

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
ACTIVITY ENTERPRISE**

MINUTES

September 18, 2014

A regular meeting of the Board of Directors of the Southeastern Colorado Water Activity Enterprise (Enterprise) was held on Thursday, September 18, 2014 at 9:38 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
Kevin Karney	Gary Bostrom	Tom Goodwin
Gibson Hazard	Carl McClure	Curtis Mitchell
Jay Moore	David Simpson	Pat Edelman
Howard "Bub" Miller	Alan Hamel-Advisory Board Member	

DIRECTOR(S) ABSENT AND EXCUSED:

Harold Miskel and Leonard Pruett.

ENTERPRISE OFFICIALS PRESENT:

Executive Director James Broderick; General Counsel Lee Miller; Administrative Manager Toni Gonzales; Project Manager Kevin Meador; Director of Engineering and Resource Management Bob Hamilton; Water Resources Specialist/Engineer Garrett Markus; Program-Project Coordinator Jean Van Pelt; Finance Coordinator/IT Leann Noga; Special Water Counsel Steve Leonhardt; and Federal Lobbyist Ray Kogovsek.

VISITORS PRESENT:

Chris Woodka, The Pueblo Chieftain; Tom Simpson, Aurora Water; Doug Fitzgerald, U.S. Congressman Scott Tipton's office; Doris Morgan, U.S. Congressman Cory Gardner's office; Roy Vaughan, U.S. Bureau of Reclamation; David Mau and Rodger Ortiz, U.S. Geological Survey; Steve Witte, Colorado Division of Water Resources-Division 2; Brett Gracely, Colorado Springs Utilities; Bill McDonald, McDonald Water Policy, LLC; Jerry Peña, GEI Consultants; Roy Heald, Security Water District and Fountain Valley Authority; Terry Book, Board of Water Works of Pueblo; Bob Hartzman, City of Canon City Water; Kevin Niles, Arkansas Groundwater Users Association; Jack Goble and Jay Winner, Lower Arkansas Valley Water Conservancy District.

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APPROVAL OF MINUTES:

President Long said the minutes of the July 17, 2014 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 Dr. Moore, to approve the minutes. Motion unanimously carried.

FINANCE COMMITTEE REPORT:

Treasurer Nichols reported the financial statements for July and August 2014 were posted to the Board website for review. Treasurer Nichols moved, seconded by Mr. Hazard, for acceptance of the July and August 2014 financial statements and payment of the September 2014 bills. Motion unanimously carried.

CONSENT ITEMS:

None

PRESENTATIONS:

FEDERAL LEGISLATION

Mr. Broderick introduced Bill McDonald from McDonald Water Policy, LLC who brings skills that assist the District with projects that involve Bureau of Reclamation (Reclamation). Mr. McDonald said he looks forward to continuing to work with the District on future projects.

Mr. Broderick reported Christine Arbogast was unable to attend the Board meeting, she submitted the following written report:

The House passed a Continuing Resolution (CR) funding government at current FY 2014 appropriated level through December 11, 2014.

In the meantime, terms of an omnibus bill to fund for the remainder of the year are being negotiated and will continue to be amongst staff while Congress is on the election break. That would mean they will negotiate terms for an actual bill, which encompasses all of the individual appropriation's bills which did not pass.

Should they determine that a year-long CR is the path they will take, there is time and room for discussion of making funding levels for FY 2015 based on "funds made available" in FY 2014. If that can be achieved, the outlook for the Arkansas Valley Conduit (AVC) would be very good, because of the combination of appropriated funds for FY 2014 and the \$2 million in reprogramming AVC recently received.

Meanwhile, the FY 2016 budget process is underway and before long the back and forth between the agencies and Office of Management and Budget will be in full swing. Federal lobbyist and District staff continue to work with the Colorado delegation to push for an adequate number for FY 2016.

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On the Clean Water Act pending rule, the House passed, with some Democratic support, a bill which would force EPA to postpone the rule and engage in a prescribed outreach with states and stakeholders like water districts, come back with recommendations to Congress in two years and proceed from there. The Senate has not voted on this bill and will not before adjourning September 19, 2014 or the upcoming weekend for the election. Congress is scheduled to return in mid-November.

AVC AND EXCESS CAPACITY MASTER CONTRACT UPDATE

Jean Van Pelt reported:

- The town of Cheraw has tabled their decision to join the AVC until their October council meeting.
- A joint AVC and Excess Capacity committees and participants meeting was held on September 11, 2014 The committees and participants were informed and/or discussed:
 - Reclamation will have \$4.1 million for FY 2015 to move forward with the feasibility level design and engineering.
 - The feasibility level is scheduled to be completed in 2016 and the project will be at a 30 percent design and the final horizontal and vertical alignment of the AVC will be determined.
 - The District is working on a second Interpersonnel Agreement (IPA) with Reclamation that will reimburse the District for time spent working on the AVC
 - Jean Van Pelt will be responsible for communications and administration
 - Kevin Meador will be responsible for engineering support and development of an Operating Plan for the AVC
 - The District is proposing the creation of a Working Group to improve communications with the state health department and with the participants that are under Enforcement orders or have recently been impacted due to new discharge regulations
 - Rodger Ortiz provided a presentation on the USGS water quality studies
 - Provided a schedule for the Master Contract negotiations
 - Reclamation has requested not to start negotiations for six months in order for them to free up resources for the negotiations. Negotiations should begin the first quarter of 2015
 - Technical session will begin this month with Reclamation to firm up discussion topics
 - The Master Contract will not be in place for storing water until 2016
 - Suggested to participants to get a one year contract for storage in 2015
 - Negotiations will incur a cost of approximately \$60,000
 - The District has a credit from the EIS analysis for the Master Contract of approximately \$21,000 that will be applied to the cost of negotiations
 - Next steps will be determining how much storage each participant wants and when they want to store water
 - An update on the Regional Water Conservation was also given

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- The District will provide an estimate of these costs to the participants in September. In addition, participants were informed their draft 2015 costs for the projects will be provided to them before the end of October and final costs in mid-December after the budget has been approved.
- Staff will attend a meeting September 19, 2014 with Reclamation's Technical Services Center staff
 - The engineers working on the AVC will present the latest design of the Comanche North alignment
 - Matters that affect the alignment and preparation for discussions with the participants and others will be discussed

HYDROPOWER UPDATE

Kevin Meador presented an update to the Board on the project progress and status of activities.

Activities Completed to Date:

- Executed Partner Agreements (July, 2013).
- Executed Reclamation Agreement (July, 2013).
- Updated Partners and Resource and Engineering Planning Committee (November).
- Submitted request and granted Preliminary LoPP Extension (August 29, 2013).
- Submitted Special Use Permit application to Reclamation (August, 2013).
- Completed draft Feasibility Report Update (January, 2014).
- Completed draft Categorical Exclusion Report (January, 2014).

Upcoming Activities:

- Submit Categorical Exclusion Report with regard to environmental reviews (January, 2014).
- Initiate Preliminary Design for powerhouse facilities (January, 2014).
- Initiate Power Purchase and Interconnection discussions with energy provider (February, 2014).
- Complete Preliminary Design (May, 2014).

The Board members were provided a copy of the Pueblo Dam Lease of Power Privilege Progress Report-August 27, 2014. Mr. Meador also reviewed a chart showing the timeline of the hydroelectric project.

ACTION ITEMS:

APPOINTMENT OF BUDGET OFFICER

Treasurer Ann Nichols reported the first action the governing board must take under the Budget Law is to designate or appoint a Budget Officer to prepare and submit a proposed budget (Section 29-1-104, C.R.S.).

Treasurer Nichols moved seconded by Mr. Goodwin, the Board appoint James W. Broderick and the Finance Team made up of Leann Noga, Jean Van Pelt, and Toni Gonzales as the Budget Officers for the 2015 Enterprise budget preparation. Motion unanimously carried.

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RATIFY THE AUTHORIZATION OF THE TRANSFER OF PROJECT WATER RETURN FLOWS FROM CWPDA TO THE LAVWCD RULE 10 PLAN UNDER THE FORT LYON FIRST RIGHT OF REFUSAL PILOT PROJECT

Garrett Markus reported on July 30, 2014, Bob Hamilton received an e-mail from Bill Tyner, Assistant Division Engineer, requesting a trade of 283.9 acre-feet (AF) of Colorado Water Protective and Development Association (CWPDA) Fry-Ark return flows for 283.9 AF of Lower Arkansas Valley Water Conservancy District (LAVWCD) non-Project water stored in Pueblo Reservoir. On August 18, 2014, the ad-hoc Allocation Committee consisting of Bill Long, Carl McClure, Jim Broderick, Bob Hamilton, and Garrett Markus met via conference call to discuss the transfer of Fryingpan-Arkansas Project water return flows allocated to CWPDA to LAVWCD for Rule 10 use under the Fort Lyon Canal Company Pilot Project. As a result of the meeting, it was determined that the transfer of excess Fryingpan-Arkansas Project water return flows allocated to CWPDA to LAVWCD to fulfill Rule 10 deficits was acceptable under the terms and conditions of the Fort Lyon Pilot Project. All members voted to approve the transfer in accordance to "POLICY CONCERNING SALE OF RETURN FLOWS FROM FRYINGPAN-ARKANSAS PROJECT WATER" paragraph 13 and the action will be brought before the Enterprise Board at the September meeting for ratification because the abovementioned paragraph 13 is unclear about who has the authority to approve the reselling, assigning, leasing or trading Fry-Ark Project water return flows.

The Allocation Committee will be addressing this issue and will return to the Board with recommendations on who or what procedures will be used to approve or deny these actions in the future.

Mr. McClure moved, seconded by Dr. Moore, to ratify the ad-hoc Allocation Committee's decision to approve the transfer of Fryingpan-Arkansas Project water return flows allocated to CWPDA to LAVWCD via the Fort Lyon Canon Company Pilot Project. 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 10:25 a.m.

Respectfully submitted,

Toni Gonzales
Administrative Manager

Secretary

