

GUADALUPE-BLANCO RIVER AUTHORITY

Minutes of the Board of Directors

The Board of Directors of the Guadalupe-Blanco River Authority met in a regular monthly meeting on May 18, 2011, at the GBRA River Annex Board Room, 905 Nolan, Seguin, Guadalupe County, Texas. Directors present were Grace G. Kunde, Oscar H. Fogle, Frank J. Pagel, James L. Powers, Robert "Rusty" Brockman, Dennis L. Patillo, and Tommy Mathews. Directors Arlene N. Marshall and Myrna P. McLeroy were absent. Also present were W. E. West, Jr., General Manager; James Lee Murphy, Executive Manager of Water Resources and Utility Operations; Alvin Schuerg, Executive Manager of Finance and Administration; Todd Votteler, Executive Manager of Intergovernmental Relations and Policy; Bruce Wasinger, General Counsel; David Welsch, Executive Manager of Business Development and Resource Management; Gary Asbury, Project Manager; Debbie Magin, Director of Water Quality Services; Tommy Hill, Chief Engineer; Bryan Serold, Operations Manager-Lower Basin; John Smith, Operations Manager-Upper Basin; LaMarriol Smith, Manager of Communication and Education; Cricket Dietert, Executive Assistant to the General Manager; Connie Rothe, Board Relations Assistant; Daphne Harder, Administrative Services Assistant; Sandra Terry, Accountant; Tammy Beutnagel, Public Communications Assistant; Leigh Crettenden, Web Master; Darel Ball, Division Manager-Hays/Caldwell; Steve Jester, Executive Director representing the Guadalupe-Blanco River Trust; Tommie Streeter-Rhoad, Executive Director representing the San Antonio Bay Foundation; Jaynellen Ladd, Natural Resource Specialist; Roger Nevola, legal counsel; Jim Dublin

representing Dublin and Associates; David Engel representing Engel and Associates; Sergio Aleman graduate from Seguin High School; Allyssa Castillo graduate from San Marcos High School; Adolfo Gonzalez graduate from San Marcos High School; Kori Kappelmann graduate from Marion High School; Ashley Terry graduate from Seguin High School; Calvin Finch representing San Antonio Water System; Alan Thompson representing Klotz Associates; Mike Morrison representing Freese and Nichols; Ramon Salazar representing KBR; Greg Bowen representing the New Braunfels Herald-Zietung; Shirley Jo Ross representing Camp, Dresser, and McKee; Brad Rollins representing the Hays County Free Press; Greg Terry from Seguin; Neddie and Rick Galvez from San Marcos; and Melanie and James Kappelmann from Marion.

Chair Kunde called the meeting to order at 10:05 a.m., and took note of the certifications presented that notice of the meeting had been properly posted in the office of the Secretary of State, in the Guadalupe County Courthouse, and at the GBRA main office and river annex in Seguin, Texas, pursuant to Title 5, Chapter 551 of the Texas Government Code. A quorum being present, the following proceedings were had:

Director Brockman led the Pledge of Allegiance to the United States flag and Texas flag.

In the absence of Secretary-Treasurer Marshall, the Chair appointed Director Powers to serve as Secretary Pro-Tem for the meeting.

The Chair called for comments from the public. There were no comments from the public at this time.

The Chair called for **Chair Item 1 - Consideration of and possible action authorizing the expenditure of funds for Directors and staff to attend the Texas Water Conservation Association Mid-Year Conference June 15-17, 2011, at Moody Gardens Hotel in Galveston, Texas.** Upon motion by Director Powers, seconded by Director Mathews, the Board unanimously approved expenditure of funds for Directors and staff to attend the Texas Water Conservation Association Mid-Year Conference in Galveston, Texas.

Next, the Chair called for **Chair Item 2 - Consideration of and possible action accepting Board of Directors' Committee assignments.** Upon motion by Director Powers, seconded by Director Mathews, the Board unanimously accepted the Committee assignments. A copy of the Committee assignments is attached and made a part of these minutes.

The Chair then called for **Chair Item 3 - Consideration of and possible action changing the June 15, 2011 Board Meeting to June 22, 2011 and to be held at Chisholm Trail Heritage Museum in Cuero, Texas.** Upon motion by Director Powers, seconded by Director Mathews, the Board unanimously approved changing the June Board meeting date and location to June 22, 2011, in Cuero, Texas.

The Chair called for **Chair Item 4 - Consideration of and possible action authorizing the nomination of W. E. West, Jr., General Manager of the Guadalupe-Blanco River Authority, to serve as a voting member on the South Central Texas Regional Water Planning Group.** Upon motion by Director Powers, seconded by Director Mathews, the Board unanimously authorized the nomination of General

Manager West to serve as a voting member on the South Central Texas Regional Water Planning Group.

Next, the Chair called for **Consent Item 5 - Consideration of and possible action approving the April 20, 2011, Board meeting minutes; Consent Item 6 - Consideration of and possible action approving the monthly financial report for April 2011; Consent Item 7 - Consideration of and possible action approving the monthly operations report for April 2011; and Consent Item 8 - Consideration of and possible action approving Directors' expense vouchers.** Upon motion by Director Powers, seconded by Director Fogle, the Board unanimously approved Consent Items 5, 6, 7, and 8.

The Chair then called for **General Manager Item 9 - Discussion of the Executive Reports addressing matters relating to safety, utility operations including the development of emergency response plans for downstream of Coletto Creek Dam, activation of the saltwater barrier, water resource operations, engineering, coordination with the U.S. Army Corps of Engineers regarding Canyon Reservoir operations, Nueces Recharge Study, the seasonal deviation study for Canyon Reservoir and Cibolo Watershed Study, attendance at SB 3 BBEST and BBASC meetings, construction management including the regional raw water pipeline capacity improvements including completion of hydraulic testing, Canyon Park Estate Wastewater Treatment Plant is operational, Clean Rivers Program, activities including the review of the draft Basin Highlights Report, Plum Creek Project activities, Operations including posting of GBRA**

Security Policy, Geronimo Creek Watershed Protection Plan activities, Environmental Flows Project activities, River Network Project activities, water quality (general), Economic and Community Development activities, events and projects, Water and Wastewater Services activities including Bulverde area regional wastewater activities, possible transfer of wastewater operations to Wimberley, completion of Kendall County Water and Wastewater Planning Study, Rural Utilities - Dunlap wastewater service area activities, Mid-Basin water supply, Tri-Community Water Supply Corporation water supply matters, Resource Protection activities including lake management and removal of debris caused by floods, Canyon Lake operations, Plum Creek Watershed Protection, brush control, water strategies, Gonzales area flood warning matters, information technology, human resources, budget activities, accounting and finance. James Murphy briefed the Board on GBRA operation and engineering activities. Mr. Murphy also discussed Senate Bill 3 BBEST and BBASC meetings. David Welsch briefed the Board on water quality, regional laboratory, economic and community development, and business development activities. Alvin Schuerg briefed the Board on finance, human resource, and information technology activities. Mr. Schuerg also briefed the Board on the financial statements executive summary for the period ending April 30, 2011.

The Chair called for **Action Item 10 - Consideration of and possible action authorizing the General Manager to negotiate and execute an agreement for the exclusive right to evaluate and to negotiate the terms and conditions to purchase or lease water rights located in Comal County, Texas.** Bruce Wasinger briefed the

Board on the purchase or lease of water rights located in Comal County. The Huaco Springs Ranch Trust and Robert T. Pfeuffer (collectively the "Owner") own property in Comal County which has several springs (collectively "Huaco Springs") located thereon. During the State's water rights adjudication of the lower Guadalupe River segment, it was held that all water flowing from the two springs located on Owner's property was Owner's private water. The Owner is interested in selling or leasing Owner's legal and equitable rights to the water rights associated with Huaco Springs. The proposed agreement would give GBRA an exclusive right for 180 days to evaluate Huaco Springs and to negotiate the terms of either a purchase or lease of the Huaco Springs water rights. If the parties negotiate terms and conditions for purchase or lease of the Huaco Springs water rights, any such agreement will be subject to the Board's review and final approval. Upon motion by Director Fogle, seconded by Director Powers, the Board unanimously authorized the General Manager to negotiate and execute an agreement for the exclusive right to evaluate and to negotiate the terms and conditions to purchase or lease water rights located in Comal County, Texas.

Next, the Chair called for **Action Item 11 - Consideration of and possible action approving amendments to GBRA's Drought Contingency Plan.** Bruce Wasinger briefed the Board on amendments to the Drought Contingency Plan. Under GBRA's current Drought Contingency Plan, approved by the GBRA Board in 2009, in order for the Board to declare a drought worse than the drought of record three conditions must be met simultaneously. The conditions are the drought at least thirty-six (36) months (36 months since Canyon Reservoir was last full-elevation 909 feet

msl); the cumulative inflow deficit since the beginning of the drought exceeds the envelope curve for cumulative inflow deficits by at least five percent (5%) for six consecutive months; and the storage of Canyon Reservoir is less than elevation 885 feet msl (213,386 acre-feet or approximately fifty-six percent (56%) full). During the most recent severe drought which began in April 2008 (Canyon Reservoir was full at elevation 909 feet msl), GBRA experienced a significant drawdown of Canyon Reservoir to its all-time low of 892.70 feet msl on September 8, 2009. Canyon Reservoir went from being full to an all-time low within seventeen (17) months. If the drought had continued at the same level of severity, two of the three (3) conditions to declare a drought worse than the drought of record would have been met long before the thirty-six (36) month drought criteria. In order to address future droughts which could be as severe or more severe, the proposed amendment to the Plan is to reduce the thirty-six (36) month period to twenty-four (24) months. This will allow the Board to declare a drought worse than the drought of record earlier which will in turn allow the General Manager to initiate earlier the allocation of water supplies on a pro rata basis in accordance with state law. GBRA's ability to better manage and conserve water supplies during emergency water shortage conditions will be enhanced by the proposed amendment. Upon motion by Director Mathews, seconded by Director Brockman, the Board unanimously approved the Amendments to GBRA's Drought Contingency Plan. A copy of the amended Drought Contingency Plan is attached and made a part of these minutes.

The Chair then called for **Action Item 12 - Consideration of and possible action authorizing the General Manager to negotiate and execute a third extension of the Reservation Agreement between GBRA and Exelon Generation Company, LLC.** Bruce Wasinger briefed the Board on the third extension of the Reservation Agreement between GBRA and Exelon Generation Company. In 2007 GBRA and Exelon entered into a Reservation Agreement wherein GBRA agreed to reserve for Exelon a water supply of not to exceed 75,000 acre-feet of water per year at a certain point of take from the “Main Canal” of the “GBRA Water System” located in Calhoun County, Texas. The term of the Reservation Agreement has been extended twice and currently expires on December 31, 2013. Exelon is in the process of seeking an Early Site Permit (“ESP”) for its Victoria County site from the United States Nuclear Regulatory Commission (“NRC”) in lieu of initially obtaining a combined construction permit and operating license for their proposed nuclear power plant as anticipated in the Reservation Agreement. Exelon believes that the ESP application process with the NRC is unlikely to be concluded before December 31, 2013 which is the current expiration date of the Reservation Agreement. Exelon is requesting that the Reservation Agreement be extended for an additional year to December 31, 2014. The reservation charge for the one year extension would be \$75,000 which is consistent with the reservation charges currently being paid to GBRA. Upon motion by Director Patillo, seconded by Director Powers, the Board unanimously authorized the General Manager to negotiate and execute a third extension of the Reservation Agreement between

GBRA and Exelon Generation Company, LLC. A copy of the third extension of the Reservation Agreement is attached and made a part of these minutes.

The Chair called for **Action Item 13 - Consideration of and possible action authorizing the General Manager to negotiate and enter into a contract with the lowest qualified bidder for the Dunlap Dam Spillgate Timber and Steel Replacement Project.** David Welsch made a presentation to the Board on the history and operation of GBRA's hydroelectric dams that were built in the late 1920's and early 1930's. The dams, which are eighty plus years old, were built to provide hydroelectric power production and do not provide flood protection. James Murphy briefed the Board on a meeting with the Dunlap Homeowners Association and the time schedule for the spillgate project. Freese and Nichols worked with GBRA staff and prepared a schedule for repairing all the gates on the six hydroelectric dams. Bid documents and specifications were developed and properly advertised. Six bids were received and publicly opened May 3, 2011, from the following firms:

MAC, Inc.	\$155,600.00
JSR, Inc.	\$172,392.93
A.G. Irvin Steel Erectors, Inc.	\$216,990.00
KIVA, Inc.	\$251,000.00
Holloman Corporation	\$285,436.00
Archer Western Construction, Inc.	\$343,680.00

The Dunlap spillgates repairs are part of a long term plan to perform maintenance on the steel and timbers on each of the six Guadalupe Valley Electric division's dams. Upon motion by Director Brockman, seconded by Director Powers, the Board unanimously authorized the General Manager to negotiate and enter into a contract for

\$155,600.00, with MAC, Inc., the lowest qualified bidder for the Dunlap Dam Spillgate Timber and Steel Replacement Project.

The Chair recessed the meeting at 11:15 a.m. The Chair reconvened in open meeting at 11:30 a.m.

Next, the Chair called for **Discussion Item 14 - Discussion regarding the activities and transactions of the Edwards Aquifer Authority, South Central Texas Water Advisory Committee, and the Guadalupe Basin Coalition.** Todd Votteler briefed the Board on activities of the Edwards Aquifer Recovery Implementation Program as well as meetings and activities of the Edwards Aquifer Authority. Discussion was also had regarding meetings of the South Central Texas Regional Water Advisory Committee and the Guadalupe Basin Coalition.

The Chair called for the **Presentation of 2011 annual GBRA Scholarships.** Connie Rothe introduced the 2011 GBRA Scholarship recipients Sergio Aleman graduating from Seguin High School, Allyssa Castillo graduating from San Marcos High School, Adolfo Gonzalez graduating from San Marcos High School, Kori Kappelmann graduating from Marion High School, and Ashley Terry graduating from Seguin High School and daughter of GBRA employee Sandra Terry.

The Chair then called for **Discussion Item 15 - Discussion regarding the activities and transactions of the Guadalupe-Blanco River Trust, the San Antonio Bay Foundation, and the Gorge Preservation Society.** Tommie Streeter-Rhoad briefed the Board regarding activities of the San Antonio Bay Foundation. The Board was informed on the purchase of a boat, named "The Pearl", for the Foundation. Steve

Jester and Tommie Rhoad also briefed the Board on project idea(s) that the Guadalupe-Blanco River Trust and the San Antonio Bay Foundation will be submitting to the Natural Resource Damage Assessment Program (NRDA Program). The NRDA Program will have grant funds for projects as a result of an environmental damage settlement from the oil spill on the Deep Water Horizon.

The Chair called for **Discussion Item 16 - Discussion regarding Base Flow Report, Water Quality Index, and condition of the Guadalupe Basin.** The reports were discussed with the Board. Tommy Hill briefed the Board on the Comal Springs level, elevation of Canyon Reservoir, rainfall events, and the U. S. Drought Monitor Seasonal Outlook. Mr. Hill also briefed the Board on the U. S. Army Corps of Engineers projection of the inundation of homes and land due to flood conditions on the Mississippi River.

General Manager W. E. West, Jr. joined the meeting at this time.

Next, the Chair called for **Discussion Item 17 - Discussion regarding local, State and national water planning and water resource issues.** General Manager West briefed the Board on a draft report "Current and Projected Water Use in the Texas Mining and Oil and Gas Industry" prepared for the Texas Water Development Board by the University of Texas Bureau of Economic Geology. The Board was also briefed on recent hydraulic fracturing litigation in Texas. General Manager West informed the Board that a presentation regarding hydraulic fracturing will be presented at the June Board meeting. Discussion was also had regarding the 82nd Legislative Session.

The Chair recessed the open meeting at 12:24 p.m. The Chair closed the open meeting and convened the meeting in executive session at 1:00 p.m. The open meeting reconvened in open session at 1:59 p.m.

There being no further business to be brought before the Board, the meeting was adjourned at 2:08 p.m. subject to call by the Chair.

Chair

Secretary Pro-Tem