherwise we won't be
3 giving them their 60 days. But you could make an
4 alternative motion if you have a proposal as to what you
5 would like to see. We can do that as well.

6 MR. SISOLAK: I've got a question.

7 CHAIRWOMAN PREMSRIRUT: Commissioner
8 Sisolak.

9 MR. SISOLAK: I've sharing Marilyn's book
10 because I left mine in my office. Sorry. Are the
11 numbers correct -- the only one that was incorrect was
12 the Boulder City? Is that what you said earlier?

13 MS. BATES: Yes, that's correct.

14 MR. SISOLAK: Can we -- which number is
15 incorrect?

16 MS. BATES: On page 9 where it says
17 "applicant requests."

18 MS. KELLEY: It's our page 5.

19 MS. BATES: Oh, I'm sorry. On the page that
20 says "applicant requests." Boulder City's energy
21 numbers are not correct. On the left-hand side of the
22 page. The numbers that are correct are shown on the
23 right side of the page where it says "current
24 allocations."

25 CHAIRWOMAN PREMSRIRUT: So, again, for the

1 record, instead of reading 12,291,887, it should read
2 13,347,215.

3 MS. BATES: That's correct. And the summer
4 numbers are incorrect as well.

5 MS. KIRKPATRICK: Madam Chair?

6 CHAIRWOMAN PREMSRIRUT: Commissioner
7 Kirkpatrick.

8 MS. KIRKPATRICK: Sorry to ruffle
9 everybody's feathers here, but I just struggle because
10 so often the rural communities start relying on some of
11 this, and they don't have the same ability to leverage
12 that same resource as some of the bigger cities. And so
13 I truly would like to just keep it the way that it is
14 because I think that it's worked, and costs are growing
15 regardless. The City does have an opportunity to
16 increase that a little bit easier; right? They're
17 spreading it across 900,000 people as opposed to 20,000
18 people.

19 MR. SISOLAK: Is that a motion?

20 MS. KIRKPATRICK: That's a motion.

21 MR. SISOLAK: I'll second it.

22 MR. MARZ: I have a question.

23 CHAIRWOMAN PREMSRIRUT: Let's hold the
24 motion. Commissioner Marz.

25 MR. MARZ: By law or statute, do we have to

1 open it to up to every municipality in Southern Nevada?

2 MS. GUERCI: NRS 704.787, delineates who the
3 CRC can sell power to. So it can only sell hydropower
4 to customers it had before, like, 1990. And then SNWA,
5 its member agencies, and then a select portion of
6 Hoover's. So because this is not Hoover, it's only the
7 older customers plus the SNWA and their member agencies.

8 MR. MARZ: Okay. You said that we can only
9 sell power to them, but can we restrict who we sell
10 power to, or do we have to open it up to everybody?

11 MS. GUERCI: You have to open it up to
12 everybody who is eligible under the statute.

13 MR. MARZ: Okay. Who would that be? Every
14 municipality in the --

15 MS. GUERCI: Just the SNWA, their member
16 agencies, City of Las Vegas, City of Henderson, Boulder
17 City, Las Vegas, Valley Water District, Clark County
18 Water Reclamation.

19 MR. MARZ: Okay. Thank you.

20 MS. GUERCI: But they have to use it only
21 for water and waste water. They can't use it for
22 general purposes.

23 CHAIRWOMAN PREMSRIRUT: So we do have a
24 motion and a second. And as I'm understanding it, it
25 would be to leave the allocations as is excluding the

1 recommended allocation to the City of Las Vegas. Is
2 that what the motion is?

3 MS. KIRKPATRICK: (Nods head.)

4 CHAIRWOMAN PREMSRIRUT: Let's take a vote.
5 A motion to amend the allocations to keep it the same
6 with the exclusion of the City of Las Vegas. All in
7 favor?

8 MS. KIRKPATRICK: Aye.

9 MR. SISOLAK: Aye.

10 MR. MARZ: Aye.

11 CHAIRWOMAN PREMSRIRUT: All opposed?

12 MR. STEWART: Opposed.

13 MS. KELLEY: Nay.

14 CHAIRWOMAN PREMSRIRUT: All right. So I
15 think we don't need a roll call there. I think we still
16 have the same factions at place. So perhaps if we can
17 have staff take a look at it again and maybe shed some
18 light on the criteria where it speaks about economic
19 development, including but not limited to, job creation,
20 development, and/or support of economically
21 disadvantaged areas or rural communities.

22 I really take to heart Commissioner Sisolak
23 and Commissioner Kirkpatrick's comments. It would help
24 me to understand the delta, really, by quantifying what
25 is really the hardship on the other three entities

1 versus the City of Las Vegas because specifically I'm
2 not well heeled in that arena. So if that's something
3 staff could do, perhaps we'll put this on for October.

4 MS. BATES: Yes, we can do that. Thank you.

5 MS. KELLEY: Madam Chair, could we also
6 strongly encourage the applicants to have a
7 representative at that meeting, please?

8 CHAIRWOMAN PREMSRIRUT: I would agree with
9 that. Thank you, Gail.

10 (Agenda Item E discussion was as follows.)

11 MS. HARKINS: Agenda E: Discussion and
12 possible action to approve, deny, or condition the
13 approval of the joint application of Tronox, LLC,
14 Tronox, and EMD Acquisition, LLC, or EMD, for assignment
15 of all contracts and agreements between the Commission
16 and Tronox to EMD upon closing of the sale of Tronox's
17 Electrolytic Division to EMD. Current contracts and
18 agreements include but are not limited to: The contract
19 for sale of electric service from the Boulder Canyon
20 project and the Hoover power contract; contract for sale
21 of electric power from the Parker Davis project;
22 acknowledgement of assignment agreement to assign all
23 rights, interests, and obligations to EMD under the
24 federal contract for delivery of Colorado River water as
25 amended and supplemented; the contract agreement to

1 advance funds from the Parker-Davis project generation
2 facilities; contract agreement to repay its
3 proportionate share of the cost of securities issued by
4 the Commission to prepay Hoover power base charges;
5 contract for supplemental electric power supply
6 services; contract for transmission service; contract
7 for the interconnection, operation, and maintenance of
8 electric facilities; contract number P20-47, First
9 Amended Agreement to share the costs of implementation
10 of the lower Colorado River Multi-Species Conservation
11 Program; the letter agreement for designation of
12 scheduling entity dated June 5, 2017; the letter
13 agreement for billing procedures dated June 21, 2017.

14 The recommendation from staff. Staff is
15 recommending the Commission approve the joint
16 application of Tronox, LLC, and EMD Acquisition, LLC,
17 for assignment with the following two conditions: One,
18 that EMD deposits cash in the amount of \$750,000 to
19 satisfy its collateral requirement. Currently, as you
20 have read in the discussion, Tronox has a little over
21 \$500,000 collateral requirement with us, and that's with
22 a letter of credit. We would prefer to have cash on
23 hand. And that EMD execute an agreement with the
24 Commission that contains the following provisions. EMD
25 will demonstrate that its facilities can be turned off

1 without affecting the flow of energy to the Nevada
2 Environmental Response Trust or NERT, as we're likely to
3 shorthand it. EMD will agree that any subsequent
4 changes to its facilities will preserve the ability to
5 supply energy to NERT facilities are turned off. EMD
6 agrees to turn off power to its own facilities at the
7 Commission's request. After they have met the required
8 notices under NAC 538.746, commission staff has the
9 right to witness the shut-off and install locks which
10 will prevent EMD from reenergizing their facilities.
11 Such turn-off will be done in a manner that allows for
12 NERT to continue to receive energy. And in the event
13 EMD refuses to provide the personnel, commission staff
14 has the right to enter the property to perform the
15 shut-off and locking itself.

16 CHAIRWOMAN PREMSRIRUT: Thank you, Jayne.
17 For this agenda item, I'd like to start with Tronox and
18 EMD first giving us an overview of the transaction,
19 followed by staff's recommendations on this item.
20 Commissioners, again, if you could hold your questions
21 until the presentation and staff having made their
22 recommendations, that would be appreciated.

23 Tronox and EMD, the floor is yours.

24 MR. REASER: Good afternoon, Madam Chairman,
25 members of the Commission. I am Dan Reaser with the law

1 firm of Fennemore Craig, PC, and with me is John Walker
2 and William Golden of EMD Acquisition, LLC, also with us
3 in the audience is Jack Luna and John Holstrom, who are
4 respectively the plant manager and the director of
5 maintenance for the Henderson facility.

6 By agreement dated March 20th of this year,
7 EMD is acquiring the assets and business of Tronox's
8 electrolytic division in Henderson, Nevada. As your
9 staff report reflects in agenda item E, which is before
10 you today, Tronox's application filed with the
11 commission in April asks -- in which EMD has now joined
12 -- asks for your approval to assign the various
13 agreements that Ms. Harkins has placed on the record
14 before you. All of these agreements were late to
15 electric service at the Henderson facility. These
16 referenced agreements allow Tronox to assign to a
17 purchaser like EMD, with commission approval. The
18 contracts further provide that consent for that
19 assignment may not be unreasonably withheld or delayed
20 provided there is compliance with Nevada Administrative
21 Code 538 and 550, and the assignments are consistent
22 with Nevada Administrative Code 538.340 through 740.

23 In connection with our contract with EMD,
24 Tronox has also filed, on April 16th of this year, with
25 the United States Department of Interior Bureau of

1 Reclamation a -- with a copy to the commission of a
2 notice of transfer pursuant to Section 17 of the Boulder
3 Canyon project contract delivery of water, and that is
4 being processed by the bureau.

5 EMD is acquiring the Henderson facility for
6 continued operation of the electrolytic division.
7 Substantially all of the management and employees will
8 remain engaged in the operations. The load, location,
9 and point of delivery of electric power remains
10 unchanged. EMD is simply stepping in to Tronox's shoes
11 subject to complying with the federal and collateral
12 requirements of Nevada Administrative Code 538.744, as
13 Tronox has all along.

14 NERT, our landlord has, subject to your
15 approval today, given consent for Tronox's assignment
16 and EMD's consumption of the leasehold contract
17 obligations. This commission will be the last
18 government consent necessary to fully complete the
19 transaction. I'm happy to answer any questions on
20 behalf of Tronox, but I will yield the podium to the
21 gentlemen from EMD.

22 CHAIRWOMAN PREMSRIRUT: Thank you,
23 Mr. Reaser.

24 MR. WALKER: Ladies and gentlemen of the
25 Commission, I want to thank you for having us here this

1 afternoon. I realize your time is important. So I will
2 keep this introduction short before I turn over
3 everything to our team for questions.

4 My name is John Walker. I'm a managing
5 partner of Poly Capital (phonetic) that's sponsoring the
6 acquire of Tronox electrolytic plant, commonly referred
7 to as the "Henderson plant." Poly Cap manages private
8 investment partnerships with a large focus on
9 investments usually classified as "special situations."
10 Typically, these special situations require some sort of
11 restructuring, whether it's financial or and/or
12 operational. Poly Cap's special situations began
13 approximately six years ago with 100,000 with seed
14 capital from the general partners, but now stands at \$50
15 million of equity, \$22 million of which is general
16 partner capital. But what is perhaps the more important
17 thing is that we have saved more than 100 jobs in the
18 process of buying these businesses that were going to be
19 displaced or shut down by lenders with liens and
20 bankruptcy by foreclosure.

21 Our primary focus is industrial. A close
22 second is our desire to take on a project that no other
23 firm will take on. Today, we employ more that 200
24 people across the United States and recently turned
25 around a steel mill in Western Pennsylvania that lost

1 \$15 million the prior two years to our accusation. Four
2 months ago, we gave all the workers in the mill a raise,
3 and three weeks ago, we started hiring for a new shift.

4 Personally, I grew up in Southern Jersey.
5 My great-grandparents were farmers. My grandfather
6 fought in World War II and came home with (inaudible)
7 asbestos on ships (inaudible) in the Navy yard. My
8 father stocked shelves in high school to put food on the
9 table for his family. I'm the first person in my family
10 to graduate from college. Bill's story is not much
11 different. His father fought in World War II on Omaha
12 Beach and came home to teach English to inner city high
13 school student s. He attended Princeton on a
14 scholarship and went to law school at night and was
15 hired by the oldest law firm in the United States.
16 Still to this day, though, his mother, a retired typing
17 teacher, stops by our office once a month so he can take
18 her to dinner.

19 Why am I telling you all this? First, we
20 are not typical private equity investors. We strongly
21 dislike being labeled "private equity." We buy
22 businesses that we believe we can run for a long time
23 and believe we should always be of significant amount of
24 capital we employed. When we have partners, unlike most
25 PE firms, we don't refer to them as limited partners.

1 We simply call them partners.

2 Second, we are not hands-off financial
3 engineers. While we do like to sit back and listen to
4 the music as much as possible, we are not complacent.
5 We're here today in suits, but usually we are in blue
6 jeans and hard hats. Most people hear the word
7 "entrepreneur" and have visions of technology start-ups.
8 The actual meaning of the word is "bearer of risk."

9 Bill Goldman and John Walker, our team, sit
10 before you today to answer questions about the financial
11 stability and outlook of this transaction. We ask you
12 one thing: View us as entrepreneurs. We invested a
13 tremendous amount of personal time, energy, and capital
14 bringing this deal to fruition. The Commission's
15 mandates and our goals are directly aligned. For these
16 entrepreneurs, failure will not be an option. We only
17 have one small favor, is that you don't compare our
18 credit quality of time at Berkshire Hathaway because
19 Warren Buffet and Charlie Munger did have a 50-year
20 headstart on us.

21 We're happy to take any questions on
22 matters. John Holstrom is our resident expert on
23 matters related to physical operations of the plant and
24 the CRC. Thank you.

25 CHAIRWOMAN PREMSRIRUT: Thank you, John.

1 Anyone else from Tronox or EMD wishing to join the
2 presentation at this time?

3 MR. GOLDEN: William Golden.

4 CHAIRWOMAN PREMSRIRUT: Mr. Golden, please
5 proceed.

6 MR. GOLDEN: Yeah, we're open for questions.

7 CHAIRWOMAN PREMSRIRUT: I think before we
8 address questions -- I believe staff has some
9 recommendations on the conditions and then would like to
10 address some of the prongs in the opening criteria.

11 MS. HARKINS: Well, I had laid out -- part
12 of our recommendation was for two conditions. The first
13 is a change in the collateral amount for EMD, since they
14 don't have a record of operation. And I would hope that
15 they could tell us that these conditions are okay today.
16 The other one is to work with us very shortly and come
17 to an agreement so that if, for whatever reason, they
18 would go into default, and we do have to send them
19 default notices, that we have -- they will shut off
20 their facilities at our request or we can shut off their
21 facilities. We can't shut off their facilities at the
22 substations we own because it will shut off more than
23 one plant, and it just doesn't work that way. So we
24 have to get into the facility to do that. So that's the
25 piece, but we don't want to hurt or harm the power

1 that's going to the environmental remediation that is
2 run by NERT and the Nevada Division of Environmental
3 Protection. So we're trying to make sure that power
4 gets to that and keeps the environmental remediation
5 ongoing. So that's the other condition in this
6 agreement that we can work out in a short period of time
7 to make sure that's all taken care of. Those are our
8 two conditions.

9 CHAIRWOMAN PREMSRIRUT: So it's my
10 understanding, Jayne, that staff does recommend approval
11 of the assignment provided that the EMD/Tronox
12 transaction accommodates these enumerated conditions set
13 forth in the agenda?

14 MS. HARKINS: Yes.

15 CHAIRWOMAN PREMSRIRUT: Are there any
16 questions for our presenters? Commissioner Stewart.

17 MR. STEWART: As I see it, gone through
18 this, looks like there's -- there's probably more risk
19 than two to me. One, is being the financial risk,
20 obviously. Yeah, you're not Warren buffet, but you
21 still got to consider the financial risk in changing --
22 allowing power to go to a different company.

23 The other risk I see is the NERT risk.
24 Maybe somebody from staff can help me out here . I
25 wasn't here when NERT was set up. Why wasn't the power

1 directly -- maybe it couldn't be due to laws and
2 regulations. Why wasn't power directly given to NERT
3 rather than having to go through Tronox and then to
4 NERT? Because that seems to create a problem here if
5 something happens to Tronox/EMD. Seems like there's a
6 problem with getting the power, and that, obviously,
7 can't happen because shutting down the water
8 interceptors and everything else creates a huge
9 environmental problem.

10 MR. REASER: With the executive directors's
11 permission, I'll take the first swing at that.

12 MS. HARKINS: Go ahead.

13 MR. REASER: Commissioner Stewart, Dan
14 Reaser with Tronox. I think there's, one, an issue of
15 NERT not having been a contractor for the power. That's
16 the first. The second is that NERT becoming the
17 landlord and Mr. Steinberg is on the telephone with his
18 client, and he can elaborate if he wants, but that came
19 out of a 2011 bankruptcy. And as a part of that
20 bankruptcy, Tronox and NERT entered an agreement that we
21 would provide the power to them so that they would
22 receive the favorable pricing of the Colorado River
23 power and wouldn't have to necessarily construct
24 facilities for what hopefully will not be a permanent
25 forever situation to gain the power. So I think there's

1 a contract in place with NERT and Tronox, and EMD is
2 assuming that contract as well and will step into the
3 shoes to provide that power.

4 There is the ability -- and Mr. Holstrom
5 could explain it from a technical standpoint -- to build
6 facilities so that NERT could be separate and apart to
7 receive power. That wouldn't necessarily address the
8 allocation from Moapa through the CRC. So this a
9 work-around that was done through the bankruptcy
10 process.

11 MR. STEWART: Okay. That's -- I want to
12 just make sure --

13 MS. HARKINS: I would just add that in 2010,
14 when Tronox was requesting to take assignment of the
15 contracts from Kern McGee (phonetic), this commission
16 had this before them, and at that time, there was an
17 order that was approved by the commission that -- the
18 conditions then were that Tronox sign on to the
19 settlement agreement and the power agreement that they
20 would provide the power to NERT. So we have made that
21 approval previously that that be apart of Tronox's load,
22 is to provide the hydropower to NERT and the
23 remediation.

24 MR. STEWART: Thank you. I understand that.
25 And I understand the history as well. So I just wanted

1 to make sure we pointed that out. It's still a risk.

2 If something happens to EMD, you know, it could become
3 real messy related to getting power to NERT, I think.

4 MR. REASER: Well, I'll start by addressing
5 that at the lawyer level and Mr. Holstrom can address it
6 at the technical level, if you want. I'll probably get
7 the number of stations off. But there is today the
8 ability to segregate the power, technically. There's
9 one main switch that, if on, makes sure that NERT gets
10 the power. Then there are, I believe, 10 or 11 switches
11 have to be switched off so that you stop the power going
12 on that line into what would be the EMD facility. So it
13 is not that NERT will lose power. It will have the
14 power. It is that you have to go through a process
15 which is part of the conditions here to shut off the
16 power to EMD, and I think what the commission is asking
17 for in the condition here is to make sure that a process
18 is in place so that they can effectuate turning off EMD
19 without having to go to a main line and shut off
20 everything which also would affect other plants other
21 than EMD's.

22 MR. STEWART: Thank you.

23 CHAIRWOMAN PREMSRIRUT: Any additional
24 questions or comments. Commissioner Kelley.

25 MS. KELLEY: Thank you. This is for the

1 staff. It's more about the process. So you've done a
2 financial analysis. I see that their cash on hand is
3 3.5 million, and the collateral that you're asking for,
4 for them is 21 percent of that, 750,000. Did I do the
5 math right on my phone calculator? So for what period
6 would we hold that collateral? I mean, I know that
7 we're required to hold some collateral, but for what
8 period will we hold the 750,000, and at what time would
9 that collateral -- the amount of that collateral be
10 evaluated or reevaluated?

11 MS. HARKINS: So we bring to the commission
12 annually the review of the collateral. So you should
13 see that in November.

14 MS. BATES: A year from now.

15 MS. HARKINS: Well, but you'll see it come
16 up in two months for everybody, but our recommendation
17 would be for EMD to be a year from now in November. In
18 that annual we come back and make a different
19 recommendation or go to letter of credit. Yes, annually
20 you'll see it and be able to change this.

21 MS. KELLEY: Thank you.

22 CHAIRWOMAN PREMSRIRUT: I had a question,
23 attorney Reaser. As part of the approval or consent of
24 assignment, is Tronox requesting the Commission grant a
25 novation? So, in essence, when EMD --

1 MR. REASER: Did you say a "novation"?

2 CHAIRWOMAN PREMSRIRUT: So in other words --
3 Christine, maybe this is a question for you.

4 MS. GUERCI: What we have discussed is
5 doing -- we've discussed the conditions. The NERT issue
6 is going to be in a right of access that we can record,
7 and then we've discussed doing an assignment,
8 assumption, and consent agreement, so that -- whereby
9 Tronox would sign off on the assignment. EMD would sign
10 off as assuming all liabilities and rights and
11 obligations, and then this year would sign off on
12 consenting.

13 CHAIRWOMAN PREMSRIRUT: So we'll no longer
14 look to Tronox for any affirmative obligation? It will
15 completely pass to EMD, and we will -- in essence, a
16 novation of what Tronox's prior obligations were?

17 MS. GUERCI: Yes. Upon consent.

18 MR. REASER: In answer, there's not a
19 novation here. The contract provides by its terms for
20 an assignment, an assumption as do the contracts all the
21 way up the line back to Moapa, allow assignments and
22 assumptions or reallocations.

23 CHAIRWOMAN PREMSRIRUT: Any additional
24 comments or recommendations? Seeing and hearing none --

25 MS. HARKINS: I have one more question for

1 EMD. If you guys do accept these conditions, and if you
2 could put that on the record for us?

3 MR. GOLDEN: Yes, on the record. Yes, we
4 do.

5 MR. STEWART: I'll go ahead and make a
6 motion to approve.

7 MR. SISOLAK: I'll second it.

8 CHAIRWOMAN PREMSRIRUT: A motion to approve.
9 All in favor? All opposed? Motion carries unanimously.
10 Thank you, gentleman.

11 (The proceedings concluded at 2:35 p.m.)

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1 STATE OF NEVADA)
SS:)
2 COUNTY OF CLARK)

CERTIFICATE OF REPORTER

I, Brittany J. Castrejon, a Certified Court Reporter licensed by the State of Nevada, do hereby certify that I took down in shorthand (Stenotype) all of the proceedings had in the before-entitled matter at the time and place indicated; and that thereafter said shorthand notes were transcribed into typewriting at and under my direction and supervision and the foregoing transcript constitutes a full, true, and accurate record of the proceedings had.

IN WITNESS WHEREOF, I have set my hand in my

Brittany J. Castrejon, RPR, CCR NO. 926

Colorado River Commission of Nevada

Hydrology and Water Use Update September 11, 2018



Summary

Lake Powell

- Upper Basin cumulative precipitation is at 68% of average
- Water Year 2018 is forecasted to be only 44% of average
- Glen Canyon Dam will release above average flows in 2019

Lake Mead

- A shortage will not occur in 2019
- Lake Mead is projected to maintain current elevations through the end of the calendar year

Nevada Water Supply

- Southern Nevada has 7 years of water supply banked
- **In 2017, Southern Nevada used 19% less than its annual allocation.**

Storage	Elevation (f)	% Capacity	Change since last year
Lake Mead	1,079.3	38%	- 2.4 ft
Lake Powell	3,596.7	47%	- 6.8 ft

Data retrieved September 6th, 2018

2

Water Use In Southern Nevada

Southern Nevada Water Use

2017 Actual Use in Acre-Feet

Nevada Annual Allocation	300,000
Diversion	470,271
Return Flows	226,846
Consumptive Use	243,425
Unused Allocation Available for Banking	56,575 (19%)

Southern Nevada Water Use

Diversions

Return Flows

Consumptive Use

January thru July 2018	275,359	134,788	140,571
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Banked Water (through end of 2017)

Acre-Feet

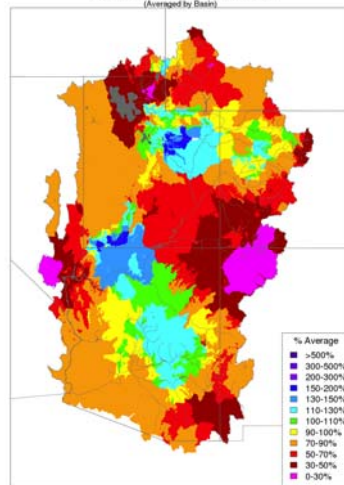
Ground Water Recharge in So. Nevada	359,045
Banked in Lake Mead	582,313
Banked in California and Arizona	931,226
Total	1,872,584

3

Precipitation and Temperature

Monthly Precipitation - August 2018

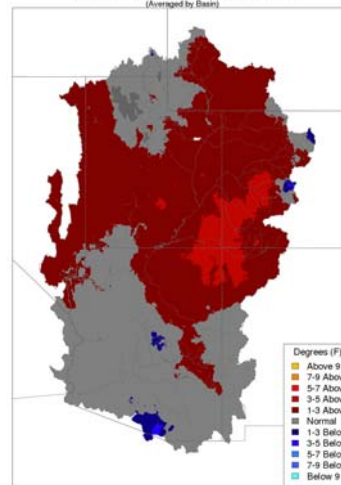
(Averaged by Basin)



Prepared by NOAA, Colorado Basin River Forecast Center
Salt Lake City, Utah, www.cbrfc.noaa.gov

Max Temp - Monthly Deviation - August 2018

(Averaged by Basin)



Prepared by NOAA, Colorado Basin River Forecast Center
Salt Lake City, Utah, www.cbrfc.noaa.gov

Above Lake Powell August Precipitation: 68%

4

Unregulated Inflow, Current and Projected Reservoir Status

Projected unregulated inflow to Lake Powell Acre-Feet % Average

Water Year 2018	4,761,000	44%
April thru July 2018 (observed)	2,602,000	36%

Reservoir	Current Elevation	Current Storage Acre-Feet	Current % Capacity	Projected Elevation on 1/1/2019 ¹
Lake Mead	1,079.3	9,951,000	38%	1,079.5
Lake Powell	3,596.7	11,437,000	47%	3,586.6

Data retrieved September 6th, 2018

¹ Based on Reclamation's August 2018 24 Month Study.

5

Lower Basin Conservation

2017 Actual Conservation

Acre-Feet

Arizona	290,497
California	373,485
Nevada	56,575
Total	720,557

Lower Basin consumptively used 6,779,443 of 7,500,000 allocation

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Las Vegas Ground Water Accounting

- Since 1987, approximately 377,000 acre-feet of Colorado River water has been artificially recharged into local groundwater aquifers
- Las Vegas Valley Water District and North Las Vegas own separate groundwater rights that are recovered and used/accounted for to serve customers prior to recovering Colorado River water for use
- Once the groundwater rights have been utilized, Colorado River water is then recovered and used to continue to serve customers
- Every acre foot of separate groundwater rights water and artificially recharged Colorado River water is accounted for
- There is no accepted loss factor applied to the use of groundwater