



**REGULAR MEETING OF THE BOARD OF DIRECTORS
February 7 2013**

The regular meeting of the Central Arizona Project (CAWCD or CAP) Board of Directors was called to order by President Pamela Pickard on February 7 2013 at 10 26 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 Secretary Warren Tenney was present

Board members present were President Pamela Pickard Maricopa County Vice President Gayle Burns Maricopa County Secretary Warren Tenney Pima County Lisa Atkins Maricopa County Guy Carpenter Maricopa County Frank Fairbanks Maricopa County Terry Goddard Maricopa County Jim Hartdegen Pinal County Jim Holway Maricopa County L M Pat Jacobs IV Pima County Mark Lewis Maricopa County Heather Macre Maricopa County Sharon Megdal Pima County Cynthia Moulton Maricopa County and Carol Zimmerman Pima County

Staff members present were David Modeer General Manager Ted Cooke Assistant General Manager Finance Tom Delgado Assistant General Manager Employee Services Jay Johnson General Counsel Tom McCann Assistant General Manager Operations Planning & Engineering Marie Pearthree Assistant General Manager Business Planning and Government Programs Kathryn Royer Associate General Manager Communications and External Affairs Suzanne Ticknor Senior Staff Attorney and Donna Micetic Management Liaison to the Board of Directors

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

Director Megdal 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 Director Megdal presented a safety minute on texting while driving and facts about distracted driving

CONSIDERATION OF ACTION TO APPROVE ITEMS ON THE CONSENT AGENDA

By unanimous consent the Board approved the minutes of the January 10 2013 Regular Meeting approved the Agreement for Water Storage at Superstition Mountains Recharge Project between CAWCD and Water Utilities Community District approved the award of the construction contract to Rural Electric for \$1 358 000 plus an additional \$135 800 (10%) for contingencies (totaling \$1 493 800) for construction of the UPS Systems Upgrade Project at 14 pumping plants and authorized the General Manager or his Designee to execute the Contract and administer the contingency of up to \$135 800 and approved the professional services contract for implementation of the Oracle R12 Upgrade Project between CAP and Three Dimensional Resource Planning LLC for \$403 330 plus \$60 500 contingency and authorized the General Manager or his Designee to execute the Contract and administer the contingency of up to \$60 500

Approved
Minutes of Jan
10 2013 mtg
Agrmt for Water
Storage at SMRP
w/WUCD const
contract to Rural
Electric for UPS
System
construction
professional svcs
contract for
Oracle R12
Upgrade Project
w/Three
Dimensional
Resource
Planning LLC

REPORT OF COMMITTEES AND CONSIDERATION OF COMMITTEE RECOMMENDATIONS

Finance Audit & Power Committee

Chairman Burns reported on the January 24 2013 Finance Audit & Power Committee meeting including a recommendation to participate with Arizona Public Service (APS) in a transmission project

Mr McCann described the Palo Verde Morgan 500kV Transmission Project Participation in the project will provide increased reliability and improved access to power sources for CAP loads CAP participation will be ten percent

On a motion (Director Burns) and second the Board approved the Joint Participation Agreement for the Palo Verde – Morgan 500kV Transmission Project between the Arizona Public Service Company and Central Arizona Water Conservation District for a total contract value of \$40 524 300 and authorized the General Manager or his Designee to execute the Agreement

Approved
Joint
Participation
Agrmt Palo
Verde
Morgan
500kV
Transmission
Project

REPORT OF CAGRD & UNDERGROUND STORAGE COMMITTEE

Chairman Tenney reported on the January 24 2013 CAGRD & Underground Storage Committee meeting including reports on developing a process for the next Plan of Operation and efforts associated with water acquisition for the CAGRD

REPORT OF PUBLIC POLICY COMMITTEE

Chairman Tenney reported on the February 7 2013 Public Policy Committee meeting and reviewed the Committee's recommendations on pending state legislation of interest to CAP

On a motion (Director Tenney) and a second The Board adopted the following positions on pending state legislation of interest to CAP

- **HB 2331 (Bonding Taxation Expenditures District Limitations) – Oppose**
- **HB 2338 (Regional Water Augmentation Authorities) – Support**
- **HB 2429 (Arizona Water Protection Fund Annual Funding) – Monitor**
- **HCR 2005 (Public Retirement Systems) – Oppose**
- **SB1288 (Arizona Water Protection Fund Projects) – Amend and Monitor and**
- **SCR 1012 (EPA Actions Haze) – Monitor**

Adopted
Committee
recommendations on state
legislation

DISCUSSION AND CONSIDERATION OF ACTION REGARDING NIA PRIORITY WATER REALLOCATION

Ms Ticknor provided general information concerning the authorities and process for reallocating CAP non Indian agricultural (NIA) water that was set aside for reallocation to M&I users under the Arizona Water Settlements Act of 2004 and the Arizona Water Settlement Agreement among CAWCD the United States and the Arizona Department of Water Resources (ADWR) ADWR recommends to the Secretary of Interior allocations of Colorado River water

The Board discussed its concerns regarding ADWR's proposal to recommend that the Secretary reallocate a portion of the NIA water to water users located outside of the CAP service area in 2020

Mr. Cooke provided staff's recommendation for pricing methodology and rate components for the reallocated NIA water. Consistent with previous arrangements for reallocated water, staff proposes a five-year payment plan be offered to the NIA allottees. The rate components include back capital charges 9(d) debt and back property tax equivalency charges.

The directors discussed and clarified the responsibility of any entity acquiring water from the reallocation to pay all back and ongoing charges (capital taxes and 9(d) debt) plus interest where applicable.

A motion was made (Director Tenney) and seconded that the Board of Directors approve Non Indian Agricultural Priority Water acquisition price components of \$389/acre foot for 9d Debt \$899/acre foot for Back Capital Charges and \$1 500/acre foot for Back Property Tax Equivalency adjusted as necessary for refinement of estimates and timing of actual allocations. In addition, CAP will offer a five-year payment plan for recipients of NIA Priority Water and provide appropriate credits for facility use charges consistent with the CAP Transfer Policy and CAP's responses to public comments.

A motion was made (Director Jacobs) and seconded to amend the main motion by striking the last sentence. The motion failed.

The Board voted by roll call on the main motion. Directors Atkins, Burns, Carpenter, Fairbanks, Hartdegen, Holway, Macre, Megdal, Moulton, Pickard, Tenney, and Zimmerman voted in favor of the motion. Directors Jacobs and Lewis voted against the motion. Director Goddard was not present for the vote. The motion passed on a vote of 11-11 in favor and 1-67 opposed.

Approved
NIA rate
methodology
and rate
components

UPDATE ON FEDERAL ENVIRONMENTAL PROTECTION AGENCY RULEMAKING REGARDING NAVAJO GENERATING STATION

Ms. Pearthree reviewed the history of the Navajo Generating Station (NGS) and actions taken by the owners of NGS to reduce emissions from the plant. On January 18, 2013, the Environmental Protection Agency (EPA) issued the draft proposed federal implementation plan (FIP) and on February 5, 2013, the draft rule was published in the Federal Register. The plant owners have until May 6 to submit comments.

Ms. Pearthree reported that EPA's draft rule requires an 84 percent reduction in nitrogen oxide emissions at NGS. To acquire that level of emissions reduction, selective catalytic reduction (SCR) technology will be required. At this time, the EPA is not addressing the need for baghouses; however, baghouses could be required in the future in conjunction with SCR. The total estimated cost to install the SCRs plus the Low Nox Burners previously installed is \$589 million. If baghouses are required, the cost could grow to \$1.1 billion or more. The draft rule recognizes

and gives credit for emission controls voluntarily installed at NGS from 2009 2011

Mr. Cooke discussed the associated costs of the proposed ruling and impact on CAP's energy rate. Depending on the final rule and deadline that is imposed by EPA, the energy component of water rates could increase from \$8 to \$20 per acre foot of water, or up to a 30 percent rate increase over the next ten years.

Mr. Modeer stated that staff will continue its analysis of the proposed rule, its impacts on CAP, its customers and stakeholders, and report back to the Board on how CAP should respond and comment.

Public Comment

Paul Orme, general counsel for the Maricopa, Stanfield, Central Arizona and New Magma Irrigation Districts, stated that the EPA's proposed rule ignores its impact on agriculture and urged the Board to remember agriculture in its comments to EPA.

Doug Fant, Advanced Plasma Power, discussed an alternative technology, Gasplasma, that could be used to control emissions at NGS.

CONSIDERATION OF ACTION TO GO INTO EXECUTIVE SESSION

President Pickard reported that the Board would not be discussing the General Manager's goals in Executive Session.

On a motion (Director Fairbanks) and second, the Board convened in executive session for the following purposes: 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 Dispute regarding Constructed Underground Storage Facility Permit issued to SRP covering Phase 2 of CAP's existing permit for the Superstition Mountains Recharge Project and Dispute with Bureau of Reclamation regarding the financial responsibility for the care and curation of artifacts discovered during construction of the CAP and 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.

The Board convened in executive session at 1:42 p.m. and reconvened in open session at 3:12 p.m.

NOMINATIONS AND ELECTION OF OFFICERS AND EXECUTIVE COMMITTEE MEMBERS

Chairman Lewis reported that the Committee submitted the following nominations:

President – Pamela Pickard

Vice President – Warren Tenney

Secretary – Lisa Atkins

Executive Committee Members: Frank Fairbanks, Terry Goddard, Jim Hartdegen, Jim Holway and Mark Lewis

Additional nominations for the offices of President, Vice President and Secretary

were invited None were offered

By acclamation Pamela Pickard was elected President Warren Tenney was elected Vice President and Lisa Atkins was elected Secretary

**Elected by
Acclamation**
Pickard
President
Tenney Vice
President
Atkins
Secretary

Additional nominations for the Executive Committee were invited None were offered

Cynthia Moulton and Donna Micetic serving as tellers distributed collected and tallied the ballots for the three Executive Committee positions President Pickard read the tellers report A total of 138 votes were cast 11 75 for Director Fairbanks 11 48 for Director Hartdegen 6 4 for Director Lewis 6 1 for Director Goddard and 5 6 for Director Holway **Director Fairbanks and Director Hartdegen were elected by majority vote to the Executive Committee**

**Elected
Executive
Committee**
Fairbanks
Hartdegen
Holway

A second ballot was taken for the remaining position on the Executive Committee A total of 138 votes were cast 5 10 for Director Lewis 4 64 for Director Holway and 4 06 for Director Goddard No director received a majority of the votes necessary for election

A third ballot was taken for the remaining position on the Executive Committee A total of 138 votes were cast 7 7 for Director Holway 6 1 for Director Lewis zero for Director Goddard **Director Holway was elected by majority vote to the Executive Committee**

DIRECTORS REPORTS ON CURRENT EVENTS

Directors reported on various meetings and events they attended

PRESIDENT S REPORT ON CURRENT EVENTS

President Pickard reviewed current events and future meeting dates

GENERAL MANAGER S REPORT ON CURRENT EVENTS

Mr Modeer reported on current events

APPOINTMENT OF DIRECTORS TO CAP COMMITTEES AND AS REPRESENTATIVES TO THE ARIZONA WATER BANKING AUTHORITY COMMISSION AND THE ARIZONA WATER PROTECTION FUND COMMISSION

President Pickard announced the committee and representative appointments

CAP Representative to the Arizona Water Banking Authority Commission—Jim Hartdegen

CAP Representative to the Arizona Water Protection Fund Commission—Pat Jacobs

CAGR Committee—Lisa Atkins (chair) Guy Carpenter Frank Fairbanks Jim Hartdegen Jim Holway Sharon Megdal and Cynthia Moulton

Finance Audit & Power Committee—Warren Tenney (chair) Frank Fairbanks
Terry Goddard Pat Jacobs and Cynthia Moulton

Public Policy Committee—Gayle Burns (chair) Jim Hartdegen Jim Holway
Heather Macre and Carol Zimmerman

Strategic Plan Committee—Carol Zimmerman (chair)

Bylaws Committee—Frank Fairbanks (chair)

PUBLIC COMMENT

No public comment

There being no further business to come before the Board the meeting
adjourned at 3 56 p m



Lisa Atkins Secretary

All documents distributed in conjunction with this meeting and transcripts of its proceedings are on file at
CAWCD headquarters