

MINUTES OF THE LAKE POWELL PIPELINE MANAGEMENT COMMITTEE

Minutes of a public meeting of the Lake Powell Pipeline Management Committee held on Monday, July 11, 2011 at 3:30 p.m. at 533 East Waterworks Drive, St. George, Utah.

Board Members present: Scott Wilson (Central Iron County Water Conservancy District), Ronald Thompson (Washington County Water Conservancy District), Dennis Strong (Utah Division of Water Resources), Michael Noel (Kane County Water Conservancy District) and James Lemmon (Utah Division of Water Resources).

Also present: Eric Millis (Utah Division of Water Resources), Harold Sersland (Utah Division of Water Resources Consultant), Pete Samuolis (Kennedy/Jenks Consultant), Barbara Hjelle (Washington County Water Conservancy District), Corey Cram (Washington County Water Conservancy District), Brian Liming (MWH), Marc Brown (MWH), Judie Brailsford, (MWH), Jane Whalen (Citizens for Dixie's Future), Dave Demas (Horrocks Engineers) and Tina Esplin (Washington County Water Conservancy District Secretary)

Welcome and Introductions—Dennis Strong welcomed those present and conducted the meeting.

Approval of the March 17, 2011 Minutes—James Lemmon made a motion to approve the minutes of March 17, 2011, Scott Wilson seconded the motion and all voted aye.

Study Report Comments and Responses—Brian Liming gave an overview of the major responders that provided comments, the types of comments received and comment response status:

The major responders included the Federal Energy Regulatory Commission (FERC), Bureau of Land Management, Bureau of Indian Affairs, US Fish and Wildlife Service, Lake Powell Pipeline Coalition, Western Resource Advocates, Kaibab Band of Paiute Indians, Glen Canyon Institute and the Environmental Defense Fund. The types of comments received can be categorized into the following types: 1) The study did not follow the approved study plan (draft study report did not include required data or analysis that we identified in the study plan approved by FERC), 2) the draft study report was not clear and to provide clarification, 3) the comment disagreed with Utah Board of Water Resources (UBWR) assumptions, analyses or conclusions, and 4) general comments or in some cases specific comments on study reports that were opinions, most of which were general comments that we could not identify as to any draft study reports. Ron Thompson asked how many comments outside of federal agencies were received. Brian Liming said comments were made by 11 individuals, 5 non-governmental organizations, 1 state governmental agency, 1 Native American Indian tribe and 5 federal agencies, including FERC. All the comments were put into a document, and a response has been prepared for each comment. Responses have been reviewed by the Utah Division of Water Resources and the sponsoring water conservancy districts, and are all listed on the FERC docket.

Upcoming Steps in the FERC Process—Brian Liming went over the schedule and process following submittal of the comment responses, the modified study plans for the natural gas supply line that is an alternative for powering the pump stations, and a review of FERC’s preliminary licensing process:

- FERC will review the UBWR comment responses for 30 days.
- FERC’s Office of Energy Projects Director will then issue a letter resolving any disagreements that come out of responses to the comments and will also amend the study plans as appropriate. We modified four study plans—air quality, noise, socioeconomics and visual resources—for the natural gas supply line alternative to putting transmission lines in to bring power to power the pump stations. We are still waiting for FERC to approve those modified study plans, which will then be performed and then prepared for updated draft study reports, specifically on the natural gas supply line alternative, which includes air quality because of the emissions potential from burning natural gas from each of the pump station sites, noise potential from additional noise generated at each pump station, visual resources because we are adding a generator building to each site and socioeconomics/water resources economics on the costs and what that does to the project economics analysis for the natural gas supply line alternative.
- The UBWR will submit the four modified draft study reports, along with the draft ethnographic resources study report, to FERC similar to the other 22 draft study reports we submitted in March.
- UBWR will then hold an Initial Study Report meeting on the four modified drafted study reports and the draft ethnographic resources study report and prepare an Initial Study Report meeting summary and file with FERC 15 days after the meeting.
- Participants can file comments on the modified draft study reports and draft ethnographic resources study report within 30 days after that.
- UBWR will then have 30 days to respond to those comments, and then FERC will again rule on any disagreements with the study plans and if we need to do any additional studies for the natural gas supply line or the ethnographic resources.
- UBWR will revise draft study reports and prepare final study reports in addition to preparing and submitting the Preliminary Licensing Proposal. Those are parallel tracks basically because the final study reports are submitted with the license application.

Scott Wilson asked if all ethnographic studies have been done. Brian Liming said three out of four have been done. We are still waiting for the Hopi study. We are also anticipating a study from the Navajo Nation, but we are not sure if they are going to submit it or not. We have been in contact with them, and they said they are doing the study and paying for it, but we have no control over them or their timeframe. If we don’t hear from them, we will submit what we have. The FERC Preliminary Licensing Proposal is a document that 1) describes the proposed project facilities, including the lands and waters of the hydro system, 2) describes the proposed project operation and maintenance plan, including measures for protection, mitigation and enhancement of resources that may be affected by the project proposal, and 3) includes a draft environmental analysis by resource of the preliminary licensing proposal, so it is basically from the high point to Sand Hollow reservoir, utilizing the results of the study reports prepared under the approved study plans. FERC has 90 days to comment on the Preliminary Licensing Proposal. We then have a minimum of 150 days before we can file for a license application after the 90 days. We

will also be filing right-of-way applications at the same time to Bureau of Land Management, National Park Service and Bureau of Reclamation. We will also be submitting the draft biological assessment to Fish and Wildlife Service as part of that overall package of documents that go to the various agencies. Scott Wilson asked if in 2012, around 8 months from now, we could potentially be filing a license application. Brian Liming said yes. FERC will review the licensing application and make a determination as to whether it is complete or if they need to send it back for more information. Once they make a determination that it is ready for an environmental analysis, they will start to prepare the environmental impact statement (EIS) based on the license application which includes the environmental document that is basically Exhibit E in the license application. From that point forward, FERC will have public comment on the draft EIS and will respond to those comments and will then incorporate those responses into the final EIS. The federal agencies all need to issue their own records of decision based on that EIS.

Financial Report—Eric Millis presented a memo detailing the expenses billed by MWH since the last meeting for February, March, April, and May totaling \$22,549,131 as follows:

Total at last report	\$21,722,562	89.2%
February 2011	\$ 157,934	0.6%
March 2011	\$ 209,769	0.9%
April 2011	\$ 151,854	0.6%
May 2011	\$ 307,012	1.3%
TOTAL:	\$22,549,131	92.6% of the \$24.352M contract

Ron Thompson made a motion that the Management Committee approve expenses for February, March, April and May by MWH, Scott Wilson seconded the motion and all voted aye.

Next Meeting—The next meeting will be on Tuesday, November 8, 2011, at 1:30 at the Washington County Water Conservancy District office.

Other Items—Dennis Strong said a legislative task force was approved in the last session, and it is his understanding that it has been convened for the purposes of 1) funding large projects with an emphasis on the two state projects, the Lake Powell pipeline and Bear River, and 2) the law that governs mutual irrigation companies. The state has funded several projects, but it has never had a project of its own so the Board of Water Resources was told to come back to the legislature when it had a buyer for 70% of the water and the easements, commitments and rights-of-ways had been obtained, and the legislature would then talk about how they would fund the water project. It was always implied that it would be an inter-active process with the people using the water paying back the funding to the state. So we were getting to the point where we had a buyer for the water for this project, we could certainly say we have 70% of the water subscribed to, and we are very near to a point where we were going to be getting the easements so it was timely to talk about how the state plans to finance the project. Somewhere along the way someone threw into the mix funding other water projects by water districts, and Representative Painter thought that he could find a way through working with the state's bonding credit ability

to get lower interest rates for the districts. It is a good plan, but we think the emphasis should be on the Lake Powell pipeline at this time that dovetails the Bear River project because it is probably about 25 to 30 years out from this project. Ron Thompson said he has been doing a lot of thinking about the process. Initially, we could credit enhance bonds by buying bond insurance, and then we would get four or five projects with water users and enhance to a AAA insured status and sell. By putting four or five projects together, we could get a big enough block to negotiate better prices. If the state could enhance those credits much like bond insurance, we may be able to go back into the bond market and idealize that concept. Dennis Strong said that has real potential and promise, and we already have the authority to do that, but we don't want to disrupt the current funding process. Mike Noel said this is where the growth is occurring not only in the state but in the west, and water is the lubricant of the engine, so we need to look at water in a different manner because these big projects are no longer funded by the federal government. This is either Dixie's future or Dixie's failure. Scott Wilson said it is broader than the Lake Powell pipeline or Bear River. What we are really taking about is how you finance water infrastructure projects. As you look into the future, they are going to have to be revenue sustaining and to have the capital structure, and it is imperative that this taskforce does some solid work that puts Utah's water and water infrastructure on a long-term foundation to take us into the next few years. It is much broader than just culinary water projects. It may be dams, secondary water, or moving water. It takes many years of planning, and we ought to talk about water infrastructure just like we have other infrastructures such mass transit and highway infrastructure. Dennis Strong said this is a public purpose, as is education and roads, so we have a job to get that word out. People know when the roads are bad, but when the water pipes are old and break, they don't know about it. Scott Wilson said crisis management is to worst way to go. You don't make your best decisions when you are in a crisis. We need to look out into the future to put this on solid footing, and spend some time in our communities talking about the importance of water.

There being no further business, the meeting was adjourned.

Secretary