



Legal and Claims Committee

In re Tronox Update

Room 2-145

Consent Item 7-3
April 10, 2012

Request

- Authorize increase in maximum amount payable under contract with Manatt, Phelps and Phillips LLP by \$60,000 to a maximum of \$440,000
 - For continuing activities relating to the Tronox Bankruptcy and the Adversary Action against Kerr-McGee/Anadarko
 - Central Arizona Water Conservation District (CAWCD) will share costs equally

Background

- Tronox manufacturing facility near Henderson, Nevada leaches contaminants into the groundwater

- Perchlorate flows into Las Vegas Wash, Lake Mead and the Colorado River



- January 2009: Tronox filed bankruptcy to obtain relief from environmental liabilities, including its legal and financial obligations to intercept and treat the perchlorate or remediate the site

Background (cont'd)

- August 2009 – Metropolitan filed a claim in the Tronox Bankruptcy
- Joined with other agencies (SNWA, CAWCD, Nevada DEP, City of Henderson) to form the “Colorado River Authorities” (or “Nevada Parties”) to jointly participate in the Bankruptcy

RESULT: Tronox Assets Provided to Fund Remediation

- Approximately \$80 million in cash
- 23.75 percent of any recovery in the Adversary Action subject to deductions of certain litigation and other costs
- 100 percent of certain Nevada real estate assets

Progress over past year

- Collaborated on settlement agreement funding the Nevada Environmental Response Trust (NERT) that will oversee the long-term cleanup
- Worked with Colorado River Authorities to monitor remediation efforts and NERT activities
 - Approximately one million tons of impacted soil removed in 2011, containing over 240 tons of perchlorate
 - Continued operation of groundwater extraction and treatment system; removed over 3,600 tons of perchlorate to date
 - Participated in at least quarterly stakeholder meetings

Progress over past year (cont'd)

- Monitored and advised regarding actions to monetize real estate assets for the benefit of NERT
- Monitored pending Adversary Action against Kerr-McGee/Anadarko
 - Alleging intentional creation of Tronox as an undercapitalized firm and transfer of unfunded liabilities to Tronox making bankruptcy inevitable
 - May 15, 2012 trial in federal bankruptcy court in New York

Upcoming work

- Monitor NERT's remedial activities and expenditures
 - Conduct technical review of long-term remedial alternatives
- Monitor and advise in sale of real estate assets
- Monitor trial of Adversary Action against Kerr-McGee/Anadarko litigation expenses and any proposed settlement

Options

- Option #1
 - Adopt the CEQA recommendation
 - Authorize an increase in maximum amount payable under contract with Manatt Phelps for legal services by \$60,000 to an amount not to exceed \$440,000, with CAWCD sharing in half of these costs
- Option #2
 - Do not authorize work
 - Metropolitan would not have outside counsel to work with NERT and the related bankruptcy issues

Recommendation

- Option #1



Questions?