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## **REGULAR MEETING OF THE BOARD OF DIRECTORS February 4, 2010**

President Bitter Smith called to order a regular meeting of the Central Arizona Water Conservation District (“CAWCD” or “CAP”) Board of Directors on February 4, 2010, at 10:55 a.m. The meeting was held at the Central Arizona Project Headquarters Building, located at 23636 North Seventh Street, Phoenix, Arizona, in the Board Room.

Board members present were President Susan Bitter Smith, Maricopa County; Lisa Atkins, Maricopa County; Timothy R. Bray, Maricopa County; Gayle Burns, Maricopa County; Dan Donahoe, Maricopa County (by teleconference); Paul Hendricks, Maricopa County (by teleconference); L.M. "Pat" Jacobs, IV, Pima County; Terri Kibler, Pinal County; Mark Lewis, Maricopa County; Jean McGrath, Maricopa County; Sharon B. Megdal, Pima County; Pamela Pickard, Maricopa County; Warren Tenney, Pima County; Janie Thom, Maricopa County; and Carol Zimmerman, Pima County.

Staff members present were David Modeer, General Manager; Larry Dozier, Deputy General Manager; Ted Cooke, Assistant General Manager, Finance; Tom Delgado, Assistant General Manager, Employee Services; Tom McCann, Assistant General Manager, Operations, Planning & Engineering; Douglas K. Miller, General Counsel; John Newman, Assistant General Manager, Maintenance Administration; Marie Pearthree, Assistant General Manager, Business Planning; Kathryn Schmitt, Director of Communications, Public Affairs & Governmental Relations; and Donna Micetic, Management Liaison to the Board.

### **1. PLEDGE OF ALLEGIANCE TO THE FLAG, MOMENT OF SILENCE AND SAFETY MINUTE**

Ms. Pickard led the Directors and public in reciting the pledge of allegiance to the flag of the United States of America and a moment of silence. Ms. Pickard presented a safety minute on recognizing signs of heart attacks.

### **2. RECOGNITION OF JOHN NEWMAN, ASSISTANT GENERAL MANAGER**

President Bitter Smith recognized John Newman, Assistant General Manager, Maintenance Administration, who is retiring from CAP in March. President Bitter Smith thanked Mr. Newman for his long service and significant contributions to the CAP and its water users.

**3. CONSIDERATION OF ACTION TO APPROVE ITEMS ON THE CONSENT AGENDA**

**On a motion (Bray) and second, the Board approved the minutes of the January 7, 2010, Board Meeting; approved the contract award to EIMCO Water Technologies for the purchase of trashrakes for Bouse Hills and Little Harquahala Pumping Plants and authorized the General Manager, or his Designee, to execute an agreement up to \$1,817,364, plus an additional \$181,736 (10%) for contingencies; approved the contract award to Telvent USA, Inc., for the SCADA replacement project and authorized the General Manager, or his Designee, to execute an agreement up to \$1,577,969, plus an additional \$157,797 (10%) for contingencies; and approved an additional contract amount of \$175,000 for pumping plant fire protection.**

Approved:  
Minutes of Jan  
7, 2010,  
meeting;  
contract for  
trashrakes  
Bouse Hills &  
Little Harq;  
contract for  
SCADA  
System;  
additional amt  
for pumping  
plant fire  
protection

**4. PRESENTATION AND DISCUSSION OF POTENTIAL COST IMPACTS PERTAINING TO NAVAJO GENERATING STATION (NGS)**

(Item heard out of order)

Ms. Pearthree stated that this presentation would explain the costs that would result from the emissions rulemaking on the part of the Environmental Protection Agency (EPA) at NGS and other related consequences. Representatives from the Hopi Tribe, Gila River Indian Community, Ak-Chin Indian Community and the Governor's office of Tribal Relations were in the audience and were introduced. Ms. Pearthree reviewed the chronology of events related to the Advanced Notice of Proposed Rulemaking (ANPR) issued by the EPA on August 28, 2009. Representatives from Black & Veatch discussed the potential costs of the two emission control options (Low NOx Combustion Burners and Selective Catalytic Reduction) and noted that the impacts on visibility are imperceptible. They also addressed power market conditions, particularly price forecasting and modeling. Mr. Ijams reviewed the effect on costs to CAWCD customers resulting from additional emissions controls and in the event of the closure of NGS. Mr. Miller provided an overview of the significant impacts that installing SCRs (Selective Catalytic Reduction) or closing NGS would have on CAWCD and its customers.

**5. CONSIDERATION OF ACTION TO GO INTO EXECUTIVE SESSION**

(Item heard out of order)

**The Board convened in Executive Session for the following purposes: Pursuant to A.R.S. §§38-431.03.A.1 to discuss matters pertaining to the goals and performance of the General Manager; Pursuant to A.R.S. §§38-431.03.A.1 to discuss matters pertaining to the goals and performance of the Internal Audit Manager; Pursuant to A.R.S. §§38-431.03.A.3 and 38-431.03.A.4 to consult with the attorneys for the District and consider the District's position and instruct its attorneys regarding: Navajo Nation v. United States, pending in the United States District Court for the District of Arizona, and related settlement negotiations; Grand Canyon Trust v. U.S. Bureau of Reclamation, pending in the United States District Court for the District of Arizona; Regulation of nitrogen oxide emissions at the Navajo Generating Station; Litigation regarding funds of the Arizona Water Banking Authority; and Litigation relating to the clean up of perchlorate contamination at Henderson, Nevada. *The discussions and minutes of the executive***

Approved:  
Exec Sess

*session shall be kept confidential.* Board convened in executive session from 12:42 p.m. until 1:48 p.m. and reconvened in open session at 1:48 p.m.

6. **CONSIDERATION OF ACTION RELATED TO ITEMS DISCUSSED IN EXECUTIVE SESSION**

None.

7. **DISCUSSION AND CONSIDERATION OF ACTION TO APPROVE PHASE TWO OF THE NAVAJO GENERATING STATION COMMUNICATIONS STRATEGY** (Item heard out of order)

Ms. Schmitt reviewed elements of Phase Two of the NGS grassroots communication plan, which is an effort to reach the general public. There was discussion regarding the communications effort being one of education vs. advocacy. Phase One focused on community and business leaders.

**On a motion (Kibler) and second, the Board approved additional spending authority of \$208,000 to support the implementation of Phase Two of CAP's NGS Communications Strategy. Director Megdal abstained.**

Approved:  
NGS  
Communi-  
cations  
strategy

8. **REPORT OF PUBLIC POLICY COMMITTEE AND APPROVAL OF COMMITTEE RECOMMENDATIONS ON STATE LEGISLATION**

Ms. Burns reported that the committee heard updates on State and Federal legislative issues that could affect CAWCD.

**On a motion (Kibler) and second, the Board adopted the recommendation of the Public Policy Committee to: Support HB 2081; Support HB 2083; Amend HB 2282; Support HB 2377; Oppose SB 1020; Oppose SB 1223; and Oppose SB 1316.**

Approved:  
Action as  
noted on  
HB 2081;  
HB 2083;  
HB 2214;  
HB 2282;  
HB 2377;  
SB 2010;  
SB 1223;  
SB 1316

**On a motion (Megdal) and second, the Board voted to oppose HB 2214. Mses. McGrath and Thom and Messrs. Jacobs and Lewis voted against the motion.**

9. **CONSIDERATION OF ACTION TO APPROVE THE PURCHASE AGREEMENT BETWEEN CAWCD AND METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT ("MDWID") FOR THE AVRA VALLEY RECHARGE PROJECT UNDERGROUND STORAGE FACILITY AND THE PURCHASE AND SALE AGREEMENT FOR LONG-TERM STORAGE CREDITS BETWEEN CAWCD AND MDWID**

Mr. Tenney declared a potential conflict of interest and did not participate in the discussions or vote on this item.

Mr. Bray reported that the CAGR D Committee met on January 7, 2010, and discussed the sale of the Avra Valley Recharge Project to Metro Water (MDWID) and the purchase by CAGR D of long-term storage credits from MDWID. Concerns expressed by the Town of Marana regarding the sale of the facility have been resolved.

Mr. Cooke stated that the monies from the sale would be maintained separately and used to meet the original objectives of the state demonstration recharge statutes in Pima County.

**On a motion (Mr. Bray) and second, the Board approved the Purchase Agreement between CAWCD and MDWID for the Avra Valley Recharge Project Underground Storage Facility and the Purchase and Sale Agreement for Long-Term Storage Credits Between CAWCD and MDWID and that revenue received from the sale be dedicated for the purposes identified for the State water storage fund in the Tucson AMA.**

Approved:  
Sale of  
AVRP to  
MDWID &  
Purchase of  
LT Storage  
Credits

**10. REPORT FROM FINANCE, AUDIT AND POWER COMMITTEE**

Ms. Pickard reported on the January 21, 2010, Finance, Audit & Power Committee meeting.

**11. CONSIDERATION OF ACTION TO APPROVE THE 2010 CAWCD STRATEGIC PLAN**

**On a motion (Zimmerman) and second, the Board approved the 2010 Strategic Plan.**

Approved:  
2010  
Strategic  
Plan

**12. REPORT ON COLORADO RIVER ISSUES INCLUDING BUT NOT LIMITED TO WATER SUPPLY AND DISCUSSIONS AMONG THE SEVEN BASIN STATES ON MANAGEMENT OF THE RIVER**

Mr. McCann reported on the following:

- Snowpack is currently at 81% in the Upper Basin.
- Construction on the Drop 2 Reservoir Project is ahead of schedule and under budget. The Bureau of Reclamation has identified money that will be returned to the funding partners.
- The earlier court decision invalidating California's Quantification Settlement Agreement (QSA) is under appeal. All parties in California, the Bureau of Reclamation and the other Basin States have agreed to continue to comply with agreements based on the QSA until a final resolution is reached.

**13. REPORT ON CAP OPERATIONS ISSUES, INCLUDING BUT NOT LIMITED TO CAP WATER DIVERSIONS AND CAP DELIVERIES**

Mr. McCann reported that Lake Pleasant is at elevation 1689 feet after rising 10-12 feet due to the January rainstorms. Filling activities have been temporarily suspended. The additional water enabled CAP to offer excess water to customers who had been previously cut back.

**14. DISCUSSION OF DRAFT RECOVERY AGREEMENT WITH SOUTHERN NEVADA WATER AUTHORITY**

Mr. Dozier discussed revisions that have been made to the draft Southern Nevada Water Authority Recovery Agreement since it was presented at the December 3, 2009, meeting. The Board will be asked to take action on the agreement at the March 4, 2010, meeting.

There was concern expressed about developing a general recovery plan and about protecting funds paid by Nevada that are intended to be used for recovery of stored water from being swept by the legislature.

**15. DIRECTORS' REPORTS**

Mr. Jacobs toured the west CAP pumping plants on January 25-26 and attended the Arizona Energy Conference in Phoenix on January 27.

Dr. Megdal reported that her water policy class will tour Twin Peaks Pumping Plant on March 5.

Ms. Thom, on behalf of Director Lewis, reported that one of Arizona's major political parties passed a resolution in support of the NGS. Ms. Thom is scheduled to make two presentations about NGS.

**16. PRESIDENT'S REPORT**

President Bitter Smith reported on events that directors attended during the past month and mentioned several future meeting dates.

President Bitter Smith reviewed the current priority items for the Board: 1) ongoing operation of the CAP system and the District; 2) Navajo Generating Station and its related challenges; 3) legislative issues; and 4) ADD Water.

**17. GENERAL MANAGER'S REPORT**

Mr. Modeer reported that there is information on the 2010 federal payment and CAWCD's 2009 Environmental Compliance Program in the Board packets.

**18. PUBLIC COMMENT**

Cliff Cauthen, Hohokam Irrigation District, provided information concerning the tour of agricultural properties throughout Pinal County on March 3.

**19. CONSIDERATION OF ACTION RECONVENE INTO EXECUTIVE SESSION**

On a motion (Pickard) and a second, the Board reconvened in Executive Session. *The discussions and minutes of the executive session shall be kept confidential.* Board convened in executive session from 3:37 p.m. until 4:40 p.m.

There being no further business to come before the Board, the meeting adjourned at 4:40 p.m.

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Timothy R. Bray, Secretary