

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
September 12, 2019

CALL TO ORDER Bruce Smart, President, called the meeting to order at 7:01 PM

ROLL CALL Bruce Smart, President
Simon Martinez, Vice-President
Don Schwindt, Secretary-Treasurer
Godwin Oliver, Director
Wes Wilson, Director
Glen Fish, Director
Sheldonna Z. Ives, Director
Mike Preston, General Manager
Ken Curtis, Engineer
Lloyd Johnson, Maintenance Supervisor
Lisa Jordan, Office Administrator
Robert Stump, Bureau of Reclamation
Adam Reeves, Attorney

INTRODUCTION OF GUESTS

Brandon Johnson, General Manager MVIC; Chad Hill and Rich Landreth, City of Cortez; Ed Millard, Montezuma County/IBCC/SWBRT

MINUTES

APPROVAL OF THE MINUTES

MOTION: TO APPROVE THE MINUTES AS SUBMITTED FOR THE AUGUST 8, 2019 ENTERPRISE MEETING.

MOTION: GODWIN OLIVER
SECOND: DON SCHWINDT
MOTION CARRIED UNANIMOUSLY SIMON MARTINEZ WAS NOT IN ATTENDANCE AT THE TIME OF THE VOTE. WES WILSON AND GLEN FISH ABSTAINED FROM THE VOTE.

FINANCIAL STATEMENTS

MOTION: TO APPROVE THE JULY '19 FINANCIAL STATEMENT AND APPROVE THE STATEMENT OF PAYABLES AS PRESENTED.

O&M: AP/CHECK #37527-37609 & PR/CHECK #123475-123526
\$284,865.50

MOTION: WES WILSON
SECOND: SHELDONNA Z. IVES
MOTION CARRIED UNANIMOUSLY.

O&M REPORT – Lloyd reported the following:

Pump Plants – Fairview was knocked off line Tuesday for a few hours due to lightening. Other than that, all plants have been running steady. All pump plants are scheduled to shut down for the season by Monday, October 14th.

The U-Lateral flow meter pipe at Great Cut was recently sandblasted and recoated by Ames Company out of Farmington.

Canals – Dove Creek and South Canal have had major weed problems the last several weeks. Call outs at night are becoming routine. WAPA's electrical contractor is scheduled to start again on the underground power line splices on South Canal the week of October 14th. We are currently taking delivery of 200 tons of rip rap from the Goode pit. It is being stockpiled at South Canal turnout.

Laterals – Crews will be upgrading a mile-long lateral access road on the F600 line. This should begin right after water season.

Power Plants – Towaoc Power Plant has been running an average of 175 cfs (5.5 mw) this month. McPhee Power Plant was running 75 cfs until Wednesday when it was turned down to 50 cfs.

Control Room – Eric Tanner has worked out a program for the mass texting notification system. This will be up and running once users have signed up. Included in the packet was a handout regarding how to sign up for mass texting. Ken stated that there will be an end of season mailout postcard that will address the texting.

ENGINEERING AND WATER MANAGEMENT REPORT

Water Accounting & Review – Ken presented the **1) Irrigator Use Projections** – Ken stated that there has not been much change in the numbers since no monsoons to slow the irrigation demands this season. **2) Allocation Summary** – Ken stated that there should be somewhere between 45-48 KAF of water sales for 2019, allocations will be balanced at the end of the season. UF&RE is making a farm plan to use their full allocation. MVIC still has river flow and Groundhog. The projected ending McPhee reservoir elevation is 6,901'. **3) August Inflow/Outflow** – There was no rains so n calculated inflow and the reservoir dropped steadily. UF&RE was down at the beginning of the month, then came back up to 108.2 cfs, but dipped back down for haying. MVIC started using project water around the 21st of August. Dove Creek Canal has yet to hit a 300 cfs per day in August and appears that after the first cutting everyone has been staggered with cutting and we have not seen quite the significant peak diversions up north as in years past. Below McPhee they are taking advantage of the fish clock off during the spill to keep flows higher than normal. **4) September Inflow/Outflow** – The elevation at the reservoir was 6,912' September 1st. There was a correction at the Dolores gage due to a constructed swimming hole in the river immediately downstream of the Dolores River gage in Dolores that was causing some back-flooding at the gage and inflating measured flows. MVIC has upped GH releases to about 60 cfs over the last two weeks to make up for dropping river. Dove Creek Canal is getting close to 300 cfs per day, but expected to drop in a week or two. The upstream exchange releases from GH goes through October 15. Most of the GH releases are above the exchange required releaes and so are allocated directly to MVIC. **5) Use Graph** – there is projected to be 3 irrigators that will reach the 32" per allocated acre max cap there will be 7 or 8 irrigators over 28" per allocated acre. Ken stated for the most part these are not high acreages. Ken noted that 28" per allocated acre will likely stay normal max cap allocation for the future. **6) Management** – Ken stated that rough projections in the MVIC supply has them running out of water around October 11th, without considering lower use after the fall equinox, MVIC would like to run until October 15th. Ken stated that DWCD will front them water to get them to October 15th without upping releases from GH and will balance the accounting later. There is physical work to be performed on the Lone Pine and this accounting will likely work out as we may be storing Narraguinnep water while we work on the Lone Pine. Ken asked for questions or comments regarding this. Bruce stated that keeping water in Groundhog is also good and this is an easy year to do it.

Consideration of DWCD Support for Proposition DD – The Legislature referred Proposition DD to the November 5, 2019 ballot. The proponents for Prop DD were at Summer CWC asking for support that would tax sports betting with the proceeds going to fund the Colorado Water Plan. DWCD Board determines any District support and if not actively supporting DD should at a minimum be aware of a water related ballot item.

Proposition DD: Authorize and tax sports betting

SHALL STATE TAXES BE INCREASED BY TWENTY-NINE MILLION DOLLARS ANNUALLY TO FUND STATE WATER PROJECTS AND COMMITMENTS AND TO PAY FOR THE REGULATION OF SPORTS BETTING THROUGH LICENSED CASINOS BY AUTHORIZING A TAX ON SPORTS BETTING OF TEN PERCENT OF NET SPORTS BETTING PROCEEDS, AND TO IMPOSE THE TAX ON PERSONS LICENSED TO CONDUCT SPORTS BETTING OPERATIONS?

Background:

Proposition DD, if approved, would: 1

- legalize sports betting; 2
- authorize a state tax on casinos' net sports betting proceeds; 3
- use sports betting taxes and fees to pay for the regulation of sports 4 betting, a hold harmless fund, and gambling addiction services; and 5
- dedicate the remaining tax and fee revenue to water projects and 6 water-related obligations. 7

What your vote means: 8

YES/FOR: A "yes" vote on Proposition DD means sports betting will be legal and taxed in the state.

NO/AGAINST A "no" vote on Proposition DD means that sports betting will remain illegal in the state.

The following is from the proponents website that was not in the attachments:

LEGALIZED SPORTS BETTING

In 2018, a U.S. Supreme Court ruling allowed all states to legalize sports betting. As of August of 2019, at least 10 states have done so.

Prop DD would legalize in-person and online sports betting in Colorado. Bets would be required to be placed in Colorado and would be limited to people ages 21 and older.

Beginning in May 2020, sports betting would be allowed both in-person at casinos in Black Hawk, Central City, and Cripple Creek (if approved by local voters) and online through internet sports betting operators contracted by casinos.

Prop DD will establish a \$29 million tax on casino's net sports betting proceeds (the amount kept by casinos after payouts to winners and the .25% federal excise tax).

Proceeds will be used to help pay for projects identified as part of Colorado's Water Plan (up to \$27.2 million), a hold harmless fund (up to \$1.7 million) for entities that currently receive tax revenue from gambling and horse racing if they lose money as a result of sports betting, and gambling addiction services (\$130,000).

COLORADO WATER PLAN (CWP)

Colorado's Water Plan, which was adopted in 2015, aims to address Colorado's water shortage — but to date there hasn't been enough money for the state to fund its share of the plan. Much like was done with the state lottery and GOCO 30 years ago, Proposition DD would legalize sports betting and use proceeds of tax revenue to help pay the state's share of Colorado's Water Plan.

Our population has ballooned from 1 million in 1930 to over 5 million today, and could nearly double by 2060. While we grow at this pace, how do we preserve what we love about our state?

Our average precipitation yields 14 million acre-feet of water annually in Colorado. Over 5 million acre-feet of water is consumed annually through agriculture, municipal, industrial uses. States downstream of us are legally entitled to water as determined by our nine interstate compacts and two equitable apportionment decrees from the U.S. Supreme Court. Since projections suggest wide variability in future precipitation, Colorado faces the possibility of a significant water supply shortfall within the next few decades, even with aggressive conservation and new water projects.

Rather than guess about the direction of our state's water policy, we now have measurable objectives to achieve, and we can monitor our progress on these objectives in real time.

Colorado's Water Plan sets a measurable objective to cover 80 percent of the locally prioritized lists of rivers with stream management plans, and 80 percent of critical watersheds with watershed protection plans, all by 2030.

...the State will work closely with the agricultural community, in the same collaborative manner that has produced agricultural transfer pilot projects, to share at least 50,000 acre-feet of agricultural water using voluntary alternative transfer methods by 2030.

Colorado's Water Plan sets a measurable objective of attaining 400,000 acre-feet of water storage in order to manage and share conserved water and the yield of identified projects and processes by 2050. This objective equates to an 80 percent success rate for these planned projects.

Colorado's Water Plan sets a measurable objective that by 2025, 75 percent of Coloradans will live in communities that have incorporated water-saving actions into land-use planning.

Colorado's Water Plan sets a measurable objective to achieve 400,000 acre-feet of municipal and industrial water conservation by 2050.

Colorado's Water Plan sets an objective that agricultural economic productivity will keep pace with growing state, national, and global needs, even if some acres go out of production.

If water conservation is to be part of Colorado's future water supply portfolio, it must be supported and funded like other supply initiatives.

The goals of the Colorado Water Plan are to meet the water supply gap, defend Colorado's compact entitlements, improve regulatory processes, and explore financial incentives—all while honoring Colorado's water values and ensuring that the state's most valuable resource is protected and available for generations to come.

Discussion: Bruce stated that the idea is for funds from Proposition DD to go to the Water Plan. Don stated that this was done by someone other than the water community and it is really all about gambling. Don stated that he first heard about this at Colorado Water Congress and heard it speculated that this Proposition will pass. Don felt that if the water community would have been involved then there would have been a lot more discussion regarding this at the Water Congress Board Meeting. The Water Plan is funded by annual State appropriations and this would provide more steady income for the Water Plan. Mike stated that the assumption is the CWP needs about \$100M per year and this is a step toward fulfilling that amount. Don stated that the water community has been part of a bigger committee to find funding for the Water Plan and one of the fears that if this passes the public will think that there is no more money needed to fund the Water Plan. These committees are looking for additional funding to fully fund the CWP. There is no permanent protection for this money to stay with the Water Plan either. Mike stated that there is a serious PR campaign but it would be important to say that this wouldn't make enough money to fully fund the CWP and there should be a bigger campaign to raise the remaining needed funds another way. Don stated that

he is leery of making an official DWCD statement. There was consensus that the Board does not need to go any further on this topic.

**Recess for the Public Hearing at 7:45 p.m.
Reconvened meeting 8:16 p.m.**

Salary Review, Board Participation – Ken stated that The DWCD Board has responsibility for District budget and policies including employee compensation. The Board has historically participated in salary survey discussions via a smaller subcommittee.

Background: Past salary surveys have taken place in 2002, 2007, 2010 and now 2019. In 2010 three Board members, with a designated alternate, participated as a subcommittee with management working with Jim Brooks to draft and establish comparable benchmark positions that led to a structure for presentation to the full Board for appropriate action.

Jim Brooks has been contacted to review and help evaluate current DWCD Salary Structure and help organize appropriate comparisons. DWCD will supply a variety of information including Job Descriptions, Employers Council Salary Survey Information, existing DWCD Salary Range Data and potential similar job comparisons from relevant local, state and regional organizations. Jim Brooks will then meet with DWCD and review a draft updated structure. This process may include several meetings with Jim joining us via conference call as needed.

Management goals include maintaining a skilled labor force, continuity of employee operational experience, providing employee growth opportunity and limiting turnover. We believe this is accomplished through competitive rates, generally with steady incremental increases balanced to local full service irrigator conditions. This process has paralleled the Board's past practices on incremental irrigator water rate increases.

The salary structure relies on market comparisons, the hierarchy structure and the grade ranges. This common structure when coupled with the matrix accelerates percentage increases when an individual is below mid-point earlier in their career and slows increases above mid-point for more senior individuals. It is also based on a general concept that individual employees work as skilled journeyman craftsmen near mid-point range after a reasonable path, adjusted for individual skills and abilities. This is also affected by the specific skill levels at the time of hiring relative to their placement in the specific grade range.

This salary review process provides a deeper opportunity for Board review of salary structure to inform budget & policy decisions.

Discussion: Bruce stated that it would be good to have at least one full service irrigator on the Subcommittee for Salary Review. Wes and Godwin both stated that they would participate. Godwin stated that he would like to learn more about the salary system and how it works. Wes feels like any knowledge like this is very useful. Sheldonna stated that she would volunteer to be an alternate. There was Board consensus that Godwin Oliver and Wes Wilson serve on the subcommittee and Sheldonna Z. Ives will be the alternate.

Budget Discussion, Discretionary Items – Ken presented an Overview of the 2020 Budget Process.

1) 2020 Budget Schedule:

- First Budget draft is delivered at the October 10, 2019 Board meeting. This drives charge notices that are later reconciled. (MVIC, BOR, UF&R, M&I's)
- Workshop is scheduled for late October where Board needs to give direction.
- Budget Hearing is set at the October Board meeting for the November 14, 2019 Board Meeting. Requires 3+ weeks minimum for legal notices.
- December 12, 2019 Board meeting Board adopts 2020 Budget with associated mill resolutions. State Law required submittal deadline is December 15.
- Any significant adjustments may require special meetings.

2) 2019 Budget Impacts:

- Lease revenue down \$16,360 (500 AF x \$32.72/AF)
- Water Sales may be down +/- 3,000, +/- \$39K (3 KAF x \$13.10)
- Higher parking lot costs than budgeted, +\$60K+/-.
- Cut one vehicle & one temporary employee from budget <-\$75K+/->.
- Saved Class B carriage cost <-\$15K>

3) 2019 Potential Actions

- Currently assessing fall projects, no other changes or adjustments currently anticipated. If an adjustment is needed for parking lot will be brought to Board before year end.

4) 2020 Board Decisions & DWCD Actions

- Set FSA Rates, historically growing +/-3% when conditions allow, slow & steady.
- Board sets any employee raises, may work in conjunction with salary review.
- Review Capital replacement schedule for facilities, vehicles & equipment, discuss and direct.
- Review, discuss & direct budgeted O&M materials & replacements purchase levels.
- Decide on Seasonal staff (2) hiring for weed control, rodent control & canal tire mats.
- Approve and/or modify budgets for Discretionary Items below.

- Review & approve ANS funding at McPhee boat ramp WID Stations
- Review and possibly adjust M&I rates that have been the same for several years.
- Decide on transfers to reserves
- Consider and decide on repayment from Dove Creek L&G to Future Projects

Ken explained the history of the DCL&G investments and loans during the recession. Ken stated that at that time the District loaned money to the DCL&G system from Future Projects. There was a note to pay this money back in the future. This needs to be addressed during this budget cycle. Ken will present this to the Board and they can decide how to proceed.

Discretionary Items

Administrative (100 Budget) Items include:

Legislative Consultant	\$8,000
Project Promotions	\$8,000 (Have only spent \$2,113 so far)
Board Travel & Training	\$12,700 (+/- \$8,300 spent in 2 combined items)
Dues & Subscriptions	\$21,000 total, some more discretionary than others includes:
Club 20	\$600
Directory Plus	\$300
Employer's Council	\$3,363
CWC	\$3,134
FFA	\$2,000
SDA	\$1,237
Sage Accounting Software	\$3,440
WIP	\$5,000
Local Pages	\$420
Newspapers	\$75
USPS	\$234

Ken noted that he is thinking about dropping both phone books and noted that we do still get benefit from SDA and Employer's Council.

Operations & Maintenance (200 Budget) items include:

CSU Research Farm	\$5,000
Weather Modification	\$26,000
Low Snow Surveys	\$1,900
USGS Slickrock gage	\$2,000
Travel/Tuition	\$34,000 in 2 items (\$17K spent)
Colorado Dust on Snow Program (CODOS)	\$1,000

New item: New SW Radar \$2,000 requested for 2020

Discussion: Wes asked where the money is that was dedicated the High Desert Conservation District. Ken stated that the money committed to HDCD is not routine but will be added to the draft 2020 Budget.

Wes stated that he was approached and asked how much the DCL&G charge is. Ken explained that they pay a minimum fee then pay per 1,000 gallons for use. If they use a full acre foot then they would pay the same as a regular M&I user. Ken stated that this is included in a set of individual rules. The DCL&G is a stand-alone system and pay for their own repairs. Wes asked how many taps were sold. Ken stated that 200 taps were initially sold and there are still paper taps to be landed at a permanent address.

Request to Petition for New Irrigation Allocation – Ken stated that all petitions for new Dolores Project irrigation water allocations require a petition hearing, which requires prior legal notice. If the Board would like to further consider a petition, the Board should set a hearing date and time.

Background: Lance Broderson through his company, First Earth Environmental, LLC, currently owns property receiving irrigation through Delivery Box R-410 in Pleasant View, currently farmed by Dennison Farm & Ranch. He is requesting a new irrigation allocation for property in Dolores County directly from the canal as shown on the attached map. The parcel is approximately 105 acres in size and appears to have been dry land farmed previously. His request indicated he plans to run two ¼ mile side roll irrigation systems on 75 acres operated by Dennison Farm & Ranch with equipment supplied by Cruzan Irrigation.

This is not the traditional irrigation set up common to the Dolores Project. The following are the immediate issues that would need to be addressed.

First DWCD could not provide pressurized delivery from an existing pumping plant. The current long term WAPA power contract costs about \$9/acre foot delivered. An individualized pumping plant would be very expensive and have higher operating costs.

Second a cursory review shows over 60 classified acres, but a more detailed review would be required to determine exact classified acres from Reclamation land classifications. This would factor into the ultimate allocation, delivery system design and total cost.

Third the irrigation line would cross adjacent private lands.

Fourth a canal connection would be required, possibly a 4-inch size. Normal 2-inch M&I's run about \$5,000 in cost, a 4 inch would be a little more than \$10,000 based on 4 inch parts and possibly have additional considerations for the intake. This would have to be worked out with the applicant and Reclamation. This would have no pressurization.

Fifth the Board would apply the newest policy on recovered payment costs for new petitions that would require \$81.13/allocated acre based on 1.6342 multiplier from the BLS inflation calculator from July 1996 to July 2019 that = 2.06% interest rate compounded for 24 years which yields a multiplier of 30.662 by \$1.35 per AF by 1.96 AF/acre. (30.662 X 1.35\$/AF X 1.96AF/AC = \$81.13/AC)

The Board may identify other concerns that need to be explored.

The Board has recognized that there is some water supply available for new base irrigation allocations and worked to land permanent lands for those supplies. Placing this water shows beneficial use and spreads the DWCD fixed Operating & Maintenance costs across additional acres lowering overall water rates. The Board has also kept a common denominator among irrigators that provides pressurized delivery downstream of a Project delivery box at rate charges common to all Project allocated FS irrigation water. Over 10 years ago the District did allow irrigation directly from the canal for several years further downstream from this location. Ultimately that individual chose to cease operations under those specific conditions. Other new irrigators that received Project water either connected to existing facilities or paid for new pump facilities constructed to deliver pressurized water common to other irrigators such as Sandstone.

Discussion: Don stated that he will be glad to share some of the thinking regarding the previous landowner who leased water and paid for pumping. Don stated that there was a lot of resistance to having a farmer who was different from the other farmers. The cost to pump the water was eventually cost prohibitive to the former lessor to continue operating off the canal.

Projects Update

Other – Ken presented Mike with a pewter plate and thanked him for his years of service as the General Manager of DWCD. Bruce also thanked Mike on behalf of the Board for his service.

ADJOURNMENT Dolores Water Conservancy District Water Activity Enterprise Board meeting adjourned at 9:10 PM

Donald W. Schwindt, Secretary-Treasurer

Bruce Smart, President

DOLORES WATER CONSERVANCY DISTRICT

MINUTES Regular Meeting September 12, 2019

CALL TO ORDER Bruce Smart, President, called the meeting to order at 9:10 PM

Bruce Smart, President
Simon Martinez, Vice-President
Don Schwindt, Secretary-Treasurer
Godwin Oliver, Director
Wes Wilson, Director
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INTRODUCTION OF GUESTS

Brandon Johnson, General Manager MVIC; Chad Hill and Rich Landreth, City of Cortez; Ed Millard, Montezuma County/IBCC/SWBRT

APPROVAL OF THE MINUTES

MINUTES

MOTION: TO APPROVE THE MINUTES AS SUBMITTED FOR THE AUGUST 8, 2019 REGULAR MEETING AND AUGUST 8, 2019 EXECUTIVE SESSION MEETING.

MOTION: GODWIN OLIVER

SECOND: SIMON MARTINEZ

MOTION CARRIED UNANIMOUSLY SHELDONNA Z. IVES WAS ABSENT AT THE TIME OF THE VOTE. WES WILSON AND GLEN FISH ABSTAINED FROM THE VOTE.

FINANCIAL STATEMENTS

MOTION: TO APPROVE THE JULY '19 FINANCIAL STATEMENTS AND APPROVE THE STATEMENT OF PAYABLES AS PRESENTED.

ADMIN: AP/CHECK #11360-11376

\$13,704.90

MOTION: SIMON MARTINEZ

SECOND: WES WILSON

MOTION CARRIED UNANIMOUSLY GLEN FISH WAS ABSENT AT THE TIME OF THE VOTE.

AGENCY REPORTS

BOR Report

Robert reported that **1)** The contractor from the Denver Technical Center (DTC) is coming next week with a pipe diver to inspect the pre stressed concrete pipes on at two siphons. These tests will be performed with water in the canal, the DWCD Control Room staff will manage flows. **2)** MOA/Basin Fund – Coordination with Brimhall is beginning to get the next round of pumps out for rebuild. **3)** Robert is working on a post season review Boater meeting scheduled for 6PM on September 25 at the Dolores Community Center. DBRA and American Whitewater are performing PR to get the word out regarding this season's spill and operations. **4)** Greg Smith with the local Colorado Basin River Forecast Center retired and Ashley Nielson will be the new person with the Dolores focus. Of note 2020 marks the point where they can add another 5 years of history to the model which will capture Sharks

Tooth in the model. The calibration of the model doesn't happen quickly and will be 2021 or 2022 to get the calibration set.

Division of Water Resources Report

CDWR was not in attendance.

T/H Committee Report

Simon reported that the THC Committee had a meeting August 28, 2019. **1)** The Committee paid DWCD, MVIC and UF&RE. **2)** The Committee adopted the THC 2020 Budget. **3)** The Committee discussed the pipe diver inspection on the last two siphons one behind the tunnel and one at Simon Draw. Lloyd stated that if anyone wants to watch the process to let him know. They will work with water flows and will run the sensor through each siphon twice. Ken stated that there are no planned water level changes at Reach 3 but if there are changes DWCD will notify UF&RE. Bruce asked if there are any concrete failures in the pipe. Robert stated that the final report is not complete from the last inspection. There will be a final report after all of the inspections are complete. **4)** Don asked Robert about a property purchase near the Wetlands mentioned in the draft minutes. Robert stated that there is property for sale on the East side of Simon Draw and the interested buyer, at this point, wants to turn the property into a campground. There is concern for operational impacts and environmental impacts.

Next T/H Meeting – The Committee will meet at the DWCD, Cortez Office September 25, 2019 at 2:00 p.m. at the Cortez Office.

MVIC Report

Brandon reported that **1)** MVIC is having the same issues as all of the other entities with continuous weeds and moss. **2)** MVIC will likely run until October 15th then have a stockrun for those who qualify on October 19th. **3)** MVIC installed a new pumphouse at Groundhog and will plumb that back in. **4)** Brandon stated that the MVIC Board would like to wait until January or February to hold a Board to Board meeting, unless something comes up that needs to be discussed.

Other – Ken stated that DWCD plans to begin winding up DCC operations around the weekend of October 11th. DWCD will work with individuals on special water needs beyond that weekend. This is well within the normal shut-down and will get South Canal power line work started.

GENERAL MANAGERS REPORT/DECISION ITEMS

Plateau Pump Back Hydro Battery – The Board approved a letter of intent between DWCD and Absaroka Energy in August of 2018. Absaroka has expressed interest in filing a FERC Preliminary Permit Application, which would require a letter of support from DWCD waiving municipal preference. Mike told Absaroka Project Manager Rhett Hurless that before DWCD would support Absaroka's application we would need to come to terms regarding compensation to DWCD and requirements related to protecting Dolores Project Facilities, low reservoir elevation operations etc.

In August the Board received a Draft Term Sheet for consideration. With regard to the proposed term of 2% of annual gross revenue, the Board wanted more information that would indicate how much gross annual revenue the project would potentially generate. Steve Harris contacted Rhett Hurless and put information from Rhett into a September 3, 2019 memo entitled: "Status of Plateau Creek Pump Storage Project and Absaroka Energy" which was mailed to the Board.

It is difficult to estimate revenues for a pump back storage project. This is not a steady state project that puts whatever power it produces on the grid as it is produced (e.g. solar and wind). Rather this "water battery" is dispatchable power intended to fill the green power gap when the sun is not shining and the wind is not blowing. Power rates would be variable for the cost of power needed to pump water up into the upper reservoir, and rates would also be variable on the demand side. Rhett was consistent with what we were told before: \$75M - \$100M in revenue annually, based on the planning they put into the Gordon Butte Project. At 2% of gross, estimated revenues could be as high as \$1.5M to \$2M. Rhett suggested that revenue projections could increase on the Plateau Project due to increasing solar and wind sources in New Mexico and Arizona.

The other revenue source being evaluated are property tax revenues to the District based on the assessed value of facilities estimated today at \$600M-\$750M. Adam is checking on the legal right to collect property taxes from a facility largely located on National Forest land. Mike contacted the Montezuma County Assessor to get a feel for what kind of property tax Kinder Morgan pays to DWCD for their facilities. Kinder Morgan taxation has been a subject of litigation and negotiation, so only the County Assessor can answer questions. Mike provided a table showing potential revenue generated similar to that by Kinder Morgan based on 200 MW and 250 MW pump back storage facilities.

Adam stated that you can obtain taxes on the facilities on public lands but no tax on the property itself. Mike stated that you would be adding revenue to the DWCD operating budget.

Rhett Hurless is suggesting that we lay out the steps that need to be taken and set a schedule. Due to several undefinable variables, there is unlikely to be any certainty as to ultimate gross revenues in the near term. Given this uncertainty, the Board will be asked whether DWCD Staff should lay out a course of action with Absaroka to bring back to the Board or let this opportunity go.

Discussion: Mike asked the Board if they want to move forward with working with Rhett to put out a term sheet and stated that there should be something in place prior to a permit application. There will need to be very specific details in order to achieve approval from FERC to go forward with this project. Absaroka will also be in the market

for a purchaser. DWCD will yield on the municipal preference and will provide the water in exchange for a long-term revenue source out of this project. Mike noted that this project has the potential to be a significant revenue source. Bruce stated that DWCD needs the term sheet and it was stated that there will likely be negotiations regarding the term sheet. Steve Harris has better on-site knowledge but Absaroka will have their own engineers. Mike stated that DWCD is capable of performing O&M. The off taker will make their own decision on how it is operated. Sheldonna asked if they will have to go through NEPA and public comment and Mike stated that they will. Mike stated that he has introduced them to the Forest Service personnel who seemed receptive to the concept as did the local environmental groups noting that this is a contribution to green power. Sheldonna asked what the actual power shortage/discrepancy in this area is. Mike stated that you are pumping water to dispense power to fill the gap on intermittent renewables with firm dispatchable power. Ed Millard asked if this would take water every year and what supply of water would be used. Bruce stated that whatever the consumption is will come out of the M&I supply. DWCD has roughly 4,500 AF of M&I water and this would use around 600 AF per year to supply. This is considered green power and would generate revenue and using the water for its intended purpose. The inherent consumptive use is evaporation which would initially be filled out of Plateau and DWCD water rights. In theory you would only fill it up one time although it may take several years to fill it up. Mike stated that wherever the reservoirs are the Bureau will have to approve the project. Don asked how far up Plateau they are looking. Ken stated that there are 4 different versions of the plan. Don asked if they are designed enough to cover drought. Ken stated that they have not gotten to that level of design. Ken asked Adam to talk about the terms. Adam stated that there are cost, revenue and assignability there are unanswered questions on how the Plateau Creek water right would work. Mike stated that if the project is to move forward we need to get around all of the initial terms. Don stated that Rhett hasn't been pushing this project himself, Adam stated that there need to be deadlines set for both parties to work with. Adam and Ken explained the process to obtain a permit and get a license. It was stated that Absaroka recognizes it would be difficult for them to build a project without DWCD. There is consensus for staff for proceed with the process.

Forest Health Activities to Protect the McPhee Reservoir Watershed – The Rocky Mountain Restoration Initiative (RMRI) is intended to select one or two areas in Colorado to concentrate significant money and support to achieve “pace and scale” in forest health treatments to improve watershed conditions. Mailed in the Board packets was documentation of a set of meetings and summaries demonstrating opportunities for Southwest Colorado in general and the Dolores Watershed in particular to be prioritized to receive accelerated support. Southwest Colorado scored highest in two rounds of voting intended to narrow the list. One of two of these areas will be prioritized. Talking Points outlining some of the criteria and strategies for achieving and prioritizing investments in pace and scale were also provided. Southwest Colorado meets these criteria. Also included was the Agenda for the Big Tent meeting at Summer Water Congress on August 20. Mike presented on the panel for an August 26 meeting in Durango to evaluate readiness in Southwest Colorado. At this meeting which included Commissioners from Montezuma (Larry Don Suckla) and La Plata (Julie Westendorff and Clyde Church). Southwest Colorado, including the Rio Grande NF, presented a good set of initiatives, with activity in the Dolores Watershed recognized as most prepared. There was also an invitation to a full RMRI meeting in Denver to define the process for the three priority areas under consideration to be evaluated and prioritized.

Throughout this series of meetings, Mike Preston has advocated for Southwest Colorado, DWRF and the readiness in the Dolores Watershed. The Dolores effort has all the right ingredients including large scale EAs authorizing treatment 75K acres, clearly defined resource protection goals, collaboration driven by science and monitoring (DWRF Collaborative) and a resurgence of the wood products industry with Montrose Forest Products and Ironwood Group ready to log, the rebuilding of an Excelsior industry and lots of opportunity for small diameter and bio-mass products (the biggest challenge). Mike mailed out a summary entitled “Achieving Pace and Scale in Forest Health Treatments, Southwest Colorado, Rocky Mountain Restoration Initiative”, Mike reviewed the Southwest Colorado context, and beginning at the bottom of Page 1 focuses in on the Dolores Watershed including a map to the Lone Pine and Salter EAs on the last page. A similar outline was presented at Water Congress. RMRI was also a major topic of conversation at the August 29 State of Colorado Forest Health Advisory Council in Glenwood Springs.

On August 26 a meeting was held involving Clint Rapier of Empire Electric, Ken Curtis of DWCD and Derek Padilla and David Casey of the Dolores Ranger District to begin working toward clearances for larger power distribution line easements for wood pole lines that are wide enough to lower risks resulting from wildfire events.

Mike stated that we got into this to protect McPhee reservoir, water facilities, and Dolores River and tributaries. To protect the Power Grid, this addresses transmission lines and wooden pole Empire Electric Coop distribution lines in wooded areas that need additional clearance to protect them from wildfire both on private and public lands. To protect homes and businesses in the forested interface.

Mike stated that the biggest question is what to do with the biomass. This is a problem that has not been solved and are working with options.

Mike stated that they just issued a decision notice for 66,000 acres in the watershed into the lower Dolores where the pine beetles have hit the hardest. They are trying to isolate the bug areas. The Salter EA would also be treating around 60,000 - 70,000 acres. The bugs are spotting in the Dolores Watershed area. This is almost all in the Ponderosa Pine. The ecology of Ponderosa Pine is pretty well known.

Colorado River Compact Issues, Drought Contingency Planning, Demand Management – Ken participated in the first Demand Management Work Group on Agriculture. Mark Harris had a meeting with water management entities on DCP/DM strategies at Water Congress on August 20. Don, Ken and Bruce Smart participated. After Water Congress adjourned at noon on August 22, there was meeting lead by Brent Newman to overview the Working Group process and Work Groups that had met. Ken, Don and Mike participated. On August 28, there was a focus group to discuss potential secondary economic and community impacts resulting from Demand Management. Don, Godwin, Bruce and Simon participated.

There will be a DCP/DM Subcommittee in advance of the Southwest Basin Roundtable meeting in Durango on October 9 at the Southwestern WCD Office. There will be a DCP/DM Subcommittee followed by a Roundtable meeting on January 15 in Cortez. Russell George, who has been appointed Chair of the IBCC (Interbasin Compact Committee) will be at the January 15 meetings. Russ will talk about the role of the IBCC including discussions of Statewide equitability.

Board and Management participants in all of these Demand Management events will have an opportunity to share their observations with the rest of the Board.

Once we get to the end of the irrigation season the Board can discuss options for continuing the DCP/DM strategy development at the winter brainstorm and a possible meeting with Dolores Project irrigators to provide them with information, answer questions and provide options for getting more involved in DCP/DM issues.

Ken stated that Ed gave a good presentation on the 603 to MVIC. Ken would like to give Ed time on the October agenda for this presentation. There is also a conference at CMU in Grand Junction where Ed will present on November 13, 2019.

Mike stated that Gigi from Fort Lewis College (FLC) is building and archiving data from the Dolores River. The Dolores will be the prototype and they will work their way across the southwest rivers. All of this will tie in with Water 101 which is scheduled for October 28 8am – 5pm at FLC.

Ken stated that the Board won't be able to sit on the sidelines with regard to DCP/DM there will be 2026 renegotiations coming soon. Don stated that the Board needs to spend some time on this at the Brainstorm this winter. Ed stated that there was an article in the Denver Post regarding Cash for Water and is illuminating regarding the complications.

Water Quality Control Commission Dolores Temperature Standard Hearing – Two years ago there was an attempt by the WQCC to declare parts of the lower Dolores River as impaired based on temperature standards was challenged by DWCD based a lack of adequate monitoring data. The WQCC agreed and proceeded to gather more temperature data in 2019. They changed the burden of proof and if you can't prove that it isn't impaired by people then it is assumed that it is impaired by people. With this new policy completed, a hearing will be scheduled to reconsider temperature impairments on parts of the lower Dolores. Adam stated that this is different for other rivers throughout the state that are at higher elevations. Adam is seeking authorization by the Board to actively engage WQCC in preparation for this hearing.

MOTION: TO AUTHORIZE STAFF TO STAY ENGAGED WITH THE WQCC HEARING.

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

MVIC 87.3cfs Water Rights Filing – There was a President's meeting on September 5 with a discussion and consensus leave the movement of water from McPhee to Narraguinnep in an agreement between the entities and leave it out of the decree. Adam receive a revised decree that looks like everything is in it that has been agreed to. Ken and Brandon need to get together and discuss management details.

Activities and Meetings since Last Board Meeting:

August 13: MVIC Board Meeting, 2:00PM
August 13: Preparation for Water Congress Forest Health Workshop – Mike, Danny Margoles
August 14: Research Center Field Day and Expo
August 16: Hemp Listening Session, Old Fort Lewis - Mike
August 20 – 22: Summer Water Congress, Steamboat Springs
August 22: Post Water Congress Discussion of DCP/DM Working Group Process
August 26: Expand Empire Powerline Corridor Clearances – Ken, Clint Rapier, Derek Padilla, David Casey
August 26: Rocky Mountain Restoration Initiative, Southwest Colorado Meeting, Durango - Mike
August 27: Spill Management Group, Post Spill Assessment – Robert, Ken, Eric, Mike
August 28: Towaoc-Highline Committee
August 28: Focus Group, Secondary Economic/Community Impacts of Demand Management, Organized by Water Bank Work Group – Don, Bruce, Godwin
August 29: Forest Health Advisory Council, Glenwood Springs – Mike
August 29: Program at Sunflower Theater: "From Drought to Plenty" 2018-2019
August 30: Pump-Back Storage Term Sheet – LEMMING Call
September 4: DWRP Steering Committee, DWCD, 10:00AM
September 4: DWRP Collaborative, DWCD 1:30-3:30
September 5: President's Call – Bruce, Ken, Gerald, Brandon
September 6: Rocky Mountain Restoration Initiative, Denver – Mike
September 10: MVIC Board Meeting
September 12: Review of DWRP Coordinator Request for Qualifications – Ken, Mike

Upcoming Meetings and Activities:

September 16: Ken Curtis Takes Over as General Manager
September 18: River District Annual Seminar, Colorado Mesa University, Grand Junction
September 18: Colorado State Forest Service Best Management Practices, DWCD, 1:00PM – Mike as a Presenter
September 19: Colorado State Forest Service Field Trip
September 20 RMRI Southwest Colorado Meeting, South Fork, 12:00-2:00 – Mike
September 25-26: Statewide Roundtable Meeting, Winter Park
October 2: DWRP Coordinating Committee, DWCD, 10:00AM
October 2: DWRP Collaborative, DWCD, 1:30
October 8: MVIC Board Meeting, 2:00PM
October 9: DCP/DM Roundtable Subcommittee, SWWCD Noon +/-
October 9: Southwest Basin Roundtable, Durango Public Library, 3:00PM (2:30 Social Time)

Legal Report – Adam stated that everything he has to discuss in the legal report should be discussed in executive session.

MOTION: MOVE INTO EXECUTIVE SESSION PER CRS 24.6.402(b) TO OBTAIN ADVICE FROM COUNSEL AND CRS 24.6.402(e) MATTERS OF NEGOTIATION IN DISCUSSION ON THE MVIC 87.3 FILING.

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

**RECESSED FOR EXECUTIVE SESSION AT 10:59 P.M.
RECONVENED REGULAR MEETING AT 11:10 P.M.**

REPORT OUT OF EXECUTIVE SESSION

Adam reported that in Executive Session the Board discussed the resolution of the MVIC 87.3 filing. Direction was given to negotiators. No decisions were made.

NEXT DWCD BOARD MEETING – Thursday, October 10, 2019 - 7:00 P.M.

ADJOURNMENT Meeting adjourned at 11:11 P.M.

Donald W. Schwindt, Secretary-Treasurer

Bruce Smart, President