

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
ACTIVITY ENTERPRISE**

MINUTES

May 15, 2008

The regular meeting of the Board of Directors of the Southeastern Colorado Water Activity Enterprise (SECWAE) was held on Thursday, May 15, 2008 at 11:14 a.m., at the District office, 31717 United Avenue, Pueblo, Colorado.

President Long announced a quorum was present.

DIRECTORS PRESENT:

Bill Long	Scott Reed	Reed Dils
Lissa Pinello	Edward Bailey	Greg Johnson
Gibson Hazard	Carl McClure	Ann Nichols
Vera Ortegón	Shawn Yoxey	Kevin Karney
Howard "Bub" Miller	Lee Simpson	
Alan Hamel-Advisory Board Member		

DIRECTOR ABSENT AND EXCUSED:

Harold Miskel.

ENTERPRISE OFFICIALS PRESENT:

Attorneys Stephen Leonhardt, Lee Miller, and Alix Joseph; Executive Director James Broderick; Administrative Manager Toni Gonzales; Projects Manager Phil Reynolds; Chief Financial Officer Kathie Fanning; Director of Engineering and Resource Management Bob Hamilton; Engineering Support Specialist Margie Medina; and Federal Lobbyists Ray Kogovsek and Christine Arbogast.

VISITORS PRESENT:

Mike Ryan, CJ McKeral, and Roy Vaughan, U.S. Bureau of Reclamation; Chris Woodka, The Pueblo Chieftain; Steve Witte, Colorado Division of Water Resources-Division 2; Tom Simpson, Aurora Water; Dan Henrichs, High Line Canal Company; Mike Fink, City of Fountain Water Department; Doris Morgan, Senator Wayne Allard's office; Roy Heald, Security Water District; Pat Edelmann, U.S. Geological Survey; Brett Gracely, Colorado Springs Utilities; Kevin Meador, Black & Veatch; Brenda Fillmore, AGUA; Ron Gasser, Penrose Water District; Dwight Gardner, Senator Ken Salazar's office; Terry Scanga, Ken Baker, and Tom Young, Upper Arkansas Water Conservancy District; Steve Howell, Ninyo & Moore; Steve Harrison, Pueblo West Metro District; Valerie Sarton, Colorado Springs, Berniece McClure, Olney Springs; Shirley Kundzicz, Salida; Wendell Hutchinson and David Sarton, SECWCD Past Board Members; and Ken Weber.

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APPROVAL OF MINUTES:

President Long asked if the members of the Board had received their copy of the minutes of April 17, 2008, and whether there were any corrections or additions. Hearing none, Mrs. Ortegón moved, seconded by Mrs. Yoxey, to approve the minutes. Motion unanimously carried.

FINANCIAL REPORT:

Treasurer Ann Nichols reported that the new look of the financial report is due to the software conversion implementation.

Treasurer Ann Nichols reported that the financial report for the month of April for the Enterprise was mailed to the Board and moved for the acceptance of the financial report for April and payment of the May bills for the Enterprise, seconded by Mr. Reed. Motion unanimously carried.

CONSENT ITEMS:

None

PRESENTATIONS:

FEDERAL LEGISLATION

Christine Arbogast reported Senators Allard and Salazar have introduced a new Arkansas Valley Conduit bill which reflects the concept of utilizing excess capacity revenues for payment of the Conduit's cost. The bill was introduced in order to prompt the scheduling of a hearing in June in the Energy and Natural Resources Committee, at which time the Administration would be among the witnesses. The Administration cannot take an official position until they are asked for a Statement of Administration Policy on a specific bill. It is hoped that the hearing will be scheduled in early June. Mrs. Arbogast handed out the bill S.2974.

In the House, a new bill is at the office of legislative counsel and Congressman Salazar and Congresswoman Musgrave are expecting it soon. At that time, it will be introduced hopefully allowing the Natural Resources Committee to schedule a mark-up, given that a hearing has already been held this year. There are slight differences in the bills based on language style preferences voiced by the House committee staff, but the substantive issues are the same.

Senator Allard is working to include in the FY '09 Interior appropriations bill language which would allow EPA to count previously expended funds on studies as part of the local cost share of 45 percent for the STAG appropriation obtained in FY '08.

Mrs. Arbogast explained Reclamation's position on the cost-share, and Mike Ryan concurred with Mrs. Arbogast's explanation of Reclamation's position concerning the cost-share on the construction of the Conduit.

A bill by Congressman Linder of Georgia established a commission to develop a national water policy has passed the Transportation and Infrastructure Committee. Congressman Linder hopes the bill will get through the House and Senate this year with broader support based on drought conditions in the southeastern states. We do not expect that the commission will develop meaningful nationwide policy given the diverse resource needs across the country.

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Mr. Kogovsek and Mrs. Arbogast have been monitoring the farm bill consideration particularly as it addresses conservation programs affecting water resources. The House passed the conference report by a veto-proof margin and the Senate is expected to do so. Senator Salazar's staff representative confirmed that they did pass it 81-15. President Bush has threatened a veto, but both margins are sufficient to override.

Mr. Reynolds reported in December 2007, Congress authorized and appropriated the State and Tribal Assistance Grant (STAG) for Federal fiscal year 2008. Included in this legislation is \$600,000 for the Arkansas Valley Conduit. However the grant requires a 45 percent local match, which totals \$490,909.

The process to finalize the grant is rather extensive. The District is hoping to receive notification of the STAG for the Conduit in May, or June at the latest. District staff has been working diligently on preparing for the application for the STAG as well as preparing a Scope of Work to be performed under the grant. The application for the grant and the Scope of Work and budget for the STAG will end up taking over 600 staff hours and cost up to \$30,000 to put together. A team approach is being used for the STAG, with Mr. Reynolds organizing and pulling everything together and several staff members helping with the pieces that fall within their area of expertise.

The work under the STAG is expected to take just over 24 months to complete and will position the Conduit process to move into the environmental analysis phase. The timeline for the Conduit is expected to follow the following outline:

<u>PHASE</u>	<u>START</u>	<u>COMPLETION</u>
STAG	August 2008	October 2010
NEPA	January 2011	December 2014
Design	April 2015	December 2015
Construction	April 2016	March 2019

The STAG is a rather complex process, and the staff is making good progress on the grant but must wait on completion of the federal process before they can submit the application and actually begin work on the tasks covered by the STAG.

ACTION ITEMS:

ALLOCATION COMMITTEE

Chairman of the Allocation Committee Carl McClure reported at the Tuesday, May 6, 2008, Allocation Committee meeting the Bureau of Reclamation released its forecast of 83,021 acre-feet of Fry-Ark Project water available for allocation. Based upon the 1979 Allocation Principles, the District's Allocation Policy, and last year's NPANIW allocation there is 34,097 acre-feet of Project water available for municipal entities and 48,924 acre-feet available for agricultural entities. The Allocation Committee met and reviewed these proposed allocations of Project water and directed staff to calculate the agricultural Project water return flows based on these allocations. Staff calculated that there will be 17,354 acre-feet of agricultural Fry-Ark Project water return flow.

Chairman McClure said there is no specific allocation for municipal return flows. There is no direct correlation between municipal allocations and the use of Project water that generates municipal Project water return flows

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the same year. A municipal entity may be allocated Project water in one year and may or may not use Project water in that year or subsequent years. Municipal entities that exercise their first right of refusal for the return flows that they generate report those return flows to the District and are billed quarterly in arrears for that water. Therefore, there is not a specific municipal allocation of Project water return flows.

The amount of Project water return flows available for agriculture is determined by taking forty percent (40%) of the headgate deliveries to the ditches. Once the amount of Project water return flows has been calculated, the return flows are allocated based upon the number of acres irrigated by one of two types of wells (supplemental or sole source) and the method of irrigation used on those lands (surface, sprinkler, or drip irrigation).

The Allocation Committee recommends the allocation of Fry-Ark Project water return flows as calculated based upon the Project water allocations.

Chairman Carl McClure moved, seconded by Mr. Bailey, that the Enterprise allocate 2008 Agricultural Fry-Ark Project water return flows as presented to the Board (see attached). Motion unanimously carried.

Chairman McClure reported the Committee discussed the difference in the price of Enterprise Stored Project water and Project water. Currently Enterprise Stored Project water sells for \$6.00 per acre-foot plus appropriate surcharges. Project water sells for \$7.00 per acre-foot plus appropriate surcharges. The Allocation Committee and staff do not want to be in the position of having to decide who is allocated the lower priced water. To simplify the issue, the Committee is recommending that the price for Enterprise Stored Project water be the same as Project water plus the appropriate surcharges. Chairman McClure moved, seconded by Mrs. Yoxey, that the Enterprise sell Enterprise Stored Project water for the same price that the District sells Project water plus appropriate surcharges. Motion unanimously carried.

Chairman McClure reported the City of Manitou Springs (Manitou) and the Pueblo West Metropolitan District (Pueblo West) have both been allocated Project water and there is no carryover space specifically allocated to them by the "Allocation Principles." At this time Manitou has approximately 317 acre-feet of carryover Project water and Pueblo West has 120 acre-feet of carryover Project water that will be reverting to Enterprise Stored Project water. Manitou and Pueblo West have agreed to re-purchase this water. The Allocation Committee will look at developing a method so that Manitou and Pueblo West can store their carryover NPANIW or Project water. Chairman McClure moved, seconded by Mr. Johnson, that the Enterprise allocate Enterprise Stored Project water to Manitou Springs (317 acre-feet) and Pueblo West (120 acre-feet) and that the Allocation Committee develop a method to allow these entities to store their carryover NPANIW and Project water before the 2009 allocation. Motion passed, with Miss Nichols abstaining.

2007 FINANCIAL AUDIT AND REPORT TO GOVERNANCE

Action of this item was done in the District meeting.

INFORMATIONAL ITEMS:

The Board was provided written reports on the following:

- Arkansas Valley Conduit Committee Report
- Legal Matters

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President Long asked if there were any other matters to come before the meeting, and hearing none, adjourned the meeting at 11:52 a.m.

Respectfully submitted,

Toni Gonzales
Administrative Manager

Secretary

