

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
ACTIVITY ENTERPRISE**

MINUTES

May 21, 2015

A regular meeting of the Board of Directors of the Southeastern Colorado Water Activity Enterprise (Enterprise) was held on Thursday, May 21, 2015 at 9:37 a.m., at the District office, 31717 United Avenue, Pueblo, Colorado.

President Long announced a quorum was present.

DIRECTORS PRESENT:

Bill Long	Ann Nichols	Vera Ortegon
Harold Miskel	Kevin Karney	Gibson Hazard
Carl McClure	Howard "Bub" Miller	Leonard Pruett
Jay Moore	Pat Edelmann	Tom Goodwin
David Simpson		

DIRECTOR(S) ABSENT AND EXCUSED:

Gary Bostrom, Curtis Mitchell, and Alan Hamel-Advisory Board Member

ENTERPRISE OFFICIALS PRESENT:

Executive Director James Broderick; General Counsel Lee Miller; Administrative Manager Toni Gonzales; Water Resource Specialist/Engineer Garrett Markus; Program-Project Coordinator Jean Van Pelt; Finance Coordinator/IT Leann Noga; Special Water Counsel Alix Joseph; and Federal Lobbyists Ray Kogovsek and Christine Arbogast.

VISITORS PRESENT:

Chris Woodka, The Pueblo Chieftain; Doug Fitzgerald, U.S. Congressman Scott Tipton's office; Dwight Gardner, U.S. Senator Michael Bennet's office; Cathy Garcia, U.S. Senator Gardner's office; Roy Vaughan, U.S. Bureau of Reclamation; Steve Witte, Colorado Division of Water Resources-Division 2; David Mau, U.S. Geological Survey; Jerry Peña, GEI; Abby Ortega, Colorado Springs Utilities; Terry Book, Board of Water Works of Pueblo; Ron Gasser, Penrose Water District; Rick Kienitz, Aurora Water; Mike Weber, Colorado Water Protective Development Association; and Roy Heald, Security Water District and Fountain Valley Authority.

APPROVAL OF MINUTES:

President Long said the minutes of the April 16, 2015 Board meeting were posted to the Board website for review, and if there were any corrections or additions. Hearing none, Mrs. Ortegon moved, seconded by Mr. Howard "Bub" Miller, to approve the minutes. Motion unanimously carried.

RECORD OF PROCEEDING

FINANCE COMMITTEE REPORT:

Treasurer Nichols reported the financial statements for April were posted to the Board website for review. Ms. Nichols moved, seconded by Dr. Moore, for acceptance of the April 2015 financial statements and payment of the May 2015 bills. Motion unanimously carried.

CONSENT ITEMS:

None

PRESENTATIONS:

FEDERAL LEGISLATION

Christine Arbogast reported the FY 2015 appropriations process is moving forward earlier than usual. The House has passed its version of the energy and water development bill. Congressmen Tipton and Buck successfully put forth an amendment, approved by voice vote, which increased the Bureau of Reclamation's water and related resources account by more than \$2 million. It was clear their intent was for that additional money to go to the Arkansas Valley Conduit (AVC).

The Senate is marking its bill up today and we may not know the results during this meeting. But Senators Bennet and Gardner are working to also increase Reclamation's water and related resources account and to include language which would allow some of that increase to go to the AVC. There is little doubt the water and related resources account will be "plussed up" or increased because of the efforts of Senator Feinstein, ranking member of the subcommittee from California, which is suffering from severe drought.

The District's federal lobbyists also continue to work on getting a better number than \$500,000 in next year's budget from the Administration.

We continue to monitor the Waters of the United States rule which is pending and rumored to be made final in the next couple of weeks. In the meantime, there are bills in both the House and the Senate to block the finalization and force EPA and the U.S. Army Corps of Engineers to start over and include further consultation with states and other stakeholders.

AVC AND EXCESS CAPACITY MASTER CONTRACT UPDATE

Jean Van Pelt reported:

- Consultant, Tracy Bouvette and Jean Van Pelt have developed a Statement of the Situation for the Water Quality Working Group. The Statement was reviewed and commented on by the "Read Ahead" group. It was edited accordingly and was included in the information report, which was provided to the Board that included Attachment 1.
 - The first meeting for the entire Working Group is scheduled for June 22, 2015 in La Junta at Otero Junior College. The Working Group meeting will focus on setting expectations, reviewing the Statement of the Situation, identifying what a good outcome could be and determining a path forward.
- On April 24, 2015 District staff met with Reclamation's Eastern Colorado Area Office (ECAO) to discuss the IPA, the Arkansas Valley Conduit (AVC) delivery locations, and the feasibility-

RECORD OF PROCEEDING

level design phased approach. It was decided in order to avoid performing a supplemental Environmental Impact Statement “EIS” the delivery locations will need to be located within the EIS study corridor. Kevin Meador has been working closely with the Technical Service Center (TSC) on the design and engineering for the delivery locations and the phased approach. He also continues working with B&V on the Whitlock water treatment plant design and the Operations Plan.

- The District received an official letter requesting participation in the AVC from Riverside Water Company. Riverside recently received Enforcement Orders for being out of compliance for radionuclides and is requesting 20 acre-feet of water per year to service 57 water taps. The AVC Board Committee will take this request under consideration at the June 18, 2015 meeting, which was rescheduled from May 14, 2015.
- District staff and representatives from the Technical Services Center and ECAO met with Otero County officials and Otero County municipalities and water providers on May 6 and 7, 2015. Topics of discussion were the AVC alignment, tie in locations, and construction regulations and permitting. The meetings were very well attended with 18 out of 23 participants being present. Reclamation received a number of worthy suggestions on the alignment. I am now working with these participants to collect maps of their water distribution system to deliver to TSC.
- Mr. Broderick presented an update on the AVC and Excess Capacity projects to the Rocky Ford City Council on May 12, 2015 and Tracy Bouvette also presented to the Council a grant proposal for developing an individual water conservation plan for the city.
- Senate Bill 121, which will provide state funding to private, not for a profit water companies for infrastructure improvements has passed. Governor Hickenlooper signed the bill on May 19, 2015 at the Lower District’s office. Christine Arbogast worked with the Governor’s office on his message to ensure it was understood that the AVC will still be the most efficient and effective way to address the water quality issues in the region.
- Negotiations on the Excess Capacity Master Contract are anticipated to begin in the third quarter. District staff continues to work with Reclamation in “technical sessions” to identify potential issues for the upcoming negotiations.

2014 ANNUAL AUDIT

President Long convened the District Board meeting to order at 9:51 a.m. to be held in conjunction with the Enterprise Board meeting to present the 2014 Annual Audit presentation.

Mitchell Downs, from Osborne, Parsons & Rosacker, LLP., who represents the firm that conducted the 2014 audit read the Independent Auditor’s Report. Treasurer Nichols recognized the work of Leann Noga and the staff with assisting the auditors with the audit process.

ACTION ITEMS:

ACCEPTANCE OF 2014 ANNUAL AUDIT

Treasurer Nichols moved, seconded by Mr. Goodwin, the audit of the 2014 finance statements of the Enterprise be approved as presented. Motion unanimously carried.

RECORD OF PROCEEDING

APPROVAL OF 2014 FINANCIAL STATEMENTS

Treasurer Nichols moved, seconded by Mr. Howard “Bub” Miller, that the 2014 finance statements of the Enterprise be approved as audited. Motion unanimously carried.

President Long recessed the District Board meeting at 10:00 a.m.

PRESENTATIONS CONTINUED:

FRYINGPAN-ARKANSAS PROJECT WATER AND RETURN FLOW ALLOCATION

Garrett Markus presented a PowerPoint reviewing the following:

- Fry-Ark Snow Pack
 - Individual Sites
 - Average Compared to Last 7 Years
 - Associated Fry-Ark Imports
 - May 1 Projections
- Fry-Ark Allocation
 - Municipal
 - Agricultural
- Fort Lyon First Right of Refusal

FORT LYON PILOT PROJECT ALLOCATION

Garrett Markus reported the Fort Lyon Canal Company (FLCC) in 2013 exercised their First Right for 300 acre-feet “AF” of the Return Flows generated. Because the request was relatively small, the Board allocated 300 AF of Return Flows to the FLCC for Irrigation Efficiency Rule 10 (Rule 10). In 2014 the FLCC again exercised their First Right, but this time it was for all of the Return Flows generated by the FLCC. After a meeting with the FLCC Board and internal discussion, the idea of a Pilot Project was presented to this Committee which recommended the Board approve a Pilot Project with the FLCC for the use of the Ag First Right.

At the May 15, 2014 Board Meeting, the Board authorized the development of a five year Pilot Project and allocated FLCC 3,264 AF of the Return Flows for 2014. This authorization was for the use of Return Flows for Rule 10 and Rule 14 Plans for eligible lands irrigated by the FLCC and had five conditions (Attachment 1).

For the 2015 allocation, FLCC will receive 3,108 AF of Return Flows that will be used in irrigation efficiency plans (Rule 10) and well augmentation plans (Rule 14). The amount of Return Flows transferred to each group will be determined after the allocation of Project water and Return Flows is approved.

ACTION ITEMS CONTINUED:

CITY OF LAMAR PROJECT WATER APPLICATION

Mr. Markus reported every year Southeastern Colorado Water Conservancy District (District) sends out Project water and Project water return flow applications to municipal and agricultural entities to request

RECORD OF PROCEEDING

the amount of Project water each entity deemed necessary for the upcoming year. For the 2015 water year, applications were mailed certified on March 20, 2015 to 65 municipal entities, 44 agricultural entities, and three augmentation groups. The City of Lamar received the certified mailing March 23, 2015. On April 28, 2015, Josh Cichocki, Water/Wastewater Director for the City of Lamar, called the District explaining that he missed the deadline to return Lamar's application for Project water but requested that the District accept the application.

Lamar had new staffing personnel in the city and water department. Once Lamar realized the application was past due, Lamar contacted the District and requested staff and Allocation Committee waive the application deadline and authorize an allocation to the City of Lamar. The Allocation Committee felt it was necessary to grant the waiver and reduced to the City of Lamar's allocation to their authorized allocation. Additionally, the District President and Executive Director will meet with the City of Lamar.

Mr. Goodwin moved, seconded by Mr. Edelman, the Board approve the Allocation Committee's recommendation to waive the application deadline and allocate 1,079 AF to the City of Lamar. Motion unanimously carried.

FRYINGPAN-ARKANSAS PROJECT WATER AND RETURN FLOW ALLOCATION

Mr. Markus reported Reclamation has forecasted 53,000 AF of imports based on the snowpack of May 1, 2015; which will net 42,579 AF for allocation. An additional 3,100 AF of unallocated 2014 Project water was added to the allocation to meet budget and refill the District's Emergency Project water account. The recommended municipal allocation is 14,012 AF of Project water with 1,640 AF of NPANIW. The agricultural allocation calculates to be 30,027 AF of Project water producing 10,565 AF of Return Flows.

Mr. McClure moved, seconded by Mr. Howard "Bub" Miller, the Board allocate 45,679 AF of Project water based on Reclamation's May 1, 2015 forecast and additional unallocated Project water and 10,565 AF of Return Flows. Project water allocations would be available initially at eighty percent (80%) of the allocated amount available to municipal and agricultural entities following payment for 100 percent (100%) of the allocation. The remaining twenty percent (20%) would be made available when the District is confident that imports will meet the May 1, 2015 projection. If any portion of the twenty percent (20%) of allocated Project water is not available to the entities at that time, that portion of their Project water payments will be refunded. Motion unanimously carried.

Mr. Broderick said the model that Mr. Markus has created has improved the allocation process and is a more efficient process.

RATIFY THE AD-HOC COMMITTEE'S AUTHORIZATION TO TRANSFER PROJECT WATER RETURN FLOWS UNDER THE FORT LYON PILOT PROJECT

Mr. Markus reported on May 13, 2015, he received an e-mail from Jack Goble, District Engineer for the Lower Arkansas Valley Water Conservancy District, requesting a trade of 51 AF of Return Flows from the Fort Lyon Pilot Project Rule 10 Plan to non-Fort Lyon Rule 10 Plan for similar quantity of non-

RECORD OF PROCEEDING

Project water. On May 19, 2015, the Pilot Project Ad-Hoc Committee consisting of Bill Long, Carl McClure, Jim Broderick, and Garrett Markus met via conference call to discuss the transfer. As a result of the meeting, it was determined that the transfer of excess Return Flows allocated to the Fort Lyon Pilot Project Rule 10 Plan to fulfill deficits for non-Fort Lyon Rule 10 Plan was acceptable under the terms and conditions of the Fort Lyon Pilot Project. All members voted to approve the transfer.

Mr. McClure moved, seconded by Mrs. Ortegon, to ratify the Pilot Project Ad-Hoc Committee's decision to approve the transfer of Fryingpan-Arkansas Project water Return Flows from the Fort Lyon Pilot Project Rule 10 Plan to non-Fort Lyon Rule 10 Plan for similar quantity of non-Project water. Motion unanimously carried.

INFORMATION ITEMS:

The Board was provided written material on the following topics, which were posted to the Board website:

- AVC and Excess Capacity Master Contract Update

OTHER BUSINESS MATTERS:

President Long asked if there were any other matters to come before the meeting, and hearing none, adjourned the meeting at 10:37 a.m.

Respectfully submitted,

Toni Gonzales
Administrative Manager

Secretary

