

RECORD OF PROCEEDINGS

MINUTES OF THE REGULAR AUGUST MEETING OF THE
PUEBLO CONSERVANCY DISTRICT ON AUGUST 20, 2002

DIRECTORS PRESENT: Farley, Kelly and Sandstrom

ALSO PRESENT : Ray Koester; and Chostner and Don Banner
Others present were Attorneys for the City of
Pueblo, Florzak and Ann Castle; Steven Meier
Planning Dept of the City.

The meeting was called to order at 9:00 a.m. on the above date with a quorum, Gus Sandstrom Chairing. Gus welcomed all guests, then The meeting was called to order at 9:00 a.m. on the above date with a quorum, Gus Sandstrom chairing. Gus welcomed all guests, then indicated that the Board would do the early adjenda items first as Pat Kelly asked to be excused for another committment before the this meeting would be complete.

The inutes and Treasurers reports for July were both reviewed and approved by a unanimous vote for each, and the following bills were approved for payment:

2086	G. Sandstrom	Directors Fees	\$ 55.41
2087	K. Farley	Directors Fee	55.41
2088	P. Kelly	Directors Fee	55.41
2089	Banner	Legal Fees	300.00
2090	Engineer Koester	Eng/Admin Fee	400.00
		Rental Fees	100.00
		July Hearing Fees	430.00
2091	MBDG, pc	Bookkeeping Service	200.00
2092	Aquila (Westplains)	Power at Runyon	90.00

The Chairman then reported he had written a letter of permission to Pueblo Library for use of about 150 images and photographs from our library. (copy attached). Sandstrom also noted that a copy of a letter to the Colorado Division of Wildlife regarding signage at Runyon Lake, for information only. (copy attached)

The Guests were then asked to make the presetation by the City that hads been requested earlier, and the City now had time to prepare. Gus Sandstrom then explained that tje PCD wanted to understand better how the City and the PCD should work best on the Legacy of Parks Plan. Ann Castle, special counsel for the City on the Recreational Water Right request then explained the Restoration of the Arkansas River andwhy it needs committment for restoration by the PCD. The PCD wants clarified why or is there a water right issue involved? The City of Pueblo wants a priority date for the Recreational Right to be based on the construction of the Grade Control Structure and Boat Chute at Santa Fe Avenue on the River, that started in 1982. This would give Pueblo an earlier priority date than most of the application by other communities that are 2001. The PCD could be of assistance at the present time by helping re-unite the City/Board of Water/SECWCD.

The signing of the Intergovernmental Agreement will be done after more review by the PCD Board, and the Board will cosider when to proceed with signing at their next regular meeting.

The Board then moved, seconded and approved of signing Easements as requested on the Legacy Project, so that construction can take place without delay.

The being no further business at this time, the meeting was adjourned at 10:30 a.m. The regular September meeting is scheduled for Thursday September 12, 2002 at 7:30 a.m. at this Districts Office at NorthStar Engineering.

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APPROVED;<

Patricia Kelly
Kathleen Farley
Gus Sandstrom

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THE PUEBLO CONSERVANCY DISTRICT

BOARD OF DIRECTORS
P. KELLY
K. FARLEY
G. SANDSTROM

111 EAST FIFTH STREET
544-6823
PUEBLO, COLORADO

MAILING ADDRESS:
P. O. BOX 234
PUEBLO, COLO. 81002

NOTICE OF SEPTEMBER MEETING

DATE : SEPTEMBER 12, 2002 (THURSDAY) at 7:30 a.m.

PLACE : At NorthStar Engineering Conference Room
(PCD Office)
111 East 5th Street

- A G E N D A -

1. Roll Call
2. Approval of Minutes of August meeting
3. Treasurers Report for August 2002
 - a. Accept reports
 - b. Approve bills for September
4. Discussion and action on Intergovernmental agreement regarding a water issue (City of Pueblo/PCD) from August meeting with City.
5. Update on HARP History, printing etc.
6. New Business -
7. Set date for October meeting.
8. Adjourn.

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THE PUEBLO CONSERVANCY DISTRICT:

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ACCOUNTS PAYABLE - - - -

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September Accounts Payable to Approve 09-12-02<

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2093 G. Sandstrom Directors Fee (Sept) (81) \$ 55.41

2094 K. Farley Directors Fee (Sept) (81) 55.41

Skip 2095 to 2199 - All Void

2200 P. Kelly Directors Fee (Sept) (81) 55.41

2201 Banner Legal Fee (Sept) (80) 300.00

2202 Engineer Koester Eng/Admin (Sept) (83) 400.00
Rental of Stor and Mtg (97) 100.00

2203 MBDG, PC Bookeepg Serv (Aug) (90) 200.00

2204 AQUILA (Westplains Energy) Power at Runyon (105) 95.00

2205 Concerned Parents of Pueblo-Trail Clean-up-May(105)500.00

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PAYABLE TOTAL \$ 1761.23

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740 Thatcher Building
P. O. BOX 918
Pueblo, CO 81002-0918
Phone (719) 543-0516
Fax (719) 544-2849

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Pueblo Conservancy District
Pueblo, Colorado

We have compiled the accompanying balance sheet -general fund only of The Pueblo Conservancy District as of August 31, 2002 and December 31, 2001, and the related comparative statement of revenue and expenditures – actual and budget – general fund for the one month and eight months ended August 31, 2002, and the twelve months ended December 31, 2001, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

McPherson, Breyfogle, Daveline & Goodrich P.C.

September 10, 2002

PUEBLO CONSERVANCY DISTRICT
BALANCE SHEET - GENERAL FUND ONLY
AUGUST 31, 2002 AND DECEMBER 31, 2001

	<u>8/31/02</u>	<u>12/31/01</u>
ASSETS		
VECTRA BANK CHECKING	\$ 6,701	\$ 5
VECTRA BANK MONEY MARKET	2,053	5,479
BROKERAGE MONEY MARKET ACCOUNTS	18,277	190,501
VECTRA BANK CERTIFICATE OF DEPOSITS	356,331	349,875
FNB COLORADO CERTIFICATE OF DEPOSIT	106,000	100,000
COLOTRUST INVESTMENT	200,000	150,000
DAIN RAUCHER INVESTMENT	-	100,375
FIRST UNION INVESTMENT	206,251	207,035
PIPER JAFFRAY INVESTMENT	276,207	52,905
ACCRUED INTEREST	16,807	16,807
DUE FROM OTHER ENTITIES	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 1,188,627</u>	 <u>\$ 1,172,982</u>
 LIABILITIES AND FUND EQUITY		
ACCOUNTS PAYABLE	\$ -	\$ 265
PAYROLL TAXES PAYABLE	<u>83</u>	<u>82</u>
 TOTAL LIABILITIES	 <u>83</u>	 <u>347</u>
 RESERVE FOR EMERGENCIES	 6,000	 6,000
DESIGNATED FOR SUBSEQUENT YEAR'S EXPENDITURES	96,840	96,840
UNDESIGNATED	<u>1,085,704</u>	<u>1,069,795</u>
 TOTAL FUND EQUITY	 <u>1,188,544</u>	 <u>1,172,635</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 1,188,627</u>	 <u>\$ 1,172,982</u>

SEE ACCOUNTANTS' COMPILATION REPORT

PUEBLO CONSERVANCY DISTRICT
COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES -
ACTUAL AND BUDGET - GENERAL FUND
FOR THE ONE AND EIGHT MONTHS ENDED AUGUST 31, 2002
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2001

	ACTUAL				
	CURRENT MONTH	YEAR TO DATE	2002 BUDGET	UNUSED BUDGET	2001 ACTUAL
REVENUES					
INTEREST INCOME					
CERTIFICATES OF DEPOSIT	\$ 3,878	\$ 19,935	\$ 30,000	\$ 10,065	\$ 31,491
COLOTRUST	569	2,282	8,000	5,718	7,009
MONEY MARKET ACCOUNTS	19	397	4,000	3,603	2,819
DAIN RAUCHER	-	3,125	12,000	8,875	12,375
FIRST UNION	3,000	9,674	12,000	2,326	12,313
PIPER JAFFRAY	1,270	5,259	6,000	741	4,766
UNREALIZED GAINS (LOSSES)	3,323	2,658	3,000	342	3,302
TOTAL INTEREST INCOME	12,059	43,330	75,000	31,670	74,075
LEASE PAYMENTS	-	-	250	250	-
OTHER INCOME	-	-	-	-	-
TOTAL REVENUES	\$ 12,059	\$ 43,330	\$ 75,250	\$ 31,920	\$ 74,075
EXPENDITURES					
80 LEGAL FEES	\$ 300	\$ 2,400	\$ 3,600	\$ 1,200	\$ 3,600
81 DIRECTORS FEES	180	1,620	3,000	1,380	2,160
82 FICA TAXES	-	41	240	199	164
83 ENGINEER/ADMINISTRATIVE	400	3,200	4,800	1,600	4,800
90 AUDIT & BOOKKEEPING	200	1,400	2,100	700	2,100
92 INSURANCE/BONDS	-	1,878	500	(1,378)	1,896
96 OFFICE EXPENSE	-	218	650	432	262
97 OFFICE RENT	100	800	1,200	400	1,200
100 PROFESSIONAL FEES	430	9,735	5,000	(4,735)	4,103
103 TRAVEL	-	-	500	500	346
105 REPAIRS & MAINTENANCE	90	6,129	25,000	18,871	19,688
108 CONTINGENCIES	-	-	500	500	-
109 EMERGENCY REPAIR	-	-	20,000	20,000	-
110 CAPITAL IMPROVEMENTS	-	-	25,000	25,000	-
111 PLANNING & DEVELOPMENT	-	-	25,000	25,000	-
112 HARP - O & M	-	-	55,000	55,000	50,000
TOTAL EXPENDITURES	1,700	27,421	172,090	144,669	90,319
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 10,359	\$ 15,909	\$ (96,840)	\$ (112,749)	\$ (16,244)

SEE ACCOUNTANTS' COMPILATION REPORT

PUEBLO CONSERVANCY DISTRICT
INVESTMENTS
DECEMBER 31, 2002

9/10/02 8:49 AM

<u>BROKER</u>	<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>RATE</u>	<u>PAR VALUE</u>	<u>BALANCE 12/31/01</u>	<u>ADDITIONS</u>	<u>MKT VALUE CHANGE</u>	<u>REDEMPTION SALES</u>	<u>BALANCE 12/31/02</u>	<u>INTEREST RECEIVED 12/31/02</u>
<u>CERTIFICATES</u>										
VECTRA BANK	CD#114728 dtd 5/21/00, Int. Paid Semi-Ann	5/21/02	6.000%	80,000.00	80,000.00			80,000.00	-	2,429.79
VECTRA BANK	CD#114728 dtd 5/21/02, Int. Paid Semi-Ann	5/21/04	3.250%	80,000.00	-	80,000.00			80,000.00	
VECTRA BANK	CD#115371 dtd 5/18/99, Int. Comp Qlty	5/18/02	4.890%	150,000.00	169,875.08	6,456.23			176,331.31	6,456.23
VECTRA BANK	CD#116196 dtd 7/7/00, Int. Paid Qlty	7/7/03	6.750%	100,000.00	100,000.00				100,000.00	5,048.63
FNB-COLO	CD#100010930 dtd 2/5/01, Int. Comp Annually	2/4/04	6.100%	100,000.00	100,000.00	6,000.00	-	-	106,000.00	6,000.00
TOTAL CERTIFICATES					449,875.08	92,456.23	-	80,000.00	462,331.31	19,934.65
<u>CASH ACCOUNTS</u>										
MINNEQUA	Money Market Account				5,479.23	101,648.86		105,075.00	2,053.09	84.08
PIPER JAFFRAY	Money Market Account				87,343.15	10,789.74		80,000.00	18,132.89	264.77
DAIN RAUSCHER	Cash & Money Market Account				103,062.50			103,062.50	-	-
FIRST UNION	Evergreen CRT MMF				95.80	48.11	-	-	143.91	48.11
TOTAL CASH ACCOUNTS WITH BROKERS					195,980.68	112,486.71	-	288,137.50	20,329.89	396.96
<u>INVESTMENTS</u>										
COLOTRUST	Acct. 7081 - PLUS		6.240%		100,000.00	100,000.00			200,000.00	1,974.34
	Acct. 2726 - PRIME		5.940%		50,000.00	50,000.00	-	100,000.00	-	308.10
TOTAL COLOTRUST					150,000.00	150,000.00	-	100,000.00	200,000.00	2,282.44
DAIN	T-NOTE, purchased 1/30/97	1/31/02	6.250%	100,000.00	100,375.00	-	(375.00)	100,000.00	-	3,125.00
TOTAL DAIN					100,375.00	-	(375.00)	100,000.00	-	3,125.00
FIRST UNION	T-NOTE	8/15/04	6.000%	100,000.00	106,156.00		(468.00)		105,688.00	6,000.00
	FEDERAL NATL MTG ASSN	11/8/10	6.000%	100,000.00	-	100,000.00	563.00		100,563.00	-
	FEDERAL NATL MTG ASSN	3/25/09	6.390%	100,000.00	100,879.00	-	(879.00)	100,000.00	-	3,674.25
TOTAL FIRST UNION					207,035.00	100,000.00	(784.00)	100,000.00	206,251.00	9,674.25
PIPER JAFFRAY	GNMA POOL #24920	6/15/08	8.250%		19,336.72		(120.46)	3,638.31	15,577.95	682.23
	FEDL NATL MTG ASSN INVT NOTES B/E	3/13/09	5.250%	130,000.00	-	130,005.00	1,823.06		131,828.06	1,668.33
	FEDL HOME LN MTG CORP FREDDIENOTES B/E	8/15/08	5.000%	100,000.00	-	100,005.00	368.00		100,373.00	1,680.57
	FHLMC #170217	3/1/17	8.000%		33,568.07	-	1,746.61	6,886.66	28,428.02	1,227.83
TOTAL PIPER JAFFRAY					52,904.79	230,010.00	3,817.21	10,524.97	276,207.03	5,258.96
TOTAL INVESTMENTS					510,314.79	480,010.00	2,658.21	310,524.97	682,458.03	20,340.65
TOTAL ALL ACCOUNTS					1,156,170.55	684,952.94	2,658.21	678,662.47	1,165,119.23	40,672.26

House of Representatives
Resources Committee
Water and Power Subcommittee

Hearing on
H.R. 3881
Mr. Hefley, Mr. McInnis, Mr. Schaffer, and Mr. Tancredo
March 19, 2002

Testimony of
Steve Arveschoug

General Manager
Southeastern Colorado Water Conservancy District
Pueblo, CO

31717 United Avenue
Pueblo, Colorado 81001
719-948-2400
steve@secwcd.com

Chairman Calvert, Congressman Hefley, and members of the Subcommittee, thank you for the opportunity to testify today in support of H.R. 3881. I'm Steve Arveschoug, General Manager of the Southeastern Colorado Water Conservancy District (the District). I've worked with the constituents of the District on the development of this legislation for nearly five years, and I'm excited and pleased that the Committee will now consider supporting this local initiative to prepare for the future water resource needs in southeastern Colorado along the Arkansas River.

H.R. 3881 represents just the starting point in the implementation of the District's Preferred Storage Options Plan (the PSOP), a plan that is designed to help provide additional water storage capacity to serve the future domestic and irrigation water needs of the 680,000 constituents of the District's nine-county service area, while protecting water quality, and assuring that recreation and fishery values are represented and enhanced.

Before I discuss the Preferred Storage Options Plan further, and address the specifics of the legislation, allow me to offer some important background information.

Background--The Southeastern Colorado Water Conservancy District is the local sponsor of the Fryingpan-Arkansas Project (the Fry-Ark Project), a multipurpose project constructed by the Bureau of Reclamation (Reclamation) that stores and delivers water for municipal and agricultural use within the nine-county service area of the District, Arkansas River basin, Colorado. The Fry-Ark Project was authorized by Congress in 1962 and provides a supplemental supply of water, and storage for native agricultural and municipal water supplies, to serve a population of 680,000 and to irrigate approximately 200,000 acres within the District.

As this Committee understands too well, building consensus among the diverse set of interests in water resources is challenging. Many efforts to wisely plan for the effective use of water bog down for decades, just give up, or are never even started because of the commitment it takes to work through the issues and solve problems. I can tell you there have been days in this process that I would have found it a much easier trek to just give up. But, there is a great deal at stake in this effort.

Like other regions in the western United States, southeastern Colorado is growing. The District's population is expected to grow to over 1.5 million by the year 2040. Most of that growth will occur within Colorado Springs and Pueblo, but several of the rural communities within the District will grow as well.

In addition to the population growth pressures, the District's smaller communities, especially those east of Pueblo who rely on groundwater for their main water supply, need to develop a higher quality drinking water supply for their residents. Additional water storage will help them do that. And, additional storage will help communities better manage the water they have already developed. The state of Colorado is also developing a water-banking program for the Arkansas River basin. Long-term, the success of the water bank will depend on additional storage.

Support for the PSOP and H.R. 3881--The District's Preferred Storage Options Plan was crafted to meet these diverse, regional needs. And, it has local, regional, and statewide support. The supporters of the PSOP include:

Pueblo County

- Board of Water Works of Pueblo
- Pueblo County Board of Commissioners
- Pueblo West Metro District
- St. Charles Mesa Water District

Arkansas Valley

- City of Lamar
- Otero County Board of Commissioners
- City of La Junta
- Crowley County Board of Commissioners

Upper Arkansas

- Penrose Water and Sanitation District
- City of Florence
- City of Canon City
- Town of Poncha Springs
- City of Salida
- Upper Arkansas Water Conservancy District

El Paso County

- Colorado Springs Utilities, City of Colorado Springs
- City of Fountain
- Widefield Water District
- Security Water and Sanitation District
- Fountain Valley Authority

Regional and Statewide Entities

- Action 22 (an organization of 22 counties in southern Colorado)
- Colorado Counties Inc.
- Colorado Water Conservation Board
- Colorado Department of Natural Resources
- Southeastern Colorado Water Conservancy District

Recreation and Environmental Organizations

- Arkansas River Outfitters Association
- Colorado Board of Parks and Outdoor Recreation
- Friends of the Arkansas

The support from the local communities that represent the nine-county service area of the District comes as a result of a nearly five-year effort to study District-wide water and storage needs, assess storage and resource management alternatives, address water quality and recreation needs, and provide assurances that existing uses and entitlements in the Fry-Ark Project would be protected. It involved thousands of hours of work by the local Storage Study Committee (the SSC), which included municipal, agricultural, recreation, environmental, and state and federal resource management agencies (a membership list of the Storage Study Committee is attached as *Exhibit No. One*).

This Storage Study Committee first developed a "Water and Storage Needs Assessment Report" (December 1998) to determine District-wide demands for water and storage to meet domestic and agricultural needs into the year 2040. That report indicated a need for an additional 173,100 acre-feet of storage to provide for growth and to sustain agricultural water supplies. The SSC, through the District, then asked the Bureau of Reclamation to do an investigation of the technical feasibility of enlarging Pueblo Reservoir (August 1999). In addition to Reclamation's study of Pueblo Reservoir, the SSC working with hired and staff engineers, evaluated over 30 different alternatives to meet the projected demand. That evaluation lead to the conclusion that we were best served by focusing our efforts on the existing Fry-Ark Project reservoirs as a means to help meet future demands. The SSC then began to evaluate how the existing reservoirs could be better used, and that effort, after many hours of study and consideration, and public meetings, lead to the development of the Preferred Storage Options Plan and the PSOP Implementation Committee Report, which provides the operational details for the PSOP.

Elements of the Preferred Storage Options Plan--The Southeastern Colorado Water Conservancy District's Preferred Storage Options Plan, as adopted by the District Board in September 2000, (PSOP) includes the following elements:

1. Re-operations Storage--use of excess capacity in existing Fry-Ark Project Reservoirs to store non-Project water under long-term contracts with Reclamation
2. Enlargement of Pueblo Reservoir and Turquoise Reservoir—up to 75,000 acre-feet of conservation storage added to Pueblo Reservoir (needed by the year 2013), and up to 19,000 acre-feet of conservation storage added to Turquoise Reservoir (needed by the year 2025)
3. Enterprise Water Management Storage—to provide storage for irrigation purposes and for a water bank
4. Long-term Water Quality Monitoring Program—to establish a water-quality baseline so that any potential changes in water quality can be determined and responded to accordingly

5. Pueblo Flow Management Program— a 100 cfs target minimum flow (proposed to be a threshold to reduce or curtail PSOP participant operations) in support of the City of Pueblo's Legacy Project
6. Preserve Capacity for Future Arkansas Valley Conduit—a commitment from all PSOP participants to continue to reserve a portion of the municipal outlet works capacity at Pueblo Dam for the future development of the Arkansas Valley Conduit to serve the domestic water needs of communities in the lower Arkansas River valley in Colorado.
7. Protection of the Winter Water Storage Program—the establishment of a Winter Water Spill Credit Program designed to offset the impacts of any spill of winter-stored water in Pueblo Reservoir.
8. Implementation Committee Report—the Storage Study Committee and the proposed partners in the development of the PSOP developed an Implementation Committee Report to address the details of how the re-operations storage and the enlarged storage would be operated so as to protect the current interests in the Fry-Ark Project

Supporting Studies--The development of the PSOP was truly a local effort to plan for the future water resource needs of southeastern Colorado. In addition to the PSOP itself, the Storage Study Committee studied the many issues surrounding the development of additional water storage. Those studies included:

Hydrologic Analysis Report (March 2000)
Environmental Issues Report (March 2000)
Water Quality Issues Report (June 2000)
Socioeconomic Issues Report (March 2000)
Cultural Resources Issues Report (March 2000)
Permitting and Regulatory Issues Report (March 2000)
Engineering and Cost Issues Report (June 2000)

These supporting studies were not intended to be conclusive. They were designed to identify the many issues that would need to be addressed as the PSOP is implemented. And, H.R. 3881 starts the implementation process for the Preferred Storage Options Plan.

The Need for Federal Legislation—First, it's important to note that H.R. 3881 doesn't authorize the enlargement of Pueblo Reservoir or Turquoise Reservoir. As I'll explain, the legislation only directs Reclamation do feasibility studies of the proposed enlargements. And H.R. 3881 does not ask for a federal appropriation. Local communities will fund the study effort that is being requested.

H. R. 3881 has two main purposes.

The first objective of H.R. 3881 is to better utilize existing capacity in the Fry-Ark Project reservoirs to help meet growing demand for storage. Section 3 of the legislation would authorize the Secretary of Interior to enter into contracts with cities and towns within the District that need to store non-Project water to supply their current and future domestic supply needs. This is Phase I of the District's PSOP referred to as re-operations storage, the goal being to make full use of existing capacity in the Project without interfering with the current entitlements to Project water and storage. These new storage contracts help communities meet their water needs through the year 2013. At that point new storage capacity will need to be developed and that's why we're asking for the enlargement studies.

There is a very important element to this new contract authority established in Section 3. Under subsection (d) of Section 3, entities wanting a re-operations contract from Reclamation must have first agreed to the protections established in the PSOP. Before a contract is executed the contractor must have an agreement in place with the District that commits them to participate in the Long-term Water Quality Monitoring Program, the Pueblo Flow Management Program, the Winter Water Spill Credit Program, and to share in the costs of developing the re-operations contract authority.

I understand that Reclamation may view this approach as a limitation on their discretion to contract with whomever they want, but it's probably the most important piece of this legislation. It protects the other interests in the Fry-Ark Project that are not direct participants in the re-operations contracting. This requirement does not set aside Reclamation's National Environmental Policy Act (NEPA) review process that will be done before executing these storage contracts. Indeed, that process may identify other environmental or recreation issues that will need to be addressed before a contract is executed. The commitments we're asking for are not a requirement on Reclamation. The water users will need to make the commitment to these programs to help protect water quality, fish and wildlife, and recreation interests. To date, the District has executed a memorandum of agreement with eight communities seeking storage contracts from Reclamation totaling 38,300 acre-feet. The commitments to these programs are already in place.

There is precedent in looking to the water districts involved in the Fry-Ark Project before contracts are executed. The Operating Principles of the Project require that Reclamation seek the approval of the Colorado River Water Conservation District before Colorado River water in Ruedi Reservoir (a west slope feature of the Fry-Ark Project) can be contracted to an entity out of the basin. That's an important protection for the Colorado River basin. H.R. 3881 doesn't create the same sort of approval process, but it would require that protections be in place for the Arkansas River basin, as described in the PSOP, before Reclamation executes a "re-operations" contract.

Secondly, Section 2 of the legislation would authorize the Secretary of Interior to study the proposed enlargement of Pueblo Reservoir and Turquoise Reservoir. Both reservoirs are Fry-Ark Project facilities on the east slope. The studies would be done in cooperation with the District and would be funded by the District and the communities that are participants in the PSOP. It's important that these federal-level studies take a closer look at the many issues identified in the District's study process. While the outcome of these studies should not be predetermined, it is essential that the studies consider the District's Preferred Storage Options Plan and the many commitments to water quality, flow protection, and support of agricultural and municipal water supplies that are established in the PSOP. Without these elements--the Long-term Water Quality Monitoring Program, Pueblo Flow Management Program, Winter Water Spill Credit, and preservation of infrastructure for the Arkansas Valley Conduit--the development of additional storage capacity in the basin, through the enlargement of Fry-Ark Project facilities, will not meet the diverse needs of the District's constituents.

In addition to the main goals of maximizing the use of existing storage capacity and planning for future enlargements, H.R. 3881 also provides authority to the Secretary of Interior to execute temporary contracts to facilitate a water bank program in the basin. The Colorado legislature approved the development of a pilot water bank program in the Arkansas basin. Section 9 of the legislation would make it clear that the Fry-Ark Project facilities could be used to support the operation of the water bank.

The legislation also authorizes Reclamation to contract for the use of excess storage capacity by the City of Aurora and Pueblo West. The City of Aurora is not in the Project service area, so their use of the Project storage will at all times be subordinate to the needs of in-District water users. Pueblo West entered the District later than other communities so they are not eligible for a storage contract as described in Section 3, but will be given the option to execute a long-term If and When contract.

Lastly, Section 12 of H.R. 3881 provides protections to the Colorado River basin and the Arkansas River basin. This section of the legislation was negotiated with the Colorado River Water Conservation District and parties in the Arkansas River basin for nearly a year. It assures that the use of excess capacity in the existing storage facilities of the Fry-Ark Project under the new Reclamation contracts will not be used to increase diversions out of the Colorado River basin or the Arkansas River basin without agreements and protections. It allows existing trans-basin diversions to continue so long as new infrastructure is not needed for the diversion. This section of the legislation continues to be discussed among the parties.

Local Commitment to the PSOP and H.R. 3881--At the present time, the District has secured the participation of twenty (20) communities and water providers within the District, representing the 680,000 constituents of the District, for the implementation of the PSOP. These entities have signed agreements with the District requesting 38,300 acre-feet of re-operations contract storage and 69,775 acre-feet of enlargement storage. H.R. 3881 represents the first step in meeting these expectations. In order to meet their growing demands these communities need the ability to contract with Reclamation for the use of excess capacity by the year 2003. And, they need an enlargement of Pueblo Reservoir by the year 2013, and the enlargement of Turquoise Reservoir by the year 2025. This is definitely a long-range plan to provide for the future water needs of rural and urban communities within the Southeastern District.

Building Consensus for the PSOP and Addressing the Issues--Throughout the development of the PSOP and this federal legislation we have identified issues of concern that must be addressed as the PSOP is implemented. Many of those issues relate to recreation at the Fry-Ark Project's reservoirs or on the Arkansas River above and below the reservoirs. Pueblo Reservoir, the Fry-Ark Project's main storage facility (350,000 acre-feet covering 6,000 surface acres), averages over one million visitors each year to the Colorado State Park campgrounds and boating facilities. Most years Pueblo Reservoir is the most-visited state park in Colorado. In addition, the Fry-Ark Project is used to help manage flows in the upper Arkansas River to support fishing and rafting opportunities in the communities of Buena Vista and Salida, Colorado. This flow management effort is called the Upper Arkansas Flow Management Program, and for over ten years it has been a cooperative effort of the Colorado Department of Natural Resources, including State Parks and the Division of Wildlife, the Bureau of Reclamation, the Arkansas River Outfitters Association, local communities in the upper Arkansas, the Southeastern District, and water-right owners from throughout the basin.

Under Reclamation's leadership the Fry-Ark Project has made a tangible commitment to the fish and wildlife and recreation interests within the Arkansas River basin. And, that commitment will continue and be enhanced under the District's preferred Storage Options Plan.

In working with the county commissioners in Lake County we identified the need to consider land-use and recreation issues associated with the Project's Turquoise Reservoir and Twin Lakes Reservoir. At the present time we are drafting an agreement and scope of work with Lake County to cooperatively study alternatives to enhance recreation opportunities in and around the Fry-Ark Project reservoirs that are in their county. We are also hopeful that the feasibility study of the enlargement of Turquoise that's being asked for in H.R. 3881 will address the county's questions regarding the potential impacts to recreation at Turquoise Reservoir when the reservoir is enlarged (not planned for until the year 2025).

The City of Pueblo Issue--Before the PSOP was completed in September of 2000, the District's Storage Study Committee and District staff worked with staff from the City of Pueblo's Planning Department in an effort to consider flow issues below Pueblo Dam through the City of Pueblo. While we were working on our storage plan the City was working on the Arkansas River Legacy Project with the assistance of the Corps of Engineers. We realized that our future plans for additional storage had to work with the City's plan to provide greater recreation opportunities on the river below Pueblo Dam.

The participants in the development of the PSOP agreed to develop a "Pueblo Flow Management Program" that would target a 100 cfs minimum flow below Pueblo Dam and would operate similar to the successful Upper Arkansas Flow Management Program. The commitment to this Pueblo Flow Management Program is included in the District's Preferred Storage Options Plan Report (September 2000), the PSOP Implementation Committee Report (April 2001) and now in H.R. 3881.

As currently written, H.R. 3881, Section 3 (Section 8, d) would require all water users contracting with Reclamation for use of excess capacity in the Fry-Ark Project to sign an agreement with the District committing to "cooperate in a flow management program designed to maintain target minimum flows of 100 cfs on the Arkansas River just below Pueblo Dam..." The PSOP participants have been working with attorneys representing the City of Pueblo over the last several months in an attempt to add details to the flow program and, in response to the City's concerns, have agreed to establish the 100 cfs target flow as set threshold whereby they would reduce or curtail storage operations at times when flows in the river below Pueblo Dam are at or below 100 cfs.

The City has recently filed for a "recreation in-channel diversion" (RICD) water right for 100 cfs during the winter storage period (November 15 to March 14) and 500 cfs during the remainder of the year. That water right is for a city-planned boating course. That RICD water right has the potential to stop any future water development in the lower Arkansas, including making it nearly impossible for communities in the Arkansas Valley to execute future water exchanges of their own water rights through the planned for Arkansas Valley Conduit, a project that is vital to the future of towns like La Junta and Rocky Ford. It would also make it nearly impossible for cities like Fountain to exchange their water into Pueblo Reservoir, which is a must if they are to provide water for their constituents.

The City's recent RICD filing certainly adds a new twist to the discussions on the Pueblo Flow Management Program, but the PSOP participants are committed to seeking a win/win resolution of this issue. That commitment is represented in H.R. 3881 and by our record of performance with the Upper Arkansas Flow Management Program.

I would refer the Subcommittee to the written testimony of the Arkansas River Outfitters Association with whom we've worked very closely for ten years. Cooperation is the key to the success of this program and that same approach has great potential for the Pueblo Flow Management Program.

It's important for the City of Pueblo to understand that the Fry-Ark Project is a regional water supply project that meets the needs of communities throughout the Southeastern District, including Pueblo and at least 20 other cities and towns, as well as farmers in the Arkansas Valley. Through the Board of Water Works of Pueblo the citizens of Pueblo benefit today from the storage and exchange of water into Pueblo Reservoir. The citizens of Pueblo also benefit from the recreation opportunities at Pueblo Reservoir. Those opportunities will be enhanced with the additional storage capacity.

The Board of Water Works of Pueblo currently has a long-term storage contract to use excess capacity in Pueblo Reservoir to store non-project water for the benefits of the citizens of Pueblo. Other communities in the District, whose citizens also pay taxes to repay the Fry-Ark Project construction and O&M costs, want that same opportunity, and that opportunity would be granted to them through H.R. 3881.

The PSOP was designed to be a regional project just like the original Fry-Ark Project. It will benefit communities District-wide, including Pueblo. The Board of Water Works of Pueblo has signed an agreement with the District securing their participation in the future enlargement of Pueblo Reservoir. Based upon that agreement the proposed enlargement would provide Pueblo an additional 5,000 acre-feet of storage to help meet their future demand for water. Again, other communities in the District are working toward the same goal of providing water resources to their citizens.

All the participants in the PSOP process understand that the development of water resources to meet population growth and irrigation needs must work with environmental and recreation needs. And, that is the goal of the PSOP. To the extent we have not fully addressed the concerns of the City of Pueblo regarding recreation below Pueblo Dam or their compliance with their wastewater discharge permit requirements, we will continue to work toward a positive resolution. In fact, the PSOP participants met on March 13 and are prepared to offer another proposal to the City of Pueblo to address their concerns.

The Arkansas River Compact--Throughout the process of developing the PSOP we involved local citizens and organizations through the Storage Study Committee decision-making process. In addition to this committee process, all of our Storage Study Committee meetings were open to the public, and we maintained a mailing list of individuals and entities that had an interest in the outcome of the PSOP. The state of Kansas was included on that mailing list. They had the opportunity to review and comment on our Preferred Storage Options Plan Report, both a draft report and final report. We have also kept the Arkansas River Compact Commission fully informed of our plans.

The PSOP Report considered impacts on flows to the Kansas-Colorado state line as part of the analysis. A computer simulation model of the Fryingpan-Arkansas (Fry-Ark) Project and the proposed storage alternatives was developed to analyze each of the storage alternatives with the projected storage requests. The model includes Fry-Ark Project water and storage facilities, the storage enlargements being proposed, and the existing water rights involved in the storage proposals. Reservoir and streamflow impacts were investigated from the headwaters downstream to the Avondale gage and Lake Meredith, including Fountain Creek. Impacts at the Avondale gage show little variation from historical streamflows. The average annual streamflow is expected to increase zero to two percent over historical streamflows, depending upon the storage scenario. This small change is because streamflow at the Avondale gage is primarily demand driven, and demands downstream of the Avondale gage are not shown to change for future conditions. Based on the modeling results, the hydrologic analysis concluded that there would be no negative hydrologic impacts on state line flows.

In addition, the state of Kansas has previously raised concerns regarding how the PSOP may impact on the Arkansas River Compact. Our understanding of the Arkansas River Compact is that it did not apportion the unusable flows of the Arkansas River Basin. As Article IV. D of the Arkansas River Compact states "the waters of the Arkansas River . . . shall not be materially depleted in usable quantity or availability for use to the water users in Colorado and Kansas under this compact by such future developments or construction." (Emphasis added.) Instead of apportioning unusable flows, the Compact provided that it was not intended to impede or prevent future beneficial development of additional water that was unusable when the Compact was signed and, in fact, Article IV. D expressly approves such development. While the opportunity to develop additional, heretofore unusable waters of the Arkansas River above John Martin Reservoir is very limited, it is not impeded by the Compact. We are not aware of any provision in the Compact that entitles Kansas to a share of the benefits if additional storage in Colorado develops previously unusable flows. While implementation of the PSOP may allow for some development of infrequent storage opportunities for additional water that was unusable when the Compact

was signed, the primary benefit of implementation of the PSOP will be better management of existing supplies.

Most of the water captured by re-operations and enlarged space will be transmountain water and legally reusable consumptive use credits. With that said, it is our intent that any development of additional storage capacity through the PSOP is done in complete compliance with the Arkansas River Compact. And, throughout the federal-level studies requested in H.R. 3881, we expect that Reclamation will continue to involve the state of Kansas and the Arkansas River Compact Commission.

Conclusion— I consider H.R. 3881 to be the most significant water resources legislation for Southeastern Colorado since the authorization of the Fryingpan-Arkansas in 1962. The Fry-Ark Project was designed and built to meet the year 2000 water demands in the Arkansas River basin in Colorado. Community leaders from throughout the basin worked together to create the vision for the Fry-Ark Project. Their vision has certainly paid off, but it wouldn't have been accomplished without a lot of cooperation and compromise that followed the 1962 Act of Congress.

The communities in southeastern Colorado have again come together to plan for their future water resource needs. This time the target is the year 2040. Again we need the expertise and cooperation of the Bureau of Reclamation, and we're again asking Congress to get us started by passing legislation, H.R. 3881. Like before there will be a need for cooperation and compromise as our plans move forward. But, we can't continue the process without the blessing of Congress.

Today, I'm asking that the members of the House Resources Water and Power Subcommittee support H.R. 3881. It will help southeastern Colorado continue the local initiative to prepare for our future. Thank you.

Respectfully submitted,

Steve Arveschoug
General Manager
Southeastern Colorado Water Conservancy District
Pueblo, Colorado

LAW OFFICES OF
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August 22, 2002

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Pueblo, CO 81008

Re: Pueblo Conservancy District/Legacy Project

Dear Gus, Pat and Kathy:

I am enclosing in each of your copies of this letter, a copy of Steve Arveschoug's Testimony before the House of Representatives Resources Committee, Water and Power Subcommittee. The testimony was given March 19, 2002. It seems to me that the point Steve is trying to make in this testimony is that H.R. 3881 is a regional compromise among all of the water users in Southeastern Colorado. He makes the point on Page 9 in the second to the last paragraph that the water right the City of Pueblo is claiming for recreational purposes "has the potential to stop any future water development in the lower Arkansas, including making it nearly impossible for communities in the Arkansas Valley to execute future water exchanges of their own water rights through the planned for Arkansas Valley Conduit, a project that is vital to the future of towns like La Junta and Rocky Ford."

At the presentation made by the City of Pueblo to the Board on August 20th, note was made of the fact that the recreational water right the City is claiming will impact senior water rights stored in the Pueblo Reservoir. I am wondering whether or not that was a reference to what Steve was talking about. Perhaps mandating the flow for recreational purposes to the City of Pueblo would jeopardize Rocky Ford and La Junta from controlling their water and allowing it to be discharged from the reservoir when they called for it as opposed to having to take the water as the City called for the discharge to meet the minimum flow requirement.

In any case, I thought I would bring this to your attention in an effort to make you as informed as possible.

This office has spent considerable time in trying to understand and analyze this water issue and how it affects the Southeastern Colorado Water Conservancy District and the general public. Conservatively, we have spent approximately 15 hours of time on this issue. I would like to request the Directors to consider allowing us to submit a supplemental bill for that time based on a reduced hourly rate of \$150.00 per hour. I will not submit the bill unless you concur it is appropriate.

Very truly yours,

A handwritten signature in black ink, appearing to be 'D. Banner', with a stylized, cursive-like flourish at the end.

Donald J. Banner

DJB/tr

Enclosure



McPherson,
Breyfogle,
Daveline &
Goodrich, PC
Certified Public Accountants

740 Thatcher Building
P. O. BOX 918
Pueblo, CO 81002-0918
Phone (719) 543-0516
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ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Pueblo Conservancy District
Pueblo, Colorado

We have compiled the accompanying balance sheet -general fund only of The Pueblo Conservancy District as of August 31, 2002 and December 31, 2001, and the related comparative statement of revenue and expenditures – actual and budget – general fund for the one month and eight months ended August 31, 2002, and the twelve months ended December 31, 2001, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

McPherson, Breyfogle, Daveline & Goodrich PC

September 10, 2002

PUEBLO CONSERVANCY DISTRICT
BALANCE SHEET - GENERAL FUND ONLY
AUGUST 31, 2002 AND DECEMBER 31, 2001

	<u>8/31/02</u>	<u>12/31/01</u>
ASSETS		
VECTRA BANK CHECKING	\$ 6,701	\$ 5
VECTRA BANK MONEY MARKET	2,053	5,479
BROKERAGE MONEY MARKET ACCOUNTS	18,277	190,501
VECTRA BANK CERTIFICATE OF DEPOSITS	356,331	349,875
FNB COLORADO CERTIFICATE OF DEPOSIT	106,000	100,000
COLOTRUST INVESTMENT	200,000	150,000
DAIN RAUCHER INVESTMENT	-	100,375
FIRST UNION INVESTMENT	206,251	207,035
PIPER JAFFRAY INVESTMENT	276,207	52,905
ACCRUED INTEREST	16,807	16,807
DUE FROM OTHER ENTITIES	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 1,188,627</u>	 <u>\$ 1,172,982</u>
 LIABILITIES AND FUND EQUITY		
ACCOUNTS PAYABLE	\$ -	\$ 265
PAYROLL TAXES PAYABLE	<u>83</u>	<u>82</u>
 TOTAL LIABILITIES	 <u>83</u>	 <u>347</u>
 RESERVE FOR EMERGENCIES	 6,000	 6,000
DESIGNATED FOR SUBSEQUENT YEAR'S EXPENDITURES	96,840	96,840
UNDESIGNATED	<u>1,085,704</u>	<u>1,069,795</u>
 TOTAL FUND EQUITY	 <u>1,188,544</u>	 <u>1,172,635</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 1,188,627</u>	 <u>\$ 1,172,982</u>

SEE ACCOUNTANTS' COMPILATION REPORT

PUEBLO CONSERVANCY DISTRICT
COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES -
ACTUAL AND BUDGET - GENERAL FUND
FOR THE ONE AND EIGHT MONTHS ENDED AUGUST 31, 2002
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2001

	ACTUAL				
	CURRENT MONTH	YEAR TO DATE	2002 BUDGET	UNUSED BUDGET	2001 ACTUAL
REVENUES					
INTEREST INCOME					
CERTIFICATES OF DEPOSIT	\$ 3,878	\$ 19,935	\$ 30,000	\$ 10,065	\$ 31,491
COLOTRUST	569	2,282	8,000	5,718	7,009
MONEY MARKET ACCOUNTS	19	397	4,000	3,603	2,819
DAIN RAUCHER	-	3,125	12,000	8,875	12,375
FIRST UNION	3,000	9,674	12,000	2,326	12,313
PIPER JAFFRAY	1,270	5,259	6,000	741	4,766
UNREALIZED GAINS (LOSSES)	3,323	2,658	3,000	342	3,302
TOTAL INTEREST INCOME	12,059	43,330	75,000	31,670	74,075
LEASE PAYMENTS	-	-	250	250	-
OTHER INCOME	-	-	-	-	-
TOTAL REVENUES	\$ 12,059	\$ 43,330	\$ 75,250	\$ 31,920	\$ 74,075
EXPENDITURES					
80 LEGAL FEES	\$ 300	\$ 2,400	\$ 3,600	\$ 1,200	\$ 3,600
81 DIRECTORS FEES	180	1,620	3,000	1,380	2,160
82 FICA TAXES	-	41	240	199	164
83 ENGINEER/ADMINISTRATIVE	400	3,200	4,800	1,600	4,800
90 AUDIT & BOOKKEEPING	200	1,400	2,100	700	2,100
92 INSURANCE/BONDS	-	1,878	500	(1,378)	1,896
96 OFFICE EXPENSE	-	218	650	432	262
97 OFFICE RENT	100	800	1,200	400	1,200
100 PROFESSIONAL FEES	430	9,735	5,000	(4,735)	4,103
103 TRAVEL	-	-	500	500	346
105 REPAIRS & MAINTENANCE	90	6,129	25,000	18,871	19,688
108 CONTINGENCIES	-	-	500	500	-
109 EMERGENCY REPAIR	-	-	20,000	20,000	-
110 CAPITAL IMPROVEMENTS	-	-	25,000	25,000	-
111 PLANNING & DEVELOPMENT	-	-	25,000	25,000	-
112 HARP - O & M	-	-	55,000	55,000	50,000
TOTAL EXPENDITURES	1,700	27,421	172,090	144,669	90,319
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 10,359	\$ 15,909	\$ (96,840)	\$ (112,749)	\$ (16,244)

SEE ACCOUNTANTS' COMPILATION REPORT

Marketing Options for Book

- 1) Board of Water Works
- 2) Mailing list from HARP Foundation and HARP Authorities (maybe they can ~~buy~~—buy to give to big donors or possible developers)
- 3) Hastings on consignment (sell to them for approximately \$14.95 per book)
- 4) Barnes & Noble (sell to them for \$11.97—40% purchase discount)—for local sales, they have a program through the Greater Pueblo Chamber of Commerce
- 5) Amazon.com web site (55% purchase discount—approximately \$10)
- 6) Hook onto GPCC, Latino Chamber, HARP Authority web sites
- 7) Vera's shop on Union
- 8) The Bookery (maybe they can ship for us)
- 9) Press releases to local papers
- 10) Book available for sale at Chamber
- 11) Contract with someone to sell book at HARP/Union Avenue "events"