

**Minutes of the
Lake Powell Pipeline Management Committee Meeting
September 11, 2008
10:00 A.M.
Cedar City Airport**

In Attendance:

Committee: Dennis Strong, Eric Millis, Scott Wilson, Harold Shirley, Ron Thompson, Barbara Hjelle, Corey Cram, Larry Anderson, Harold Sersland, Mike Noel

Others: Le Ann Skrzynski, Kaibab Paiute Tribe; Paul Blanchard, Northwest Pipe Co.; Jim Case, interested citizen

Agenda Item #1 Welcome & introductions:

Dennis Strong welcomed everyone to the meeting and asked for introductions.

Dennis then asked committee members to report on the FERC meetings attended within the past week.

Scott reported that he had attended the Tuesday FERC meeting held in St. George. Scott attended the human and socioeconomic resources breakout session. He reported that the meeting was very dynamic with a lot of interest. There were many comments with a very thorough discussion on scoping document. Also, there were many people that did not understand that the purpose of the meeting was to discuss the scoping document.

Corey reported that he had attended both meetings. He felt that it was a good process where all could express concerns about what they want studied. He indicated that MWH did a good job of capturing everything discussed. He felt that nobody walked away feeling like their comments were not received or that did not have opportunity to express opinions. There is still a big challenge ahead to take all of the comments generated and synthesize them into meaningful response and work toward resolution.

Le Ann Skrzynski, representing the Paiute tribe, indicated that they had one person in each of the sessions and that each of the sessions went well except that one of her people who had attended the cultural meeting felt that the individual directing that session attempted to narrow the issues rather than looking for study feedback. She mentioned that there were specific cultural laws that were overlooked. Barbara indicated that there were several biological species that were overlooked in the biological breakout session.

Scott indicated that additional comments could be made to FERC by either going on line or in written format.

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Larry indicated that many of the public felt like this was an opportunity to comment on the pipeline rather than the planning studies. FERC wants comments on the planning studies. They do not want until later in the year general comments that do not add to the planning studies. FERC wants Water Resources and the Board to hold public meetings

until there is consensus about the planning studies. They do not want to be surprised by any outlier comments on issues that are not going to be covered in the planning studies. They would like to ensure that if there are comments that they are recognized as either being valid and included in the planning studies or that are not valid and will not be included.

Ron remarked that it is critical that we fairly quickly figure out the power transmission issues related to the pipeline and ensure that they are identified and included in the utility corridors that are included in the planning studies.

Larry indicated that one of the next things that MWH will be doing is to identify where the power is coming from so that these corridors can be covered in future planning studies.

Harold Sersland indicated that he has been asked to report on what happens next in the FERC licensing process, where we go from here, and how we get there. He indicated that we are done with general public meetings until the draft EIS becomes available.

Agenda Item #2 Approval of Minutes: Harold Shirley motioned to approve the minutes of the July 1, 2008 meeting. Scott seconded the motion. Voting was unanimous.

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Agenda Item #3 Update and upcoming activities on the ILP (integrated licensing process):

Harold Sersland stated that in the FERC's ILP process all of the activities that were generated this week were based upon the FERC's SD2 (scoping document #2) which was published on August 21st. FERC took the public comments from the public meetings that were held in the various locations in June. FERC made their comments on these meetings and prepared SD1 (scoping document #1). The State also made their comments on these public meetings. FERC put out their SD2 (scoping document #2) response before they had received the State's comments on SD1. There is some disconnect between the State and FERC that is being worked out. The State had some issues where we did not agree with some of FERC's SD1 comments. These issues will be ironed out. The issues that were raised in the meetings on Monday in Salt Lake and Tuesday in St. George were really oriented toward the SD2 study plans. The meetings were held to allow the public, Federal, State, Local, and NGOs (non-governmental organizations) the opportunity to raise comments on the adequacy of the study plans to meet their needs and concerns. Comments are due to FERC on the SD2 study plans by November 19th. MWH had 25 to 30 large sheets of paper where the comments raised were written down. In the interim between now and November 19th MWH and the State are going to be holding meetings with all of the Federal, State, tribal folks, and local agencies on the comments that they make. MWH and the State, hopefully next week, will tabulate those comments and identify who will be responding to each one. We will have to identify those comments that are beyond the scope of the document and why. Harold has had meetings with the archeologists. They have to have responses from each agency why they are up in the night or they are right on. There will be negotiations with each agency to trim

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down those issues that need to be included in the study plans and identify what is reasonable and what is beyond the scope of the document. Each entity will get their comments back on November 19th.

Ron questioned about the issues raised in the transportation breakout session that identified roads 50, to 75, and even to 100 miles away that the pipeline will have no impact on. Harold indicated that these meetings are an opportunity for each meeting participant to raise issues on anything of concern that should be in the EIS document.

Harold indicated that ~~these roads may be listed somewhere in the document but that will not be studied because there will be no impacts on them. Work will be done in the next 30 to 45 to days before November 19th to ensure that FERC does not make these types of~~ comments formally. FERC will take those comments ~~received by November 19th and~~ will be making their decision on what they think that their final study plan will be and about the middle of December will issue their final draft on what they think the final study plan should be. Then around the later part of January or the first part of February they will issue their final study plan that we will use to go forward on.

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Corey asked about the appeal process if we do not agree on the final study plan. Harold indicated that the appeal process is typically for the agencies or the NGOs to appeal if something isn't in the final study plan that they want. Harold further indicated that we have to be able to negotiate with the various agencies involved in working toward a final study plan. Corey indicated that FERC appears to have the ultimate say in the final study plan and we should have the right of appeal if there are elements of the final study plan that we disagree with. Harold indicated that, while he is still learning about the process, it appears that there are provisions for the applicant (the State) or the agencies (the Districts) to appeal. Ron indicated that the goal for the next several months is to get potential conflicts negotiated to the point where everyone is comfortable with the scope of the final study plan and that everyone understands the parameters and what will be studied and that we are studying those only those things that needs to be studied.

Harold indicated that the goal of this next week is to get started on the issues and getting with the experts and technical people from the various agencies. Harold indicated that on the 19th we will have an idea of any issues that could be appealed.

Ron indicated that it was imperative that the study plans include concerns of the Bureau of Reclamation, Parks Service, the BLM, other interested federal agencies, and the Army Corps of engineers if there are to any stream crossings.

Larry indicated that his understanding of the time table was (1) comments on the planning studies are due to FERC by November 19th, (2) Water Resources had to provide the final set of study plans to FERC by December 15th, and then (3) the public can comment on the Water Resources study plans until January 5th, then (4) sometime after that FERC would send out the final list of study plans.

Ron then asked about the completion time for the study plans. Harold indicated that we are hoping that the final plan studies would be completed and that the document would be

put together by September 2010 and that they would be included with the license application. Eric indicated that it was his understanding that the studies would be completed within approximately a year or maybe just a little bit longer.

Eric asked if there is someone who wants to comment on the study plans and are not able to come to any of these study plan meetings how do they do it? Harold indicated that comments would be made to us. FERC has been very clear that the comments will be made to us.

Harold indicated that the State and MWH will be attempting to schedule meetings in Phoenix and Flagstaff with the Arizona agencies and that it will be a very busy time coordinating schedules with the various agencies. Dennis asked about the specific dates previously discussed and whether these dates are hard or flexible dates and that with these hard dates it will be difficult to come to a consensus. Both Harold and Ron indicated that these were hard dates.

It was indicated that these hard dates would hold everyone's (both the applicant and the agencies) feet to the fire. It was discussed that with the year-end fast approaching and the approaching holiday season that there would be marginal staff availability between now and the end of the year that this would make meeting with the various agencies difficult to schedule. Harold indicated that the real issue is that you have to look at each agency to determine if they are cooperating agencies. If they are not, then they are not playing by the same rules as the cooperating agencies. Harold then discussed those agencies that are not cooperating agencies, Fish and Wildlife services, Corps of engineers, and the EPA, and the efforts made to work with these agencies. Ron indicated that we should be dealing with issues that have substance and not dealing with a lot of red herrings.

Agenda Item #4: Response to FERC-required studies:

Larry and Harold indicated that agenda item #4 issues have mostly been covered previously. Larry indicated that that FERC's ILP process was just a different process and that people are trying to figure out how it all works. Larry indicated that this is a new process for local federal agencies even though they have an agreement that they will follow this process. Ron indicated that most of the local experience is with the Department of Interior agencies and that their process is different and that we will just have to work with our counsel in Washington DC who is as experienced as anyone with these regulations to work through the ILP process.

Ron indicated that as we move into this process and in order to move these study plans along we obviously will need to extend the MWH contract and change order the contract to cover these items. Ron further indicated that until you are sure of your list of studies that it is a little hard to know how to fill that in. He discussed the District's and State's different budgeting cycles. He further indicated that we need to have some additional meetings in the near future to discuss this process. Scott indicated that because of the ILP process there has been substantial expansion in some areas of the MWH contract that was not initially contemplated. Dennis indicated that the State would set up a conference

call scheduled within the next ten days to discuss the MWH contract and that additional information would be provided to the District's so that we can discuss the contract. The conference call would be required to be noticed up.

Ron discussed a couple of concerns. He indicated that if you start to look at potential fatal flaws that we need to get out of the way that we need to get some geotechnical work out of the way fairly soon. Ron would like to take the two reservoirs sites – the fore bay and after bay on the Hurricane cliffs and get that moving in terms of preliminary permits to do enough drilling that we can make sure that we don't have fatal flaws there. Ron's preference would be to have the Washington County Water District get the permits for them and to contract with RB&G do that work. He asked about the extent that MWH would like to review RB&G's work. Ron would like to know who would be reviewing that work so that he can make sure that you have the best world class thinking that you can into the process. Ron indicated that he estimated that there could be some significant dollars saved in that part of the contract. He further indicated that if we have a fatal flaw there we need to identify that now so that adjustments can be made rather than wait until you get into detailed engineering. Dennis was supportive of Ron proceeding in that direction. Ron will put together some prices and get back with the State. Larry indicated that MWH would like to coordinate and that the data collected would be what they need. The data collected with the geotechnical work would be more than would be required for the EIS. Ron further indicated that, if we have a fatal flaw with the Hurricane cliffs, he would like to know that right now because we will be spending some major dollars proceeding down that path.

There was general discussion regarding the level of technical detail vs. conceptual design required for the NEPA process and the related costs. Dennis discussed concerns about getting too far ahead with detailed engineering information that goes beyond the requirements of the FERC's IPL process. Harold disagreed citing the Park Service's bad experience with the Navajo generating station shaft and they have asked for a bunch of detailed Lake Powell Pipeline intake information which Harold thinks is entirely reasonable. It gives the Bureau, the Parks Service, and the State the confidence that we will be able to do this. Harold continued by indicating that FERC has requested a lot of geology at the Hurricane Cliffs and that what we are proposing to do is fairly minimal as far as they are concerned. When we get to detailed design there will be a lot more geotechnical information that will be obtained. FERC is going to be making some decisions. They have to be satisfied that we are doing enough to meet the requests of people who are asking for the information. There was additional general discussion regarding the foundation of dam sites.

Dennis expressed further concerns that we are not doing engineering work that we may end up redoing because we do not know who the design engineers will be.

Dennis further discussed potential fatal flaws. He discussed the power situation and that there are a number of areas where we need additional information.

Agenda Item #5: Update on MWH Activities:

Larry discussed the MWH activities. He indicated that MWH has sent out the final draft of the water needs report which has been posted on the Water Resources Website. They have also issued two volumes of technical memorandums, prepared study plans to FERC, and holding the planning study meetings. They will be continuing to work on these planning studies and will continue working on them through the end of the year. This will be a major activity for a number of the people at MWH. Ron asked how much money is left on the MWH engineering contract. Eric indicated that they have about \$700,000 left on their contract. Larry indicated they are currently working on a specific technical memorandum on the power transmission lines for the preferred alternative so that they will be prepared to meet with the various power companies.

Ron indicated that we need to have a serious discussion with both Page and Gar-Kane Power. Ron discussed the significant cost of power currently being spent by the Washington County Water District now approaching \$1 million and further indicated that we are going to be building significant power transmission lines for these power companies as part of this project. He indicated that we need to seriously consider becoming our own power provider and take the same status as a retail power provider including the purchase of wholesale power doing our wheeling and the sale of retail power to the Districts. He indicated that at some point we need to do some studies and economic analysis regarding the power that we are going to produce and the power that we are going to consume to determine the best economic alternatives for our consumers. We need to look at what the alternatives are. If we can get a fair deal through Gar-Kane or through Page and don't feel that we are getting ripped off then he is OK with working with them but he wants to know what the alternatives are. He indicated that the Southern Nevada Water Authority has purchased capacity to become their own wholesale buyer of power because they felt like they could not afford the rates of Nevada Power. They were such a big customer that they ultimately had to start moving away from them.

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Larry indicated that MWH was moving forward with the power and asked if Ron wanted to be involved with the discussions. Ron indicated that he did want to be involved with the power discussions. Scott indicated that he would also be in favor of Ron's approach to look at becoming our power cooperative. Ron indicated that we have had some discussions with Deseret G&T and that they have met with them and discussed having them do an analysis on how we get the power. Ron continued "until recently we have not had the data to sit down and say here is our demand and here is our production". Larry indicated that is exactly what MWH wants to do with the power technical memo is to have something that they can sit down with Page, Deseret G&T, or Gar-Kane and discuss what we are going to do. He indicated that they have money in their budget to do that because Deseret G&T wanted some money to do that study. Larry indicated that the amount was not much, around \$25,000, enough to just to get the work started.

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There was general discussion about power contract terms (long-term vs. short term), power production capacity of the various power agencies, power demand of the project (around 39 mega-watts), base load, peak demand, super-peak demand, supply capacity of the various power providers, tiered rates for peak vs. base demand, pump design, off peak

pumping, power impacts on O&M, pipe sizing, economic analysis and other related topics. Ron indicated that this power analysis has not been completed yet. Mike indicated that Deseret G&T was going to bring online around 75 mega-watts of power supply in within the next 10 years. MWH knows that it needs to be completed and that they will be working on it. Ron indicated that the Harza arm of MWH has a very good reputation of pump storage projects and that we just need to give them some time to get to it. Scott asked if we should be looking at the scope of the existing MWH contract to complete this power work. Dennis and Larry indicated that it is in there. Ron asked if it is in the stuff that they have been sending out. Larry indicated that he was uncertain and that he would have to ask Mark but he indicated that some of it is in there. Larry said that Mark indicated that he had some money in the contract to do a lot of this power analysis. Larry was unsure about the exact quantity of money but he indicated that he will get with Mark to resolve. Ron indicated that he will call Pat Mulroy and will ask her about some the issues around Southern Nevada Water Authority's becoming their own power provider. Ron indicated that they have obviously gone through some analysis and studies in the power area. Scott indicated that one of the key factors that we need to constantly consider in the power evaluation process is that being a big demander we will be required to pay a large share of the power provider's overhead and that we need to constantly evaluate how much of their overhead we want to incur vs. breaking off and doing our own thing. Ron indicated that he is buying power at Sand Hollow off-peak for 2.2 cents and at the hydroelectric plant he is selling power for 7 cents. There was further general discussion regarding the power market price spread between wholesale and retail municipal power rates. Ron indicated that it will be difficult knowing where the wholesale off peak power market is to pay the mark-up price of municipal rates and that the large amount of power used over the life of the LPP project makes the power aspect of the LPP project a significant issue.

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Larry indicated further that we have to know where the power is coming from to see if they need to string a new line then we will need to know where it will go. Harold indicated that we also need to evaluate the power for each of the alternative alignments. The Park Service has indicated that one of their specific concerns was where the power lines will be going.

There was further general discussion regarding power transmission lines and corridors, supply considerations from the various potential suppliers.

Larry indicated further that MWH will be firming up the alignment specifics and that MWH would also like to begin work on some of the civil work plans. Ron expressed concerns that the MWH work not go beyond the requirements of NEPA. Larry indicated that the MWH civil plans are confined to establishing the footprint on the ground which consists of what the buildings will generally look like, road access, and building size at each of the various locations. Ron expressed his preference regarding functionality over form and did not want to build some monument to an engineer/architect. He indicated that the buildings should be functional and sit reasonably lightly on the land and be secure. All of these sites are remote and going to have some security considerations. Larry indicated that these are things that MWH will be working on. He indicated that the

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civil work that MWH be doing will not involve anything on the inside of the buildings over what we have already seen. Ron indicated further that the building work at this point needs to be conceptual.

Agenda Item #6 Update on MWH Project Expenses:

Eric handed out an accounting of MWH costs for June and July. The Division has been billed each month and staff has reviewed and approved payment.

Total at last report	\$ 3,917,265	69.6%
June 2008	\$ 332,475	5.9%
July 2008	\$ 333,315	5.9%
Total	\$ 4,583,055	81.4% of the \$5.625 M contract

The Division paid the BLM an additional \$50,000 to bridge the time until it has a firm cooperating agency agreement with FERC and a better feel for the costs to the Division.

Ron made a motion to accept the costs budgeted for the next few weeks. Scott seconded. The motion passed unanimously.

Agenda Item #7 Next Meeting:

Next meeting November 4, 2008, 10:00 A.M. conference call

Agenda Item #8 Other Items:

Ron expressed concern that the amount of water allocated from Lake Powell for Washington County could be insufficient by the time the pipeline is completed. If the growth that is projected by GOPB occurs, Washington County will be over drafting before 2020. He wanted it on the public record that Washington County would take any water not utilized by CICWCD. Dennis reviewed the legislative requirements of the LPP water. He indicated that 70% of the water has to be sold. He further discussed the repayment terms of the 70%. Scott indicated that these trigger dates need to be reflected in each of the district's capital facilities plans. Ron discussed the potential impact of lowered steel costs on the current MWH cost estimate and how that relates to the District's capital facilities plans.

Harold Shirley stated that the water rights that will be allocated to the pipeline would not be specifically assigned to any one of the three counties. If one entity doesn't use its full allotment then the other entities will be able to.

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Mike Noel wanted to know when Kane County would get the total cost for which it would be responsible. Dennis stated that the counties will be allocated 70% of the total cost. Kane County will take 10% of the water; therefore, Kane County will be responsible for 10% of 70%.

Mike reported that the Kane County Board of Directors has voted to support the Lake Powell Pipeline. They are 100% committed.

General growth factors of the Southern Utah region were discussed including high growth areas, moderate growth areas, and no growth areas. It was discussed that as the high growth areas fill up then there are spillover growth in other areas.

Future meeting schedules were discussed. A telephone conference call was set for 8:30 AM on Thursday the 18th to discuss the MWH engineering contract.

Corey asked about the status of the MOUs. Harold discussed the status of these. There was general discussion regarding the FERC process.

Agenda Item #9 Adjourn:

Scott motioned to adjourn. Motion seconded. Meeting Adjourned.