

These written minutes represent the general discussion of the DWCD Board of Directors, DWCD staff, and participants at the DWCD board meeting, and they include a record of any and all board actions taken at the meeting. The written minutes are not intended to provide a word-for-word account of the board meetings. Nor are they a direct quote of any statements offered at board meetings. All DWCD board meetings are recorded on audio tape.

DOLORES WATER CONSERVANCY DISTRICT WATER ACTIVITY ENTERPRISE

MINUTES

Regular Meeting
February 8, 2018

CALL TO ORDER Bruce Smart, President, called the meeting to order at 7:05 PM

ROLL CALL Bruce Smart, President
Simon Martinez, Vice-President
Don Schwindt, Secretary-Treasurer
Godwin Oliver, Director
Wes Wilson, Director
Glen Fish, Director
Mike Preston, General Manager
Ken Curtis, Engineer
Lloyd Johnson, Maintenance Supervisor
Gina Espeland, Accounting Clerk
Barry Spear, Attorney

INTRODUCTION OF GUESTS

Phil Johnson, City of Cortez; Brandon Johnson, Manager General MVIC; Greg Black, Director MVIC; Jimmy Porter, Dorothy Porter, Bernard Karwick, Nancy Karwick, Gary Adams, Ming Adams and Yvsef Ben-Masaud, McElmo Users; and Jim Mimiaga, Cortez Journal

MINUTES

APPROVAL OF THE MINUTES

MOTION: TO APPROVE THE MINUTES AS PRESENTED FOR THE JANUARY 11, 2018 ENTERPRISE MEETING.

**MOTION: SIMON MARTINEZ
SECOND: GODWIN OLIVER
MOTION CARRIED UNANIMOUSLY**

FINANCIAL STATEMENTS

Simon asked about Check #35690. Gina stated it was a travel reimbursement to an employee who attended training with three others. This employee paid for all 4 rooms at the training session. Simon asked about Check #35712 paid to The Light Brigade. Lloyd stated that that was the tuition cost of the training the 4 employees went on and it was an Infrared training.

MOTION: TO APPROVE THE DECEMBER '17 FINANCIAL STATEMENT AND APPROVE THE STATEMENT OF PAYABLES AS PRESENTED.

**O&M: AP/CHECK #35682-35773 & PR/CHECK #122404-122451
\$660,022.77**

**MOTION: SIMON MARTINEZ
SECOND: WES WILSON
MOTION CARRIED UNANIMOUSLY**

O&M REPORT – Lloyd reported the following:

Pump Plants

The excitation equipment at Great Cut Pump Plant is progressing. Completion is scheduled for some time in late March. The VFD upgrade at Cahone Pump Plant is also progressing on schedule. Completion scheduled by mid-April.

Dove Creek Canal

Rip Rap has been getting placed at bridge crossings and check structures. Silt removal is getting started as the frost comes out of the ground.

Towaoc Power Plant

The new excitation upgrade has been completed. Commissioning the system is scheduled for late April.

The Sleeve Valve inspection was completed. Vern H. and Robert S. assisted in the inspection process.

Towaoc Highline Canal

Nine canal gates on Reach 3 have been repaired and repainted. The reinstallation was completed this week. The remaining gates are scheduled for repair next year. Siphon leak repairs on Reach 3, at Siphon 7 and Check 524 are scheduled this month. Both are internal band repairs. Don asked if one is at the fairgrounds and Lloyd confirmed. The repair will be a band installed from the inside. Simon asked the pipe size and Lloyd stated that it under 6 feet. Don asked who made the decision on how to repair & Lloyd stated that he decided to try the band repair same as last spring. Lloyd stated that he had some pictures in the Board packet.

POTENTIAL EQUIPMENT PURCHASE

Lloyd presented pictures and numbers on a Grove Crane, Model – TMS250A. Lloyd stated that he would like to put a bid in on it. The company that currently owns it is closing the business and Lloyd shared some estimates. Our bid on the crane would be \$26,000.00. It is the same crane that we & the BOR contractor rented to pull and replace pumps & motors. Lloyd stated that after running the numbers he felt it would be our best interest to purchase this crane if we could. When we had to pull the motors at the plants it takes a while to get a crane and then they have to mobilize from Durango or Farmington. We get the complete time charged for mobilization when coming in and demobilizing when going out. It is a deal that just came up coincidentally. The crane gets use, but does wear out the way other equipment does from straight hours. Don asked how much we were going to use it. Lloyd said that he felt we would get our moneys worth of use from it. Bruce asked about other operations we wouldn't do because we don't have our own crane. Simon and Bruce asked if we had employees certified to run cranes. Lloyd stated that we do and if we get this one we will have additional training to get a couple of others certified. Training costs run about \$300.00.

Simon asked if Lloyd wanted authorization tonight. Ken stated that we would buy within the existing budget. Lloyd has some ideas for adjusting budget for this purchase since this was not a budgeted item. Ken stated that staff would like the Board's authorization to put the bid in and rearrange some work and equipment and keep within the existing budget.

MOTION: APPROVE PURCHASE OF GROVE CRANE AS LONG AS WE STAY WITHING THE EQUIPMENT BUDGET FOR THE YEAR.

**MOTION: WES WILSON
SECON: SIMON MARTINEZ
MOTION CARRIED UNANIMOUSLY**

Lloyd stated that it was a bid that we are submitting and we are not guaranteed to get the Crane.

ENGINEERING AND WATER MANAGEMENT REPORT

Water Accounting – Ken stated that he provided a progression and comparison for the current SNOTEL readings. The charts show that we are in rough shape and we have the High 4 SNOTELS to compare to other similar years. The years for 1990 and 2002 are in yellow, also highlighted are 1994 and 2000. The year 2002 sets a record for the low runoff period and we don't have a lot of records for 1977, but it had similar runoff to 2002. 2013 is the third worst

year after 1977. We do have a couple of months left and could get back to an average weather & precipitation pattern. Normal average runoff is not going to happen this year. Ken stated that he would bring information back in March to start making irrigation season decisions based on most updated numbers. Looking at the detailed water projection sheets, top page, the forecast inflow conditions have worsened, but we still have 132,000 AF active storage in the reservoir. Forecast inflows are down from last month. Looking that Groundhog only has 12,000 AF currently we don't see it filling though we expect MVIC will fill Narraguinnep. The table on the first page shows a range of potential inflows based on current conditions & historical weather patterns from the potential minimum to maximum. The following sheets have detailed breakdowns for the 50%, 70%, 90% & minimum forecasts. We have not adjusted for use of the Class B, M&I leases or potential City of Cortez lease. At the 70% we just start dipping into shortage with a 95% supply. MVIC will be close, but should make their 72 KAF April, May & June diversions with the 70% inflow forecast of 86,000 AF. The 70% starts us into shortage and MVIC is just barely filling up their senior rights and ends with zero carry over. Moving over the water supply numbers continue to go down and we just go deeper into shortage. Change is not as dramatic as the forecast goes down for FSA because of carryover, but could continue to negatively affect MVIC. The low end is down at 17" on the full service area and equivalent percentage supply for Ute Farm, which has some farm cropping flexibility from the full farm acreage. Godwin asked about the one that shows in red. Ken stated that it was based on 2002 with a total runoff of 48,000 AF. Godwin stated that last month Ken stated that minimum FSA was at 18" and now Ken is stating that it would be 17". Ken stated that we didn't consider conveyance loss, but we still have adjustments based on Class B, the M&I lease of 4,000 AF and possibly the City of Cortez.

Mike stated that Godwin is doing a good job on preparing FSA irrigators of the upcoming year. Jim Mimiaga is doing a good job on reporting in the Journal. This communication helps the farmers in the planning process. Ken stated that he noted that the Board has not made any adjustments as yet and will have to decide if there is a water bank at all. Not a lot of change to the new message and he has presented the worst case due to another dry month. Ken stated that he might bring a discussion of Class B in March.

Ken stated that he had seen Jimmy Porter and Jimmy asked about leases from Totten. Ken stated that if the Board wants to lease from Totten he would bring forward an action item at the March meeting. Some McElmo users had continued to lease, but had not taken delivery of the water over the last couple of years. We should have the close to 700 AF available.

Bruce stated that Bernard handed a letter to the Board concerning any upcoming discussions with MVIC in regard to the purchase discussions of Totten. Bernard stated that they would like DWCD to consider the final cost and how it would end up if DWCD sold Totten to MVIC. Bruce stated that we will keep the letter for when the Board might have that discussion. Bernard stated that they are hopeful and grateful that the DWCD and MVIC are talking to the McElmo Users about solutions. Bernard stated that they would continue to attend meetings to keep updated on discussions.

Jimmy stated that they would be interested in leasing Totten again this year. Ken stated that he would prepare the documents and bring it to the Board in March.

Glen asked if the District could provide a sense of support for the McElmo Users. Bruce stated that we have said that we feel that we could transfer Totten, but the options have not been discussed or even been brought out for discussion amongst the Board.

Ken stated that Totten was bypassed for good reason to build a combined canal that saved all parties and resulted in the Towaoc Highline Canal contract in 1989. Totten became obsolete for the MVIC system and they made negotiations with the Bureau to backfill the lost storage water right in McPhee. This Board then picked up Totten in 2002 as a community asset for wet water and have kept it functioning for potential future community use. This Board has protected the resource for over a decade to put it to a good future use for the community. This Board has paid money to keep the investment alive. Don stated that he appreciated the way Ken phrased it, but the DWCD discussion with MVIC about Totten is going to take time. Don stated a review & discussion around numbers with the MVIC Board the first time took a long time and now there are a lot of new members on the MVIC Board since the last time. Don stated the discussions got clarified by doing the outreach document. A key component to the discussion is the McElmo users. The two entities are wrestling with the discussions and Don's advice is waiting for another discussion to take place on how we should start going down the path to transfer the ownership from DWCD to MVIC. He also supports that both Boards start scheduling the discussion on a more serious basis and start bringing data to the table and not just stop and wait. Bruce stated that we had the initial discussions and both boards discussed it and that DWCD would be willing to transfer it and there are too many unknowns on MVIC's part. Don asked if we are really ready for them to come back and let us go down that path with staff and legal going forward until MVIC signals that they are ready to discuss and go through with it. MVIC needs to see if they can really go forward.

Greg stated that the MVIC Board would like to talk about Totten with the DWCD Board in a Board to Board discussion.

Ken stated that we will need to talk in March on where we are with the water supply and how the Board wants to address the Totten Lease, M&I lease and other water supply issues. Bruce asked if we are in the 70% range instead of going to zero would it be doable amongst the Board and full service to save the 8% and have more carryover in the reservoir at the end of the season instead of nothing going forward into the next year.

Glen, Don, Godwin and Ken went to the Colorado Ag Water Alliance presentation. Some items were east slope specific, but all thought it had good presentations. Ken stated that he had a handout worth reading relative to the water bank issues. Currently the DWCD Board has not discussed nor taken action specifically related to Colorado River issues. The Grand Valley Water User's Board took multiple years to outline their concerns before taking action. Don shared with the Board that the handout's last paragraph in terms of What's Next. Don stated that he is more actively engaged and would be happy to share his years on thinking at a fuller Board discussion. Ken stated it was a good workshop and good discussion. Bruce asked if there are more plans from the State. Barry stated that the State talks about it a lot and how the state would handle a downstream call and much of the material is confidential. Barry stated that he agrees with Ken it is an area that you need to stay on top of. Mike as Roundtable chair is taking an active part on this issue because of the risk assessment side on the roundtable and how it reaches back down to these kinds of questions.

Investments - Ken stated that there is a \$200,000 CD that matured October 10th of 2017 and the proceeds were returned and he then decided to sit on the cash for a while. The funds came out of Future Projects and we didn't reinvest right away. Ken provided a handout chart. He said all the green highlights (4) are ones that will mature this year. The tan highlights (5) will mature in 2019. Advisors are talking about higher rates for the next 5-6 years and they have arrived. We should do something with the \$200,000 besides keep it at COLOTrust. Ken would like Board authorization to reinvest the \$200,000 since rates have risen. The feds haven't raised their rates much, but have indicated they expect to this year so the recent rise is the market anticipating what the feds are going to do. Recommendation was to lock in on one of the steps on the 2nd page. If the Board authorizes Ken, he will talk to Robert tomorrow and place a purchase order. Ken stated that he would be back 4 more times this year asking the Board about reinvestments as investments mature. Ken stated that he would like a motion to authorize the reinvestment of the \$200,000 tonight.

MOTION: REINVEST \$200,000 AT A 5 YEAR STEP UP LADDER PLAN AT THE ADVISORS RECOMMENDATION.

**MOTION: SIMON MARTINEZ
SECOND: DON SCHWINDT
MOTION CARRIED UNANIMOUSLY**

Phil Johnson stated that he is just trying to keep on top of the current water situation and issues and about the possibility of a Colorado River call. He has been talking to his City Council and keeping up relative to the Cortez water supply.

Background Documents and Educational Information - Ken stated that the Board received in their packet a highlighted copy of the Repayment Contract that for the Board Member Resource Books. Ken stated that everything in this contract is important and it puts the DPR background and resources into an agreement. Ken suggested that the Board should read it and then come back with questions for Legal or Engineering. Ken stated that his purpose is the highlight some important areas. On the first page has the execution date is 9/23/77, highlighted at the top. Next I have highlighted on the page are the Reclamation contracts terms that show the Dolores Project was named and approved by Congress in the CRSP Acts providing the highest legislated authorities for the Dolores Project purposes. This is where the authority for our uses comes from. The District exists for operation, maintenance and replacement of the DP. Page 3 – Project water gets its definition and it means that it wouldn't exist if not for the Dolores Project and McPhee storage. Nonproject – MVIC's water and fulfilling their historic water rights. Highlighted the 707.7 CFS absolute and the conditional 592.3 CFS, source for the 505 CFS to DWCD and 87.3 CFS to MVIC. You have to read this contract and the next one with MVIC together. You do see changes that come up later to make corrections around what they didn't know or couldn't foresee in 1977 versus later. Then on line 4 the ideal quantities in AF rounded up, pulled from the DPR, and used to negotiate the contract. Although the contract indicates MVIC may receive its 150,400 AF from its own sources there are good reasons why that doesn't happen. 130,600 AF represents the Company historic non-project diversions and they currently take a little bit more than that in total based on the Project records. Most Project facilities are transferred to the District for OM&R except the powerplants. The Towaoc Highline is not included and came later why not mentioned here. Page 5 – reservoir yield, gets at the McPhee capacities. MVIC 795 CFS contractual diversion limit comes from here. Page 7 – Towaoc Canal is described more, but

later changed. Page 10 – points of delivery mostly up by Great Cut. BOR builds original facilities and we will replace as needed. That covered through Article 8. Article 9 is an important article on payments & quantities that we will start with next month.

ADJOURNMENT Dolores Water Conservancy District Water Activity Enterprise Board meeting adjourned at 8:50 PM

Donald W. Schwindt, Secretary-Treasurer

Bruce Smart, President

DOLORES WATER CONSERVANCY DISTRICT

MINUTES Regular Meeting February 8, 2018

CALL TO ORDER Bruce Smart, President, called the meeting to order at 8: 50 PM

Bruce Smart, President
Simon Martinez, Vice-President
Don Schwindt, Secretary-Treasurer
Godwin Oliver, Director
Glen Fish, Director
Wes Wilson, Director
Mike Preston, General Manager
Ken Curtis, Engineer
Lloyd Johnson, Maintenance Supervisor
Gina Espeland, Accounting Clerk
Barry Spear, Attorney

INTRODUCTION OF GUESTS

Brandon Johnson, Manager General MVIC; Greg Black, Director MVIC;

APPROVAL OF THE MINUTES

MINUTES

MOTION: TO APPROVE THE MINUTES AS PRESENTED FOR THE JANUARY 11, 2018 REGULAR MEETING.

**MOTION: DONALD SCHWINDT
SECOND: GODWIN OLIVER
MOTION CARRIED UNANIMOUSLY**

FINANCIAL STATEMENTS

Wes asked if the Bureau payments are always the same. Mike replied that they part of the payment is based on the tax mill levy. That is why we recover the taxes several months after and there is some cash flow crunch early in the year having made the full payment.

MOTION: TO APPROVE THE DECEMBER '17 FINANCIAL STATEMENTS AND APPROVE THE STATEMENT OF PAYABLES AS PRESENTED.

ADMIN: AP/CHECK #11075-11092

\$770,824.72

**MOTION: WES WILSON
SECOND: SIMON MARTINEZ
MOTION CARRIED UNANIMOUSLY**

AGENCY REPORTS

BOR Report

Reclamation not present, Robert at training and will be back next month.

Division of Water Resources Report

Division was not present at the meeting.

T/H Committee Report

Godwin reported that the THC Committee had a meeting on January 31, 2018. Next meeting will be on March 21st with the annual T/H Tour at 8:00 AM. The Committee paid three bills to DWCD, MVIC and Ute Farm and Ranch. Lloyd talked about the band repairs earlier in his report. They are internal bands and the leaks have been at a joint.

Next T/H Meeting – The Committee will meet at the DWCD, Cortez Office March 21, 2018 at 8:00 a.m. for tour.

MVIC Report

Brandon reported that MVIC's annual meeting went well and the assessments stayed the same. With the good weather staff has been cleaning ditches and maintenance. Brandon stated that he would like to set up a Board to Board on February 20th. If not, the next regular scheduled meeting is March 20th. Brandon will ask his Board on the 13th. Will plan for February 20th at 7:00 at DWCD's office and will also plan on March 20th unless notification is received that cancellation is needed.

GENERAL MANAGERS REPORT/DECISION ITEMS

Lease of MVIC Class A Shares - The Board will be asked to decide whether to lease 170 Class A MVIC Shares in 2018, and if yes how much to charge per share. In 2017 DWCD offered its 170 MVIC Class A Shares for lease at \$70 per share. Initially shares were offered in blocks of up to 10 shares. At the end of this initial offer, there was 41 shares left. Three applicants had asked for additional shares in the first round. One applicant asked for 10 and two others asked for 5 each. That left 21 shares, which were later purchased by 2 applicants. DWCD's O&M and account charges in 2018, for the 170 Class A shares, are \$5,310 (170 x \$29.50 + \$295 account charge). 2017 lease revenues totaled \$13,050 (170 x \$70 + \$1,150 in account fees).

MOTION: TO LEASE MVIC CLASS A SHARES AT \$75.00 PER SHARE AND KEEP THE DISTRIBUTION THE SAME AS THE PREVIOUS YEAR.

MOTION: WES WILSON

SECOND:GODWIN OLIVER

MOTION CARRIED UNANIMOUSLY

BLM-Reclamation Authorities Clarification – The Board agreed to become a Cooperating Agency, represented by the GM in the BLM Tres Rios Field Office Plan Amendment to consider Areas of Critical Environmental Concern (ACECs) which included several ACEC segments on the Dolores River and its tributaries (Map Attached).

DWCD objectives included avoiding additional ACEC designations on top of Wild and Scenic Suitability and by-pass flows and other provisions of the Resource Management Plan (RMP) issued in 2013. The other objective, while the RMP was re-opened for Amendment was to get "Authorities Clarification Language" in the Plan documents, to the effect that: "No other federal agency, including the U.S. Bureau of Reclamation (Reclamation) has an obligation to change its management practices because the BLM establishes a protective designation along a river corridor."

Attached is the Environmental Assessment of the Tres Rios Plan Amendment. The above sentence comes from the two "Authority" paragraphs highlighted on Page 11. These two paragraphs, which have been reviewed by the DWCD legal team, provide important clarification concerning the operation of the Dolores Project and McPhee Reservoir in relation to BLM special designations. Review pages 6-11 of the attached Draft EA to see the maze of authorities that apply to Resource Management Planning and understand why the "Authority" clarification provided in the Environmental Assessment of the Tres Rios RMP protects the Dolores Project from the risks of unpredictable intervention based on this multitude of other potential BLM special designations.

With regard to the ACEC stream segments under consideration on the Dolores River and tributaries, the BLM Preferred Alternative concludes that no new ACECs are required on any of these segments. Each segment relevant to the Dolores River is highlighted in the table of contents and in the body of the EA. In the attached letter from the GM to BLM Planner Sam Fox on December 21, 2017 support is expressed both for the Authority paragraphs and the release of Dolores related segments from ACEC consideration including: Coyote Wash, Dolores River Canyon North, Dolores River Canyon South McIntyre Canyon and Snaggletooth. None of these segments were designated as ACECs.

Mike stated that when the 2013 Tres Rios BLM RMP plan was released as final there were multiple issues that put water supplies at risk. The concern is that the Dolores Project could be forced to release additional water for the native fish species added to the plan as wild and scenic ORVS. DWCD felt strongly and the GM testified to CWCB requesting a delay in the proposed ISF to provide a year for DWCD to negotiate with the FS and the BLM. We had to deal with both agencies. Directors of CWCB and Department of Natural Resources at the time joined DWCD in the negotiations with the federal agencies.

As DWCD went through all the appeal steps, the most helpful thing we got out of the negotiation was a 2014 letter that Tres Rios Field Manager, Connie Clemenson wrote to the GM asserting that BLM and Reclamation are under separate Federal Authorities. The BLM cannot override Dolores Project operations and contracts. Mike spoke with Ed Warner and Bill McDonald to confirm the significance of the letter.

The GM asked that Connie's letter receive higher level endorsement. DNR Director, Mike King met with BLM State Director, Ruth Welch who wrote Mike King ratifying Connie's letter. We were left with the letter, but no change in the body of the plan, which could not be changed without an amendment.

Tres Rios BLM did open the plan back up because they were contested on Areas of Critical Environmental Concern (ACECs). The Board authorized about a year ago that DWCD assume a cooperating agency status that allows the GM to see all the planning documents coming out and have regular input on the amendment process. We got everything that we asked for. The two authority paragraphs highlighted in the EA define the distinction between BLM special designations and Reclamation authorities.

The Uncompaghre BLM office went through a community process that included Wild and Scenic suitability segments. The GM went to the hearing at CWCB where we proposed authority clarification language and asserted that the large Instream Stream Flow (ISF) should satisfy the needs of the fish and the ISF should take additional pressure off water users.

Barry worked on the stipulations on the ISF protecting our water rights in McPhee and above. Stipulation 5 stated that ISF is sufficient to meet federal requirements. No Tres Rios (ACECs) got lodged on the Dolores River or its tributaries. We have been working with the BLM over the last 6 months or so to start to get the same authorities language in the Uncompaghre plan, which is in draft. We were promised the authorities language. Mike stated that he met in Montrose February 6, with the Uncompaghre and Tres Rios Field Office Managers, BLM District Manager and Roy Smith of the BLM State Office, as well as fishery and recreation managers. Mike was joined by Carlee Brown, CWCB Interstate and Federal Manager; and Celene Hawkins of TNC. The objectives of this meeting were to get the "Authority" language introduced into the Uncompaghre BLM Resource Management Plan, which includes a number of wild and scenic segments. We also want to push for a coordinated approach to native fish monitoring along the entire 200 miles of Dolores River below McPhee, which will make it clear that the sucker species have much more viable habitat below the San Miguel confluence. We are trying to set up coordination with BLM units on monitoring results in lower stretches of the river for the native fish species. We are waiting for the Uncompaghre plan, which is wading through thousands of comments, to unfold.

Barry stated that he would not add anything and that Mike had done a good job. Barry stated that this Board authorized engagement with the Resource Management Plans, and there were 3-4 different plans, and the persistence of DWCD established credibility that this Board will strongly assert the interests of our constituents. It is really good for the District.

Colorado Water Congress – Report out from those in attendance.

Bruce stated it was nice to see the predictions on the weather and water conditions. Bruce said he liked the discussion about the other suits across the country and knowing that there are others out facing similar challenges. Don highlighted that he always goes to learn and his focus on tying back to the water bank effort. You learn a lot of interesting things. Don stated that he always interested in the ISF program. He is also interested in instream flows and stream management plans to make sure interests are protected. Glen stated that this was his second year to attend and he thinks it is most educational and looks forward to going. He also enjoyed getting to spend a lot of time with MVIC Members and building relationships.

Ken testified in front of the legislative committees twice, once on the Mussel Legislation and once on Cloud Seeding. Ken stated that it is educational and we are a Bureau project and have environmental compliance obligations in all directions. The investment and insurance people are there. The River District and SW are there at the policy level for us. He is happy to keep relations going. This round was more relationship building for him. Mike stated that he always enjoys the MVIC-DWCD dinner and it has become a Water Congress tradition. Another highlight was the opportunity to moderate a panel entitled: "Our Forests, Our Water: Critically Linked" which included the Rocky Mountain Regional Forester's Office, the Director of the Colorado State Forest Service, Staff to the U.S. Senate Agriculture Committee, and Former State Senator Ellen Roberts, under contract with the Colorado State Forest Service. Each panelist gave an overview, followed by 30 minutes of interactive discussion questions put to the panelists (Panel Description and Questions are Attached). The panel was well received, and Water Congress has agreed to take up forest health as a major initiative. Panelists, as well as the Colorado Department of Natural Resources Director and CWCB Director, committed to an interagency work-group sponsored by Water Congress. Water Congress will also sponsor webinars this winter and workshops at the Summer Water Congress meeting.

Water Smart Grant – McPhee Wildfire Mitigation, Watershed Health, Timber Industry Capacity. The WaterSMART grant application entitled "Planning and Development to Further the Dolores Watershed and Resilient Forest Collaborative," is attached along with the Board Resolution forwarding the application to Reclamation. Primary objectives, as presented on Page 1 of the application are:

- Protect McPhee Reservoir, the second largest reservoir in Colorado, built and owned by the Bureau of Reclamation, from the risks and impacts of high intensity, unmanaged wildfire.
- Reduce risk from wildfires and post-fire flooding to people, property, water, and other public resources.
- Increase implementation of wildfire risk reduction and flood management projects in order to support long-term ecologic and economic resilience.
- Move toward self-sustaining, cost-effective forest restoration projects through support of forest restoration and wood products industries.
- Connect community stakeholders to better prepare for, respond to, and recover from a severe wildfire and resulting post-fire effects.

At the back of the application are seven letters of support including the Montezuma County Natural Resources Department and Montezuma County Emergency Management Program.

Mike stated his GM report that on January 31, the GM accompanied the Deputy State Forester, the San Juan National Forest Natural Resource Director and Dolores District Ranger, Ellen Roberts and wood business owners/managers for Montrose Forest Products, Aspen Wall Wood and Western Excelsior to meet with the Montezuma County Commission. The Montezuma County Commissioners were thanked for supporting the WaterSMART grant request and for work that the County GIS Department has done to map assets in the McPhee watershed, including water facilities, powerline corridors, and residential and commercial structures.

The primary focus of the Commissioner discussion was on the expansion and viability of local wood businesses. It was confirmed during the discussion that Montrose Forest Products is committed to investing \$20 million dollars in an expansion of their plant to mill Ponderosa Pine lumber. All they need is formal permission to travel on county roads with the log truck weight limits that are allowed on State Highways. The Commission was very supportive and will likely take action on February 5. The other wood business owners were also given the opportunity to address the Commission and emphasized the growing level of communication and cooperation being extended to them by the Forest Service. The DWRF Collaborative was credited with improving communication and drawing increasing resources to the Dolores Ranger District for logging, thinning and managed fire.

Mike stated that he included a news article that Montrose is going to build a 20 million pine mill.

With support from all levels from Water Congress to County government, the time is right to address forest health to reduce wildfire risks in a long-term effort to reduce wildfire risks and improve water yields to McPhee Reservoir, based on a well structured strategic action framework which the WaterSMART grant is intended to achieve.

Ken said the application includes a lot of background pulled from water management reports. Rebecca Samulski did most of the writing along with Thurman Wilson, retired Forester. We are asking for planning money. It doesn't fix the forest, but we look at the forest and we have all the data from the FS and State. Aspen had a good market and still does. Higher altitude spruce has some issues and environmental concerns. Ponderosa pine now has a market and is under attack from bugs. We need a healthy industry with stable markets. The parties at the table need to develop a steady supply. The meetings are scheduled for the first Wednesday of the month at 1:30-3:30, everyone is welcome to attend. Getting everyone under the same tent and with industry has yielded good progress. A healthy forest will yield a better water supply. Ken stated that down the road the Bureau has some water smart money and if you do a plan you go back and get implementation money. Now we are asking that he Board approve the WaterSMART Grant Application through Resolution NO. 2018-1.

MOTION: TO APPROVE RESOLUTION NO. 2018-1 SUPPORT FOR GRANT APPLICATION

UNDER RECLAMATION'S WATERSMART COOPERATIVE WATERSHED MANAGEMENT PROGRAM.

MOTION: SIMON MARTINEZ

SECOND: WES WILSON

MOTION CARRIED UNANIMOUSLY

2018 Brainstorm – The Brainstorm is scheduled for Thursday, February 15, 9:00AM-4:00PM, at DWCD. A draft agenda was in the Board packet tonight. This Board has been dealing with things month by month and the Brainstorm sets a larger 10 year context. The thought was to structure the Brainstorm in the major areas that we are trying to operate in. Talk about the prioritization of the Board's topics. Budget and Infrastructure is a topic. External relations is another topic. Water supply management is a topic that the Board deals with on a monthly basis. Item 4 is for the legal team to broadly frame the legal structure out of which water cases come. Working through the DWCD/MVIC issues will be key focus. Mike asked the Board if this makes sense as a structure to go with the Brainstorm session, and the Board was agreeable.

Activities and Meetings since Last Board Meeting:

- January 16 – Meeting with David Sitton and Ellen Roberts to discuss bio-mass power in relation to Empire and Tri State contracts and rate structure – GM
- January 16: Phone conference with U.S. Rocky Mountain Regional Forester Staff, Colorado State Forester, Staff to U.S. Senate Committee on Agriculture, Nutrition and Forestry, and Ellen Roberts, Contractor to State Forest Service to plan Water Congress Panel of Forest Health - GM
- January 22-23: CWCB Board Meeting, Denver - GM
- January 24: Water Congress Workshops – Bruce, Glen, Don, Ken, GM
- January 25-26: Water Congress Convention – Bruce, Glen, Don, Ken, GM
- January 31: Submittal of Water Smart Cooperative Watershed Management Program by DWCD on behalf of DWRF.
- January 31: Colorado Ag Water Alliance Workshop, Arriola
- January 31: Meeting with Montezuma County Commission on Forest Health – Manager Montrose Forest Products; Deputy Director, Colorado State Forest Service; SJNF Resource Manager and Dolores Ranger; David Sitton; Ellen Roberts; GM
- January 31: Towaoc-Highline Committee, 2:00PM, DWCD
- February 1: LEMing Phone Meeting
- February 6: Authorities Language Meeting - BLM State and District Offices, BLM Uncompahgre and Grand Junction Field Offices, CWCB Staff, TNC, GM
- February 7: DWRF Collaborative, DWCD, 2:00PM
- February 8: DWRF Steering Committee - GM
- February 8: GM Evaluation, 5:30, Dinner Provided

Upcoming Meetings and Activities:

- February 13: ANS Task Force, Denver, DWCD by Phone
- February 13: MVIC Board Meeting, 2:00PM

- February 15: 2018 Brainstorm, 9:00AM – 4:00PM, DWCD
- February 22: Forest Health Advisory Council, Summit County – GM
- February 28: Towaoc Highline Committee, 2:00PM, MVIC
- March 7: DWRP, 1:30, DWCD
- March 8: DWRP Steering Committee, 10:00AM, DWCD

LEGAL REPORT

Barry stated that he would go through his Water Case Report and any additional updates on other pending legal matters in open session, with items needing Attorney-Board confidentiality taken up in Executive Session as necessary. Barry stated there is one item that needs to be discussed in Executive Session, but it is not a need and can definitely wait until next month if the Board so chooses.

505 CFS – Main Canal #1 and #2, 15 CW 3035. Did get a decree on January 3rd and had good discussions with MVIC on the Board Presidents and Attorney levels.

MVIC – New Groundhog Water Right, 12CW20. In 2012, MVIC's original application sought a new water right for an increase in the capacity of Groundhog Reservoir of up to 4,000 AF, following a survey prepared by the USGS showing the reservoir's capacity at 25,700 AF rather than the decreed 21,710 AF. Discussions with Board Presidents and Attorneys and good issues are being resolved and DWCD issues revolved around irrigated acres and the height of the dam and those issues were resolved. Enter into a stipulation and approved by the Judge on January 18th.

MVIC change in use. MVIC has expressed the desire to seek a change of use to storage for its 87.3 cfs direct flow water right mentioned above. While DWCD has consistently expressed support of the efforts of MVIC, DWCD has also maintained that the change cannot affect operations of McPhee Reservoir, cannot expand MVIC's rights as set forth in contracts with DWCD and the United States, or in any way injure DWCD. The two sides have not had an opportunity to discuss the matter further, but will get discussions moving again.

Barry stated that this next item might need discussion in Executive Session.

Forest Service Reserved Water Rights Case, Case No. 1605-76B. This is a case dates back to the 70s and FS wanted to have state adjudication of state instream flow rights and consumptive use rights. Discussions in 2015 again the State was seeking ISF in the streams in the national forest. They suggested 5 and went to 2 in 2017. Last year those 2 streams did get appropriated by the CWCB and they did seek water rights for those. Barry stated that they are in water court and he doesn't think there is any opposition. The other 3 cases that the methodology was one that was not seen before. One is over near Pagosa Springs. They are wanting to use all unappropriated flows for the ISF water right and have taken issue with the idea that the unappropriated that the ISF must appropriate the minimum flow and don't think that all the flows equal the minimum flow. CWCB did not budge on their position. We have said that all the unappropriated meet the state requirement and they have said ok and we responded let's do it for this case. They have submitted language that would get that accomplished. Have reviewed the language and feel it is insufficient. Does DWCD engage in the fight in all the unappropriated flows. It is a policy fight that we don't want a precedent set. Is it DWCD's position to take a lead in that fight? It is our role to run the Dolores Project and should we support SW in that fight. We can challenge the appropriation or suggest we engage in high level that the language is no-precedent language. Barry stated that the Board need to think about it and we don't need to come to a conclusive direction tonight.

Mike stated that he is still working on delaying Himes Creek, to allow time for proper analysis and dialogue until 2019. They have not made delivery information timely and now we are trying to make a hurried decision. The CWCB Board may need to take a look at this from a policy standpoint. They are getting into territory that is outside their established ISF structure. At DWCD's Board meeting in March we will know if it is delayed or if it is on the March agenda.

Barry stated that we get drawn down in the weeds on the FS ISF test when we set out to settle a case that was filed in 1977. The FS said they were willing to do the ISF program. Maybe we will see settling on the case. There is no commitment from the FS at all. FS should be able to commit soon because they have seen the process with the 2 streams currently in play. Another way is to go after dismissal of the case is in court. The legal team plans to give more bulleted options next month.

Barry stated that the commitment that we want is that they are not going to seek Federal Reserve Water Rights for the stream segments in the National Forest. They could agree to

go through the CO ISF program with all the due processes that there are, rather than adjudicate Federal Reserve Water Rights. We or anyone can challenge in the ISF program. Barry said with another month we can formulate more decisions and have a chance to talk to SW.

CWCB Dolores River ISF, Case 15CW3111. Barry reported that this case is still in Court. There is a status conference next Tuesday. This will likely be rolled over for another month.

Beaver Reservoir, Bear Creek Reservoir, Dawson Reservoir, Case 10 CW 24. DWCD holds a conditional water right for Beaver Reservoir for irrigation up to 16,209.6 acre feet, for Bear Creek Reservoir for irrigation up to 7,261.49 acre feet, and for Dawson Reservoir for irrigation and other beneficial uses for 35,635.51 acre feet. In order to preserve this conditional water right for the three proposed reservoirs, DWCD was required to file an application by December 31, 2017, showing that it has made diligent efforts in making these water rights absolute. The water rights are conditional and we did file an application. Statements of opposition can be filed until the end of February.

Don asked Barry if DWCD should have a position on State Legislation HB10-73, Northern Bill. Barry said he thought is a good bill because it broadens what the District can sell and it is okay. Barry said that we don't need to be worried about unintended consequences that would affect us. Barry stated that he would discuss it with Adam. Don also asked about the other Northern Bill on mitigation water and if it would affect us in a similar pattern. Barry stated that he would confer with Adam and bring back any concerns.

NEXT DWCD BOARD MEETING – Thursday, March 8, 2018 - 7:00 P.M.

ADJOURNMENT Meeting adjourned at 10:50 P.M.

Donald W. Schwindt, Secretary-Treasurer

Bruce Smart, President