

SENATE COMMITTEE ON FINANCE

**JOINT SUBCOMMITTEE ON PUBLIC SAFETY,
NATURAL RESOURCES AND TRANSPORTATION
CLOSING REPORT**

COLORADO RIVER COMMISSION

The Joint Subcommittee on Public Safety, Natural Resources and Transportation has completed its review of the budget for the Colorado River Commission.

COLORADO RIVER COMMISSION (296-4490) COLORADO RIVER

COMM-4: The Subcommittee recommended approving the Governor's recommendation to add three new unclassified Natural Resource Specialist positions with associated operating and travel costs to support increased workloads related to electric resource marketing activities for water customers and an increase in the hydropower customer base pursuant to the Hoover Power Allocation Act of 2011.

With regard to the Governor's recommendation for a new unclassified Deputy Director position and a new Natural Resource Specialist position with associated operating costs including \$50,000 to produce a water conference to support increasing activity related to the water resources of the Colorado River, the Senate recommended approval of the Governor's recommendation, but the Assembly did not recommend approval of the Governor's recommendation.

Lastly, the Subcommittee recommended approval of a dedicated Deputy Attorney General position funded by the Colorado River Commission consistent with the closing actions of the money committees in closing the Attorney General's budget and recommended approving the remainder of the budget as recommended by the Governor with technical adjustments.

Colorado River Commission
General Fund Impacts of Subcommittee Closing

Page	Budget	Title	FY 2016	FY 2017
<u>AS CLOSED BY SUBCOMMITTEE:</u>				
CRC - 4	296-4490	*Colorado River Commission	-	-
			-	-
* No General Fund impact				

Nevada Legislative Counsel Bureau
 Budget Closing Action Report
 Public Safety, Natural Resources and Transportation Joint
 Subcommittee
 W01 - GOVERNOR RECOMMENDS

Title: CRC - COLORADO RIVER COMMISSION
 Account: 296 - 4490

Budget Page: COLORADO RIVER COMM-4, Volume III

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	250,066	3,069,858	1127.62	2,622,162	(14.58)	2,396,922	(8.59)
INTERAGENCY TRANSFER	2,518,404	2,718,065	7.93	2,962,543	8.99	2,960,591	(0.07)
OTHER FUND	2,263,277	2,959,116	30.74	4,145,320	40.09	4,613,835	11.30
Total Revenues	5,031,747	8,747,039	73.84	9,730,025	11.24	9,971,348	2.48
Total FTE		40.00		45.00		45.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	0

Overview

The Colorado River Commission (CRC) was created in 1935 and is responsible for acquiring, managing, and protecting Nevada’s allocation of hydropower and water resources from the Colorado River (allocated to Nevada by the federal government) for the residents of Nevada. The Commission is governed by seven commissioners – four appointed by the Governor (including the chairman) and three members of the Board of Directors of the Southern Nevada Water Authority (SNWA). The CRC is supported by an administrative charge on the sale of electric power to the Commission’s hydropower customers, an administrative charge to the SNWA for water related activity and cost recovery for other power related activity from non-hydropower customers. Additional revenues are received through the sale of raw water to a number of small water users along the Colorado River and from interest income derived from the investment of funds by the state.

The transfer of the water treatment and water transmission facilities owned by the CRC to the SNWA was approved by the 1995 Legislature (Assembly Bill 542). The legislation also directed the SNWA to provide payment to the CRC for all water-related expenses and directed the CRC to focus its efforts on issues related to water acquisition, continued management of the power generators at Hoover Dam, and resource management of the Colorado River. The primary resources of the Colorado River consist of hydroelectric power generated at the various dams on the river, the 300,000 acre feet of water allocated to Nevada from

the Colorado River (which is 90 percent of Southern Nevada's water supply) and the wildlife habitat and species associated with the Lower Colorado River Basin.

Major Closing Issues

1. Three New Positions
2. Two New Executive Group Positions

Discussion of Major Closing Issues

1. Three New Positions (E-225, CRC-6): The Executive Budget includes Power Administration Charges of \$398,917 and Cost Allocation Reimbursement of \$202,396 over the 2015-17 biennium to add three new unclassified Natural Resource Specialist positions with associated operating and travel costs.
 - a. One New Position for the Energy Services Group: One unclassified Natural Resource Specialist position is recommended to support the energy services group effective December 2015 to provide for increased workload related to the electric resource marketing activities for water customers.
 - b. Two New Positions Related to the Hoover Power Allocation Act: Two unclassified Natural Resource Specialist positions are recommended to support the hydropower group effective October 2015 and July 2016 respectively, which would support the increase in customer base pursuant to the reallocation of newly available Hoover Dam power. The Hoover power contracts with state, municipal and utility contractors mandated by Congress under the Hoover Power Plant Act of 1984 expire in 2017. The Hoover Power Allocation Act (HPAA) of 2011 (Public Law 112-72) was signed into law December 2011 ensuring the continued availability and reliability of Hoover power to the citizens of Arizona, California, and Nevada. The HPAA authorizes the Western Area Power Administration to offer 50-year contracts (2017-2067) to existing Hoover power contractors at 95 percent of their current allocations with the remaining 5 percent to be allocated to eligible entities and federally recognized Indian Tribes located in the Boulder City Marketing Area who do not currently have allocations of Hoover power. According to information provided by the agency in response to questions by Fiscal staff, the Colorado River Commission's Hoover hydropower customer base will increase between 10 to 13 customers from the current customer pool of 11, which represents an increase of 91 to 118 percent in Hoover hydropower customers. The CRC anticipates completing its Hoover power allocation process between the fall of 2015 and winter of 2016, and finalizing its contracts by September 2016.

In response to questions by Fiscal staff, any potential impact on the budgets for state agencies and/or the Nevada System of Higher Education that receive an allocation of power through the Western Area Power Administration and/or the Colorado River Commission Hoover Power Reallocation will not occur in the 2015-17 biennium. Billing for Hoover power resources will begin in federal fiscal year 2018, with service starting on October 1, 2017. The CRC staff anticipates providing new contractors with estimated costs based on their allocations by late summer of 2016 to use in preparation of their budgets. Although the information will be provided early enough to include in the Agency Request phase of the budget, CRC cannot be assured that the information will be available before the beginning of August 2016 since cost estimates are based on information provided by federal agencies. The CRC will work with impacted agencies to generate cost estimates usable for the agency request phase in the absence of federal information.

Does the Subcommittee wish to approve the addition of three new unclassified Natural Resource Specialist positions with associated operating and travel costs to support the increased workloads related to electric resource marketing activities for water customers and an increase in the hydropower customer base pursuant to the Hoover Power Allocation Act?

The Subcommittee recommended approving the Governor's recommendation to add three new unclassified Natural Resource Specialist positions with associated operating and travel costs to support the increased workloads related to electric resource marketing activities for water customers and an increase in the hydropower customer base pursuant to the Hoover Power Allocation Act.

2. Two New Executive Group Positions (E-226, CRC-7): The Governor recommends Water Administration Charges of \$122,898 in FY 2016 and \$338,614 in FY 2017 to add one unclassified Deputy Director position in FY 2016 and one unclassified Natural Resource Specialist position in FY 2017 to the executive group to support the increasing activity related to the water resources of the Colorado River. The Governor's recommendation includes \$50,000 in FY 2017 to produce a water conference in cooperation with the Southern Nevada Water Authority.

According to information included in The Executive Budget, the recommended Deputy Director position would provide support and back up to the Executive Director in the areas of water resource activity. The existing Deputy Director is assigned to areas related to electric power resources. According to the agency, the additional Deputy Director position would allow the agency to be as involved, responsive, and proactive in the water related functions as it is in the power area. The recommended Natural Resource Specialist position would provide additional project oversight and support due to the anticipated increase in overall agency workload with the addition of new customers. The water conference would include invitations to various water agencies in the Colorado River Basin states and would further Nevada's Colorado River issues and inform our sister states of the special needs and problems within Nevada relative to water resources.

Does the Subcommittee wish to approve the addition of two unclassified positions, one Deputy Director and one Natural Resource Specialist, with associated operating costs including \$50,000 to produce a water conference to support increasing activity related to the water resources of the Colorado River?

The Senate members of the Subcommittee recommended approving the Governor's recommendation to add two unclassified positions, one Deputy Director and one Natural Resource Specialist, with associated operating costs including \$50,000 to produce a water conference to support increasing activity related to the water resources of the Colorado River.

Other Closing Items

1. Replacement Equipment (E-710, CRC-8): The Executive Budget includes \$56,174 over the 2015-17 biennium to replace 1 agency-owned vehicle with a Fleet Services vehicle, 7 iPads, 20 desktop computers with monitors, and various computer software. **This recommendation appears reasonable.**
2. Unclassified Position Reclassification (E-806, CRC-8): The Governor recommends total funding of \$14,034 over the 2015-17 biennium to reclassify an unclassified Power Division Chief to an Unclassified Energy Services Manager to align the position with the duties performed by the position. The position is part of the Energy Services Group, which purchases power for water deliveries in the Las Vegas area. **The approval of this decision unit would provide funding, however, the salary change will be considered in conjunction with the Unclassified Pay Bill, which will be considered at a later date.**

3. Dedicated Deputy Attorney General (New, Not Included in the Executive Budget): The Colorado River Commission requests a new dedicated Deputy Attorney General (DAG) to provide additional legal support. Although this recommendation was included in the Agency Request budget, it was inadvertently omitted from The Executive Budget. According to information provided to Fiscal staff by the agency, the CRC currently has one dedicated DAG that provides legal support and representation for its hydropower, energy services, and power delivery functions. However, in addition to routine electric services legal work, the CRC now has been tasked, under the federal Hoover Power Allocation Act of 2011, with two major new duties:

- Work with the 14 other federal Hoover contractors in California and Arizona, to negotiate with the Western Area Power Administration and U.S. Bureau of Reclamation the new federal contract that will govern the State of Nevada's Hoover power allocations for the next 50 years; and
- Negotiate with the CRC's 25 Nevada-based contractors the contracts that will govern their allocations.

Additional legal resources are also required to provide legal analysis and contracting support for over 50 other various contracts related to changes in Hoover power and other federal hydropower, such as contracts regarding audits, transmission arrangements, and hydropower operations. The position salary and associated operating costs total \$99,907 in FY 2016 and \$122,301 in FY 2017, which would be supported 100 percent in funds transferred by the CRC to the Attorney General's Office. Staff would note that the Senate Committee on Finance and the Assembly Committee on Ways and Means approved the addition of the dedicated Deputy Attorney General position for the CRC during the Attorney General's Office budget closing hearings on April 27, 2015, and April 29, 2015, respectively. **Based on the closing actions by the Senate Committee on Finance and Assembly Committee on Ways and Means, this recommendation appears reasonable.**

Fiscal staff recommends Other Closing Items 1 and 2 be approved as recommended by the Governor with authority for staff to make technical adjustments as necessary. Fiscal staff recommends Other Closing Item 3 be approved consistent with the closing actions of the money committees in the Attorney General's budget.

The Subcommittee recommended approving Other Closing Items 1 and 2 as recommended by the Governor with authority for staff to make technical adjustments as necessary and Other Closing Item 3 consistent with the closing actions of the money committees in the Attorney General's budget.

Other Information – No Action Required by the Subcommittee

Senate Bill 46, submitted by the Governor and re-referred without recommendation by the Senate Committee on Government Affairs to the Senate Committee on Finance on April 3, 2015, would exempt the Colorado River Commission as well as the Public Utilities Commission from the majority of the requirements of the State Budget Act; remove all officers and employees from classified and unclassified service; and require the respective commissions to adopt rules and policies regarding employment rights, salary ranges and benefits of its officers and employees. The officers and employees would remain eligible to participate in the Public Employees' Benefits Program and the Public Employees' Retirement System, but they would be exempt from NRS 281.123 that limits salaries of state employees to not more than 95 percent of the Governor's salary.