

The meeting was held at 10:00 a.m. on Tuesday, May 8, 2007, at the Clark County Commission Chambers, 500 South Grand Central Parkway, Las Vegas, Nevada.

COMMISSIONERS IN ATTENDANCE

Chairman	Richard W. Bunker
Vice Chairman	Jay D. Bingham
Commissioner	Ace I. Robison
Commissioner	Andrea Anderson
Commissioner	Lois Tarkanian

COMMISSIONERS IN ATTENDANCE VIA TELECONFERENCE

Commissioner	Marybel Batjer
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COMMISSIONER NOT IN ATTENDANCE

Commissioner	Shari Buck
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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
Division Chief, Finance and Administration	Douglas N. Beatty
Assistant Director for Engineering and Operations	Bob Reese
Hydropower Program Manager	Craig Pyper
Natural Resource Specialist	Nicole Everett
Natural Resource Specialist	McClain Peterson
Office Manager	Judy Atwood
Administrative Assistant IV	Brenda Haymore
Administrative Assistant II	Gina Goodman

OTHERS PRESENT; REPRESENTING

Boulder City, City of	Ned Shamo
Consultant	Sara Price
James H. Davenport, LLC	James H. Davenport
Kummer, Kaempfer, Bonner, Renshaw & Ferrario, Ltd.	Rose Ozmon
Overton Power District No. 5	Delmar Latham
Overton Power District No. 5	Mendis Cooper
Piercy, Bowler, Taylor & Kern	Richard Bowler

OTHERS PRESENT; REPRESENTING (continued)

Self
Southern Nevada Water Authority
Southern Nevada Water Authority
Southern Nevada Water Authority
Southern Nevada Water Authority
Tronox, LLC

Tim Robison
Kay Brothers
Sandra Reed Bottino
Colby Temple
Bruce Moore
John Holmstrom

**COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF MAY 8, 2007**

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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.

Mr. Caan noted that Commissioner Batjer was participating by telephone and verbally checked that she was connected.

Commissioner Batjer assured the Commission that she was indeed connected.

Chairman Bunker noted that agenda item I would be taken out of order to accommodate the busy schedule of Kay Brothers who will be making a presentation on behalf of the Southern Nevada Water Authority.

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 March 13, 2007, meeting.

Commissioner Bingham moved for approval of the minutes. The motion was approved by a unanimous vote.

I. Update on Nevada's Colorado River water consumption, the recent Nevada State Engineer's ruling on Spring Valley, the status of discussions regarding shortages criteria, and other developments on the Colorado River.

Chairman Bunker noted that Kay Brothers, Deputy General Manager of the Southern Nevada Water Authority (SNWA), was an invaluable member of Nevada's negotiating team on Colorado River issues. Technically, she is one of the voices that is really listened to on all matters on the river and has been instrumental in negotiating all the agreements for the current operating strategies on the Colorado River.

Ms. Brothers' thanked Chairman Bunker for his kind words. She pointed out that due to the drought in the West and southern Nevada's reliance on the Colorado River, the SNWA felt the need to diversify southern Nevada's water supply. Ms. Brothers' presentation included an overview of some of the diversification plans. The plans include importing groundwater from eastern and central Nevada (Three Lakes Valley and Coyote Springs). Also, a recent ruling by the Nevada State Engineer regarding SNWA's Spring Valley water applications found "there is 60,000 afy of water for appropriation and export from the Spring Valley Basin." Ms. Brothers pointed out that a monitoring and mitigation program is required for a minimum of five years prior to the export of water. That program has already begun. She also reported that southern Nevada will get return flow credits for pumped groundwater that is put into the river.

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

McClain Peterson provided a report on the following:

- unregulated inflow into Lake Powell
- storage conditions on the Colorado River
- Lake Mead elevation/lower basin shortage triggers
- precipitation in the Colorado River Basin
- drought conditions in the West
- mountain snowpack as of May 1, 2007
- spring/summer streamflow forecasts
- water use in southern Nevada

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

Mr. Davenport, a consultant for the Commission, reported on the status of all the “Seven States’ agreements.” He explained that the agreements were not final until the Secretary of the Interior adopted a Record of Decision (ROD) in its environmental process, which is currently underway. The ROD is expected to be issued by the end of 2007 or the beginning of 2008. As part of that process, a “preferred alternative” for river management strategies is expected from the Bureau of Reclamation within the next 30 to 45 days. Once that is announced, the final phase of the EIS process will begin. The Seven States expect that some refinements will be required for the preferred alternative they recommended.

Mr. Davenport said the issue of Mexico’s participation in shortages is still uncertain. Whether the Secretary will adopt a ROD without the Mexico component is hard to predict.

Mr. Davenport said the whole Seven States’ process has been beneficial in that a regional solution to river management has developed rather than the individual state protectionism that has occurred for so many years. The Seven States’ agreement that was signed on April 23, 2007, is the first document since 1922 that was signed by all Seven Basin States and has mutual promises between themselves.

C. Consideration of and possible action on an amendment to Contract No. SA-04-01 with Northern Power Equipment, Inc., for material purchasing services.

Mr. Reese explained that under state purchasing guidelines, designated CRC staff have the ability to purchase items costing less than \$5,000 from those vendors with whom CRC has established accounts. This purchasing mechanism allows CRC to purchase small tools and items such as low-voltage wire, conduit, and replacement luminaries. However, many individual items and replacement parts within CRC’s transmission system cost in excess of \$5,000. Relays and metering equipment typically cost between \$5,000 and \$30,000, communication modules cost between \$3,000 and \$10,000, transformer bushings cost up to \$100,000 each, tap changer controls cost approximately \$12,000, and replacement switches can cost between \$7,000 and \$15,000.

To provide CRC operation and maintenance staff with the ability to obtain replacement equipment and material costing in excess of \$5,000, in April of 2004, the Commission entered into Contract No. SA-04-01 with Northern Power Equipment, Inc., (Northern) for material purchasing services for the Power Delivery Project and the Basic Substation Project. The

contract was established with a not-to-exceed limit on purchases of \$200,000 over a 36-month term.

The existing material purchasing contract with Northern is an enabling-type contract that allows CRC operation and maintenance staff to requests bids from and to purchase equipment and materials necessary for repair and upgrade of CRC's electric transmission and distribution system up to the not-to-exceed amount set by the contract. Over the past several years, CRC staff has utilized this contract to purchase such items as fiber optic communication equipment, transmission line hardware and substation bus supports and connectors.

Contract No. SA-04-01 terminates on May 31, 2007, and \$66,973.53 of the original contract amount remains unexpended. Given that Northern has satisfactorily performed under the contract, staff desires to extend the contract term to June 30, 2010, and increase the not-to-exceed purchasing limit by \$200,000 to provide adequate purchasing authority for the upcoming three-year period. No other changes to the terms and conditions of the contract are proposed.

Northern has indicated its willingness to enter into the amended contract with CRC to provide material purchasing services for the upcoming three-year period.

Staff recommended the Commission approve the amendment of Contract No. SA-04-01 with Northern for material purchasing services.

Mr. Reese reported that staff intends to initiate a 'request for proposal' process in order to allow CRC to maintain at least two and preferably three contracts with vendors for material purchasing services. By maintaining multiple enabling contracts, competitive prices on equipment and materials purchased can be assured.

The material purchasing contract being considered under this agenda item is intended to serve as an enabling contract that gives CRC staff the ability to purchase needed materials costing in excess of \$5,000. It is not intended as a method to purchase items for capital projects or large items such as a power transformer. Materials for capital projects and large-scale replacement purchases will continue to be brought before the Commission for consideration.

Commissioner Bingham moved to approve the amendment to Contract No. SA-04-01. The motion was seconded by Commissioner Robison and approved by a unanimous vote.

<p>D. Consideration of and possible action on a contract extension and authorization to proceed with the annual audit of the books and records of the Commission with Piercy, Bowler, Taylor & Kern, Certified Public Accountants.</p>

Mr. Caan explained that the current contract between the Commission and Piercy, Bowler, Taylor & Kern (Piercy Bowler), Certified Public Accountants, will expire on June 30, 2007. The firm has been auditing the Commission for a number of years. Staff planned to put the audit contract out for proposals this year and to that end requested the authorization and assistance of the State Purchasing Division in so doing. The request follows state contracting law, which provides for the Purchasing Division to accommodate this type of contract. Staff contacted State Purchasing at the beginning of the year to request the RFP process. Staff was informed that

there were many such requests currently in process and that there was a possibility that an extension to the present contract with Piercy Bowler would have to be requested.

Staff and Purchasing Division personnel worked on the proposal request, but it has been determined that the finished request would not be accomplished in time to complete a new contract. So this contract extension for one additional audit cycle has been requested while staff and Purchasing continue with the RFP. A new contract with a successful bidder should be accomplished late in the year or early next year. In the meantime, this amendment will provide for the continuation of audits as necessary. The contract amount represents an increase of \$5,000 for this audit to provide for increased costs and to provide for increased work anticipated from Piercy Bowler's interaction with a succeeding auditor.

Piercy Bowler has performed very well in the past and has helped through a number of very complex issues surrounding the power markets and our power portfolio.

Staff recommended approval of the contract extension.

Commissioner Anderson moved for approval of the contract extension. The motion was seconded by Commissioner Bingham and approved by a unanimous vote.

E. Consideration of and possible action on:

- 1) Amendment No. 1 to the Distribution Only Service ("DOS") Agreement DOS-LVVWD1 Between Nevada Power Company, the Las Vegas Valley Water District ("LVVWD"), and the Colorado River Commission of Nevada for services to certain LVVWD electrical loads.**
- 2) Amended and Restated Network Integration Transmission Service Agreement Between Nevada Power Company, the Las Vegas Valley Water District ("LVVWD"), and the Colorado River Commission of Nevada for service to certain LVVWD electrical loads**

1) Mrs. Bates explained that LVVWD purchases energy from the CRC for a portion of its loads pursuant to NRS 704.787. The DOS Agreement, which governs the use of Nevada Power's distribution delivery system by retail customers, is required in order for the CRC to provide energy to the LVVWD. The Commission executed the original DOS Agreement in January of 2006. The original DOS Agreement is now being amended to accommodate five additional LVVWD electrical delivery points. Staff recommended approval of the amended DOS Agreement.

2) Mrs. Bates reported that the Transmission Service Agreement (TSA) governs the use of Nevada Power's transmission delivery system by retail customers and is required in order for the CRC to provide energy to the LVVWD. The Commission executed the original TSA in January of 2006. The original TSA is now being amended to accommodate additional LVVWD electrical delivery points. Staff recommended approval of the amended TSA.

Commissioner Robison asked if the additional delivery points are due to growth within the system.

Mrs. Bates said they are existing sites served by Nevada Power Company that are expanding to accommodate solar generation. LVVWD asked that CRC start providing energy to the existing facilities and to take over the billing and other responsibilities associated with the solar generators. CRC now provides energy to approximately 60 percent of LVVWD's pumping facilities.

Commissioner Bingham asked if there was a savings to LVVWD by having CRC provide the energy.

Mrs. Bates explained that the benefit is not only in savings but in having a secure long-term source of energy at competitive prices. Costs through Nevada Power are uncertain and vary based on adjustments and rate cases.

Commissioner Tarkanian moved to approve both agreements. The motion was seconded by Commissioner Bingham and approved by a unanimous vote.

F. Consideration of and possible action on a contract for legal services with Parsons Behle & Latimer.

Mr. Caan explained the Commission is engaged in acquiring water and power and the delivery of power on behalf of the State of Nevada, and these activities involve energy regulations and environmental regulations and laws, such as the National Environmental Policy Act (NEPA), the Endangered Species Act (ESA), the Clean Water Act, and other federal and state laws and regulations. Parsons Behle & Latimer possesses specialized expertise in environmental laws and regulatory processes and can act as a special consultant to the Commission on matters requiring that expertise as directed by the executive director and as necessary, desirable and in the best interest of the State of Nevada and the Commission.

Staff recommended the Commission approve the contract for one year with Parsons Behle & Latimer at a not-to-exceed amount of \$90,000 with the ability to secure an additional year at \$90,000.

Commissioner Robison moved to approve the contract. The motion was seconded by Commissioner Bingham and approved by a unanimous vote.

G. Consideration of and possible action on a second personal services contract with Columbia Research Corporation.

Chairman Bunker reminded the Commission that in 2006, Columbia Research Corporation provided a comprehensive report to the Commission, entitled "Laws of the Rivers" (Phase I), which was well received by legislators and has received wide acclaim in the water community, especially in the Colorado River Basin. He complimented Mr. Davenport and the Water Division staff for their foresight in anticipating the need for this book.

Mr. Davenport reported that Commission staff support entering into a second contract with Columbia Research Corporation to help organize a panel discussion and make a presentation on the Phase I study at the 2007 conference of the Colorado River Water Users Association (“CRWUA”), and assist Commission staff in organizing the effort.

Mr. Davenport explained that the contract will commission the study of international rivers, lakes and ground water basins, a “Laws of the Rivers” (Phase II). This study will describe and analyze innovative international water allocation and management regimes that might have application to the Colorado River Basin. As part of this effort, the consultant will review the international law of water apportionment and the law of cross-boundary dispute resolution. The consultant will provide this information in an objective manner. Additional waterways for study may be identified.

Columbia Research Corporation is a Vancouver, Washington, -based consulting company that specializes in riverine natural resource and energy issues. Its primary employee, Dan Seligman, has prepared reports for public and private clients on regional power issues, utility rate making, oil tanker safety, forest management, alternative energy resources and the legal history of the federal power system in the Pacific Northwest. He also specializes in the analysis of federal authorities pertaining to the Columbia River. Mr. Seligman has 29 years experience as an attorney, research analyst and journalist. His clients have included urban and rural utility customers of the Bonneville Power Administration, public utility districts, and trade associations of large industries.

Staff recommended the Commission approve the personal services contract with Columbia Research Corporation with expenditures not-to-exceed \$85,000.

Commissioner Bingham moved to approve the contract. The motion was approved by a unanimous vote.

H. Colorado River Commission Power Delivery Group’s Annual Safety Report and presentation of the American Public Power Association’s 2006 Safety Award.
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Mr. Caan said that when he joined the Commission in 1996, the Commission had no power facilities. Today the Commission owns, operates and maintains power facilities worth over \$100 million. The Power Delivery Group’s contracts that come before the Commission show an ever increasing workload with its construction, operation and preventative maintenance programs. It is a great system, and an important factor to a great system is safety. The most important safety consideration is having well trained professional people who know how to operate and maintain a high-voltage system with safety protocols in place for all situations.

Mr. Caan said he is extremely proud to announce that this is the seventh consecutive year that the Colorado River Commission has received the safety award from the American Public Power Association for no incidents or accidents for utilities with less than 15,000 man-hours.

Mr. Reese presented the Power Delivery Group’s Annual Safety Report which included an overview of the facilities, preventative maintenance activities and safety certifications and awards. He presented the Power Delivery Group staff and noted current and upcoming construction projects he

and his staff are involved in. A copy of the report is attached and made a part of the minutes. (See Attachment C.)

Commissioner Tarkanian expressed her thanks for presentations of this type. She said being a new member of the Commission made her quickly realize how much she did not know. She said that the complexity and depth of what is done for the power facilities and at the success level that it is being done is magnificent.

Chairman Bunker commended Mr. Reese and his crew for their outstanding performance in handling such a dangerous job.

J. 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.

K. Comments and questions from the Commission members.

Chairman Bunker provided a brief update on Nevada-Utah negotiations regarding Snake Valley.

L. Selection of the next possible meeting date.

The next meeting was tentatively scheduled for 10:00 a.m. on June 12, 2007, at the Clark County Commission Chambers.

M. Adjournment.

The meeting adjourned at 11:40 a.m.

George M. Caan, Executive Director

APPROVED:

Richard Bunker, Chairman