



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MEETING OF THE BOARD OF DIRECTORS
June 7, 2018**

A meeting of the Central Arizona Project ("CAWCD" or "CAP") Board of Directors was called to order by President Lisa Atkins on June 7, 2018, at 10:04 a.m. The meeting was held at central Arizona Project Headquarters, located at 23636 North Seventh Street, Phoenix, Arizona, in the Board Room.

Board members present were President Lisa Atkins, Maricopa County; Alexandra Arboleda, Maricopa County; Karen Cesare, Pima County; Terry Goddard, Maricopa County; Benjamin Graff, Maricopa County; Jim Hartdegen, Pinal County; Jim Holway, Maricopa County; Pat Jacobs, Pima County; Mark Lewis, Maricopa County; Heather Macre, Maricopa County; Sharon Megdal, Pima County; Pam Pickard, Maricopa County; and Mark Taylor, Pima County.

Staff members present were Tom McCann, Deputy General Manager; Jay Johnson, General Counsel; Phil Cook, Director, Technology; Bridget Schwartz-Manock, Director, Public Affairs; Suzanne Ticknor, Director, Water Policy; Ronald Lunt, Director, Operations and Engineering; Dennis Rule, Manager, CAGR; Brian Buzard, Director, Centralized Maintenance and Reliability; Doug Dunlap, Manager, Finance and Accounting; Ken Seasholes, Manager, Resource Planning and Analysis; Laura Grignano, Manager, CAGR; Chuck Cullom, Manager, Colorado River Programs; Jeff Gray, Manager, Legislative Affairs; Perri Benemelis, Manager, Water Supply Program; Megan Casey, Public Affairs Management Analyst; and Jennifer Miller, Board Support Specialist.

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

Director Graff led the Directors and public in reciting the pledge of allegiance and observing a moment of silence. Director Graff presented a Safety Minute on preventing furniture tip-overs.

2. HISTORY MOMENT TO CELEBRATE THE 50TH ANNIVERSARY OF THE BASIN PROJECT ACT

Directors Cesare and Taylor provided information about what happened in June of 1968, when the conference committee that would consider the CAP was established. They also provided information on Howard Wuertz, who served on the first Board of Directors of the CAWCD as the lone Pinal County representative.

3. RECOGNITION OF EMPLOYEES CELEBRATING SERVICE ANNIVERSARIES

Deputy General Manager Tom McCann and President Atkins recognized employees celebrating their 20 and 30 year service anniversaries in 2018. Those recognized were: 20 Years – Dennis Hou, Bob Steele and Randy Merritt; 30 Years - George Carlin, Bernardo Hernandez, John Officer, Floyd Ballinger, and Patrick McCabe.

4. CONSIDERATION OF ACTION TO APPROVE ITEMS ON THE CONSENT AGENDA

On a motion (Director Lewis) and a second (Director Cesare), the Board approved the Minutes of the May 3, 2018 Regular Meeting; and the Award of a Design Contract to Arcadis for \$400,000 plus \$40,000 (10%) for contingencies (totaling \$440,000), for Design of the West Plants Motor Excitation Replacement Project, and authorize the

Approved
Minutes of the
May 3, 2018
Regular Meeting;
and the Award of

General Manager, or his designee, to execute the Contract and administer the contingency; the Award of a Purchasing Contract to GCA Services Group, Inc. for janitorial services at CAP Headquarters, Waddell Pumping Plant, Salt Gila Pumping Plant, and Pinal Field Office field locations beginning July 1, 2018, through June 30, 2019 for \$300,783 plus \$30,079 (10%) for contingencies (totaling \$330,862) with the option for CAP to renew the contract for four additional one-year terms, and to authorize the General Manager to execute the agreement; the Final Rate Schedules for Water Delivery, CAGR and Direct Underground Water Storage. Motion passed unanimously.

a Design Contract for West Plants Motor Excitation Replacement; the Award of a Purchasing Contract for Janitorial Services; and the Final Rate Schedules for Water Delivery, CAGR and Direct Underground Water Storage.

5. CONSIDERATION OF ACTION TO APPROVE ITEMS REMOVED FROM THE CONSENT AGENDA

None.

6. REPORT OF COMMITTEES AND POSSIBLE CONSIDERATION OF COMMITTEE RECOMMENDATIONS

a. REPORT OF PUBLIC POLICY COMMITTEE

Director Cesare and the Committee met earlier in the morning and heard updates on State and Federal Legislative matters. State lobbying consultants Don Isaacson and Cheyenne Walsh, of Isaacson & Walsh, reviewed the 2018 Legislative session, and provided insight on what the future holds in regards to statewide upcoming office elections. No legislation was passed that had an inverse impact on CAP operations this year. Senator Griffin and Representative Bowers planned to continue their statewide tour on water during the summer recess, with visits scheduled in June for Kingman, Camp Verde and Buckeye. Staff will attend those meetings as well. Tucson had yet to be scheduled.

From a Federal standpoint, Director Cesare mentioned that FY2019 appropriations process was in progress. No major reductions were expected for the EPA. House and Senate both were working to get their budget bills through the committee and processed by the end of June. The House and Senate introduced their own versions of the Bi-annual Water Resources Development Act, which CAP will monitor, as it could become an opportunity to introduce other water-related legislation.

She also shared that Senator Flake reintroduced the White Mountain Apache Tribal Legislation in Senate Bill 2850, which was identical to a previous bill (S.140) that the Board voted to support last year. The Committee recommended supporting the bill again.

On a motion (Director Cesare) and a second (Director Lewis), the Board Adopted a position on the following pending federal legislation of interest to CAP: S.2850 Amendment to the White Mountain Apache Tribe Water Rights Quantification Act of 2010 (SUPPORT). Motion passed unanimously.

Adopted a position of SUPPORT for S.2850 Amendment to the White Mountain Apache Tribe Water Rights Quantification Act of 2010.

b. REPORT OF FINANCE, AUDIT AND POWER COMMITTEE

Director Taylor provided an update on behalf of Director Holway. The FAP Committee met on May 17 and received an update on Internal Audit Activities. The committee took action to make three recommendations to the Board on 2018/2019 taxes, which were consistent with previous discussions. No stakeholder objections or concerns were voiced. He also noted that the June 21 FAP meeting is cancelled.

i. Consideration of Action Regarding CAWCD Ad Valorem Taxes for the 2018/19 Tax Year

- 1. On a motion (Director Taylor) and a second (Director Cesare), the Board Approved to Fix the CAWCD General Ad Valorem Tax Rate at ten cents (\$0.10) per one hundred dollars (\$100) of assessed valuation for the 2018/2019 tax year. Motion passed unanimously.**
- 2. On a motion (Director Taylor) and a second (Director Graff), the Board Approved to Fix the CAWCD Water Storage Tax Rate at four cents (\$0.04) per one hundred dollars (\$100) of assessed valuation for the 2018/19 tax year. Motion passed unanimously.**
- 3. On a motion (Director Taylor) and a second (Director Cesare), the Board Adopted a Resolution determining that all of the tax levied for Water Storage in tax year 2018/2019 is required for CAP repayment or annual operations, maintenance and replacement costs, including CAWCD costs for AWBA M&I Firming. Motion passed unanimously.**

Approved
CAWCD General
Ad Valorem Tax
Rate at ten cents.

Approved
CAWCD Water
Storage Tax rate
at four cents.

Water Storage
Tax Resolution.

c. REPORT OF CAGRD AND UNDERGROUND STORAGE COMMITTEE

President Atkins gave an update on behalf of Director Megdal. The CAGRD & Underground Storage Committee did not meet in May, and the June meeting was cancelled. The Committee's next scheduled meeting is on August 16 at 10:30am. An agenda will be developed closer to that date.

d. REPORT OF WATER QUALITY STANDARDS TASK FORCE

Director Arboleda reported that the Task Force met on May 10, which resulted in a recommendation to endorse a consensus proposal, and noted this was an important milestone for the Task Force. She commended CAP staff and stakeholders for their full participation in the year-long process to come to an agreement.

Resource Planning and Analysis Manager Ken Seasholes provided a presentation to review the consensus proposal in detail.

Mr. Seasholes confirmed for Director Lewis that there were protections on both sides of the contractual framework to ensure that there is no liability added to CAWCD.

Blue cards were submitted by Warren Tenney of AMWUA, Melodee Loyer of Tucson Water, Troy Hayes from the City of Phoenix, and Kathy Rall from the City of Scottsdale, all of whom shared their support for the consensus proposal, and spoke in favor for the Board to approve the Task Force recommendation.

On a motion (Director Arboleda) and a second (Director Jacobs), the Board Approved the Consensus Proposal for Water Quality Standards. Motion passed unanimously.

Approved the
Consensus
Proposal for
Water Quality
Standards.

e. REPORT OF CUSTOMER SERVICE TASK FORCE

Director Graff reported that the Task Force met on May 17 to hear the detailed findings of the Discovery Phase. The committee stepped outside of their comfort zone with a detailed and interactive discussion, and a prioritization exercise with consultant Jeanne Schulze. Director Graff identified the four main areas of focus that the Task Force selected: empowering Committees, listening skills, improving meeting structure, and engaging all perspectives.

Director Graff also reminded the public about the email address, which was created

allow the opportunity for continued public input: cstf@cap-az.com. He announced that the next meeting was scheduled for June 21 and Ms. Schulze would return to assist the committee in beginning an action plan to address the four areas of focus.

7. DISCUSSION AND CONSIDERATION OF ACTION ON PURCHASE AND SALE AGREEMENT TO ACQUIRE WATER RIGHTS AND LAND IN MOHAVE VALLEY IRRIGATION AND DRAINAGE DISTRICT

Water Supply Program Manager Perri Benemelis provided an update on the MVIDD Purchase and Sale Agreement. Staff recommended termination of the purchase and sale agreement. Ms. Benemelis reminded the Board of the history of the agreement, including two extensions of the diligence period; the first extension was requested by the MVIDD Board to allow additional time to address public concerns about the purchase and the second extension was to allow additional time to develop the terms and conditions of the rotational following program. During the diligence period additional issues were identified, the timing and resolution of which could not be determined.

President Atkins shared additional thoughts on the decision to terminate the agreement, reminding the Board that several Board members traveled to Mohave County to hear the concerns expressed by the local community and also hosted Mohave County officials for a meeting at CAP. CAP adopted Water Supply Program Principles in 2013. The Principles included consideration of third-party impacts to the local community and noted that CAGR D would negotiate directly with the irrigation districts. CAP has held firm to these principles. President Atkins also gave a reminder of CAGR D's statutory obligation to acquire water supplies.

Director Macre stated she was never particularly supportive of this deal, but noted that CAGR D needs to acquire wet water supplies. She proposed that the Board come up with a better framework for these types of deals going forward.

Mohave County Board of Supervisors Chairman Gary Watson shared his support of the staff recommendation to terminate the purchase and sale agreement, and thanked the CAP staff for their diligence.

Mohave County District 5 Supervisor Lois Wakimoto also shared her support for the recommendation to cancel and terminate the purchase and sale agreement.

On a motion (Director Pickard) and a second (Director Lewis), the Board Approved to terminate the Purchase and Sale Agreement and Joint Escrow Instructions among WPI Hulet Farm AZ, LLC; WPI-919 Farm AZ, LLC; WPI-CAD Farm AZ, LLC; WPI-Hancock Farm AZ, LLC; WPI-Jerome Farm AZ, LLC; WPI-R3 Farm AZ, LLC; and WPI-TAC Farm AZ, LLC; and the Central Arizona Water Conservation District, and direct staff to provide notice to the escrow agent of the termination and request refund of the escrow funds minus the independent consideration. Motion passed unanimously.

Approved to terminate the Purchase Sale Agreement and Joint Escrow Instructions, and direct staff to provide notice to the escrow agent of the termination and request refund of the escrow funds minus the independent consideration.

19a. CONSIDERATION OF ACTION TO GO INTO EXECUTIVE SESSION OF THE BOARD

Pursuant to A.R.S. §38-431.03.A.3, for discussion or consultation for legal advice with the attorneys of the District regarding Navajo Generating Station.

20. RECONVENE IN OPEN SESSION

The Board reconvened in open session at 12:00 p.m. President Atkins stated that

executive session would reconvene at the end of the meeting to complete the agenda.

8. CONSIDERATION OF ACTION TO APPROVE POST-2019 POWER AGREEMENTS

President Atkins announced that Director Lewis declared a conflict on this agenda item. President Atkins made introductory remarks to clarify CAP's historical relationship with the Navajo Generating Station and the need for the Board to no longer delay taking action to ensure it has the energy needed to deliver water to its customers. President Atkins also confirmed CAP's commitment to continuing dialogue and expressed its willingness to consider purchasing cost-competitive energy from NGS if it remains open after 2019.

President Atkins announced that she changed the order of the motions, hearing agenda item 8b first. President Atkins acknowledged several letters that were delivered to the Board as well, from Ak-Chin Indian Community, Tohono O'Odham Nation and the Gila River Indian Community.

Deputy General Manager Tom McCann reminded the Board of the two agreements under motion for approval, summarizing details about each one individually.

In response to a question, Mr. McCann informed Director Jacobs that the solar energy in contract would provide about 85,300 mega-watt hours a year, a very small percentage of our overall energy needs.

Director Taylor made the motion for agenda item 8b in regards to an approved 20-year purchase power agreement with AZ Solar 1, LLC, for 30 MW of solar generation capacity and associated energy.

President Atkins called up blue card submissions to address agenda item 8b. Joe Greco, Middle River Power; Timothy Nwangyaoma, The Hopi Tribe-Chairman; Clark Tenakhongua, The Hopi Tribe-Vice Chairman; Nathaniel Brown, Navajo Nation Council; and Levi Allen, United Mine Workers of America spoke in opposition to the motion and reiterated the importance of the Navajo Generating Station to maintain their way of life.

Blue cards were also submitted by the following individuals: Governor Stephen Lewis, Gila River Indian Community; Paul Orme, General Counsel to four irrigation districts; and Warren Tenney, AMWUA, and all three spoke in support of the post-2019 power motions presented to the Board.

Director Megdal reminded those in attendance that the Board had an obligation to think about long-term planning for CAP customers, and was concerned over the tone of some testimonies regarding the Board's decision making process.

Director Cesare thanked all the attendees for being present, specifically the three major customer groups and Tribal leadership that spoke in front of the Board.

- b. **On a motion (Director Taylor) and a second (Director Arboleda), the Board Approved a 20-year purchase power agreement with AZ Solar 1, LLC for 30 MW of solar generation capacity and associated energy and authorize the General Manager, or his designee, to execute a power purchase agreement in the form substantively in which it was presented today.**
Motion passed unanimously.

Approved a 20-year purchase power agreement with AZ Solar 1, LLC for 30 MW of solar generation capacity and associated energy.

Mr. McCann addressed agenda item 8a on the 5-year purchase power agreement with Salt River Project.

- a. **On a motion (Director Taylor) and a second (Director Macre), the Board Approved a 5-year purchase power agreement with Salt River Project for 35 MW of capacity and associated energy from its fleet of generation resources and authorize the General Manager or his designee to execute a power purchase agreement in the form substantively as presented. Motion passed unanimously.**

Approved a 5-year purchase power agreement with Salt River Project for 35 MW of capacity and associated energy from its fleet of generation resources

9. REPORT ON COLORADO RIVER CONDITIONS

Colorado River Programs Manager Chuck Cullom provided an update on Colorado River conditions. Mr. Cullom said it was runoff season of the Upper Basin and shared the averages from various regions, which were both above normal and below. The Lower Basin is entering irrigation season, and water is currently being taken out of storage to be able to make deliveries. In early May, the Bureau of Reclamation released its April assessment of the risk and vulnerability in the Colorado River system Mr. Cullom shared the probability of shortage in the Lower Basin increasing.

a. REPORT ON SYSTEM CONSERVATION PROJECTS

Mr. Cullom also reported on System Conservation Projects, stating that the team was exploring proposals for additional projects with additional funding for conservation. He stated that proposals may come forward at the August Board meeting. Other system conservation programs are being developed and explored. To date, there are 170,000 acre feet of conservation, and these additional programs could increase that to 200,000 acre feet.

b. REPORT ON BINATIONAL DESALINATION SCOPE OF WORK

Mr. Cullom shared a report on Binational Desalination Scope of Work between the US and Mexico. The scope of work is completed and preparations are in place for procurement process to conduct a study. CAWCD was asked to coordinate the procurement of a consultant to conduct the study, of which the cost would be shared amongst non-Federal parties in Arizona, California and Nevada. Staff intends to bring a concept back to the Board as early as August.

Mr. Cullom confirmed to Director Lewis that the scope of work was focused on desalination opportunities that would develop up to 50,000 acre feet to benefit water users in the US and in Mexico, or 200,000 acre feet in total. He also stated that the scope of work was already defined for this particular project, per Director Lewis's question about increasing the size of the scope.

10. REPORT ON 2018 CAP WATER OPERATIONS

Water Operations Manager Patrick Dent shared a brief report on Water Operations, including the planned projections and scheduled diversions for the Colorado River, and forecasts for the year. He noted that diversions in March were less than originally planned because of high flow releases from the Alamo Dam that resulted in poor water quality in Lake Havasu.

Mr. Dent replied to Director Pickard that it took a couple of weeks in total before water quality in Lake Havasu returned to normal after the Alamo Dam release.

11. REPORT ON SHORTAGE PREVENTION

Mr. Dent presented on the CAWCD shortage preparedness timeline, mentioning the importance of being transparent with reporting and engaging with customers as in preparation for a shortage by 2020. Mr. Dent informed the Board that Water Operations would hold a Customer Meeting in August 2018 to provide details on delivery supply, system maintenance and the Colorado River supply outlook.

12. UPDATE ON DROUGHT CONTINGENCY PLANNING

Ms. Ticknor summarized the joint statement from CAWCD General Manager Ted Cooke and ADWR Director Tom Buschatzke that she had shared at last month's Board meeting, and reported that since last month's update several meetings took place to plan a joint public briefing on DCP, to develop an overall plan for an Arizona stakeholder discussion and to meet with representatives from the Bureau of Reclamation. A Basin States meeting is scheduled for June 18 in Santa Fe, NM. Ms. Ticknor shared that June 28 was suggested for the joint public briefing in which United States Bureau of Reclamation Commissioner Burman was invited to attend and discuss both Colorado River hydrology and the risks the Colorado River and its users are facing.

13. REPORT ON LEGAL MATTERS

General Counsel Jay Johnson provided a status update on the Hualapai Tribe Water Rights Settlement, which is still before Congress. All other parties signed the agreement and all accompanying exhibits. It is anticipated that the Tribe will sign the agreement in June. CAWCD Staff anticipates submitting the agreement for the Board's approval at the August Board meeting.

14. DIRECTORS' REPORTS ON CURRENT EVENTS

Director Arboleda shared photos of three events she attended, including the Desalination Board Tour to California, the President's Award Luncheon and a presentation at Arizona Forward's RioReimagined Event.

Director Graff attended three meetings with stakeholders and customers since the last Customer Service Task Force Meeting, and noted that all were initiated by the customer or stakeholder.

Director Lewis attended the Law of the River for the Western Growers Farming Community group.

Director Taylor attended the Desalination Tour in California. He also had the opportunity to meet with several stakeholders, including Shane Leonard with the Roosevelt Water Conservation District, which uses water from both SRP and CAP projects. He also attended the Agribusiness & Water Council Meeting and the Recovery Planning Advisory Group (RPAG) Meeting.

Director Pickard enjoyed the California Desalination Tour as well. She also shared a connection to the RioReimagined Project.

Director Cesare did an interview on the Bill Buckmaster radio show in Tucson and participated in the Desalination Tour in California.

15. FUTURE AGENDA ITEMS

President Atkins acknowledged the request made by Director Macre under agenda item 7. No other agenda items were suggested.

16. PRESIDENT'S REPORT ON CURRENT EVENTS

President Atkins shared a photo of the Board members present at the 22nd Annual President's Award Luncheon on May 17, along with the guest speaker, Mike Demlong of Arizona Game and Fish. 94 employees and 34 charitable organizations were recognized at the event, and Directors Arboleda, Brown, Cesare, Graff and Taylor were in attendance.

President Atkins reminded Board members of upcoming Board meetings, noting that the FAP and CAGRD Committee meetings were cancelled for June. The Customer Service Task Force would meet on June 21 at 1:00PM. Additional meetings will be held in August after the recess.

17. GENERAL MANAGER'S REPORT ON CURRENT EVENTS

Deputy General Manager Tom McCann announced a series of items that will appear on the August's consent agenda. These included several construction contracts for Backup Power System Replacements, South Plants Fire Protection Project and Change Order for Bus Disconnect Switch Replacements. Also on the list were the Condition Based Monitoring Project, Renewal of Water Storage Agreement for Spanish Trail Water Company, Board Policy on Executive Session Minutes and the CAGRD Member Service Area Enrollment. Mr. McCann also stated that the current Intergovernmental Agreement with AWBA and ADWR would expire at the end of this calendar year, so staff had begun discussions to renew the IGA and a draft would be brought forward to the CAWCD Board later this year.

18. PUBLIC COMMENT

None

19. CONSIDERATION OF ACTION TO GO INTO EXECUTIVE SESSION OF THE BOARD

By unanimous consent, the Board convened in Executive Session at 1:45 PM for the following purposes: Pursuant to A.R.S. §38-431.03.A.3, for discussion or consultation for legal advice with the attorneys of the District regarding pending litigation, including *Hopi Tribe, et.al. v. CAWCD*, and *Ak-Chin Indian Community v. CAWCD*; Pursuant to A.R.S. §38-431.03.A.4, for discussion or consultation with the attorneys of the District in order to consider its position and instruct its attorneys regarding system conservation proposals; Pursuant to A.R.S. §38-431.03.A.3 to obtain legal advice from the District's attorneys on any matter listed on the agenda.

20. RECONVENE IN OPEN SESSION

The Board reconvened in open session at 2:49 p.m.

21. CONSIDERATION OF ACTION REGARDING ITEMS DISCUSSED IN EXECUTIVE SESSION

None.

22. ADJOURN

There being no further business to come before the Board, the meeting adjourned at 2:49 p.m.



Sharon B. Megdal
Board Secretary