

The meeting was held at 10:00 a.m. on Tuesday, November 14, 2006, at the Sawyer State Office Building, 555 East Washington Avenue, Suite 4401, Las Vegas, Nevada.

COMMISSIONERS IN ATTENDANCE

Chairman	Richard W. Bunker
Vice Chairman	Jay D. Bingham
Commissioner	Andrea Anderson
Commissioner	Marybel Batjer
Commissioner	Shari Buck
Commissioner	Ace I. Robison

COMMISSIONERS NOT PRESENT

Commissioner	Myrna Williams
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DEPUTY ATTORNEYS GENERAL

Senior Deputy Attorney General	Gerald A. López
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COMMISSION STAFF IN ATTENDANCE

Executive Director	George M. Caan
Energy Services Group Manager	Gail A. Bates
Manager of Regulatory and Intergovernmental Affairs	James D. Salo
Division Chief, Finance and Administration	Douglas N. Beatty
Assistant Director for Engineering and Operations	Bob Reese
Natural Resource Specialist	McClain Peterson
Natural Resource Specialist	Nicole Everett
Environmental Program Manager	Phillip S. Lehr
Natural Resource Technician	Anthony Miller
Hydropower Program Manager	Craig N. Pyper
Program Officer II	Lisa M. Ray
Senior Energy Accountant	Gail Benton
Network Administrator	Kaleb Hall
Office Manager	Judy Atwood
Administrative Assistant IV	Brenda Haymore
Administrative Assistant III	Janet Nuszbaum
Administrative Assistant II	Donna Banks

OTHERS PRESENT; REPRESENTING

AMPAC	Jack Stonehocker
Bunker & Associates	Melissa Trammell
James H. Davenport, L.L.C.	James H. Davenport, Esq.
Tronox, L.L.C.	John Holmstrom
	Deanna Bruno
	Sara Price

**COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF NOVEMBER 14, 2006**

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The Colorado River Commission meeting was called to order by Chairman Bunker at 10:00 a.m. followed by the pledge of allegiance.

A. Conformance to Open Meeting Law.

Mr. Caan confirmed that the meeting was in compliance with the Open Meeting Law.

B. Approval of minutes of the September 12, 2006, meeting.

Commissioner Robison moved for approval of the minutes. The motion was approved by a unanimous vote of those present. Vice Chairman Bingham and Commissioner Batjer were not present for this vote.

C. Consideration of and possible action on the First Amendatory Contract No. SA-03-05 with Electrical Safety Consultants International, Inc., for energized electric system safety training and compliance services.

Mr. Caan remarked that safety is no accident and is the most important component of the power delivery project. For six years we have received the APPA Safety Award, which is based on 15,000 hours or less with no safety violations or injuries. Our customers are very satisfied with our safety program, and with the power delivery project and its reliable service. Mr. Caan noted we were asked to build a robust, redundant, and reliable system, and we have done so.

Bob Reese explained that in April 2003, CRC entered into a contract with Electrical Safety Consultants International, Inc. (ESCI) for safety support services associated with CRC's high-voltage electric transmission system. The current contract expires on December 31, 2006. Under the contract ESCI:

1. Developed and implements a safety and wellness training program. The program is based upon the requirements of 29 CFR 1910 of the Occupational Safety & Health Administration (OSHA) and the latest edition of the American Public Power Association's Safety Manual. The program includes such topics as first aid, CPR, equipotential grounding, hot stick use and care, electrical safety, confined space entry, and hazardous material communication. ESCI implements the program by providing monthly training sessions at CRC's Newport Substation office complex.
2. Developed and implements a high-voltage switchman certification program. The program is based upon CRC's Switching and Clearance Procedures, the American Public Power Association's Safety Manual, and the Western Area Power Administration's Power System Switching Procedure. ESCI provides classroom instruction, hands-on practice and a written exam in order to ensure CRC personnel are properly qualified and trained to carry out high-voltage switching.

3. Provided commercial driver license (CDL) training and CDL records maintenance. ESCI provided training to allow CRC operation and maintenance personnel to receive a CDL issued by the State of Nevada. ESCI provides follow-up services, including a drug-testing program that meets the requirements of State of Nevada Department of Motor Vehicles.
4. Provides a Material Safety Data Sheet service. The service is made available on-line and allows CRC employees easy access to Material Safety Data Sheets on hazardous materials that may be encountered during operation and maintenance activities.
5. Provides safety equipment and materials as requested up to \$10,000 per year as identified and directed by CRC. Equipment previously supplied included automated external defibrillators (AEDs) as required for electrical workers by OSHA and outdoor gas cylinder storage cages.

CRC has an on-going need for the services provided by ESCI. Over the past three years ESCI has performed the services in a manner that has met or exceeded CRC's expectations in all areas.

Prior to executing the current contract with ESCI, CRC staff conducted an extensive search for firms qualified to perform the necessary services. Although there are many firms providing construction safety training and/or low-voltage electrical safety training nationally, staff was only able to identify two companies qualified to perform high-voltage safety training on a contract basis. Large utilities such as Nevada Power Company, the Western Area Power Administration and Southern California Edison Company provide such safety training services with "in-house" training staff. CRC staff previously contacted these larger local utilities to determine if they would be willing to provide such training services to CRC. All indicated they would not for liability or business reasons. Subsequent to those investigations, CRC issued a request for proposals for safety support services that lead to the current contract with ESCI.

Rather than issuing a new request for proposals at this time, CRC staff proposes to extend the existing contract with ESCI for an additional three-year period. ESCI is agreeable to this extension. At the end of the three-year period, staff intends to again conduct a national survey to determine if additional firms exist that can provide the required services and to issue a request for proposal for services at that time.

Under the current contract, ESCI agreed to provide the required services for a not-to-exceed price of \$269,261 for the period 2003 through 2006. For the 2007-2009 period, ESCI has proposed to provide the required services for a not-to-exceed price of \$96,954.00. CRC staff believes the prices quoted by ESCI fairly reflect the cost of the services to be provided.

Accordingly, staff recommended approval of the First Amendatory Contract No. SA-03-05 for Energized Electric System Safety Training and Compliance to ESCI.

Commissioner Bunker asked if the on-going 24-hour security of our facilities was being provided by Southern Nevada Water Authority (SNWA) as part of their overall securities

program. Mr. Reese stated that was accurate.

Commissioners Batjer and Bingham arrived.

Commissioner Anderson moved for approval. Commissioner Bingham seconded the motion which was approved by a unanimous vote.

D. Consideration of and possible action on approval of Change Order No. 1 to Contract No. CRCPDP-21 with Northern Power Equipment, Inc., for the procurement of cable, cable accessories and cable trench for the Hacienda Substation Upgrade Project.

Mr. Reese gave a brief background on the Hacienda Project.

The Hacienda Substation Upgrade Project (Hacienda Upgrade) is a project being undertaken in conjunction with the Southern Nevada Water Authority (SNWA) to refurbish and upgrade the high- and low-voltage electrical systems serving SNWA's Hacienda Pumping Station. Under the Hacienda Upgrade, CRC is responsible for renovation work in the external supply substation while SNWA is responsible for renovation of the electrical system internal to the pumping station. As part of the substation upgrade CRC will be installing a second 69/4.16-kV, 20 MVA transformer bank, replacing the existing oil-filled power circuit breaker, adding state-of-the-art electronic relays, installing primary metering, installing oil containment basins around the transformers, installing a firewall between transformer banks, and extensively modifying the substation bus work. On-site construction of the Hacienda Upgrade began in the fall of 2006.

On April 12, 2006, CRC entered into a contract with Northern Power Equipment, Inc., (Northern) to supply 7,400 feet of medium-voltage cable and cable terminations for the Hacienda Upgrade. The contract price was approved at \$111,544.00 and the executive director was authorized to sign change orders to the contract, provided such change orders would not increase the contract price above \$122,698.40 (an amount equal to the bid price plus 10 percent). Because of the price volatility that currently exists in the metals market, all medium- and high-voltage cable manufacturers have been pricing cable bids with a price escalation clause. The escalation clause allows the bid price to be increased to reflect the final commodity price for copper, lead, aluminum and steel. The Northern bid contained an escalation clause. Given no manufacturer would quote cable on a fixed-price bid, CRC accepted the escalation clause and included it in Contract No. CRCPDP-21.

The medium-voltage cable and terminations procured by CRC under Contract No. CRCPDP-21 have now been manufactured and delivered to the project site for installation by CRC's construction contractor. Utilizing the escalation clause, the final delivered price increased by \$22,873.40, an amount which exceeds the executive director's change order authority authorized by the Commission at the time the contract was awarded.

Staff reviewed the metals commodity prices from the date of bid through the date of shipment and believe the increase in the contract price is required under Contract No. CRCPDP-21.

Accordingly, staff recommends approval of Change Order No. 1 to Contract No. CRCPDP-21 with Northern.

Commissioner Robison asked for a timeline on the project. Mr. Reese stated the project is broken down into two phases. The 69-kV first phase will be completed and energized in January 2007. The second phase, which will be a rebuild of the existing unit, should be done by March 2008.

Commissioner Batjer moved to approve. Commissioner Bingham seconded the motion which was approved by a unanimous vote.

E. Consideration of and possible action to adjust the amount of collateral the Commission's retail industrial customers are required to post pursuant to their contracts with the Commission.

Commissioner Bunker asked Mr. George Caan to give a brief background on this item.

Mr. Caan stated that NRS 538.181(2) requires that CRC's power customers, except a federal or state agency or political subdivision, provide an indemnifying bond or other collateral approved by the Nevada State Board of Examiners "in such sum and in such manner as the commission may require, conditioned on the full and faithful performance" of their power contracts. Accordingly, every contract by which CRC sells power to customers affected by this statute contains provisions for collateral in the form of a surety bond, cash deposit or other approved collateral. NAC 538.744 requires the Commission to conduct an annual review of the creditworthiness of its retail industrial customers during October of each operating year. Based on that review, the Commission establishes the amount and prescribes the manner in which the customer is required to furnish collateral pursuant to its contracts with the Commission.

NAC 538.744 provides that "[i]n no case will the amount of collateral established by the Commission be less than one-fourth of the contractor's gross annual purchases" and, where necessary to protect the State from potential loss, the amount of the required collateral may be greater than this minimum. "Gross annual purchases" is defined in the regulation as "the total amount of a contractor's actual purchases of power, transmission and other related services, if any, under all its contracts with the commission, invoiced by the commission during the test period," that is, "the 12 consecutive months immediately preceding the month containing the date of review." Given the present date of review as October 1, 2006, the test period runs from October 1, 2005, through September 30, 2006. Staff continuously monitors the stock value and credit rating of the Commission's contractors and reviews the financial press for information that may be of value in determining their credit risk. Based on its evaluation of this data, staff has concluded that the creditworthiness of these customers warrants a recommendation that the Commission adjust the respective amounts of the required collateral of them to the minimum allowable by NAC 538.744.

To determine the allowable minimum collateral required of each industrial customer for Operating Year 2006, staff calculated 25 percent of that customer's Gross Annual Purchases during the test period, October 1, 2005, through September 30, 2006. The results are as follows:

	Gross Annual	Proposed Collateral	Present
Contractor	Purchases*	25%	Collateral
	10/1/05 through 9/30/06	of previous column	
American Pacific Corporation	\$5,568,970.13	\$1,392,242.53	\$1,200,440.03
Basic Water Company	\$966,712.31	\$241,678.08	\$142,178.02
Chemical Lime Company of Arizona	\$88,520.24	\$22,130.06	\$22,877.84
Tronox, LLC	\$1,160,927.48	\$290,231.87	\$200,081.57
Pioneer Americas, L. L. C.	\$21,166,031.83	\$5,291,507.96	\$4,423,285.44
Titanium Metals Corporation	\$10,169,602.52	\$2,542,400.63	\$2,088,503.07
Total	\$39,120,764.51	\$9,780,191.13	\$8,077,365.97

*The "Gross Annual Purchase" is based on the total Monthly Invoices plus the total Parker-Davis Advance Fund Invoices and then adjusting for the following charges or credits: 1) Reversed four charges to Pioneer that totaled \$355,785.63 for anticipated Collateral increase.

Under NAC 538.744, the Commission may prescribe the manner in which a contractor is required to furnish collateral pursuant to its contracts with the Commission. Staff recommended that the Commission allow Contractors using cash as collateral to furnish the additional required collateral in six monthly installments.

Commissioner Robison asked if the difference between the present collateral and proposed collateral is what is being added to or subtracted from the present collateral. Mr. Caan said that was correct. He stated the proposed collateral is 25 percent of their 12 monthly purchases and that the proposed collateral is the minimum level of collateral required by law.

Commissioner Bunker stated that Douglas Beatty keeps a very close eye on the financial status of our customers and will inform the Commission of any needed changes in collateral requirements.

Commissioner Bingham moved to approve Agenda item E. The motion was approved by a unanimous vote.

<p>F. Consideration of and possible action on approval of Assignment of Contract W0-07-30-W0011 for Delivery of Colorado River Water from the Boy Scouts of America to the Southern Nevada Water Authority.</p>
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Mr. Caan explained the Southern Nevada Water Authority (SNWA) purchased the land which was formerly a Boy Scout camp near Laughlin, Nevada. As part of the sale, the Boy Scouts have assigned Contract No. 9-07-30-W0011 to SNWA, which provides for the delivery of up to 10 acre-feet of Colorado River water for domestic use on that land. The assignment requires the consent and approval of the Commission.

Commissioner Robison asked if the Boy Scout camp is closed. Mr. Caan said the camp has been closed for quite awhile.

Commissioner Bingham moved for approval of Agenda item F. The motion was approved by a unanimous vote.

G. Consideration of and possible action on Resolution 2006-02 commending Deanna L. Bruno for her service to the Colorado River Commission.

Mr. Caan stated that Ms. Bruno had been the “face” of the Colorado River Commission for the past 30 years. Mr. Caan stated that Ms. Bruno was the model employee, the standard of hard work, dedication, commitment, integrity, and professionalism that he wanted every single employee who works for the Colorado River Commission to have.

Commissioner Bunker stated that Ms. Bruno’s work has not gone unnoticed and, on behalf of the Commission, expressed gratitude for the work she has done.

Ms. Bruno stated that it had been an honor and a privilege to have worked for the Colorado River Commission of Nevada for the past 30 years. She stated that if a person had to work, there was no better place of employment than the Colorado River Commission of Nevada.

A copy of Resolution 2006-02 is attached hereto and made a part of these minutes as Attachment A.

Commissioner Anderson made a motion to adopt Resolution 2006-02 and the motion was carried with a unanimous vote.

H. Update on Nevada’s Colorado River water consumption and the Colorado River Basin States’ discussion regarding Colorado River water shortages.

Mr. Caan presented each of the Commissioners with a copy of *Laws of The Rivers: The Legal Regimes of Major Interstate River Systems of the United States*, by primary author Dan Seligman.

McClain Peterson, Natural Resources Analyst for the Commission, provided a report on storage conditions on the Colorado River as of November 9, 2006; unregulated inflow into Lake Powell; precipitation in the Colorado Basin; drought conditions; and water use in southern Nevada during January 2006-September 2006. A copy of the handout is attached hereto and made a part of these minutes as Attachment B.

Commissioner Bingham asked why there was such a big gap in the unregulated inflow into Lake Powell.

Mr. Peterson said the precipitation estimates come from the National Weather Service and an answer is difficult to pinpoint. Most of the water in the earlier months comes from actual precipitation as opposed to melting snow pack and the snow pack is beginning to build now.

Commissioner Robison asked if the current basin snow pack is based on year-to-date data.

Mr. Peterson said that number is based on an average annual maximum.

Commissioner Bingham asked how old the year-to-date data is.

Mr. Peterson said the number was from November 7, 2006.

Mr. Peterson reported that water use in southern Nevada is up in 2006 compared to 2005 and 2004. The amount of recharge will have to be reduced in order to come within Nevada's 300,000 acre-feet limit.

Commissioner Anderson asked why the recharge is so different between the years.

Mr. Peterson said there are several reasons. One is the basic municipal demand and 2006 has been a very dry year compared to 2005 and 2004.

Commissioner Anderson asked what the recharge is.

Mr. Peterson stated the recharge is water that southern Nevada banks in the ground here in Nevada. It is water that is not put back into the lake. It is water that is taken off the river and is shown as consumptive use, though in fact it was not used in a consumptive sense; it is water that is stored for the future.

Mr. James Davenport, special counsel to the Colorado River Commission of Nevada, explained that objective of the book, *Laws of The Rivers*, is to compare the Colorado River system to other river systems. Commissioners Batjer and Robison commended Mr. Davenport on a job well done on the book, *Laws of The Rivers*.

Mr. Davenport mentioned that the All-American Canal litigation is scheduled for oral argument in the 9th Circuit Court of Appeals on December 4, 2006, with a decision probably two or three months following. An injunction has been filed against the construction of the All-American Canal. A motion has been filed asking that the injunction be lifted.

Commissioner Anderson asked that the Commission be informed after December 4, 2006, on what takes place. Mr. Davenport said he would.

Mr. Davenport explained the discussion that is taking place between the Seven States regarding the Secretary of the Interior's adoption of a shortage rule. An Environmental Impact Statement (EIS) process is currently underway; the draft of that EIS is going to be published in February

2007. The Seven States are working on fine-tuning the details of the relationships between themselves which make their proposal work. The Seven States met October 30, 2006, and again November 13, 2006, in a working group session drafting documents to get matters resolved and agreed to. One of the issues which the State of Nevada and the Southern Nevada Water Authority (SNWA) secured in the preliminary proposal with the other Seven States is that the SNWA would be able to invest in a system project at the lower end of the Colorado River system. It is called "Drop Two" because its location is at the second drop in elevation in the All-American Canal. That construction work is coordinated in engineering ways with the improvement of the All-American Canal. The present judicial injunction on the lining of the canal does implicate that engineering schedule.

Commissioner Bunker asked that Mr. Davenport explain how that water comes about that will go into the Drop Two structure.

Mr. Davenport explained that when orders are made for deliveries of water from Hoover Dam into the river below the Dam for ultimate delivery to contractors primarily in the Imperial Valley and in Arizona for irrigation uses, that water is permitted to flow down river in about a 72-hour delivery time between the dam and the actual turnout of the diversion of water from the river. If there is a precipitation event which occurs in that three-day period, those parties which ordered that water may not want to take delivery, in which case the water stays in the main stem and passes over into Mexico. Last year, there was about 72,000 acre-feet of water that made it to Mexico. If this water could have been managed, the water would have been kept in the United States. The proposed reservoir, once constructed, would permit water to be diverted for storage in case somebody ordered water and later discovered they didn't want to take delivery. This will then permit a later delivery of water to Mexico to meet the delivery obligation and leave the water in Lake Mead which would have been released to meet Mexico's obligation. The proposed reservoir is called a re-regulation reservoir; it does in the lower stream what had been done above in the regulatory reservoir of Lake Mead. The proposal is really a first of a kind in that it permits a non-United States party to make the capital investment to develop a United States facility. The benefit to the river system is major. About three million acre-feet determined over the life of the project, and the SNWA is merely asking in return for its capital contribution that it get a specific number of acre-feet of water valued at a fixed price known going into the transaction. The SNWA gets a block of water, the system gets an improvement which is much greater than the water which the State of Nevada gets, and everybody benefits from the transaction.

Commissioner Buck asked if when the canal is lined, does it capture that extra water that used to seep.

Mr. Davenport stated that the canal water which is saved is delivered through the Metropolitan Water District Canal that goes into Los Angeles. You would know that you would need to deliver that much less in the All-American Canal because you don't need as much anymore because it doesn't leak, and that water would then be moved through a different canal.

Commissioner Robison asked if that water belongs to somebody at this point, the water that is now seeping.

Mr. Davenport stated that the California agreements provide that, once saved, that water would be used in San Diego and also for some Indian tribes in California.

Commissioner Batjer asked where the reservoir is going to be constructed.

Mr. Davenport said the reservoir will be constructed in California at the second elevation drop in the All-American Canal system, which is located between the river and Imperial Valley.

Commissioner Bunker stated that Nevada has pressed the other states, particularly California, to make California responsible for the water that is not used and subsequently flows on to Mexico. He feels that money involved in this process is going to be well spent considering the amount of water that will be recuperated. He commended SNWA for the work well done on this project.

Mr. Davenport stated that the states of Arizona and Nevada have now reached some agreement about the shared shortage between the two states.

Commissioner Robison asked how California plays into the agreement.

Mr. Davenport said California is not really a party to it.

I. Comments and questions from the public and discussion. (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.)

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

J. Comments and questions from the Commission members.

Commissioner Buck asked that Commissioner Williams be commended for her hard work and dedication to the Colorado River Commission of Nevada.

K. Selection of the next possible meeting date.

It was suggested that a December meeting not be held. A decision will be made at a later date.

L. Adjournment.

The meeting adjourned at 11:00 a.m.

George M. Caan, Executive Director

APPROVED:

Richard W. Bunker, Chairman