



NORTH AMERICA

2010 Annual Report

**Nestlé Waters North America Inc.
Chaffee County 1041 Permit**

**Submitted
March 1, 2011**

Rec'd 3/1/11

TABLE OF CONTENTS

CERTIFICATION OF REPORT

| | |
|---|----|
| 1.0 INTRODUCTION..... | 5 |
| 2.0 COMPLIANCE WITH 1041 PERMIT CONDITIONS | 5 |
| 2.4.1 Scope of Permit..... | 5 |
| 2.4.2 Technical Revision or Permit Amendment..... | 5 |
| TR#1: Truck Loading Facility (TLF) – Office Space and Parking Space..... | 5 |
| TR#2: Pipeline Size Reduction and Pipeline Realignment | 6 |
| TR#3: Pipeline Realignment on Gunsmoke Property | 6 |
| TR#4: Construction of a Water Discharge Pipeline to Bray Ditch | 6 |
| TR#5: Installation of Pipeline Sleeve under County Road 301 | 6 |
| TR#6: Water Discharge Pipeline to Arkansas River Outfall..... | 6 |
| TR#7: Alternative Truck and Tanker Size..... | 7 |
| TR#8: Modifications to Production Well (RMBH3) Configuration..... | 7 |
| TR#9: Tanker and Driver Parking at Truck Loading Facility | 8 |
| PA#1: Alternative River Crossing | 8 |
| 2.4.3 Dispute Resolution | 8 |
| 2.4.4 Term of Permit..... | 8 |
| 2.4.5 Commencement of Project | 9 |
| 2.4.6 Transfer of Permit..... | 9 |
| 2.4.7 Permit Violation | 9 |
| 2.4.8 Annual Reporting..... | 9 |
| 2.4.9 Hagen Exception | 9 |
| 2.4.10 Financial Security | 9 |
| 2.4.11 Compliance with Other Permits | 9 |
| 2.4.12 Cost Reimbursement Fund and Application Review Costs | 10 |
| 2.4.13 Bighorn Springs Land Management Plan | 11 |
| 2.4.14 Ruby Mountain Land Management Plan..... | 12 |
| 2.4.15 Hatchery Restoration..... | 12 |
| 2.4.16 Wetlands and Groundwater Monitoring and Mitigation Plan..... | 13 |
| 2.4.17 Endowment and Annual Programmatic Contributions..... | 14 |
| 2.4.18 Right-of-Way | 17 |
| 2.4.19 Wildlife Friendly Fencing | 18 |
| 2.4.20 River Wade Fishing on Bighorn and Ruby Mountain Springs Parcels..... | 18 |
| 2.4.21 Fishing Access on Bighorn Springs Parcel | 18 |
| 2.4.22 Pipeline Requirements | 18 |
| 2.4.23 Buildings and Structures..... | 19 |
| 2.4.24 Construction Conditions Imposed by Special Land Use Permit | 19 |
| 2.4.25 Local Construction Jobs and Local Purchasing | 20 |
| Construction Contractors | 20 |
| Professional Service Contractors..... | 20 |
| Material and Equipment Purchases | 20 |
| NWNNA's Other Local Spending..... | 21 |
| NWNNA's Taxes Paid | 21 |
| 2.4.26 Local Drivers | 21 |

| | | |
|--------|--|----|
| 2.4.27 | Project Impacts Related to Well Pumping..... | 22 |
| 2.4.28 | Augmentation Water Source Restrictions | 22 |
| 2.4.29 | Limitation on Project Depletions | 22 |
| 2.4.30 | Approved SWSP or Augmentation Plan Required | 22 |
| 2.4.31 | Augmentation Water Delivery Restrictions..... | 23 |
| 2.4.32 | Mitigation of Increased Demand on Augmentation Water Source | 23 |
| 2.4.33 | Pumping Well Operational Restrictions..... | 23 |
| 2.4.34 | Construction of Pumping Wells..... | 24 |
| 2.4.35 | Surface Water Flow Measurements..... | 24 |
| 2.4.36 | Suspension of Pumping - Adverse Effects on Reconstructed Wetlands..... | 24 |
| 2.4.37 | Inclusion of Reconstructed Wetlands in SWSP or Augmentation Plan..... | 25 |
| 2.4.38 | Cessation of Diversions Upon Termination of Aurora Lease..... | 25 |
| 2.4.39 | Restrictions on Acquisition of Additional Water Rights in County | 25 |
| 2.4.40 | Water Rights Filing and Administration Costs | 25 |
| 2.4.41 | Trout Creek Pass Improvements Lobbying..... | 26 |
| 2.4.42 | Limits on Truck Traffic | 26 |
| 2.4.43 | Emission Standards..... | 26 |
| 2.4.44 | No Idling During Loading | 26 |
| 2.4.45 | Emergency River Access..... | 26 |
| 2.4.46 | River Crossing Revegetation | 27 |
| 2.4.47 | River Crossing Construction Plans | 27 |
| 2.4.48 | Army Corps of Engineers..... | 27 |
| 2.4.49 | Town Water Pipeline | 28 |

LIST OF EXHIBITS:

EXHIBIT 1 – RMBH3 water-level Constraint memo

EXHIBIT 2 – NWNA 2010 Grazing Management Plan

EXHIBIT 3 – 2010 Monitoring Report Ruby Mountain Springs Chaffee County, Colorado

EXHIBIT 4 – NWNA 2010 Bighorn Springs Wetlands Monitoring Report

EXHIBIT 5 – NWNA 2010 Ruby Mountain Springs Project Expenses

CERTIFICATION OF ANNUAL REPORT

NWNA is pleased to submit its 1041 Permit Annual Report for 2010 to Chaffee County, and by signing below, I certify that the information contained herein represents NWNA's activities in Chaffee County and demonstrates NWNA's compliance with its Permits in 2010. If the County needs clarification of the information presented herein, or additional information to meet compliance with the 1041 Permit Condition for Annual Reporting, please contact me.

Sincerely,



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1.0 INTRODUCTION

Nestle Waters North America (NWNA) applied to Chaffee County (County) for a 1041 Permit and Special Land Use Permit (Permits) in November 2008 to construct and operate a spring water withdrawal and transport project (Project) at the Ruby Mountain Springs in Chaffee County. The County granted approval of NWNA's Permits on September 23, 2009. In accordance with Section 4.8 of the 1041 Permit, NWNA must submit an Annual Report to Chaffee County regarding its compliance with its Permits as well as its operations and activities in Chaffee County.

This report covers NWNA's operations and activities from January 1 through December 31, 2010, (Report Period). For continuity, this 2010 Annual Report may contain information addressing NWNA's compliance with all requirements specified in the Permits for the Reporting Period as well as up through the date of this report.

2.0 COMPLIANCE WITH 1041 PERMIT CONDITIONS

NWNA presents this annual report in accordance with recommendations of County staff made in the review letter dated April 7, 2010 regarding the content and format of annual reports submitted subsequent to NWNA's initial (2009) Annual Report. NWNA's 2010 activities and compliance with 1041 permit conditions are presented subsequently being organized by condition number (e.g. Section 4.1) as presented in Chaffee County Resolution 2009-42 and as amended by Resolution 2010-20.

2.4.1 Scope of Permit

Condition is County proviso. No submittal is required.

2.4.2 Technical Revision or Permit Amendment

According to NWNA's 1041 Permit Section 5.1, NWNA may seek and be granted by the County Technical Revisions to its Permits and permit conditions if certain provisions in permit Section 5 are met. Additionally, according to Section 5.2 NWNA may seek and be granted by the County an amendment to its Permits if provisions within Section 5 are met. NWNA applied for and received approval for nine (9) Technical Revisions to its original 1041 Permit and one (1) Permit Amendment subsequent to initial issuance of NWNA's Permits granted by Resolutions 2009-42 and 2009-43.

NWNA has received the following Technical Revisions:

TR#1: Truck Loading Facility (TLF) – Office Space and Parking Space

NWNA applied for modification of the floor-plan of the TLF to provide an office space for a locally-based NWNA employee and associated on-site parking.

The County approved this Technical Revision on November 3, 2009. The TLF has since been constructed in accordance with this revision.

TR#2: Pipeline Size Reduction and Pipeline Realignment

NWNA applied for reduction of its water transmission pipeline from 8" (O.D.) to 6" (O.D.) based on final engineering calculations. NWNA also requested minor realignments of the pipeline along some segments between the Ruby Mountain Springs Parcel and the TLF because: (1) the Project no longer included pumping at the Bighorn Springs; and (2) the pipeline would be afforded more protection within easements on private property as opposed to within County Road Right of Way (ROW) and within the Union Pacific Railroad ROW.

The County approved this Technical Revision on February 23, 2010. The pipeline has since been constructed in accordance with this revision.

TR#3: Pipeline Realignment on Gunsmoke Property

NWNA applied for a minor realignment of its pipeline on the Gunsmoke property to accommodate the realignment of NWNA's pipeline due to the alternate river crossing alignment, the addition of the Town of Buena Vista's water main at the river crossing, and to minimize impact to the private owner's commercial utility of the Gunsmoke property.

The County approved this Technical Revision on March 10, 2010. The pipeline has since been constructed in accordance with this revision.

TR#4: Construction of a Water Discharge Pipeline to Bray Ditch

NWNA applied to the County to construct a spring-water discharge pipeline that would transmit spring water from the TLF back across the Arkansas River through NWNA's crossing sleeve to discharge to the Bray Irrigation Ditch. This discharge pipeline was sought by NWNA in order to keep NWNA's pipeline from the Ruby Mountain Springs to the TLF operational even when NWNA was not transporting water to its Denver Bottling plant in order to maintain sanitary conditions of the pipeline and associated infrastructure.

The County approved this Technical Revision April 5, 2010. NWNA did not ultimately pursue this Technical Revision, since a final agreement between NWNA and the owner of the Bray Ditch was never finalized.

TR#5: Installation of Pipeline Sleeve under County Road 301

NWNA applied to construct a 12" diameter sleeve at NWNA's pipeline crossing at County Road 301 in order to expedite construction of the County road crossing and to minimize any lane closures of CR 301 during installation of the pipeline.

The County approved this Technical Revision on April 23, 2010. The pipeline has since been constructed in accordance with this revision.

TR#6: Water Discharge Pipeline to Arkansas River Outfall

NWNA applied to the County to construct a spring-water discharge pipeline that would transmit spring water from the TLF back across the Arkansas River

through NWNA's crossing sleeve to discharge to a protected outfall on the east bank of the Arkansas River. This discharge pipeline was sought by NWNA in order to keep NWNA's pipeline from the Ruby Mountain Springs to the TLF operational even when NWNA was not transporting water to its Denver Bottling plant in order to maintain sanitary conditions of the pipeline and associated infrastructure.

The County approved this Technical Revision on June 14, 2010. The discharge pipeline has since been constructed in accordance with this revision.

TR#7: Alternative Truck and Tanker Size

In order to increase efficiency and to reduce total number of truck trips between Chaffee County and Denver, NWNA applied to the County to allow for use of an alternative tractor and tanker size. The proposed change potentially allows for 2,600 fewer truck trips annually. The proposed alternative configuration utilizes a 500 horsepower tractor and an 8,200 gallon tanker, versus the previously-approved 450 hp tractor with a 6,500 gallon tanker.

The County approved this Technical Revision on June 23, 2010. Since beginning operations in 2010, NWNA has employed both allowed tractor-tanker configurations in its water transport to the Denver plant.

TR#8: Modifications to Production Well (RMBH3) Configuration

Based on production pumping of the existing RMBH2 well, NWNA recognized that the well does not provide optimum performance. Therefore NWNA requested certain modifications of the configuration for the proposed new production well RMBH3 and the alternative to use the latter well as its primary production well. The requested modifications included: a larger casing diameter to allow for installation of water quality sampling instrumentation, a shorter screen interval to allow for a deeper pump placement to provide better pump cooling. NWNA did not request changes to County-imposed water-level pumping constraints. Therefore, regardless of pump placement, the minimum allowable water level in RMBH3 is equivalent to that of RMBH2.

Additionally, NWNA applied for a minor increase in the size of the RMBH3 wellhouse to accommodate additional water quality sampling and measurement equipment and process equipment for pipeline sanitation.

The County approved this Technical Revision on August 18, 2010. NWNA has since constructed RMBH3 in accordance with this permit revision. The construction of this well and its operation are constrained by 1041 Permit Conditions 4.33 and 4.34. NWNA has provided the County with a Hydrogeology Report dated February 7, 2011 that presents the well configuration and testing details of RMBH3, and a RMBH3 Pumping Operations Constraint Memo (Exhibit 1), which together demonstrate compliance with these production-well Permit Conditions.

The RMBH3 wellhouse has been constructed in accordance with the plans approved by the County. At the time of this report, RMBH3 has not been used by NWNA as its production well.

TR#9: Tanker and Driver Parking at Truck Loading Facility

In order to facilitate the hiring of local truck drivers by making access to the NWNA tankers and the Truck Loading Facility convenient, NWNA applied to modify its site plan to allow for the parking of four (4) tankers and six (6) truck driver automobiles on private property south of and adjacent to NWNA's property. This re-configuration requires modification of the south fence and driveway apron in order for drivers to have access to the off-property parking spaces. This request was presented as an alternative to the permitted site plan and is to be implemented by NWNA when tanker parking on-site was no longer feasible due to increased activity.

The County approved this Technical Revision on September 13, 2010. However, due to the relatively lower level of trucking during 2010 NWNA has not implemented the reconfiguration of its site allowed by this permit revision.

NWNA has received the following amendments to its Permits:

PA#1: Alternative River Crossing

At the request of the Town of Buena Vista in order to provide a major water transmission line across the Arkansas River to meet the Town's projected need for water resources, NWNA applied to change its previously-approved directional drilling approach to cross the river to an open trenching method. This modification allowed for concurrent installation of NWNA's and the Town's water lines at no cost to the Town. In addition, the alternative crossing method required a minor realignment of the pipeline.

The U.S. Army Corps of Engineers (USACE) granted NWNA a General Permit 12 on March 2, 2010 for the river crossing. The County approved this 1041 Permit Amendment on February 22, 2010 by Resolution 2010-20 and approved a revised Special Land Use Permit (SLUP) by Resolution 2010-21. The pipeline has since been constructed in accordance with this Permit Amendment and USACE Permit.

2.4.3 Dispute Resolution

There are no NWNA-County disputes and no submittal is required.

2.4.4 Term of Permit

NWNA' Chaffee County 1041 Permit expires on October 22, 2019, unless extended by the Chaffee County Board of County Commissioners (BOCC).

2.4.5 Commencement of Project

NWNA completed construction of the Project as permitted in 2010 and after Chaffee County issued on July 27, 2010 a Notice to Proceed, NWNA began water transport operations on August 19, 2010. Therefore, NWNA has fully satisfied this permit condition.

2.4.6 Transfer of Permit

NWNA does not request a transfer of, nor has it transferred, its rights under this Permit to any parties.

2.4.7 Permit Violation

NWNA has not been notified by Chaffee County, or any other permit authority, of any violations of permits.

2.4.8 Annual Reporting

This report is submitted to Chaffee County for 2010 in compliance with this condition.

2.4.9 Hagen Exception

The metes and bounds description of the Hagen exclusion to the NWNA 1041 Permit Application has not changed. NWNA has taken no action on this exclusion in 2010. The land covered by the exclusion will be grazed according to the NWNA's 2011 Grazing Management Plan.

2.4.10 Financial Security

NWNA submitted a Letter of Credit (LOC) to the County on January 19, 2010 to cover costs associated with revegetation of the well sites, pipeline route, and County Road crossings. ACA Products Inc., NWNA's construction representative, submitted a LOC to the County on February 18, 2010 to cover costs associated with revegetation of the pipeline crossing of the Arkansas River date. Both LOCs remained in full force in 2010. NWNA will work with the County during the spring of 2011 to release these LOCs and establish a consolidated financial security for remaining revegetation activities.

2.4.11 Compliance with Other Permits

NWNA received a Wastewater Discharge Permit (COG-603000) in January 2008 from the Colorado Department of Public Health and the Environment (CDPHE) to discharge spring water to the Arkansas River during NWNA's pumping tests. That permit remains in effect and NWNA has complied with its requirements for the pump testing of RMBH3 conducted in 2010.

NWNA received from the Colorado Division of Water Resources (CDWR) on March 24, 2010 approval of a Substitute Water Supply Plan to operate the production wells RMBH2 and RMBH3 which specifies conditions of operation and required augmentation. NWNA has operated RMBH2 in compliance with that permit in 2010, but has not operated RMBH3 to date for production.

On April 5, 2010 the CDWR issued to NWNA a well permit (69092-F) for RMBH2 which specifies conditions of well operation. NWNA has operated RMBH2 in compliance with that permit in 2010.

On April 29, 2010 the CDWR issued to NWNA a well permit (69165-F) for RMBH3 which specifies conditions of operation. NWNA has constructed RMBH3 in compliance with that permit but did not operate the well in 2010.

The CDPHE issued to NWNA on August 4, 2010 Source Approval for RMBH2 to provide water to be processed into bottled drinking water. This approval was issued based on CDPHE's review of NWNA's water resources management guidelines, RMBH2 well construction information, and water quality analyses collected from 4 sampling events occurring between January 2008 and June 2010.

NWNA received a Stormwater Management Permit from the Colorado Water Quality Control Division (CWQCD) for its site and pipeline construction in 2009. That permit is still in effect as construction and revegetation are not yet complete. NWNA provides the CWQCD with monthly inspections in compliance with that permit.

NWNA received demolition permits from the County and the State of Colorado to remove the Gunsmoke property liquor store, the Hagen residences, and the old fish hatchery building. NWNA completed those removals in 2010 in accordance with those permits.

NWNA received building permits from Chaffee County for construction of the Truck Loading Facility and the RMBH2 and RMBH3 wellhouses. NWNA constructed the Truck Loading Facility and the RMBH2 wellhouse in 2010 according to those permits and received certificates of occupancy for each. NWNA began construction of the RMBH3 wellhouse in 2010, and has will complete that construction in March of 2011.

2.4.12 Cost Reimbursement Fund and Application Review Costs

In compliance with this section of the 1041 Permit, NWNA has maintained its Cost Reimbursement Fund balance per County requirements and has not objected to reimbursement of County costs presented in 2010. The following table contains an accounting of the NWNA Reimbursement Fund during 2010 as received from the Chaffee County Finance Director.

| Date | Vendor / Description | Payments | Receipts | Balance |
|---------------|------------------------|--------------------|------------------|---------------|
| | | | | \$ 188,207.97 |
| Jan-10 | Interest | | \$ 48.15 | \$ 188,256.12 |
| Jan-10 | Chaffee County Reimb | \$ 2,428.15 | | \$ 185,827.97 |
| Jan-10 | Felt, Monson, Culichia | \$ 67.50 | | \$ 185,760.47 |
| Feb-10 | Interest | | \$ 41.99 | \$ 185,802.46 |
| Feb-10 | Chaffee County Reimb | \$ 2,135.25 | | \$ 183,667.21 |
| Feb-10 | Sullivan Green Seavy | \$ 280.00 | | \$ 183,387.21 |
| Feb-10 | Felt, Monson, Culichia | \$ 135.00 | | \$ 183,252.21 |
| Feb-10 | Chaffee County Reimb | \$ 4,205.57 | | \$ 179,046.64 |
| Mar-10 | Interest | | \$ 33.17 | \$ 179,079.81 |
| Apr-10 | Interest | | \$ 31.90 | \$ 179,111.71 |
| Apr-10 | Chaffee County Reimb | \$ 1,467.90 | | \$ 177,643.81 |
| May-10 | Interest | | \$ 32.76 | \$ 177,676.57 |
| May-10 | Felt, Monson, Culichia | \$ 67.50 | | \$ 177,609.07 |
| May-10 | Chaffee County Reimb | \$ 564.80 | | \$ 177,044.27 |
| Jun-10 | Interest | | \$ 34.62 | \$ 177,078.89 |
| Jul-10 | Interest | | \$ 37.61 | \$ 177,116.50 |
| Jul-10 | Chaffee County Reimb | \$ 1,235.60 | | \$ 175,880.90 |
| Aug-10 | Interest | | \$ 42.20 | \$ 175,923.10 |
| Aug-10 | WWV Wheeler | \$ 232.50 | | \$ 175,690.60 |
| Sep-10 | Interest | | \$ 42.19 | \$ 175,732.79 |
| Sep-10 | Chaffee County Reimb | \$ 1,114.70 | | \$ 174,618.09 |
| Oct-10 | Interest | | \$ 36.21 | \$ 174,654.30 |
| Nov-10 | Interest | | \$ 34.06 | \$ 174,688.36 |
| Dec-10 | Interest | | \$ 31.24 | \$ 174,719.60 |
| Total: | | \$13,934.47 | \$ 446.10 | |

2.4.13 Bighorn Springs Land Management Plan

The County approved NWNA's Final Bighorn Springs Parcel Land Management Plan on May 5, 2010. In 2010, in compliance with permit conditions and after dedication of a road right-of-way (ROW) to the County for CR 300, NWNA constructed new wildlife-friendly fencing along the western side of the ROW. New fencing was constructed along the northern and southern boundaries of the parcel. Additionally, new fence was constructed to divide the property into upland and lowland grazing paddocks per the County-approved site plan.

NWNA did not observe a noxious weed problem on the property and did not receive notification from the County concerning noxious weeds, so conducted no brush or weed control on the parcel other than revegetation of the disturbed portion of the property.

According to the NWNA-County ROW dedication agreement, the County after coordination with NWNA applied dust suppression on CR300 adjacent to the Bighorn Springs Parcel during May, 2010.

During 2010 and the beginning of 2011, NWNA worked with CMC Natural Resources Management Program, Natural Resources Conservation Service (NRCS), Colorado Division of Wildlife (CDOW), a certified Holistic Grazing Manager, a local cattle rancher, and the Colorado Department of Corrections (CDOC) to formulate NWNA's 2011 Grazing Management Plan. That plan is being submitted to the County with this report (Exhibit 2), and will also be distributed to NRCS and CDOW for their review, in accordance with the Bighorn Springs Land Management Plan.

2.4.14 Ruby Mountain Land Management Plan

The County approved NWNA's Final Ruby Mountain Springs Parcel Land Management Plan on May 5, 2010. In 2010, NWNA in compliance with permit conditions and after dedication of a road ROW to the County for CR 300, removed the old wooden fencing and constructed new wildlife-friendly fencing along the southwestern side of the ROW. New fencing was also constructed along the northern and western boundary of the parcel adjacent to property owned by Cogan.

NWNA removed the residential structures, rubbish, the old fish hatchery building and associated non-fixed equipment and structures from the property in 2010. Fish were also removed from the hatchery ponds and raceways at the request of the CDOW. NWNA completed construction of the RMBH2 wellhouse and began construction of RMBH3 and wellhouse in 2010. Revegetation of the site disturbed by construction will be performed by NWNA in the spring of 2011.

NWNA performed no weed management activities on the parcel since construction was actively occurring on site for the greater portion of 2010, and because NWNA is currently undertaking the stakeholder process to formulate a reclamation plan for the property. NWNA did not observe a noxious weed problem on the property and did not receive notification from the County concerning noxious weeds.

According to the NWNA-County ROW dedication agreement, the County after coordination with NWNA applied dust suppression on CR300 adjacent to its Ruby Mountain Springs Parcel during May, 2010.

2.4.15 Hatchery Restoration

The County approved NWNA's Final Ruby Mountain Springs Hatchery Restoration Plan on April 26, 2010.

In compliance with this permit condition, NWNA contracted the CMC NRM Department to conduct a site inventory including natural and manmade features prior to any demolition or construction. CMC completed their inventory and documentation on July 1, 2010.

Subsequent to acquiring necessary permits, NWNA removed the residential structures, rubbish, the old fish hatchery building and associated non-fixed equipment and structures from the property in 2010. Fish were also removed from the hatchery ponds and raceways at the request of the Colorado Division of Wildlife (CDOW). Revegetation of the site disturbed by construction will be performed by NWNA in the spring of 2011.

NWNA, in coordination with the CMC NRM Department, hosted the initial hatchery reclamation stakeholders meeting on September 16, 2010. Participants in that meeting included the Cogan family, CDOW, NRCS, Chaffee County staff, Ducks Unlimited, Trout Unlimited, students and a teacher from Chaffee County High School biology class, and NWNA's community relations consultant. During that meeting, project constraints were presented, reclamation strategy options were discussed, and general direction was given to CMC. CMC is formulating a secondary draft reclamation plan to be presented at the next stakeholder meeting for review. Upon finalizing the plan, NWNA and its consultants will prepare engineered construction plans to be submitted to the USACE for permitting. NWNA anticipates that the next stakeholder meeting will be held during the second quarter of 2011.

2.4.16 Wetlands and Groundwater Monitoring and Mitigation Plan

The County approved NWNA's Final Surface- and Groundwater Monitoring and Mitigation Plan on May 5, 2010 which includes provision for wetlands monitoring. In support of the present report, NWNA submits copies of: (1) NWNA's 2010 surface water and groundwater monitoring (SWGWM) report (Exhibit 3), and (2) NWNA's 2010 Bighorn Springs Wetlands Monitoring (BHSWM) Report (Exhibit

3A).

The SWGWM report presents flow data collected from the weir and flumes on the Ruby Mountain Springs and Bighorn Springs Parcels, water level data for the wells in the monitoring well network, water quality data from approved monitoring locations, local and regional precipitation data, Arkansas River flows, and irrigation diversions for relevant ditches. The report provides an analysis of seasonal water levels relative to previously monitored years, as well as an evaluation of any affects that pumping from RMBH2 causes on spring flow and water levels in nearby monitoring wells.

The report demonstrates that NWNA's production pumping from RMBH2 is detectable by slightly reduced flows over the lower weir, and water levels in immediately nearby wells is reduced to levels comparable to earlier pumping tests. Further, the monitoring data reveal no influence of NWNA's withdrawals

on up-gradient monitoring well water levels on the Bighorn Springs parcel, demonstrating that NWNA's withdrawals have the predicted localized affect on aquifer water levels.

The BHSWM report presents the methodology used by CMC to inventory the conditions of the Bighorn Springs wetlands prior to NWNA's water withdrawals from the Ruby Mountain Springs. The 2010 BHSWM report serves to establish initial baseline conditions of the wetlands on the Bighorn Springs Parcel.

2.4.17 Endowment and Annual Programmatic Contributions

NWNA becomes an active corporate citizen in the communities in which we operate. From Chaffee County citizen input, NWNA has focused its community partnering primarily in the area of education, but also supports other local causes including, recycling, conservation, emergency response, community health, other community-specific events and needs. The following will present a brief summary of NWNA's 2010 community partnering in Chaffee County.

In December of 2009, NWNA funded the science education endowments to the Buena Vista Education Assistance Fund (BVCEAF) and to Support Our Schools Salida! (SOSS), each in the amount of \$250,000. NWNA provided letters to the County in 2010 from each organization confirming establishment of these endowments.

The first of annual distributions from these endowments were made to these organizations in 2010 in the amounts of \$12,500, as determined by agreement between these organizations and The Denver Foundation which manages the investment of the endowment funds. BVCEAF and SOSS have begun disbursing these distributions through grants to support science education projects, training, equipment, and scholarships in Buena Vista and Salida schools.

In addition, based on a special request from the Salida Middle School Principal, NWNA provided \$20,000 to SOSS in 2010 to purchase critically-needed technology-based science curriculum for 5th through 8th grades to replace out-of-date science textbooks. NWNA through SOSS also supported the following projects in 2010:

- Salida High School Drama Class Light Board - \$500
- Salida Middle School Educational Garden for \$1,000

Total disbursement to SOSS in 2010 from the NWNA endowment plus programmatic giving was \$34,000.

NWNA provided an additional \$20,000 in 2010 to the BVCEAF to be disbursed to Buena Vista schools in 2010-2011 to meet acute needs. The following table presents BVCEAF's grant awards made from the endowment distribution and NWNA's special contribution.

| | | | |
|--|------------------------------|--------------|--------------------|
| Original award from Denver Foundation | | | \$12,500.00 |
| Requesting | | Grade | |
| Teacher(s) | Materials | Level | |
| Robin Dunn | Organic Garden | ES | \$636.00 |
| Shelly Brunjak | Science Tools | ES -2 | \$2,481.98 |
| | Lab Equipment | | \$2,786.56 |
| Jeff Keidel & Jill Davis | Stream Ecology | HS | \$1,503.36 |
| Bonnie Grover | Document Camera | ES | \$791.00 |
| Julie Bare | Document Camera | ES-5 | \$759.00 |
| Sarah Kite | Document Camera | ES-1 | \$737.59 |
| Linda Limoncelli | Electronic Scales | HS | \$1,436.40 |
| NWNA Science Scholarship | minimum | | \$1,000.00 |
| | Total awarded | | \$12,131.89 |
| | Amount remaining | | \$368.11 |
| | | | |
| Second award for grants | | | \$20,000.00 |
| | | | |
| John Topfer | Baritone Saxophone | 6/MS/HS | \$4,000.00 |
| Lisa Connell | Film making | CCHS | \$294.65 |
| Carrie Kleber | Computer Towers | MS | \$3,201.00 |
| Terri Soldo | iSmartStart | MS-SNSEd | \$2,552.65 |
| Dana Kohls, Sarah Kite | Slates & Hubs | ES-1 | \$1,323.00 |
| Miles, Drawbridge, Grover | | ES | \$1,555.00 |
| Heidi Atha | Flip Video | ES | \$854.00 |
| Arla Page, Marti Bott, | Computers | ES title 1 | \$585.00 |
| Erin Flavin & Carrie Kleber | Current Technology | MS 7&8 | \$737.69 |
| NWNA Science Scholarship | minimum | | \$1,000.00 |
| Erin Dziura | Why We Try Program | CCHS | \$600.00 |
| Alison Manthey | Chargers | MMS & HS | \$1,295.00 |
| Julie Bare | Language of Science | ES | \$1,371.00 |
| HS Science Staff | Projecting Camera | HS | \$737.69 |
| | Total awarded | | \$20,106.68 |
| | Amount remaining | | -\$106.68 |
| | Balance - Both Awards | | \$261.43 |

NWNA through BVCEAF also supported the following projects in 2010:

- Chaffee County High School Conservation Camp Water Well - \$4,200
- BVHS Industrial Arts Class for Recycling Trailer and Dumpster – \$3,000
- Buena Vista Odyssey of the Mind programs - \$500 plus 6 cases of water
- BVHS Cross Country Team 5k Race - \$300
- Buena Vista High School (BVHS) "After Prom" - \$300 plus 25 cases of water

Total disbursement to BVCEAF in 2010 from the NWNA endowment plus programmatic giving was in excess of \$40,800.

In addition to supporting education and schools in Chaffee County, NWNA has also become an active supporter of other community organizations. NWNA has contributed more than \$59,000 and 1,450 cases of bottled water to Chaffee County organizations and events in 2010 as part of its programmatic giving. The following table summarizes the financial and water contributions NWNA has made to local organizations and events in 2010.

| Recipient | Cash | Water (cases) | Notes |
|--|----------|---------------|--------------------------|
| Arkansas River Double Haul Fundraiser | \$500 | - | |
| Balloonavista | \$500 | 50 | |
| Boys & Girls Club - BV Fall Fest Fundraiser | \$200 | 10 | |
| Boys & Girls Club of Chaffee County | \$1,500 | - | |
| Boys Scouts - Buena Vista Eagle Scout Project | \$300 | - | |
| Buena Vista 4th of July Parade - Edward Jones | - | 42 | <i>Loan recycle bins</i> |
| Buena Vista Autumn Color Run | \$250 | 30 | <i>Loan recycle bins</i> |
| Buena Vista Channel 9 Health Fair | - | 45 | |
| Buena Vista High School (BVHS) Baseball | - | 12 | |
| BVHS Basketball | - | 8 | |
| BVHS Football | - | 8 | |
| BVHS Wrestling | - | 8 | |
| Buena Vista School District | - | 432 | |
| Buena Vista Optimist Club - Golf Tourn. Fundraiser | \$500 | - | |
| Buena Vista Rotary Club - Hosting of Distr. Conf. | - | 30 | Flyers |
| BVCEAF - 2010 General Grants | \$20,000 | - | |
| BVCEAF - After Prom | \$300 | 25 | |
| BVCEAF - BVHS Cross Country Team 5K Race | \$300 | - | |
| BVCEAF - BVHS Recycling Program | \$3,000 | - | |
| BVCEAF - Little Annie Conservation Camp | \$4,200 | - | |
| BVCEAF - Odyssey of the Mind | \$500 | 6 | |
| Chaffee County - Fairgrounds Recycling Program | \$2,300 | - | <i>18 Recycle Bins</i> |
| Chaffee County EMS | - | 144 | |
| Chaffee County Fair | \$275 | - | |
| Chaffee County Fire District | - | 432 | |
| Collegiate Peaks Stampede Rodeo | \$200 | - | |
| Community Recycling Bins - Loaners | \$1,300 | - | |

| | | | |
|--|-----------------|--------------|--------------------------|
| Cotopaxi 9 Health Fair | - | 12 | |
| Fallen Bikers Memorial Motorcycle Rally Salida | - | 10 | |
| S to SS Disabled Vets Bike Tour Salida Rest Stop | \$300 | 5 | |
| Salida Baseball Foundation | \$250 | 40 | |
| Salida Cyclones Swim Team | \$250 | 13 | |
| Salida High School (SHS) Basketball | - | 40 | <i>Loan recycle bins</i> |
| SHS Football | - | 40 | <i>Loan recycle bins</i> |
| SHS-BVHS Mountain Bike Team | \$500 | - | |
| Salida Rotary Club - Salute to Veterans | \$300 | - | <i>Loan recycle bins</i> |
| Salida Tenderfoot Cancer Climb | \$250 | 12 | |
| SOSS - Salida High School Drama Lightboard | \$500 | - | |
| SOSS - Salida Middle School Garden | \$1,000 | - | |
| SOSS - Salida Middle School Science Curriculum | \$20,000 | - | |
| Trout Unlimited (CPA) banquet fundraiser | \$300 | - | |
| Total | \$59,775 | 1,454 | |

Finally, NWNA's Natural Resources Manager and local community relations consultant have been actively involved with the efforts of some of these organizations. According to NWNA's 1041 Permit hearing testimony, NWNA will continue discretionary community programmatic annual giving to worthy local organizations, events, and causes for as long as it operates in Chaffee County.

2.4.18 Right-of-Way

On December 22, 2009, NWNA dedicated to the County a County Road right of way ("ROW") through the Bighorn Springs Parcel. The Chaffee County Board of County Commissioners accepted the Bighorn Springs ROW dedication on January 15, 2010. This ROW Agreement requires NWNA to notify the County in each Annual Report of deed restrictions. Thus, NWNA hereby requests that the County notify NWNA of the County's 2011 plans for any construction activities, weed control, or dust-suppression for CR300 through NWNA's Bighorn Springs property.

NWNA dedicated to the County a County Road right of way ("ROW") through the Ruby Mountain Springs Parcel which was approved by the BOCC on April 6, 2010.

This ROW Agreement requires NWNA to notify the County in each Annual Report of deed restrictions. Thus, NWNA hereby requests that the County notify NWNA of the County's 2011 plans for any construction activities on CR300 through NWNA's Ruby Mountain Springs property. No construction activities were performed by the County along the CR 300 ROW adjacent to NWNA's properties in 2010.

The County notified NWNA of its plans for application of dust suppression on CR 300 adjacent to both NWNA parcels. NWNA agreed to the County's dust suppression compound, and application rate and method, and the County completed that activity in May 2010. NWNA hereby notifies the County that it

would agree to the County applying dust suppression on CR 300 in 2011 along both NWNA properties as long as the same compound and application rate and method used in 2010 are used in 2011. NWNA requests notification from the County if it intends to modify its dust suppression procedures in 2011.

The County did not notify NWNA of any need for brush or weed control along CR 300 and NWNA did not observe a noxious weed problem along the CR 300 ROW adjacent to its property, so no weed control was done in 2010. NWNA plans on conducting revegetation of the disturbed areas for weed control along CR 300 on its Ruby Mountain Springs Parcel during the spring/summer of 2011.

2.4.19 Wildlife Friendly Fencing

NWNA completed construction of wildlife-friendly fencing along the dedicated CR 300 Right of Way per approved site plans on July 7, 2010. Therefore, this condition is fully satisfied.

2.4.20 River Wade Fishing on Bighorn and Ruby Mountain Springs Parcels

On June 1, 2010, NWNA received conditional approval from the BOCC for meeting this permit condition to establish permanent fishing easements on the Ruby Mountain and Bighorn Springs parcels subject to final State approval of the easement by the CDOW. During the finalization of the Easement Agreement with CDOW, the standing Colorado Assistant Attorney General retired and a new one was appointed, thus delaying the state's final review. NWNA is diligently working in good faith with CDOW and Chaffee County to finalize this agreement in 2011.

2.4.21 Fishing Access on Bighorn Springs Parcel

On June 1, 2010, NWNA received conditional approval from the BOCC for meeting this permit condition to establish a permanent fishing access easement on the west side of the Bighorn Springs parcel subject to final State approval of the easement by the CDOW. During the finalization of the Easement Agreement with CDOW, the standing Colorado Assistant Attorney General retired and a new one was appointed, thus delaying the state's final review. NWNA is diligently working in good faith with CDOW and Chaffee County to finalize this agreement in 2011.

2.4.22 Pipeline Requirements

NWNA completed construction of the pipeline including revegetation and fencing on July 7, 2010 in accordance with all permits and with all easement agreements finalized and submitted to Chaffee County. On July 27, 2010, the County issued NWNA a Notice to Proceed operations. Therefore, NWNA has fully satisfied this permit condition.

2.4.23 Buildings and Structures

NWNA received demolition permits from the County and the State of Colorado to remove the Gunsmoke property liquor store, the Hagen residences, and the old fish hatchery building. NWNA completed those removals in 2010 in accordance with those permits.

NWNA received building permits from Chaffee County for construction of the Truck Loading Facility and the RMBH2 and RMBH3 wellhouses. NWNA constructed the Truck Loading Facility and the RMBH2 wellhouse in 2010 according to those permits and received certificates of occupancy for each. NWNA began construction of the RMBH3 wellhouse in December of 2010, and will complete that construction in March of 2011.

2.4.24 Construction Conditions Imposed by Special Land Use Permit

After receiving all required permits, NWNA began construction associated with its well site, pipeline, and Truck Loading Facility in March, 2010. Generally, construction included:

- Demolition and removal of the Gunsmoke property liquor store,
- Construction of the Truck Loading Facility and Landscaping,
- Construction of the pipeline (two segments – north and south),
- Construction of the pipeline river crossing,
- Revegetation of the pipeline route,
- Demolition of the old Hagen residences and hatchery building,
- Removal of all rubbish from the Ruby Mountain Springs parcel,
- Development of RMBH2 into a production well,
- Construction of the RMBH2 wellhouse

Construction activities were completed in compliance with all conditions of NWNA's SLUP requirements dealing with public safety, water pollution, noise, vibration, smoke, dust, odor, heat, and glare. NWNA received no notice of non-compliance from Chaffee County.

In accordance with NWNA's USACE General Permit 12 and NWNA's Amended 1041 permit, construction within the Arkansas River was completed before the March 15, 2010 deadline. Construction of NWNA's Ruby Mountain Springs project (except for minor revegetation) was completed in August of 2010.

Subsequent to construction and based on the County's findings that NWNA was in compliance with all construction requirements identified in its 1041, SLUP, road-cut, access, SWMP, and building permits, Chaffee County issued to NWNA on July 27, 2010 a Notice to Proceed with project operations.

Finally, drilling of the new RMBH3 well began June 24, 2010 and was completed October 1, 2010. Construction of the RMBH3 wellhouse was initiated in

December of 2010 and will be completed in March of 2011. Revegetation of the disturbed areas of the site will be undertaken in the spring/summer of 2011.

2.4.25 Local Construction Jobs and Local Purchasing

This 1041 Permit condition requires NWNA to hire local firms and purchase materials for the construction of the Ruby Mountain Springs Project to the degree that it is commercially practical. NWNA's corporate policy toward supporting the local communities in which it operates supports the objective of this permit condition and in 2010, NWNA made every attempt at achieving local hiring and purchasing of materials for the project.

NWNA presents the following summary statements regarding its local hiring and purchasing, but more detailed information is presented in the table in Exhibit 5.

Construction Contractors

NWNA employed three major local contractors to construct the majority of the Ruby Mountain Springs project. Those contractors were ACA Products Inc. (pipeline and river crossing), Miles Construction Inc. (pipeline), and Moltz Construction Inc. (Truck Loading Facility and wellhouse). NWNA employed 11 other local contractors for the project. NWNA's total local expenditure for construction contractors in 2010 was \$3,049,946. NWNA also employed non-local construction contractors largely due to their specialized service or expertise. NWNA employed 7 non-local contractors comprising a total expenditure of \$384,267.

Professional Service Contractors

NWNA employed 6 local professional service contractors for the project in 2010 amounting to \$286,818 of local expenditure. NWNA also employed non-local professional service contractors largely due to either their specialized service not available locally or they were NWNA's national consultants (e.g. legal counsel, water resource specialists, etc. NWNA employed 15 non-local contractors comprising a total expenditure of \$1,145,850.

Material and Equipment Purchases

NWNA purchased local materials for the construction of the project to the degree commercially practical. However, because NWNA's business is so specialized and Chaffee County is rural and has very little demand for high-quality, food-grade, process and control equipment, most of NWNA's equipment and material purchases had to be made from suppliers located outside of Chaffee County. NWNA's total direct local purchase of materials and equipment in 2010 was \$36,097. NWNA's purchase of non-local materials and equipment totaled \$571,204. Of that non-local purchase total, roughly \$185,000 was for the HDPE pipeline. NWNA attempted to work with a local plumbing supplier (True Value) to purchase the pipeline material through, but ultimately the local supplier decided that the transaction was not worth its effort since they would have to set up a non-routine order with a Front Range supplier. Also, NWNA directly purchased some

conventional electrical equipment for the project non-locally because NWNA's local electrical contractor had insufficient credit to purchase the large amount equipment. Finally, the total local materials purchase does not reflect building materials (e.g. concrete, steel, roofing, lumber, etc.) which were purchased indirectly by NWNA through local contractors (e.g. Moltz Construction).

NWNA's Other Local Spending

In addition to NWNA's construction activities, NWNA had other spending in Chaffee County in 2010 associated with beginning operations. This operational spending totaled \$49,920. This spending included meals, lodging, fuel, and supply purchases by non-Colorado NWNA employees and non-local consultants who spent time in Chaffee County working on the Ruby Mountain Springs project. In addition, NWNA's Buena Vista-based NRM contracted local companies for cleaning and maintenance services, equipment and supplies storage, and purchased project supplies locally. NWNA paid more than \$8,200 for local utilities associated with project operations in 2010.

NWNA's Taxes Paid

NWNA paid \$2592.33 in real estate property taxes in 2010. This amount is reflective of property values prior to NWNA's purchase of its Chaffee County properties and before improvements were made to them. Real estate property taxes to be paid in 2011 will begin to reflect higher property values associated with project improvements.

NWNA paid \$22,483 in sales taxes in 2010 for materials and equipment purchases.

NWNA was not assessed personal property taxes in 2010. NWNA will pay personal property taxes for the pipeline and other project equipment in 2011.

2.4.26 Local Drivers

In 2010, NWNA's trucking contractor (DG Coleman) employed 10 drivers to haul water from the NWNA Truck Loading Facility to the Denver Bottling Plant. (NWNA did not utilize a mid-trip, drop-and-pick up, scenario for trucking during 2010.) Of the 10 drivers employed, 5 resided in Chaffee County. Local drivers conducted 74 round-trips, and non-local drivers conducted 45 round-trips.

NWNA and its trucking contractor made continuous efforts in 2010 (since May 13) to recruit local drivers as evidenced by advertising in the following media sources: The Mountain Mail; The Chaffee County Times; The Leadville Herald Democrat; The Fairplay Flume; and Craigslist. Additionally, NWNA participated in a job fair in conjunction with the Colorado Unemployment Office (Salida) in July 2010.

During the time period May 13th, 2010 through December 31, 2010, D.G. Coleman received 35 applications for employment from Chaffee County

residents. Twenty-five of the applicants not meet the driving qualifications of the contractor, and 6 of the applicants did not pass the background and/or drug screening requirements. Due to the irregularity of NWNA's spring water business and the inherent challenges of project start-up, NWNA and its contractor employed measures to retain Chaffee County drivers during slow periods, such as offering freight work from Denver to surrounding states. Chaffee drivers accepted 36 regional trucking loads in 2010.

2.4.27 Project Impacts Related to Well Pumping

Condition is County permit proviso. No submittal is required.

2.4.28 Augmentation Water Source Restrictions

NWNA only utilized augmentation water from the City of Aurora lease as permitted by NWNA's 1041 permit. NWNA's compliance with the water augmentation operational terms of the 1041 permit is presented in NWNA's 2010 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (submitted electronically to the County on February 28, 2010).

2.4.29 Limitation on Project Depletions

This permit condition requires that NWNA's water depletions to the Arkansas River be limited to the net amount (196.0 acre-feet) of replacement water available to the Arkansas River in time, place and amount and that releases of augmentation water from Aurora's existing Lake County storage facilities or Aurora's existing Lake County consumptive use credits to the Arkansas River shall match the depletion in time and amount. NWNA's compliance with the water augmentation operational terms of the 1041 permit is presented in NWNA's monthly reports to Chaffee County and in NWNA's 2010 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (submitted electronically to the County on February 28, 2010).

2.4.30 Approved SWSP or Augmentation Plan Required

NWNA received approval from the CDWR of a Substitute Water Supply Plan allowing NWNA to withdraw spring water from RMBH2 and RMBH3 on March 22, 2010. The SWSP places restrictions on NWNA's spring-water withdrawals reflective of restrictions contained within NWNA's 1041 Permit. NWNA has operated RMBH2 in compliance with the SWSP since beginning of pumping in 2010. RMBH3 has not been utilized to date by NWNA for production. The current SWSP expires on March 21, 2011. NWNA has applied to the CDWR for renewal of the SWSP containing the same provisions as the previous SWSP and expects approval of that application prior to March 21, 2011.

NWNA has not filed a Plan for Augmentation in Colorado Water Court to date, but anticipates submitting that plan in 2011. Prior to submittal of the plan to Water Court, NWNA will contact potential objectors for comment. According to the 1041 Permit requirement, NWNA will provide the Plan for Augmentation to

the County at least 30 days prior to submittal to Water Court for review and comment.

2.4.31 Augmentation Water Delivery Restrictions

This 1041 Permit condition requires that NWNA's depletions be replaced by augmentation water released up-stream of the Ruby Mountain Springs on the Arkansas River. NWNA's compliance with this permit condition is presented in NWNA's 2010 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (submitted electronically to the County on February 28, 2010).

2.4.32 Mitigation of Increased Demand on Augmentation Water Source

NWNA has provided the County with monthly reports presenting the City of Aurora's water operations on the Arkansas River and augmentation of NWNA's depletions which demonstrate NWNA's compliance with this permit condition. NWNA's compliance with this water augmentation operational term of the 1041 permit is summarized in NWNA's 2010 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (submitted electronically to the County on February 28, 2010).

2.4.33 Pumping Well Operational Restrictions

This 1041 Permit condition restricts NWNA's pumping from RMBH2 and RMBH3 simultaneously and limits diversions from the wells to 200 gallons per minute, 1 acre-foot per day, and 16.6 acre-feet per month.

NWNA has, to date, only used RMBH2 for production. The RMBH3 Technical Revision to NWNA's 1041 Permit allows for RMBH3 to be operated as the primary production well, and NWNA intends to use this well as such when it becomes operational in 2011.

NWNA has provided the County with monthly reports presenting NWNA's pumping, and NWNA's 2010 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (submitted electronically to the County on February 28, 2010) summarizes these data.

In 2010, NWNA's diversions from RMBH2 have complied with the provisions of this permit condition not exceeding the daily limit of 1 acre-foot or the monthly limit of 16.6 acre-feet. Instantaneous pumping spikes in excess of 200 gallons per minute did occur as noted in the 2010 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases. These pumping spikes which lasted for a period of seconds occurred only during pipeline sanitation events when the variable frequency drive (VFD) for the well pump is operated manually and under conditions of fluctuating pressures. The VFD control is very sensitive when operated manually resulting in inadvertent surges that are quickly corrected. The groundwater from pumping surges was either pumped back down the well or captured as part of the sanitation waste water and discharged to

the Buena Vista Sanitation District sewer system which discharges its purified effluent back to the Arkansas River up-stream of the Ruby Mountain Springs, thus resulting in no net loss to the river.

2.4.34 Construction of Pumping Wells

According to NWNA's 1041 Permit Condition 4.33, NWNA is permitted to construct a new production well designated RMBH3. The County approved a Technical Revision to NWNA's 1041 Permit regarding modification of the configuration of RMBH3 and its use as the primary production well on August 18, 2010.

NWNA has performed construction of RMBH3 in accordance with the provisions of the Technical Revision. NWNA has provided the County with the RMBH3 Aquifer Testing Report dated February 7, 2011 that presents the well configuration and testing details of RMBH3.

The RMBH3 wellhouse has been constructed in accordance with the plans approved by the County. At the time of this report, RMBH3 has not been used by NWNA as its production well, though NWNA intends to begin utilizing RMBH3 as its primary production well in 2011.

2.4.35 Surface Water Flow Measurements

NWNA 2010 surface water and groundwater monitoring Report (Exhibit 3) presents a reporting of required surface flow measurements taken during 2010 from the required locations on the Ruby Mountain Springs Parcel ("Lower Weir" and "Upper Flume"). That report also presents surface water flow data for two locations on the Bighorn Springs Parcel ("Parshall-1" and "Parshall-3"), the Arkansas River, and irrigation ditch diversions relevant to the Ruby Mountain Springs aquifer.

From the SWGWM Report it can be concluded that surface water flows at the Ruby Mountain Springs is predominantly controlled by seasonal groundwater level fluctuations. Further, NWNA has demonstrated that production pumping from RMBH2 has a measureable, but very minor, affect on flows at the Ruby Mountain Springs.

Also from the SWGWM Report it can be concluded that surface water flows at Bighorn Springs is controlled by seasonal groundwater level fluctuations. No influence of NWNA's water withdrawals at the Ruby Mountain Springs on surface water flows at the Bighorn Springs is detectable.

2.4.36 Suspension of Pumping - Adverse Effects on Reconstructed Wetlands

NWNA has not reconstructed any wetlands at the Ruby Mountain Springs site as it is currently undertaking the hatchery reclamation stakeholder process. The wetlands and hatchery ponds continue to operate as they did prior to NWNA's operations.

Further, NWNA has demonstrated that production pumping from RMBH2 has a measureable, but very minor, affect on spring flows, and therefore does not anticipate the need for suspension of operations. In compliance with NWNA's 1041 Permit, monitoring of groundwater levels and spring flows in relation to water withdrawals will be made on a systematic basis during operations in order to mitigate any negative effect on the Ruby Mountain Springs and associated wetlands.

2.4.37 Inclusion of Reconstructed Wetlands in SWSP or Augmentation Plan

NWNA did not include reconstructed wetlands augmentation in its 2010 SWSP as no plans for wetland reconstruction have been formulated or implemented to date. Since the Hatchery Reclamation stakeholder process is in progress and final reclamation plans have not yet been developed, NWNA has not included reconstructed wetlands its 2011 SWSP application.

2.4.38 Cessation of Diversions Upon Termination of Aurora Lease

The City of Aurora's lease of augmentation water for NWNA's Ruby Mountain Springs operations remained in full force and effect during 2010.

2.4.39 Restrictions on Acquisition of Additional Water Rights in County

NWNA did not pursue acquisition of alternative or additional water augmentation rights in Chaffee County during 2010.

2.4.40 Water Rights Filing and Administration Costs

NWNA received approval from the CDWR of a Substitute Water Supply Plan allowing NWNA to withdraw spring water from RMBH2 and RMBH3 on March 22, 2010. The current SWSP expires on March 21, 2011. NWNA provided its 2011 draft SWSP to Chaffee County on October 5, 2010 for review and comment in compliance with this permit condition. Subsequently, NWNA has applied to the CDWR for renewal of the SWSP containing the same provisions as the previous SWSP and expects approval of that application prior to March 21, 2011.

NWNA has not filed a Plan for Augmentation in Colorado Water Court to date, but anticipates submitting that plan in 2011. Prior to submittal of the plan to Water Court, NWNA has been contacting potential objectors for comment. According to the 1041 Permit requirement, NWNA will provide the Plan for Augmentation to the County at least 30 days prior to submittal to Water Court for review and comment.

In compliance with this permit condition, NWNA has maintained sufficient funds in its Chaffee County Reimbursement Account to cover the County's expenses associated with NWNA's processing of its SWSP and Water Court filings.

2.4.41 Trout Creek Pass Improvements Lobbying

NWNA did not receive notification or request from Chaffee County regarding lobbying actions with CDOT for improvements to US Highway 285 in 2010. Therefore, NWNA did not directly or indirectly lobby CDOT for such improvements in 2010.

2.4.42 Limits on Truck Traffic

This permit condition places certain restrictions on NWNA's trucking activity to limit impacts on the Trout Creek Pass portion of US Highway 285. These limitations include no more than 25 loaded trucks per day, with no more than two trucks per hour. During the restricted peak-hours period from the Friday of Memorial Day weekend through the Labor Day, truck traffic is limited to no more than two loaded trucks per hour, with an average of one truck per hour for the peak-hours period of each day.

NWNA made a total 119 truck trips in 2010 from the Truck Loading Facility to the Denver Bottling Plant. Of these 119 trips, 10 trips employed the 6,500 gallon tanker, and 109 trips employed 8,200 gallon tankers. Therefore, the approximate total quantity of water transported to the Denver Plant was 2.94 acre-feet.

Shipments of water occurred on 30 days between August 19, 2010 and December 31, 2010, resulting in an average of less than 4 trips per day. The maximum number of trips on any given day in 2010 was 8. During the restricted peak-hours period, the maximum number of trucks was 3 during the 7-hour period. NWNA's trucking made no violations of the limitations of this permit condition.

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2.4.43 Emission Standards

NWNA employed the use of tanker trucks for its water shipments meeting the sample specifications that were submitted as part of the initial 1041 Application and subsequent Technical Revision (TR #7). Two late-model (2004 to 2010) tractors (International or Freightliner; Model: 9200I and CL120 Day Cab Units) meeting all federal and state emission (2007) and safety standards were used. The two tractor models were equipped with 435 to 500 horsepower engines depending on the tanker size hauled (either 6,500 gallon or 8,200 gallon).

2.4.44 No Idling During Loading

In compliance with its Permits, NWNA has not allowed its trucks to idle during loading. A few trucks have been based on-site, and limited idling only occurs as required for cold-weather start-up.

Res (2010-20) - PoA, #1

2.4.45 Emergency River Access

NWNA completed construction and revegetation of the emergency river access in the summer of 2010.

The CDOW conducted a final review of the revegetation of the river crossing and emergency access and provided a letter of approval to the County dated August 30, 2010.

As required by the USACE General Permit 12, NWNA's engineering representative, Crabtree Group, provided the USACE with a monitoring report in September 2010 containing documentation of construction and revegetation of the river crossing and emergency river access. USACE has not indicated any issues with the project completion. NWNA will provide the USACE annual monitoring reports for the next four years per requirement of General Permit 12. copy?

2.4.46 River Crossing Revegetation

NWNA completed construction and revegetation of the pipeline crossing of the Arkansas River in the summer of 2010.

The CDOW conducted a final review of the revegetation of the river crossing and provided a letter of approval to the County dated August 30, 2010.

As required by the USACE General Permit 12, NWNA's engineering representative, Crabtree Group, provided the USACE with a monitoring report in September 2010 containing documentation of construction and revegetation of the river crossing. USACE has not indicated any issues with the project completion. NWNA will provide the USACE annual monitoring reports for the next four years per requirement of General Permit 12.

2.4.47 River Crossing Construction Plans

In accordance with NWNA's USACE General Permit 12 and NWNA's Amended 1041 permit, construction within the Arkansas River was completely before the March 15, 2010 deadline. Construction of NWNA's Ruby Mountain Springs project (except for minor revegetation) was completed in August of 2010.

The CDOW conducted a final review of the revegetation of the river crossing and provided a letter of approval to the County dated August 30, 2010.

As required by the USACE General Permit 12, NWNA's engineering representative, Crabtree Group, provided the USACE with a monitoring report in September 2010 containing documentation of construction and revegetation of the river crossing. USACE has not indicated any issues with the project completion. NWNA will provide the USACE annual monitoring reports for the next four years per requirement of General Permit 12.

2.4.48 Army Corps of Engineers

NWNA received a General Permit 12 (SPA-2008-00255-SCO; March 2, 2010) from the USACE for the pipeline crossing of the Arkansas River, and completed construction and revegetation of the river crossing in 2010 in accordance with that permit.

As required by the USACE General Permit 12, NWNA's engineering representative, Crabtree Group, provided the USACE with a monitoring report in September 2010 containing documentation of construction and revegetation of the river crossing. USACE has not indicated any issues with the project completion. NWNA will provide the USACE annual monitoring reports for the next four years per the requirement of General Permit 12.

2.4.49 Town Water Pipeline

NWNA and the TOBV formulated an agreement (Dated February 23, 2010) to provide for NWNA's construction of the TOBV's pipeline and providing an easement for it to cross NWNA's property.

Chaffee County provided an easement to the TOBV for its water pipeline to cross County property by agreement dated February 24, 2010.

Gunsmoke Properties granted the TOBV easement for its water pipeline in an agreement with NWNA dated March 19, 2010.

The TOBV legal counsel has informed NWNA legal counsel that the TOBV and Paul Moltz have made an easement agreement for the TOBV's water pipeline to cross Moltz property. That agreement has not been provided to NWNA at the time of this report.

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2011 Annual Report

**Nestlé Waters North America Inc.
Chaffee County 1041 Permit**

**Submitted
March 1, 2012**

TABLE OF CONTENTS

CERTIFICATION OF REPORT

| | |
|--|----|
| 1.0 INTRODUCTION..... | 5 |
| 2.0 COMPLIANCE WITH 1041 PERMIT CONDITIONS | 5 |
| 2.4.1 Scope of Permit | 5 |
| 2.4.2 Technical Revision or Permit Amendment | 5 |
| TR#1: Truck Loading Facility (TLF) – Office Space and Parking Space..... | 5 |
| TR#2: Pipeline Size Reduction and Pipeline Realignment | 6 |
| TR#3: Pipeline Realignment on Gunsmoke Property | 6 |
| TR#4: Construction of a Water Discharge Pipeline to Bray Ditch | 6 |
| TR#5: Installation of Pipeline Sleeve under County Road 301 | 6 |
| TR#6: Water Discharge Pipeline to Arkansas River Outfall..... | 6 |
| TR#7: Alternative Truck and Tanker Size | 7 |
| TR#8: Modifications to Production Well (RMBH3) Configuration..... | 7 |
| TR#9: Tanker and Driver Parking at Truck Loading Facility | 7 |
| PA#1: Alternative River Crossing..... | 8 |
| 2.4.3 Dispute Resolution | 8 |
| 2.4.4 Term of Permit..... | 8 |
| 2.4.5 Commencement of Project | 8 |
| 2.4.6 Transfer of Permit..... | 8 |
| 2.4.7 Permit Violation | 8 |
| 2.4.8 Annual Reporting..... | 9 |
| 2.4.9 Hagen Exception | 9 |
| 2.4.10 Financial Security | 9 |
| 2.4.11 Compliance with Other Permits | 9 |
| 2.4.12 Cost Reimbursement Fund and Application Review Costs | 10 |
| 2.4.13 Bighorn Springs Land Management Plan..... | 11 |
| 2.4.14 Ruby Mountain Land Management Plan | 11 |
| 2.4.15 Hatchery Restoration..... | 12 |
| 2.4.16 Wetlands and Groundwater Monitoring and Mitigation Plan..... | 12 |
| 2.4.17 Endowment and Annual Programmatic Contributions | 13 |
| 2.4.18 Right-of-Way | 17 |
| 2.4.19 Wildlife Friendly Fencing..... | 18 |
| 2.4.20 River Wade Fishing on Bighorn and Ruby Mountain Springs Parcels | 18 |
| 2.4.21 Fishing Access on Bighorn Springs Parcel | 18 |
| 2.4.22 Pipeline Requirements..... | 18 |
| 2.4.23 Buildings and Structures..... | 18 |
| 2.4.24 Construction Conditions Imposed by Special Land Use Permit..... | 18 |
| 2.4.25 Local Construction Jobs and Local Purchasing..... | 19 |
| Construction Contractors & Material and Equipment Purchases | 19 |
| Professional Service Contractors..... | 19 |
| NWWA's Other Local Spending..... | 19 |
| NWWA's Taxes Paid | 19 |
| 2.4.26 Local Drivers | 19 |
| 2.4.27 Project Impacts Related to Well Pumping | 20 |

| | | |
|--------|--|----|
| 2.4.28 | Augmentation Water Source Restrictions | 20 |
| 2.4.29 | Limitation on Project Depletions | 20 |
| 2.4.30 | Approved SWSP or Augmentation Plan Required | 20 |
| 2.4.31 | Augmentation Water Delivery Restrictions | 21 |
| 2.4.32 | Mitigation of Increased Demand on Augmentation Water Source | 21 |
| 2.4.33 | Pumping Well Operational Restrictions..... | 21 |
| 2.4.34 | Construction of Pumping Wells..... | 22 |
| 2.4.35 | Surface Water Flow Measurements..... | 22 |
| 2.4.36 | Suspension of Pumping - Adverse Effects on Reconstructed Wetlands..... | 22 |
| 2.4.37 | Inclusion of Reconstructed Wetlands in SWSP or Augmentation Plan..... | 23 |
| 2.4.38 | Cessation of Diversions upon Termination of Aurora Lease..... | 23 |
| 2.4.39 | Restrictions on Acquisition of Additional Water Rights in County | 23 |
| 2.4.40 | Water Rights Filing and Administration Costs | 23 |
| 2.4.41 | Trout Creek Pass Improvements Lobbying | 23 |
| 2.4.42 | Limits on Truck Traffic | 23 |
| 2.4.43 | Emission Standards..... | 24 |
| 2.4.44 | No Idling During Loading | 24 |
| 2.4.45 | Emergency River Access..... | 24 |
| 2.4.46 | River Crossing Revegetation and CDOW Approval | 24 |
| 2.4.47 | River Crossing Construction Plans | 24 |
| 2.4.48 | Army Corps of Engineers..... | 25 |
| 2.4.49 | Town of Buena Vista Water Pipeline..... | 25 |

LIST OF EXHIBITS:

EXHIBIT 1 – NWNA 2011 Grazing Management Plan

EXHIBIT 2 – NWNA 2011 Surface Water and Groundwater Monitoring Report,
Chaffee County, Colorado

EXHIBIT 3 – NWNA 2011 Bighorn Springs Wetlands Monitoring Report

EXHIBIT 4 – NWNA's 2011 Summary Trucking Operations

EXHIBIT 5 – NWNA's 2011 Annual Accounting Report Regarding Well Pumping
Operations and Augmentation Releases

EXHIBIT 6 – Nestle's 2011 Accounting of the City of Aurora Supply and Demands

CERTIFICATION OF ANNUAL REPORT

NWNA is pleased to submit its 1041 Permit Annual Report for 2011 to Chaffee County, and by signing below, I certify that the information contained herein represents NWNA's activities in Chaffee County and demonstrates NWNA's compliance with its Permits in 2011. If the County needs clarification of the information presented herein, or additional information to meet compliance with the 1041 Permit Condition for Annual Reporting, please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bobbi McClead".

Bobbi McClead
Natural Resource Manager - Colorado
Nestle Waters North America
614.273.5209
bobbi.mcclead@waters.nestle.com

1.0 INTRODUCTION

Nestle Waters North America (NWNA) applied to Chaffee County (County) for a 1041 Permit and Special Land Use Permit (Permits) in November 2008 to construct and operate a spring water withdrawal and transport project (Project) at the Ruby Mountain Springs in Chaffee County. The County granted approval of NWNA's Permits on September 23, 2009. In accordance with Section 4.8 of the 1041 Permit, NWNA must submit an Annual Report to Chaffee County regarding its compliance with its Permits as well as its operations and activities in Chaffee County.

This report covers NWNA's operations and activities from January 1 through December 31, 2011, (Report Period). For continuity, this 2011 Annual Report may contain information addressing NWNA's compliance with all requirements specified in the Permits for the Reporting Period as well as up through the date of this report.

2.0 COMPLIANCE WITH 1041 PERMIT CONDITIONS

NWNA presents this annual report in accordance with recommendations of County staff made in the review letter dated April 7, 2010. NWNA's 2011 activities and compliance with 1041 permit conditions are presented subsequently being organized by condition number (e.g. Section 4.1) as presented in Chaffee County Resolution 2009-42 and as amended by Resolution 2010-20.

2.4.1 Scope of Permit

Condition is County proviso. No submittal is required.

2.4.2 Technical Revision or Permit Amendment

According to NWNA's 1041 Permit Section 5.1, NWNA may seek and be granted by the County Technical Revisions to its Permits and permit conditions if certain provisions in permit Section 5 are met. Additionally, according to Section 5.2 NWNA may seek and be granted by the County an amendment to its Permits if provisions within Section 5 are met. NWNA applied for and received approval for nine (9) Technical Revisions to its original 1041 Permit and one (1) Permit Amendment subsequent to initial issuance of NWNA's Permits granted by Resolutions 2009-42 and 2009-43.

NWNA has received the following Technical Revisions:

TR#1: Truck Loading Facility (TLF) – Office Space and Parking Space

NWNA applied for modification of the floor-plan of the TLF to provide an office space for a locally-based NWNA employee and associated on-site parking.

The County approved this Technical Revision on November 3, 2009. The TLF was constructed in accordance with this revision.

TR#2: Pipeline Size Reduction and Pipeline Realignment

NWNA applied for reduction of its water transmission pipeline from 8" (O.D.) to 6" (O.D.) based on final engineering calculations. NWNA also requested minor realignments of the pipeline along some segments between the Ruby Mountain Springs Parcel and the TLF because: (1) the Project no longer included pumping at the Bighorn Springs; and (2) the pipeline would be afforded more protection within easements on private property as opposed to within County Road Right of Way (ROW) and within the Union Pacific Railroad ROW.

The County approved this Technical Revision on February 23, 2010. The pipeline was constructed in accordance with this revision.

TR#3: Pipeline Realignment on Gunsmoke Property

NWNA applied for a minor realignment of its pipeline on the Gunsmoke property to accommodate the realignment of NWNA's pipeline due to the alternate river crossing alignment, the addition of the Town of Buena Vista's water main at the river crossing, and to minimize impact to the private owner's commercial utility of the Gunsmoke property.

The County approved this Technical Revision on March 10, 2010. The pipeline was constructed in accordance with this revision.

TR#4: Construction of a Water Discharge Pipeline to Bray Ditch

NWNA applied to the County to construct a spring-water discharge pipeline that would transmit spring water from the TLF back across the Arkansas River through NWNA's crossing sleeve to discharge to the Bray Irrigation Ditch. This discharge pipeline was sought by NWNA in order to keep NWNA's pipeline from the Ruby Mountain Springs to the TLF operational even when NWNA was not transporting water to its Denver Bottling plant in order to maintain sanitary conditions of the pipeline and associated infrastructure.

The County approved this Technical Revision April 5, 2010. NWNA did not ultimately pursue this Technical Revision, since a final agreement between NWNA and the owner of the Bray Ditch was never finalized.

TR#5: Installation of Pipeline Sleeve under County Road 301

NWNA applied to construct a 12" diameter sleeve at NWNA's pipeline crossing at County Road 301 in order to expedite construction of the County road crossing and to minimize any lane closures of CR 301 during installation of the pipeline.

The County approved this Technical Revision on April 23, 2010. The pipeline was constructed in accordance with this revision.

TR#6: Water Discharge Pipeline to Arkansas River Outfall

NWNA applied to the County to construct a spring-water discharge pipeline that would transmit spring water from the TLF back across the Arkansas River

through NWNA's crossing sleeve to discharge to a protected outfall on the east bank of the Arkansas River. This discharge pipeline was sought by NWNA in order to keep NWNA's pipeline from the Ruby Mountain Springs to the TLF operational even when NWNA was not transporting water to its Denver Bottling plant in order to maintain sanitary conditions of the pipeline and associated infrastructure.

The County approved this Technical Revision on June 14, 2010. The discharge pipeline was constructed in accordance with this revision.

TR#7: Alternative Truck and Tanker Size

In order to increase efficiency and to reduce total number of truck trips between Chaffee County and Denver, NWNA applied to the County to allow for use of an alternative tractor and tanker size. The proposed change potentially allows for 2,600 fewer truck trips annually. The proposed alternative configuration utilizes a 500 horsepower tractor and an 8,200 gallon tanker, versus the previously-approved 450 hp tractor with a 6,500 gallon tanker.

The County approved this Technical Revision on June 23, 2010. Since beginning operations in 2010, NWNA has employed both allowed tractor-tanker configurations in its water transport to the Denver plant.

TR#8: Modifications to Production Well (RMBH3) Configuration

NWNA requested certain modifications of the configuration for the new production well RMBH3. The requested modifications included: a larger casing diameter to allow for installation of water quality sampling instrumentation, a shorter screen interval to allow for a deeper pump placement to provide better pump cooling. NWNA did not request changes to County-imposed water-level pumping constraints.

Additionally, NWNA applied for a minor increase in the size of the RMBH3 wellhouse to accommodate water quality sampling and process equipment for pipeline sanitation.

The County approved this Technical Revision on August 18, 2010. NWNA has since constructed RMBH3 and associated wellhouse in accordance with this permit revision. RMBH3 was used as the primary production well in 2011.

TR#9: Tanker and Driver Parking at Truck Loading Facility

In order to facilitate the hiring of local truck drivers by making access to the NWNA tankers and the Truck Loading Facility convenient, NWNA applied to modify its site plan to allow for the parking of four (4) tankers and six (6) truck driver automobiles on private property south of and adjacent to NWNA's property. This re-configuration requires modification of the south fence and driveway apron in order for drivers to have access to the off-property parking spaces. This request was presented as an alternative to the permitted site plan

and is to be implemented by NWNA when tanker parking on-site was no longer feasible due to increased activity.

The County approved this Technical Revision on September 13, 2010. However, due to the relatively lower level of trucking during 2011 NWNA has not implemented the reconfiguration of its site allowed by this permit revision.

NWNA has received the following amendments to its Permits:

PA#1: Alternative River Crossing

At the request of the Town of Buena Vista in order to provide a major water transmission line across the Arkansas River to meet the Town's projected need for water resources, NWNA applied to change its previously-approved directional drilling approach to cross the river to an open trenching method. This modification allowed for concurrent installation of NWNA's and the Town's water lines at no cost to the Town. In addition, the alternative crossing method required a minor realignment of the pipeline.

The U.S. Army Corps of Engineers (USACE) granted NWNA a General Permit 12 on March 2, 2010 for the river crossing. The County approved this 1041 Permit Amendment on February 22, 2010 by Resolution 2010-20 and approved a revised Special Land Use Permit (SLUP) by Resolution 2010-21. The pipeline was constructed in accordance with this Permit Amendment and USACE Permit.

2.4.3 Dispute Resolution

There are no NWNA-County disputes and no submittal is required.

2.4.4 Term of Permit

NWNA's Chaffee County 1041 Permit expires on October 22, 2019, unless extended by the Chaffee County Board of County Commissioners (BOCC).

2.4.5 Commencement of Project

NWNA completed construction of the Project as permitted in 2010 and after Chaffee County issued on July 27, 2010 a Notice to Proceed, NWNA began water transport operations on August 19, 2010. Therefore, NWNA has fully satisfied this permit condition.

2.4.6 Transfer of Permit

NWNA does not request a transfer of, nor has it transferred, its rights under this Permit to any parties.

2.4.7 Permit Violation

NWNA has not been notified by Chaffee County, or any other permit authority, of any violations of permits.

2.4.8 Annual Reporting

This report is submitted to Chaffee County for 2011 in compliance with this condition.

2.4.9 Hagen Exception

The metes and bounds description of the Hagen exclusion to the NWNA 1041 Permit Application has not changed. NWNA has taken no action on this exclusion in 2011. The land covered by the exclusion has been grazed according to the NWNA's 2011 Grazing Management Plan.

2.4.10 Financial Security

NWNA submitted a Letter of Credit (LOC) to the County on January 19, 2010 to cover costs associated with revegetation of the well sites, pipeline route, and County Road crossings. ACA Products Inc., NWNA's construction representative, submitted a LOC to the County on February 18, 2010 to cover costs associated with revegetation of the pipeline crossing of the Arkansas River date. Both LOCs remained in effect during 2011, less partial releases approved by the County. NWNA will continue to work with the County, and in accordance with USACE permit provisions, during 2012 and 2013 to release these LOCs.

2.4.11 Compliance with Other Permits

NWNA received a Wastewater Discharge Permit (COG-603000) in January 2008 from the Colorado Department of Public Health and the Environment (CDPHE) to discharge spring water to the Arkansas River during NWNA's pumping tests. There were no discharges associated with that permit in 2011, and NWNA filed for termination of that permit in the Fall of 2011. NWNA filed a Notice of Inactivation subsequent to stabilization following construction and revegetation in the latter half of 2011. The CDPHE issued a notice of termination on January 24, 2012.

NWNA received from the Colorado Division of Water Resources (CDWR) on April 15, 2011 approval of a Substitute Water Supply Plan to operate the production wells RMBH2 and RMBH3 which specifies conditions of operation and required augmentation. NWNA has operated RMBH2 and RMBH3 in compliance with that permit in 2011.

On April 5, 2010 the CDWR issued to NWNA a well permit (69092-F) for RMBH2 which specifies conditions of well operation. NWNA has operated RMBH2 in compliance with that permit in 2011.

On April 29, 2010 the CDWR issued to NWNA a well permit (69165-F) for RMBH3 which specifies conditions of operation. NWNA has operated RMBH3 in compliance with that permit in 2011.

On August 4, 2010, the CDPHE issued to NWNA Source Approval for RMBH2 to provide water to be processed into bottled drinking water. This approval was

issued based on CDPHE's review of NWNA's water resources management guidelines, RMBH2 well construction information, and water quality analyses collected from 4 sampling events occurring between January 2008 and June 2010.

On April 20, 2011, the CDPHE issued conditional Source Approval for RMBH3 based on CDPHE's review of NWNA's water resources management guidelines, RMBH3 well construction information, and water quality analyses. Prior to final Source Approval, the CDPHE requested that an additional microparticulate analysis (MPA) be conducted (after startup) under May or June watertable and river-level conditions. RMBH3 was brought online for production of spring water for bottling on April 29, 2011. The MPA sampling was conducted on May 10-11, 2011 and final Source Approval was issued by CDPHE on May 25, 2011.

NWNA received a Stormwater Management Permit from the Colorado Water Quality Control Division (CWQCD) for its site and pipeline construction in 2009. That permit was terminated in 2011 after completion of construction and revegetation.

NWNA received a building permit from Chaffee County for construction of the RMBH3 wellhouse. NWNA constructed the RMBH3 wellhouse in 2011 according to the approved plans.

2.4.12 Cost Reimbursement Fund and Application Review Costs

In compliance with this section of the 1041 Permit, NWNA has maintained its Cost Reimbursement Fund balance per County requirements and has not objected to reimbursement of County costs presented in 2011. The following table contains an accounting of the NWNA Reimbursement Fund during 2011 as received from the Chaffee County Finance Director.

| NESTLE 2011 ACCOUNT RECONCILIATION | | | | |
|---|-----------------------------|--------------------|------------------|----------------|
| Date | Vendor / Description | Payments | Receipts | Balance |
| Jan-11 | Interest | | \$ 32.64 | \$ 174,752.24 |
| Feb-11 | Interest | | \$ 28.93 | \$ 174,781.17 |
| Mar-11 | Interest | | \$ 23.89 | \$ 174,805.06 |
| Apr-11 | Interest | | \$ - | \$ 174,805.06 |
| May-11 | Felt, Monson, Culichia | \$ 705.00 | | \$ 174,100.06 |
| May-11 | Chaffee County Reimb | \$ 47.00 | | \$ 174,053.06 |
| May-11 | Chaffee County Reimb | \$ 372.70 | | \$ 173,680.36 |
| May-11 | Interest | | \$ 45.93 | \$ 173,726.29 |
| Jun-11 | Interest | | \$ 20.79 | \$ 173,747.08 |
| Jul-11 | Interest | | \$ 17.76 | \$ 173,764.84 |
| Aug-11 | Interest | | \$ 14.76 | \$ 173,779.60 |
| Sep-11 | Interest | | \$ 13.11 | \$ 173,792.71 |
| Oct-11 | Interest | | \$ 12.60 | \$ 173,805.31 |
| Oct-11 | Felt, Monson, Culichia | \$ 399.50 | | \$ 173,405.81 |
| Nov-11 | Interest | | \$ 13.01 | \$ 173,418.82 |
| Dec-11 | Interest | | \$ 12.61 | \$ 173,431.43 |
| Totals: | | \$ 1,524.20 | \$ 236.03 | |

2.4.13 Bighorn Springs Land Management Plan

The County approved NWNA's Final Bighorn Springs Parcel Land Management Plan on May 5, 2010.

According to the NWNA-County ROW dedication agreement, the County after coordination with NWNA applied dust suppression on CR300 adjacent to the Bighorn Springs Parcel during May, 2011.

NWNA did not observe a noxious weed problem on the property and did not receive notification from the County concerning noxious weeds, so conducted no brush or weed control on the parcel other than revegetation of the disturbed portion of the property.

CMC NRM prepared NWNA's 2011 Bighorn Springs Grazing Management Plan. The plan was submitted to Colorado Division of Wildlife (CDOW), the Natural Resources Conservation Service (NRCS), and the County and approved in March 2011.

In accordance with the plan, NWNA replaced broken-down fencing with new wildlife-friendly fence along the railroad ROW and constructed a new wildlife-friendly fence corridor and gates to allow for cattle access to water from the upland paddock.

Due to scheduling conflicts of potential grazing entities (Colorado Department of Corrections [CDOC] and McMurry Land and Cattle Co.), the Bighorn Springs parcel was not formally grazed in 2011, except for a few days early in the summer when a few cattle from adjacent lands accessed the property through broken down fencing. CMC NRM broadcast a cool-weather grass seed mixture in August in an attempt to broaden diversity of under-represented cool-weather species. The results of that program will be evaluated in the annual monitoring of the property in coming years.

NWNA submitted its 2011 Bighorn Springs Grazing Report to the County, Colorado Parks and Wildlife, and NRCS in October, 2011 and received favorable comments and no objections.

On behalf of NWNA, CMC NRM has prepared the proposed NWNA 2012 Bighorn Springs Grazing Management Plan. That plan is being submitted to the County with this report (Exhibit 1), and will also be distributed to NRCS and Colorado Parks and Wildlife for their review, in accordance with the Bighorn Springs Land Management Plan.

2.4.14 Ruby Mountain Land Management Plan

The County approved NWNA's Final Ruby Mountain Springs Parcel Land Management Plan on May 5, 2010.

NWNA completed construction of the RMBH3 wellhouse in 2011. Revegetation of the site disturbed by construction was performed in 2011, and will be enhanced during the Hatchery Reclamation project in 2012.

NWNA observed some Kochia in disturbed areas of the parcel, but did not receive notification from the County concerning noxious weeds. NWNA performed no weed management activities on the parcel since NWNA will be reclaiming the hatchery property in 2012.

According to the NWNA-County ROW dedication agreement, the County after coordination with NWNA applied dust suppression on CR300 adjacent to its Ruby Mountain Springs Parcel during May, 2010.

2.4.15 Hatchery Restoration

The County approved NWNA's Final Ruby Mountain Springs Hatchery Restoration Plan on April 26, 2010. CMC NRM completed a site inventory and documentation on July 1, 2010. NWNA removed the residential structures, rubbish, the old fish hatchery building and associated non-fixed equipment and structures from the property in 2010. Fish were also removed from the hatchery ponds and raceways at the request of the Colorado Division of Wildlife (CDOW).

Upon completion of the stakeholder process, CMC NRM completed The Ruby Mountain Springs Hatchery Reclamation Plan and submitted the plan to the stakeholders, including the County, on January 20, 2012. NWNA received a Nationwide 27 Stream and Wetlands Restoration Permit from the USACE on February 1, 2012. Construction of the reclamation project is scheduled to begin in April 2012 and be substantially completed during the summer of 2012.

2.4.16 Wetlands and Groundwater Monitoring and Mitigation Plan

The County approved NWNA's Final Surface- and Groundwater Monitoring and Mitigation Plan on May 5, 2010 which includes provision for wetlands monitoring.

In support of the present report, NWNA submits copies of: (1) NWNA's 2011 surface water and groundwater monitoring (SWGWM) report (Exhibit 2), and (2) NWNA's 2011 Bighorn Springs Wetlands Monitoring (BHSWM) Report (Exhibit 3).

The SWGWM report presents flow data collected from the weir and flumes on the Ruby Mountain Springs and Bighorn Springs Parcels, water level data for the wells in the monitoring well network, water quality data from approved monitoring locations, local and regional precipitation data, Arkansas River flows, and irrigation diversions for relevant ditches. The report provides an analysis of seasonal water levels relative to previously monitored years, as well as an evaluation of any affects that NWNA's pumping causes on spring flow and water levels in nearby monitoring wells.

The report, similar to last year's report, demonstrates that NWNA's production pumping is detectable by very slightly reduced flows over the lower weir, and slightly lower water levels in immediately adjacent monitoring wells. Further, the monitoring data reveal no influence of NWNA's withdrawals on up-gradient monitoring-well water levels on the Bighorn Springs parcel, demonstrating that NWNA's withdrawals have only the predicted localized affect on aquifer water levels.

The 2011 BHSWM report presents the results of monitoring by CMC NRM of the conditions of the Bighorn Springs upland and wetlands conducted in 2011. Measurements of vegetative cover and species representation are presented. Within monitored transects, results display both increases and decreases in coverage and species from the previous year, showing no discernable trend. It is presently difficult to ascertain the cause behind observed changes in vegetative coverage from 2010 to 2011, and differences may be largely due to sampling variations. It is reasonable to expect that at least five sampling events/years will be necessary to: (1) establish a baseline of species and vegetation distribution at the site, (2) provide an estimate of sampling variance, and (3) evaluate the statistical validity and cause of possible trends.

2.4.17 Endowment and Annual Programmatic Contributions

NWNA becomes an active corporate citizen in the communities in which we operate. From Chaffee County citizen input, NWNA has focused its community partnering primarily in the area of education, but also supports other local causes including, recycling, conservation, emergency response, community health, other community-specific events and needs. The following will present a brief summary of NWNA's 2011 community partnering in Chaffee County.

In December of 2009, NWNA funded the science education endowments to the Buena Vista Education Assistance Fund (BVCEAF) and to Support Our Schools Salida! (SOSS), each in the amount of \$250,000. In 2011, NWNA allocated \$2,000 toward each of these endowment principal accounts, which were received by the non-profits in 2012. Annual distributions from these endowments (held by the Denver Foundation) were made to these organizations in 2011, which then were awarded by their boards to worthy projects and scholars in their respective districts.

The following table presents BVCEAF's grant awards made from the NWNA endowment distribution.

BVCEAF - NESTLE GRANT 2011-2012

| | |
|--|-------------------------|
| Beginning Balance 7-01-2011 Denver Foundation | \$269,419 |
| Less Cash Disbursement in July to BVCEAF | \$12,317 |
| Investment activity within the Denver Foundation | <u>\$2,499</u> |
| Ending Balance Denver Foundation 7-31-2011 | <u>\$259,601</u> |

| | |
|--|-----------------------|
| Beginning Disbursement amount | \$12,317 |
| | |
| SCHOOL/TEACHER/Description | AMOUNT AWARDED |
| | |
| BVHS/Davis/Anatomy in Clay | \$2,583 |
| APE/Atha & Brujak/Magellan GPS | \$900 |
| MMS/Jacobson/Nutrition Displays | \$859 |
| Scholarships | \$5,000 |
| | |
| Total: | \$9,341 |
| | |
| Amount available for future awards: | \$2,976 |

The balance of the fund will be awarded in the spring semester of 2012.

NWNA through BVCEAF also supported the following projects in 2011:

- Chaffee County High School Little Annie Conservation Camp Water Well - \$2,875

The following table presents SOSS's grant awards made from the NWNA endowment distribution.

SOSS (Support Our Schools Salida)
2011 Year End Nestle Fund Report

Denver Foundation - Salida Schools Science Education Endowment Fund
2011 Beginning Fund Balance ---\$253,904.74
2011 Ending Fund Balance ---\$250,442.98
Total Disbursements to SOSS ---\$12,653.50

Longfellow Elementary School
recieved the following funding for Science, Natural Resource or Recycling related projects.

| | | |
|------------|-----------|---|
| 3-9-2011 | \$1250.00 | Classroom sound amplification systems for use in science and other areas. |
| 3-9-2011 | \$75.00 | Science Fair Materials |
| 3-9-2011 | \$407.49 | Mimeo Projector for Science Classroom |
| 8-17-2011 | \$300.00 | "Electrical Circuits" Science Learning Kits |
| 10-19-2011 | \$517.00 | Science Field Trip |

Salida Middle School
recieved the following funding for Science, Natural Resource or Recycling related projects.

| | | |
|------------|-----------|--------------------|
| 12-13-2011 | \$2500.00 | Greenhouse Project |
|------------|-----------|--------------------|

Salida High School
recieved the following funding for Science, Natural Resource or Recycling related projects.

| | | |
|----------|--|-----------------|
| 3-9-2011 | \$2000.00 | Lab Microscopes |
| | <hr style="width: 100px; margin: 0;"/> \$7049.49 | |

SOSS/Nestle Science Scholarship

\$1000.00 was awarded to graduating senior Emily Rose Daugherty, College of Engineering and Applied Sciences at the University of Colorado Boulder.

The balance of the fund will be awarded in the spring semester of 2012.

NWNA through SOSS also supported development of a district-wide recycling program through a \$1,350 contribution and participation.

In addition to supporting education and schools in Chaffee County, NWNA has remained an active supporter of other community organizations. The following table summarizes more than \$33,000 in financial contributions NWNA made to local organizations in 2011.

NWNA 2011 Community Partnering Contributions
Chaffee County, Colorado

| Organization | Purpose/Event | Amount |
|----------------------------------|---|-----------------|
| American Cancer Society | Tenderfoot Hillclimb Fundraiser | \$250 |
| Avery Parsons Elementary | Odyssey of the Mind | \$850 |
| Buena Vista Bike Team | Fundraiser/Sponsorship | \$750 |
| Buena Vista Optimist Club | Fundraiser/Sponsorship | \$1,000 |
| Buena Vista Youth Soccer Assoc. | Fundraiser/Sponsorship | \$500 |
| BV Baseball Assoc | Fundraiser/Sponsorship | \$200 |
| BV Chamber of Commerce | BV Chamber Marketing Committee | \$350 |
| BVCEAF | Little Annie Conservation Camp Water Well | \$2,875 |
| BVCEAF | Endowment Contribution | \$2,000 |
| BVHS | After Prom | \$300 |
| BVHS Cross Country | Fundraiser/Sponsorship | \$500 |
| Chaffee County Fair | Fundraiser/Sponsorship | \$275 |
| Collegiate Peaks Anglers | Fundraiser/Sponsorship | \$350 |
| Collegiate Peaks Music festival | Collegiate Peaks Music festival | \$750 |
| Collegiate Peaks Rodeo Assoc. | Fundraiser/Sponsorship | \$150 |
| Habitat for Humanity | Water Well - Johnson Village Home | \$6,726 |
| KSBV Radio | Pro challenge Radio PSA Sponsor | \$500 |
| Land Trust of the Upper Arkansas | Fundraiser/Sponsorship | \$500 |
| Salida Baseball Foundation | Fundraiser/Sponsorship | \$175 |
| Salida Cyclones Swim Team | Fundraiser/Sponsorship | \$250 |
| Salida Youth Football | Fundraiser/Sponsorship | \$400 |
| Support Our Schools Salida | Endowment Contribution | \$2,000 |
| Support Our Schools Salida | Salida School District Recycling | \$1,350 |
| Town of Buena Vista | Tree Board Conference Sponsor | \$100 |
| UAACOG | Upper Arkansas Watershed Planning Project | \$10,000 |
| Total: | | \$33,101 |

In order to complement the company's financial support of worthy causes in the community, NWNA's Natural Resources Manager and local community relations consultant have been actively involved with the efforts of some of these organizations.

NWNA has contributed more than 10,000 bottles of water to Chaffee County organizations and events in 2011 as part of its programmatic giving. (See following table)

| NWNA 2011 Chaffee County Water Donations | | | |
|---|--------------|------------------|----------------|
| Recipient | Cases | Case size | Bottles |
| BV Baseball Assoc | 10 | 35 | 350 |
| BV Fire Dept | 46 | 35 | 1,610 |
| | 5 | 32 | 160 |
| BVHS | 18 | 24 | 432 |
| BV Optimist Club (Ride the Rockies breakfast fundraiser) | 22 | 35 | 770 |
| | 8 | 32 | 256 |
| BV Rotary | 5 | 35 | 175 |
| | 30 | 24 | 720 |
| Chaffee County Fire | 22 | 24 | 528 |
| | 21 | 35 | 735 |
| Channel 9 News Health Fairs Salida BV, Cotopaxi, Saguache | 32 | 24 | 768 |
| Hoofbeats Equestrian Ctr Event | 30 | 35 | 1,050 |
| | 3 | 32 | 96 |
| | 12 | 24 | 288 |
| Salida Community Ctr | 21 | 24 | 504 |
| Salida Little League Baseball | 40 | 32 | 1,280 |
| Salida Swim Team | 13 | 24 | 312 |
| Total: | 338 | | 10,034 |

Finally, according to NWNA's 1041 Permit hearing testimony, NWNA will continue discretionary community programmatic annual giving to worthy local organizations, events, and causes for as long as it operates in Chaffee County.

2.4.18 Right-of-Way

The NWNA-Chaffee County ROW Agreement requires NWNA to notify the County in each Annual Report of certain deed restrictions. Thus, NWNA hereby requests that the County notify NWNA of the County's 2012 plans for any construction activities, weed control, or dust-suppression for CR300 through NWNA's Bighorn Springs and Ruby Mountain Springs Properties.

The County in conjunction with the CDOW constructed a small fisherman parking area on the north side of CR300 in the County ROW adjacent to the NWNA Ruby Mountain Springs Property. Additionally, the County performed some tree and limb removal along the north side of CR 300 to enhance traffic visibility in the one-lane segment of the road.

The County notified NWNA of its plans for application of dust suppression on CR 300 adjacent to both NWNA parcels. NWNA agreed to the County's dust suppression compound, and application rate and method, and the County completed that activity in May 2011. NWNA hereby notifies the County that it would agree to the County applying dust suppression on CR 300 in 2012 along both NWNA properties as long as the same compound and application rate

and method used in 2011 are used in 2012. NWNA requests notification from the County if it intends to modify its dust suppression procedures in 2012.

The County did not notify NWNA of any need for weed control along CR 300 and NWNA did not observe (during monthly checks) a noxious weed problem along the CR 300 ROW adjacent to its property, so no weed control was done in 2011. NWNA plans on conducting revegetation of the disturbed areas for weed control along CR 300 on its Ruby Mountain Springs Parcel during the spring/summer of 2012.

2.4.19 Wildlife Friendly Fencing

This condition is satisfied.

2.4.20 River Wade Fishing on Bighorn and Ruby Mountain Springs Parcels

On May 24, 2011, NWNA and CDOW finalized and signed permanent fishing easement agreement on the Ruby Mountain and Bighorn Springs parcels, to be managed by Colorado Parks and Wildlife. Colorado Parks and Wildlife will install signage as part of its management of these easements.

2.4.21 Fishing Access on Bighorn Springs Parcel

On May 24, 2011, NWNA and CDOW finalized a permanent fisherman-parking-and-access easement agreement on the Bighorn Springs parcel, to be managed by Colorado Parks and Wildlife. Colorado Parks and Wildlife will construct the parking area, trails, and install signage as part of its management of this easement.

2.4.22 Pipeline Requirements

This condition is satisfied.

2.4.23 Buildings and Structures

NWNA completed construction of the RMBH3 wellhouse in 2011.

2.4.24 Construction Conditions Imposed by Special Land Use Permit

After receiving all required permits, NWNA completed construction of the RMBH3 wellhouse in 2011.

Construction activities were completed in compliance with all conditions of NWNA's SLUP requirements dealing with public safety, water pollution, noise, vibration, smoke, dust, odor, heat, and glare. NWNA received no notice of non-compliance from Chaffee County.

Revegetation of the disturbed areas of the pipeline route, river crossing, and wellhouse sites will continued to be monitored by NWNA and the County, and any remedial actions necessary for meeting County requirements will be undertaken by NWNA accordingly. Financial surety remains in place for this revegetation.

2.4.25 Local Construction Jobs and Local Purchasing

This 1041 Permit condition requires NWNA to hire local firms and purchase materials for the construction of the Ruby Mountain Springs Project to the degree that it is commercially practical. NWNA's corporate policy toward supporting the local communities in which it operates supports the objective of this permit condition and in 2011, NWNA made every attempt at achieving local hiring and purchasing of materials for the project.

Construction Contractors & Material and Equipment Purchases

NWNA employed a local contractor to construct the RMBH3 wellhouse. NWNA's total local expenditure for materials and equipment purchases and installation in 2011 was \$62,322. NWNA's total non-local expenditure for specialized materials and equipment purchases and installation in 2011 was \$50,046.

Professional Service Contractors

NWNA employed local professional service contractors including community relations, technical consulting, operations and monitoring assistance, etc., for the project in 2011 amounting to \$108,616 of local expenditure. NWNA also employed non-local professional service contractors largely due to either their specialized service not available locally, or they were NWNA's national consultants (e.g. legal counsel, water resource specialists, etc.). In 2011, NWNA, in support of its Ruby Mountain Springs project, employed non-local specialized professional service and legal contractors totaling \$519,220.

NWNA's Other Local Spending

In addition to NWNA's construction activities, NWNA had other spending in Chaffee County in 2011 associated with operations. This operational spending totaled \$50,720. NWNA's Buena Vista-based NRM contracted local companies for equipment, project supplies, and storage locally for a total expenditure of \$15,936. Included meals, lodging, fuel, and supply purchases by NWNA's Buena Vista-based NRM and non-Colorado NWNA employees, NWNA's miscellaneous 2011 expenses amounted to \$4,594. NWNA paid \$30,190 for local utilities associated with project operations in 2011.

NWNA's Taxes Paid

NWNA's 2010 real property taxes payable and paid in 2011 was \$4,770. The County did not assess NWNA personal property tax for 2010.

For tax year 2011, NWNA has received tax notice from the County indicating that the property taxes due and payable by April 30, 2012 are real property \$10,202 and the personal property \$26,056.21, for a total amount of \$36,258.

2.4.26 Local Drivers

In 2011, NWNA's trucking contractor (DG Coleman) employed 12 drivers to haul water from the NWNA Truck Loading Facility to the Denver Bottling Plant.

(NWNNA did not utilize a mid-trip, drop-and-pick up, scenario for trucking during 2011.) Of the 12 drivers employed, 7 resided in Chaffee County. Local drivers conducted 1,243 round-trips, and non-local drivers conducted 849 round-trips.

NWNNA and its trucking contractor made continuous efforts since May 13, 2010 to recruit local drivers as evidenced by advertising in the following media sources: The Mountain Mail; The Chaffee County Times; The Leadville Herald Democrat; The Fairplay Flume; and Craigslist.

During the time period January 1, 2011 through December 31, 2011, D.G. Coleman received 5 applications for employment from Chaffee County residents. Two of the applicants did not meet the driving qualifications of the contractor.

More detailed information regarding NWNNA's 2011 trucking operations is presented in Exhibit 4.

2.4.27 Project Impacts Related to Well Pumping

Condition is County permit proviso. No submittal is required.

2.4.28 Augmentation Water Source Restrictions

NWNNA only utilized augmentation water from the City of Aurora lease as permitted by NWNNA's 1041 permit. NWNNA's compliance with the water augmentation operational terms of the 1041 permit is presented in NWNNA's 2011 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Submitted electronically to Chaffee County January 25, 2012; Exhibit 5).

2.4.29 Limitation on Project Depletions

This permit condition requires that NWNNA's water depletions to the Arkansas River be limited to the net amount (196.0 acre-feet) of replacement water available to the Arkansas River in time, place and amount and that releases of augmentation water from Aurora's existing Lake County storage facilities or Aurora's existing Lake County consumptive use credits to the Arkansas River shall match the depletion in time and amount. NWNNA's compliance with the water augmentation operational terms of the 1041 permit is presented in NWNNA's monthly reports to Chaffee County and in NWNNA's 2011 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Submitted electronically to Chaffee County January 25, 2012; Exhibit 5).

2.4.30 Approved SWSP or Augmentation Plan Required

NWNNA received approval from the CDWR of a Substitute Water Supply Plan allowing NWNNA to withdraw spring water from RMBH2 and RMBH3 on April 15, 2011. The SWSP places restrictions on NWNNA's spring-water withdrawals reflective of restrictions contained within NWNNA's 1041 Permit. NWNNA has operated RMBH3 and RMBH2 in compliance with the SWSP in 2011. The current SWSP expires on March 21, 2012. NWNNA applied on January 5, 2012

to the CDWR for renewal of the SWSP containing the same provisions as the previous SWSP and expects approval of that application in March 2012.

NWNA has not filed a Plan for Augmentation in Colorado Water Court to date. According to the 1041 Permit requirement, NWNA provided its proposed Plan for Augmentation to the County on May 3, 2011 for review and comment.

2.4.31 Augmentation Water Delivery Restrictions

This 1041 Permit condition requires that NWNA's depletions be replaced by augmentation water released up-stream of the Ruby Mountain Springs on the Arkansas River. NWNA's compliance with this permit condition is presented in NWNA's 2011 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Submitted electronically to Chaffee County January 25, 2012; Exhibit 5).

2.4.32 Mitigation of Increased Demand on Augmentation Water Source

NWNA has provided the County with monthly reports presenting the City of Aurora's water operations on the Arkansas River and augmentation of NWNA's depletions which demonstrate NWNA's compliance with this permit condition. NWNA's compliance with this water augmentation operational term of the 1041 permit is summarized in Nestle's 2011 Accounting of the City of Aurora Supply and Demands (Exhibit 6).

2.4.33 Pumping Well Operational Restrictions

This 1041 Permit condition restricts NWNA's pumping from RMBH2 and RMBH3 simultaneously and limits diversions from the wells to 200 gallons per minute, 1 acre-foot per day, and 16.6 acre-feet per month.

In 2011, NWNA used RMBH2 for production from January 1 through April 29. RMBH3 operated as the primary production well during the remainder of 2011. NWNA has provided the County with monthly reports presenting NWNA's pumping, and NWNA's 2011 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Submitted electronically to Chaffee County January 25, 2012; Exhibit 5) summarizes these data. NWNA pumped 116.89 acre-feet of water in 2011, of which 46.16 acre-feet was transported to the Denver Plant for bottling.

In 2011, NWNA's diversions from RMBH2 and RMBH3 have complied with the provisions of this permit condition not exceeding the daily limit of 1 acre-foot or the monthly limit of 16.6 acre-feet. Instantaneous pumping spikes in excess of 200 gallons per minute did occur as noted in the 2011 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases. These pumping spikes which lasted for a period of seconds occurred only during pipeline sanitation events when the variable frequency drive (VFD) for the well pump is operated manually and under conditions of fluctuating pressures. The VFD control is very sensitive when operated manually resulting in inadvertent

surges that are quickly corrected. The groundwater from pumping surges was either pumped back down the well or captured as part of the sanitation waste water and discharged to the Buena Vista Sanitation District sewer system which discharges its purified effluent back to the Arkansas River up-stream of the Ruby Mountain Springs, thus resulting in no net loss to the river.

2.4.34 Construction of Pumping Wells

NWNA constructed RMBH3 in accordance with the County-approved provisions of the Technical Revision to the 1041 Permit.

2.4.35 Surface Water Flow Measurements

NWNA 2011 Surface Water and Groundwater Monitoring Report (Exhibit 2) presents a reporting of required surface flow measurements taken during 2011 from the required locations on the Ruby Mountain Springs Parcel ("Lower Weir" and "Upper Flume"). That report also presents surface water flow data for two locations on the Bighorn Springs Parcel ("Parshall-1" and "Parshall-3"), the Arkansas River, and irrigation ditch diversions relevant to the Ruby Mountain Springs aquifer.

From the SWGWM Report it can be concluded that surface water flows at the Ruby Mountain Springs is predominantly controlled by seasonal groundwater level fluctuations. Further, NWNA has demonstrated that production pumping from RMBH2 has a measureable, but very minor, affect on flows at the Ruby Mountain Springs.

Also from the SWGWM Report it can be concluded that surface water flows at Bighorn Springs are controlled by seasonal groundwater level fluctuations. No influence of NWNA's water withdrawals at the Ruby Mountain Springs on surface water flows or groundwater levels at the Bighorn Springs is detectable.

2.4.36 Suspension of Pumping - Adverse Effects on Reconstructed Wetlands

To date, NWNA has not reconstructed any wetlands at the Ruby Mountain Springs site. The wetlands and hatchery ponds continue to operate as they did prior to NWNA's operations.

Further, NWNA has demonstrated that production pumping from RMBH2 and RMBH3 have a measureable, but very minor, affect on spring flows consistent with studies conducted prior to permitting of operations. Therefore, NWNA does not anticipate the need for suspension of operations. In compliance with NWNA's 1041 Permit, monitoring of groundwater levels and spring flows in relation to water withdrawals will be made on a systematic basis during operations in order to evaluate and mitigate any negative effect on the Ruby Mountain Springs and associated wetlands.

2.4.37 Inclusion of Reconstructed Wetlands in SWSP or Augmentation Plan

NWNA did not include reconstructed wetlands augmentation in its 2011 SWSP as no wetland reconstruction has been implemented to date. Further, NWNA does not anticipate the need for augmentation in the future for the reclaimed habitat at the hatchery site, since the reclamation plan calls for a significant reduction in water-surface area and evaporative/transpiration losses relative to existing conditions. Accordingly, NWNA did not include reconstructed wetlands augmentation in its 2012 SWSP application.

2.4.38 Cessation of Diversions upon Termination of Aurora Lease

The City of Aurora's lease of augmentation water for NWNA's Ruby Mountain Springs operations remained in full force and effect during 2011.

2.4.39 Restrictions on Acquisition of Additional Water Rights in County

In 2011, NWNA continued to rely on augmentation water leased from the City of Aurora. The NWNA-Aurora lease has not been amended or modified in any way.

2.4.40 Water Rights Filing and Administration Costs

NWNA received approval from the CDWR of a Substitute Water Supply Plan allowing NWNA to withdraw spring water from RMBH2 and RMBH3 on April 15, 2011. The current SWSP expires on March 21, 2011. NWNA provided its 2012 draft SWSP to Chaffee County on December 5, 2011 for review and comment in compliance with this permit condition. Subsequently, NWNA has applied to the CDWR for renewal of the SWSP containing the same provisions as the previous SWSP and expects approval of that application in March 2012.

NWNA has not filed a Plan for Augmentation in Colorado Water Court to date. Prior to submittal of the plan to Water Court, NWNA provided on May 3, 2011 NWNA's proposed Plan for Augmentation to the County for review and comment.

Also in compliance with this permit condition, NWNA has maintained sufficient funds in its Chaffee County Reimbursement Account to cover the County's expenses associated with NWNA's processing of its SWSP and Water Court filings.

2.4.41 Trout Creek Pass Improvements Lobbying

NWNA did not receive notification or request from Chaffee County regarding lobbying actions with CDOT for improvements to US Highway 285 in 2011. Therefore, NWNA did not directly or indirectly lobby CDOT for such improvements in 2011.

2.4.42 Limits on Truck Traffic

This permit condition places certain restrictions on NWNA's trucking activity to limit impacts on the Trout Creek Pass portion of US Highway 285. These limitations include no more than 25 loaded trucks per day, with no more than two trucks per hour. During the restricted peak-hours period from the Friday of

Memorial Day weekend through the Labor Day, truck traffic is limited to no more than two loaded trucks per hour, with an average of one truck per hour for the peak-hours period of each day.

Detailed information regarding NWNA's 2011 trucking operations is presented in Exhibit 4. NWNA made a total 2,092 truck trips in 2011 from the Truck Loading Facility to the Denver Bottling Plant. Of these 2,092 trips, 598 trips employed the 6,500 gallon tanker, and 1,494 trips employed 8,200 gallon tankers. Therefore, the approximate total quantity of water transported to the Denver Plant was 46.16 acre-feet.

The average daily volume of NWNA's truck traffic over the course of 2011 was approximately 5.7 trips per day. The maximum number of trips on any given day in 2011 was 16. During the seasonally-restricted, daily peak 7-hour period, the maximum number of trucks in a given hour was 2 trips. The average trucking volume for the 7-hour restricted period was 0.63 trucks per hour. NWNA's is not aware of any violations of the limitations of this permit condition.

2.4.43 Emission Standards

NWNA employed the use of tanker trucks for its water shipments meeting the sample specifications that were submitted as part of the initial 1041 Application and subsequent Technical Revision (TR #7). Two late-model (2004 to 2010) tractors (International or Freightliner; Model: 9200I and CL120 Day Cab Units) meeting all federal and state emission (2007) and safety standards were used in 2011 trucking operations. The two tractor models were equipped with 435 to 500 horsepower engines depending on the tanker size hauled (either 6,500 gallon or 8,200 gallon). More detailed information regarding NWNA's 2011 trucking operations is presented in Exhibit 4.

2.4.44 No Idling During Loading

In compliance with its Permits, NWNA has not allowed its trucks to idle during loading. A few trucks have been based on-site, and limited idling only occurs as required for cold-weather start-up.

2.4.45 Emergency River Access

NWNA completed construction and revegetation of the emergency river access in the summer of 2010.

2.4.46 River Crossing Revegetation and CDOW Approval

The CDOW conducted a final review of the revegetation of the river crossing and provided a letter of approval to the County dated August 30, 2010.

2.4.47 River Crossing Construction Plans

In accordance with NWNA's USACE General Permit 12 and NWNA's Amended 1041 permit, construction within the Arkansas River was completed before the March 15, 2010 deadline. The CDOW conducted a final review of the

revegetation of the river crossing and provided a letter of approval to the County dated August 30, 2010.

2.4.48 Army Corps of Engineers

NWNA completed the pipeline river crossing construction and revegetation in 2020 in accordance with USACE General Permit 12 (SPA-2008-00255-SCO; March 2, 2010).

As required by the General Permit 12, NWNA's representative, Crabtree Group, provided the USACE with a monitoring report in October 2011 containing documentation of the condition of revegetation of the river crossing. During 2011, NWNA replaced three trees that were failing (subsequently specified in report to USACE. USACE has not indicated any issues with the project completion or revegetation. NWNA will provide the USACE annual monitoring reports for up to the next three years per requirement of General Permit 12.

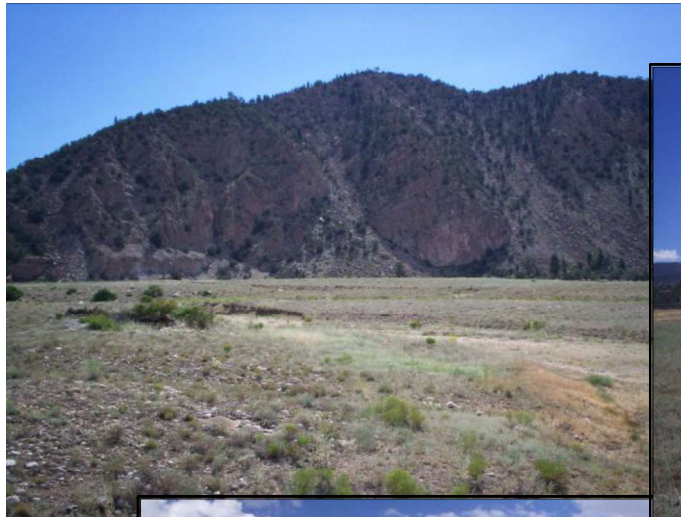
2.4.49 Town of Buena Vista Water Pipeline

NWNA completed construction in 2010 of the pipeline for the Town of Buena Vista in accordance with the USACE General Permit 12 and County-approved plans and requirements. NWNA understands that all required easement agreements have been submitted to the County by the affected parties. This condition is completely satisfied.

EXHIBIT 1

NWNA 2012 GRAZING MANAGEMENT PLAN

Nestlé Waters North America Inc.
Bighorn Springs Parcel
Grazing Management Plan
2012



Prepared By
Colorado Mountain College
Natural Resource Management Program
(CMC NRM)
For: Nestlé Waters North America, Inc.

TABLE OF CONTENTS

| | |
|---|---|
| Introduction..... | 2 |
| Site Characteristics..... | 2 |
| Grazing Management Goals..... | 4 |
| Criteria..... | 4 |
| Owners, Operators, Managers and Stakeholders..... | 4 |
| Water Development..... | 5 |
| Site Inventory..... | 5 |
| Grazing Units..... | 7 |
| Grazing Schedule..... | 7 |
| Monitoring and Evaluations..... | 8 |
| Grazing Management Objectives..... | 8 |
| Desired Outcomes..... | 8 |
| References..... | 9 |

APPENDICES

| | |
|---|----|
| • Appendix A. Range Site Descriptions..... | 10 |
| ▪ Mountain Meadow..... | 10 |
| ▪ Dry Mountain Outwash..... | 15 |
| • Appendix B. NRCS Double Sampling Method Data..... | 19 |
| ▪ NRCS Soil Map..... | 19 |
| ▪ NRCS Prescribed Grazing Inventory Worksheet..... | 20 |
| ▪ NRCS Double Sampling-Harvesting Data..... | 22 |
| • Appendix C. Comprehensive Biological Transect Data..... | 23 |
| • Appendix D. Transect Photograph Documentation..... | 25 |

LIST OF FIGURES

| | |
|--|---|
| Figure 1. Map of the Bighorn Springs Parcel (CMC NRM)..... | 3 |
| Figure 2. Alleyway for cattle drinking water source..... | 5 |

INTRODUCTION

This document provides a grazing management plan for the Nestlé Waters North America, Inc. (NWN), Bighorn Springs (BHS) parcel 121809 located in the Southwest Quarter of the Northeast Quarter (SW1/4 NE 1/4) and the Southeast Quarter of the Northeast Quarter (SE 1/4 NE1/4) of Section 11, Township 15 South, Range 78 West of the Sixth Principle Meridian, Chaffee County, CO (NWN, 2010). NWN is directed under the Bighorn Springs Land Management Plan, Chaffee County permit 1041, to provide Chaffee County, the Colorado Division of Wildlife (CDOW), and the United States Department of Agriculture (USDA)-Natural Resources Conservation Service of Colorado (NRCS) an annual grazing management plan for the BHS parcel.

The grazing plan is formulated to ensure long-term protection of the site, including the associated springs, and improve wetland, riparian, and upland habitats for the benefit of wildlife. This grazing management plan is the product of a cooperative effort of several entities including; NWN, CDOW, NRCS, CMC NRM, Colorado Department of Corrections (CDOC), and a certified holistic grazing management instructor/manager. The BHS grazing management plan will be amended annually, based on monitoring and evaluation, to address decisions including but not limited to: goals, needs, criteria, stocking rates, grazing timing and intensity, plant recovery, unforeseen problems, ecosystem succession and productivity that can change within the property from year to year. The updated grazing management plan will be adjusted in a way that utilizes adaptive management strategies based on monitoring and evaluation.

SITE CHARACTERISTICS

The BHS parcel is located in a semi-arid region within the Arkansas River basin, bordered on the west by the Arkansas River, while Sugarloaf Mountain dominates the eastern boarder of the property. The parcel varies slightly in elevation from 7,640 to 7,720 feet. (See Figure 1 for a map of the BHS parcel). The mean annual precipitation is approximately ten inches with the highest precipitation occurring during April/May, and July/August (WRCC, 2010). Several wildlife species (bighorn sheep, elk, deer, raptures, and waterfowl) are documented to have habitat ranges within or near the BHS property including the Gunnison prairie dog, which is a “Special Status Species” (NWN, 2010).

BHS is comprised of two primary management units; a riparian/wetland unit, with transitional zones, and an upland unit. The portion of the BHS parcel available for grazing comprises approximately 60 acres, with uplands comprising 48 acres, and the riparian/wetlands making up the remaining 12 acres. The riparian/wetland area is propagated by several springs and seeps.

A recently disturbed section exists within the parcel from NWN’s installation of an underground pipeline. The construction is complete and the impacted area has been reseeded. The two primary management units are enclosed and separated by a wildlife friendly stock fence. The BHS parcel is bounded on the north by property owned by CDOC and on the south by privately-owned property.

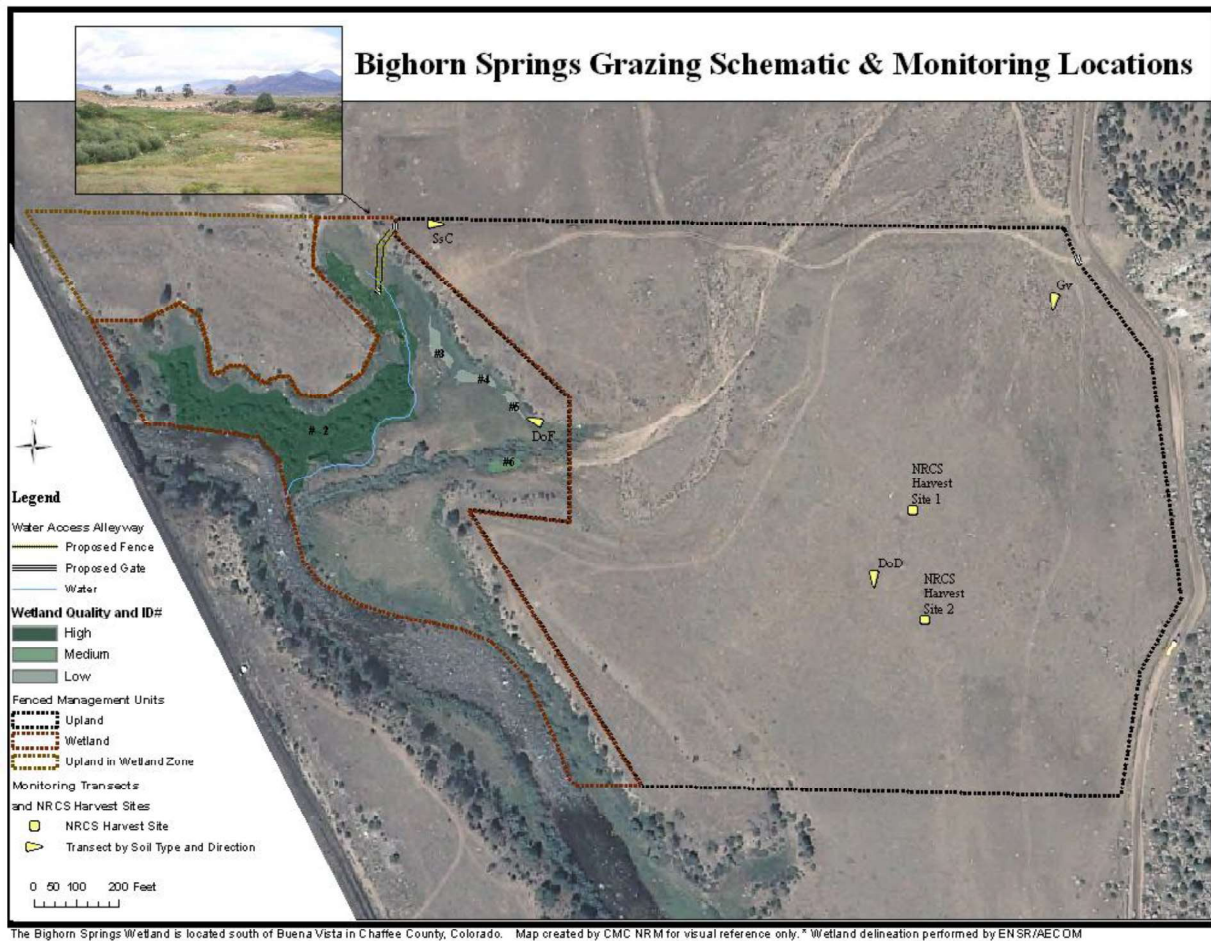


Figure 1. Map of the BHS Parcel (CMC NRM).

GRAZING MANAGEMENT GOALS

1. Maintain and enhance productive capacity of forage species.
2. Minimize soil loss and runoff by increasing the biomass of native plants and litter cover on the soil surface.
3. Ensure a sustainable supply of forage for both livestock and wildlife (e.g. bighorn sheep, elk and deer).
4. Increase plant diversity and productivity through controlled frequency and duration of grazing and allowing adequate re-growth opportunity between grazing events.

CRITERIA

- Cattle will be the livestock tool utilized on the parcel. High intensity, short duration grazing will insure minimal interaction between cattle and wildlife.
- Insure riparian and wetland areas located on the property are maintained and are not degraded by grazing impacts.
- The grazing plan will follow the guidelines of the NRCS code 528 for prescribed grazing (NRCS, 2010a).
- Sufficient water resources for livestock must be established or developed on the property prior to implementation.
- Operator(s) must maintain a secure livestock holding area and provide the necessary resources required for livestock operations and management.
- This plan will maintain the objectives of the Nwana weed management plan (Nwana, 2010).

OWNERS, OPERATORS, MANAGERS, AND STAKEHOLDERS

The BHS parcel is owned by Nwana. Oversight of this property is led by Bobbi McClead, Natural Resource Manager – Colorado for Nwana.

NRCS and the CDOW are key stakeholders providing technical expertise for review of the planned grazing management at the BHS property. CMC NRM will complete the prescribed monitoring, data collection, and reporting required for the grazing management plan with continued communications with the NRCS, CDOW, and Nwana.

Operator(s)/manager(s) for the utilization of livestock and the day to day operations associated with grazing schedules, movement of livestock, etc., will likely be provided by the CDOC – Buena Vista Correctional Facility. CDOC owns the adjacent property to the north of the BHS parcel and currently has livestock (cattle) operations in place.



2012 Annual Report

**Nestlé Waters North America Inc.
Chaffee County 1041 Permit**

**Submitted
March 1, 2013**

TABLE OF CONTENTS

CERTIFICATION OF REPORT

| | |
|---|----|
| 1.0 INTRODUCTION | 5 |
| 2.0 COMPLIANCE WITH 1041 PERMIT CONDITIONS..... | 5 |
| 2.4.1 Scope of Permit..... | 5 |
| 2.4.2 Technical Revision or Permit Amendment..... | 5 |
| TR#1: Truck Loading Facility (TLF) – Office Space and Parking Space..... | 5 |
| TR#2: Pipeline Size Reduction and Pipeline Realignment | 5 |
| TR#3: Pipeline Realignment on Gunsmoke Property | 6 |
| TR#4: Construction of a Water Discharge Pipeline to Bray Ditch | 6 |
| TR#5: Installation of Pipeline Sleeve under County Road 301 | 6 |
| TR#6: Water Discharge Pipeline to Arkansas River Outfall..... | 6 |
| TR#7: Alternative Truck and Tanker Size | 7 |
| TR#8: Modifications to Production Well (RMBH3) Configuration..... | 7 |
| TR#9: Tanker and Driver Parking at Truck Loading Facility | 7 |
| TR#10: Tanker and Driver Parking at Truck Loading Facility | 8 |
| PA#1: Alternative River Crossing..... | 8 |
| 2.4.3 Dispute Resolution | 8 |
| 2.4.4 Term of Permit..... | 8 |
| 2.4.5 Commencement of Project | 8 |
| 2.4.6 Transfer of Permit..... | 9 |
| 2.4.7 Permit Violation | 9 |
| 2.4.8 Annual Reporting..... | 9 |
| 2.4.9 Hagen Exception | 9 |
| 2.4.10 Financial Security | 9 |
| 2.4.11 Compliance with Other Permits | 9 |
| 2.4.12 Cost Reimbursement Fund and Application Review Costs | 10 |
| 2.4.13 Bighorn Springs Land Management Plan | 11 |
| 2.4.14 Ruby Mountain Springs Land Management Plan | 11 |
| 2.4.15 Hatchery Restoration..... | 12 |
| 2.4.16 Wetlands and Groundwater Monitoring and Mitigation Plan | 14 |
| 2.4.17 Endowment and Annual Programmatic Contributions | 16 |
| 2.4.18 Right-of-Way | 19 |
| 2.4.19 Wildlife Friendly Fencing | 20 |
| 2.4.20 River Wade Fishing on Bighorn and Ruby Mountain Springs Parcels | 20 |
| 2.4.21 Fishing Access on Bighorn Springs Parcel | 20 |
| 2.4.22 Pipeline Requirements | 20 |
| 2.4.23 Buildings and Structures..... | 20 |
| 2.4.24 Construction Conditions Imposed by Special Land Use Permit | 20 |
| 2.4.25 Local Construction Jobs and Local Purchasing | 21 |
| Construction Contractors & Material and Equipment Purchases | 21 |

| | |
|---|----|
| Professional Service Contractors..... | 21 |
| NWNA's Other Local Spending..... | 21 |
| NWNA's Taxes Paid | 21 |
| 2.4.26 Local Drivers | 22 |
| 2.4.27 Project Impacts Related to Well Pumping..... | 22 |
| 2.4.28 Augmentation Water Source Restrictions | 22 |
| 2.4.29 Limitation on Project Depletions | 22 |
| 2.4.30 Approved SWSP or Augmentation Plan Required | 22 |
| 2.4.31 Augmentation Water Delivery Restrictions..... | 23 |
| 2.4.32 Mitigation of Increased Demand on Augmentation Water Source..... | 23 |
| 2.4.33 Pumping Well Operational Restrictions | 23 |
| 2.4.34 Construction of Pumping Wells..... | 24 |
| 2.4.35 Surface Water Flow Measurements..... | 24 |
| 2.4.36 Suspension of Pumping - Adverse Effects on Reconstructed Wetlands | 24 |
| 2.4.37 Inclusion of Reconstructed Wetlands in SWSP or Augmentation Plan... | 24 |
| 2.4.38 Cessation of Diversions upon Termination of Aurora Lease | 25 |
| 2.4.39 Restrictions on Acquisition of Additional Water Rights in County | 25 |
| 2.4.40 Water Rights Filing and Administration Costs | 25 |
| 2.4.41 Trout Creek Pass Improvements Lobbying | 25 |
| 2.4.42 Limits on Truck Traffic | 25 |
| 2.4.43 Emission Standards | 26 |
| 2.4.44 No Idling During Loading | 26 |
| 2.4.45 Emergency River Access | 26 |
| 2.4.46 River Crossing Revegetation and CDOW Approval | 26 |
| 2.4.47 River Crossing Construction Plans | 26 |
| 2.4.48 Army Corps of Engineers | 26 |
| 2.4.49 Town of Buena Vista Water Pipeline | 26 |

LIST OF EXHIBITS:

EXHIBIT 1 – NWNA 2012 Bighorn Springs Grazing Management Plan

EXHIBIT 2 – NWNA 2012 Surface Water and Groundwater Monitoring Report,
Chaffee County, Colorado

EXHIBIT 3 – NWNA 2012 Bighorn Springs Wetlands Monitoring Report

EXHIBIT 4 – NWNA's 2012 Summary Trucking Operations

EXHIBIT 5 – NWNA's 2012 Annual Accounting Report Regarding Well Pumping
Operations and Augmentation Releases

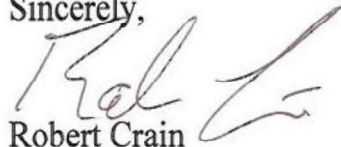
EXHIBIT 6 – CDWR Approval Letter of NWNA's 2012 Substitute Water Supply Plan

EXHIBIT 7 – Nestle's 2012 Accounting of the City of Aurora Supply and Demands

CERTIFICATION OF ANNUAL REPORT

NWNA is pleased to submit its 1041 Permit Annual Report for 2012 to Chaffee County, and by signing below, I certify that the information contained herein represents NWNA's activities in Chaffee County and demonstrates NWNA's compliance with its Permits in 2012. If the County needs clarification of the information presented herein, or additional information to meet compliance with the 1041 Permit Condition for Annual Reporting, please contact me.

Sincerely,



Robert Crain

Natural Resource Manager, Rocky Mountain Region

Waters North America

903-399-1011

Robert.Crain@waters.nestle.com

1.0 INTRODUCTION

Nestle Waters North America (NWNA) applied to Chaffee County (County) for a 1041 Permit and Special Land Use Permit (Permits) in November 2008 to construct and operate a spring water withdrawal and transport project (Project) at the Ruby Mountain Springs in Chaffee County. The County granted approval of NWNA's Permits on September 23, 2009. In accordance with Section 4.8 of the 1041 Permit, NWNA must submit an Annual Report to Chaffee County regarding its compliance with its Permits as well as its operations and activities in Chaffee County.

This report covers NWNA's operations and activities from January 1 through December 31, 2012, (Report Period). For continuity, this 2012 Annual Report may contain information addressing NWNA's compliance with all requirements specified in the Permits for the Reporting Period as well as up through the date of this report.

2.0 COMPLIANCE WITH 1041 PERMIT CONDITIONS

NWNA presents this annual report in accordance with recommendations of County staff made in the review letter dated April 7, 2010. NWNA's 2012 activities and compliance with 1041 permit conditions are presented subsequently being organized by condition number (e.g. Section 4.1) as presented in Chaffee County Resolution 2009-42 and as amended by Resolution 2010-20.

2.4.1 Scope of Permit

Condition is County proviso. No submittal is required.

2.4.2 Technical Revision or Permit Amendment

According to NWNA's 1041 Permit Section 5.1, NWNA may seek and be granted by the County Technical Revisions to its Permits and permit conditions if certain provisions in permit Section 5 are met. Additionally, according to Section 5.2 NWNA may seek and be granted by the County an amendment to its Permits if provisions within Section 5 are met. NWNA applied for and received approval for nine (10) Technical Revisions to its original 1041 Permit and one (1) Permit Amendment subsequent to initial issuance of NWNA's Permits granted by Resolutions 2009-42 and 2009-43.

NWNA has received the following Technical Revisions:

TR#1: Truck Loading Facility (TLF) – Office Space and Parking Space

NWNA applied for modification of the floor-plan of the TLF to provide an office space for a locally-based NWNA employee and associated on-site parking.

The County approved this Technical Revision on November 3, 2009. The TLF was constructed in accordance with this revision.

TR#2: Pipeline Size Reduction and Pipeline Realignment

NWNA applied for reduction of its water transmission pipeline from 8" (O.D.) to 6" (O.D.) based on final engineering calculations. NWNA also requested minor

realignments of the pipeline along some segments between the Ruby Mountain Springs Parcel and the TLF because: (1) the Project no longer included pumping at the Bighorn Springs; and (2) the pipeline would be afforded more protection within easements on private property as opposed to within County Road Right of Way (ROW) and within the Union Pacific Railroad ROW.

The County approved this Technical Revision on February 23, 2010. The pipeline was constructed in accordance with this revision.

TR#3: Pipeline Realignment on Gunsmoke Property

NWNA applied for a minor realignment of its pipeline on the Gunsmoke property to accommodate the realignment of NWNA's pipeline due to the alternate river crossing alignment, the addition of the Town of Buena Vista's water main at the river crossing, and to minimize impact to the private owner's commercial utility of the Gunsmoke property.

The County approved this Technical Revision on March 10, 2010. The pipeline was constructed in accordance with this revision.

TR#4: Construction of a Water Discharge Pipeline to Bray Ditch

NWNA applied to the County to construct a spring-water discharge pipeline that would transmit spring water from the TLF back across the Arkansas River through NWNA's crossing sleeve to discharge to the Bray Irrigation Ditch. This discharge pipeline was sought by NWNA in order to keep NWNA's pipeline from the Ruby Mountain Springs to the TLF operational even when NWNA was not transporting water to its Denver Bottling plant in order to maintain sanitary conditions of the pipeline and associated infrastructure.

The County approved this Technical Revision April 5, 2010. NWNA did not ultimately pursue this Technical Revision, since a final agreement between NWNA and the owner of the Bray Ditch was never finalized.

TR#5: Installation of Pipeline Sleeve under County Road 301

NWNA applied to construct a 12" diameter sleeve at NWNA's pipeline crossing at County Road 301 in order to expedite construction of the County road crossing and to minimize any lane closures of CR 301 during installation of the pipeline.

The County approved this Technical Revision on April 23, 2010. The pipeline was constructed in accordance with this revision.

TR#6: Water Discharge Pipeline to Arkansas River Outfall

NWNA applied to the County to construct a spring-water discharge pipeline that would transmit spring water from the TLF back across the Arkansas River through NWNA's crossing sleeve to discharge to a protected outfall on the east bank of the Arkansas River. This discharge pipeline was sought by NWNA in order to keep NWNA's pipeline from the Ruby Mountain Springs to the TLF operational even

when NWNA was not transporting water to its Denver Bottling plant in order to maintain sanitary conditions of the pipeline and associated infrastructure.

The County approved this Technical Revision on June 14, 2010. The discharge pipeline was constructed in accordance with this revision and has been in operation through 2012.

TR#7: Alternative Truck and Tanker Size

In order to increase efficiency and to reduce total number of truck trips between Chaffee County and Denver, NWNA applied to the County to allow for use of an alternative tractor and tanker size. The proposed change potentially allows for 2,600 fewer truck trips annually. The proposed alternative configuration utilizes a 500 horsepower tractor and an 8,200 gallon tanker, versus the previously-approved 450 hp tractor with a 6,500 gallon tanker.

The County approved this Technical Revision on June 23, 2010. Since beginning operations in 2010, NWNA has employed both allowed tractor-tanker configurations in its water transport to the Denver plant.

TR#8: Modifications to Production Well (RMBH3) Configuration

NWNA requested certain modifications of the configuration for the new production well RMBH3. The requested modifications included: a larger casing diameter to allow for installation of water quality sampling instrumentation, a shorter screen interval to allow for a deeper pump placement to provide better pump cooling. NWNA did not request changes to County-imposed water-level pumping constraints.

Additionally, NWNA applied for a minor increase in the size of the RMBH3 wellhouse to accommodate water quality sampling and process equipment for pipeline sanitation.

The County approved this Technical Revision on August 18, 2010. NWNA has since constructed RMBH3 and associated wellhouse in accordance with this permit revision. RMBH3 was used as the primary production well in 2012.

TR#9: Tanker and Driver Parking at Truck Loading Facility

In order to facilitate the hiring of local truck drivers by making access to the NWNA tankers and the Truck Loading Facility convenient, NWNA applied to modify its site plan to allow for the parking of four (4) tankers and six (6) truck driver automobiles on private property south of and adjacent to NWNA's property. This re-configuration requires modification of the south fence and driveway apron in order for drivers to have access to the off-property parking spaces. This request was presented as an alternative to the permitted site plan and is to be implemented by NWNA when tanker parking on-site was no longer feasible due to increased activity.

The County approved this Technical Revision on September 13, 2010. However, NWNA did not implement the reconfiguration of its site allowed by this permit revision in 2012.

TR#10: Tanker and Driver Parking at Truck Loading Facility

In order to meet growing plant demand and to facilitate the hiring of local truck drivers by making access to the NWNA tankers and the Truck Loading Facility convenient, NWNA applied to the County on April 12, 2012 to modify its site plan to allow for the parking of additional tankers and truck driver automobiles on site.

The County approved this Technical Revision on April 19 2012, and NWNA modified its parking facility according to the plan in 2012.

NWNA has received the following amendments to its Permits:

PA#1: Alternative River Crossing

At the request of the Town of Buena Vista in order to provide a major water transmission line across the Arkansas River to meet the Town's projected need for water resources, NWNA applied to change its previously-approved directional drilling approach to cross the river to an open trenching method. This modification allowed for concurrent installation of NWNA's and the Town's water lines at no cost to the Town. In addition, the alternative crossing method required a minor realignment of the pipeline.

The U.S. Army Corps of Engineers (USACE) granted NWNA a General Permit 12 on March 2, 2010 for the river crossing. The County approved this 1041 Permit Amendment on February 22, 2010 by Resolution 2010-20 and approved a revised Special Land Use Permit (SLUP) by Resolution 2010-21. The pipeline was constructed in accordance with this Permit Amendment and USACE Permit.

2.4.3 Dispute Resolution

There are no NWNA-County disputes and no submittal is required.

2.4.4 Term of Permit

NWNA' Chaffee County 1041 Permit expires on October 22, 2019, unless extended by the Chaffee County Board of County Commissioners (BOCC).

2.4.5 Commencement of Project

NWNA completed construction of the Project as permitted in 2010 and after Chaffee County issued on July 27, 2010 a Notice to Proceed, NWNA began water transport operations on August 19, 2010. Therefore, NWNA has fully satisfied this permit condition.

2.4.6 Transfer of Permit

NWNA does not request a transfer of, nor has it transferred, its rights under this Permit to any parties.

2.4.7 Permit Violation

NWNA has not been notified by Chaffee County, or any other permit authority, of any violations of permits.

2.4.8 Annual Reporting

This report is submitted to Chaffee County for 2012 in compliance with this condition.

2.4.9 Hagen Exception

The metes and bounds description of the Hagen exclusion to the NWNA 1041 Permit Application has not changed. NWNA has taken no action on this exclusion in 2012. The land covered by the exclusion has been grazed according to the NWNA's 2012 Grazing Management Plan.

2.4.10 Financial Security

NWNA submitted a Letter of Credit (LOC) to the County on January 19, 2010 to cover costs associated with revegetation of the well sites, pipeline route, and County Road crossings. ACA Products Inc., NWNA's construction representative, submitted a LOC to the County on February 18, 2010 to cover costs associated with revegetation of the pipeline crossing of the Arkansas River date. The initial LOC has been released, but the latter LOC remained in effect during 2012. NWNA will continue to work with the County, and in accordance with USACE permit provisions, during 2013 to release the remaining LOC. Additionally, NWNA has maintained the require reimbursement fund with the County which was used as financial security to cover the hatchery reclamation project, which was completed in 2012. NWNA is awaiting final approval from the USACE on the habitat restoration before seeking release of coverage from the Reimbursement Fund. NWNA anticipates final USACE approval in 2013.

2.4.11 Compliance with Other Permits

On April 5, 2010 the CDWR issued to NWNA a well permit (69092-F) for RMBH2 which specifies conditions of well operation. NWNA has operated RMBH2 in compliance with that permit in 2012.

On April 29, 2010 the CDWR issued to NWNA a well permit (69165-F) for RMBH3 which specifies conditions of operation. NWNA has operated RMBH3 in compliance with that permit in 2012.

On August 4, 2010, the CDPHE issued to NWNA Source Approval for RMBH2 to provide water to be processed into bottled drinking water.

On May 25, 2011, the CDPHE issued Source Approval for RMBH3 to provide water to be processed into bottled drinking water.

NWNA received from the Colorado Division of Water Resources (CDWR) on May 14, 2012 approval of a Substitute Water Supply Plan allowing NWNA to operate the production wells RMBH2 and RMBH3 under specified conditions of operation and required augmentation. NWNA has operated RMBH2 and RMBH3 in compliance with that permit in 2012.

NWNA received a Nationwide 27 Stream and Wetlands Restoration Permit from the USACE on February 1, 2012.

On March 13, 2012, NWNA received a Stormwater Discharge Permit Associated with Construction Activities from the CDPHE for the hatchery reclamation project. That permit was closed in November 2012.

On March 29, 2012 NWNA received a Construction Dewatering Operations Permit from CDPHE for the hatchery reclamation project. That permit was terminated at the end of July 2012.

2.4.12 Cost Reimbursement Fund and Application Review Costs

In compliance with this section of the 1041 Permit, NWNA has maintained its Cost Reimbursement Fund balance per County requirements and has not objected to reimbursement of County costs presented in 2012. The following table contains an accounting of the NWNA Reimbursement Fund during 2012 as received from the Chaffee County Finance Director.

Chaffee County - Nestle Waters 2012 Reimbursement Fund Account Report

| Date | Vendor / Description | Payments | Receipts | Balance |
|--------|------------------------|-----------|----------|---------------|
| Jan-12 | Interest | | \$ 13.08 | \$ 173,444.51 |
| Jan-12 | Felt, Monson, Culichia | \$ 164.50 | | \$ 173,280.01 |
| Feb-12 | Interest | | \$ 24.93 | \$ 173,304.94 |
| Feb-12 | Chaffee County Reimb | \$ 669.30 | | \$ 172,635.64 |
| Feb-12 | Felt, Monson, Culichia | \$ 188.00 | | \$ 172,447.64 |
| Mar-12 | Interest | | \$ 32.05 | \$ 172,479.69 |
| Apr-12 | Interest | | \$ 35.04 | \$ 172,514.73 |
| Apr-12 | WW Wheeler | \$ 210.50 | | \$ 172,304.23 |
| Apr-12 | Felt, Monson, Culichia | \$ 258.50 | | \$ 172,045.73 |
| Apr-12 | Chaffee County Reimb | \$ 494.30 | | \$ 171,551.43 |
| May-12 | Interest | | \$ 33.37 | \$ 171,584.80 |
| Jun-12 | Interest | | \$ 36.31 | \$ 171,621.11 |
| Jul-12 | Interest | | \$ 40.91 | \$ 171,662.02 |
| Aug-12 | Interest | | \$ 44.05 | \$ 171,706.07 |
| Sep-12 | Interest | | \$ 43.46 | \$ 171,749.53 |
| Sep-12 | Felt, Monson, Culichia | \$ 50.00 | | \$ 171,699.53 |
| Oct-12 | Interest | | \$ 43.29 | \$ 171,742.82 |
| Oct-12 | Felt, Monson, Culichia | \$ 225.00 | | \$ 171,517.82 |
| Nov-12 | Interest | | \$ 43.06 | \$ 171,560.88 |
| Nov-12 | Chaffee County Reimb | \$ 395.70 | | \$ 171,165.18 |
| Dec-12 | Interest | | \$ 38.46 | \$ 171,203.64 |

2.4.13 Bighorn Springs Land Management Plan

The County approved NWNA's Final Bighorn Springs Parcel Land Management Plan on May 5, 2010.

According to the NWNA-County ROW dedication agreement, the County after coordination with NWNA applied dust suppression on CR300 adjacent to the Bighorn Springs Parcel during May, 2012.

NWNA did not observe a noxious weed problem on the property and did not receive notification from the County concerning noxious weeds, so conducted no brush or weed control on the parcel other than revegetation of the disturbed portion of the property.

CMC NRM prepared NWNA's 2012 Bighorn Springs Grazing Management Plan. The plan was submitted to Colorado Division of Wildlife (CDOW), the Natural Resources Conservation Service (NRCS), and the County and approved in March 2012.

NWNA submitted its 2012 Bighorn Springs grazing report, this year contained in NWNA's 2013 Bighorn Springs Parcel Grazing Management Plan (Exhibit 1), to the County, Colorado Parks and Wildlife, and NRCS in October, 2012. NWNA received no formal written comment from any of the agencies, though CP&W indicated verbally that the report and plan looked appropriate.

The Bighorn Springs parcel was grazed in 2012 by the McMurry Land and Cattle Company during two short periods in June and in September. Due to the drought conditions of 2011 and 2012, cool-weather grasses have not re-grown even after the re-seeding effort by CMC in spring 2011, and therefore vegetative cover has decreased since 2010.

Though, NWNA's 2013 grazing plan calls for a single grazing event to occur in August 2013, NWNA will work closely with CMC and the agencies to evaluate if the land has received sufficient moisture and vegetative cover to allow for a grazing event in 2013. It is likely that the Bighorn Springs parcel will be rested in 2013.

2.4.14 Ruby Mountain Springs Land Management Plan

The County approved NWNA's Final Ruby Mountain Springs Parcel Land Management Plan on May 5, 2010.

According to the NWNA-County ROW dedication agreement, the County after coordination with NWNA applied dust suppression on CR300 adjacent to its Ruby Mountain Springs Parcel during May, 2012

NWNA did not observe a noxious weed problem on the property and did not receive notification from the County concerning noxious weeds, so conducted no brush or weed control on the parcel other than revegetation of the disturbed portion of the property.

NWNA performed hatchery removal, habitat reclamation, and revegetation on the parcel in 2012 (see next section).

2.4.15 Hatchery Restoration

The County approved NWNA's Final Ruby Mountain Springs Hatchery Restoration Plan on April 26, 2010. CMC NRM completed a site inventory and documentation on July 1, 2010. NWNA removed the residential structures, rubbish, the old fish hatchery building and associated non-fixed equipment and structures from the property in 2010. Fish were also removed from the hatchery ponds and raceways at the request of the Colorado Division of Wildlife (CDOW).

Upon completion of the stakeholder process, CMC NRM completed The Ruby Mountain Springs Hatchery Reclamation Plan and submitted the plan to the stakeholders, including the County, on January 20, 2012. NWNA received a Nationwide 27 Stream and Wetlands Restoration Permit from the USACE on February 1, 2012. Construction of the reclamation project began in April 2012 and be substantially completed during June 2012.

Vegetative growth was slowed during the early summer of 2012 due to severe drought conditions. Since the easing of the drought with the seasonal onset of the monsoonal moisture, vegetative growth at the site improved significantly. The aquatic and riparian habitat has been re-occupied by wildlife including ducks, geese, kingfisher, muskrat, squirrels, deer and Bighorn Sheep. Mature as well as fingerling trout have re-populated the newly-created pond and stream channel system. The success of the habitat reclamation project is illustrated in the following "before" and "after" photos.

The USACE 27 Permit remains in place awaiting final inspection, but NWNA anticipates closure of that permit in 2013.

CMC will perform a site inventory of the reclaimed habitat in late summer 2013.

Now that NWNA has completed its Ruby Mountain Springs hatchery reclamation project, NWNA will be actively exploring options for permanent conservation of its Ruby Mountains and Bighorn Springs properties.



Photo of old hatchery raceways and building.



Photo showing restored stream and riparian vegetation at old hatchery site.

2.4.16 Wetlands and Groundwater Monitoring and Mitigation Plan

The County approved NWNA's Final Surface- and Groundwater Monitoring and Mitigation Plan on May 5, 2010 which includes provision for wetlands monitoring of the Bighorn Springs property.

In support of this present report, NWNA submits copies of: (1) NWNA's 2012 Surface Water and Groundwater Monitoring (SWGWM) report (Exhibit 2), and (2) NWNA's 2012 Bighorn Springs Wetlands Monitoring (BHSWM) Report (Exhibit 3).

The SWGWM report presents flow data collected from the weir and flumes on the Ruby Mountain Springs and Bighorn Springs Parcels, water level data for the wells in the monitoring well network, water quality data from approved monitoring locations, local and regional precipitation data, Arkansas River flows, and irrigation diversions for relevant ditches. The report provides an analysis of seasonal water levels relative to previously monitored years, as well as an evaluation of any affects that NWNA's pumping causes on spring flow and water levels in nearby monitoring wells.

The report, similar to last year's report, demonstrates that NWNA's production pumping is detectable by very slightly reduced flows over the lower weir, and slightly lower water levels in immediately adjacent monitoring wells. Further, the monitoring data reveal no influence of NWNA's withdrawals on up-gradient monitoring-well water levels on the Bighorn Springs parcel, demonstrating that NWNA's withdrawals have only the predicted localized affect on aquifer water levels.

Conclusions presented in the SWGWM report are summarized below:

"Seasonal trends in spring water flows and groundwater levels in the Ruby Mountain Springs monitoring system were similar to those observed in water years 2008 through 2010 (water levels in 2011 rose to higher levels than in any of the other four years). Since the beginning of the NWNA monitoring program in April 2008, water levels for the Pinedale Outwash aquifer were generally declining.

Seasonal surface water flows from both Ruby Mountain and Bighorn springs are generally at a maximum from September through November and at a minimum from April through June (Figure 4.1 and Figure 4.2). During the 2012 water year, springs flows were similar or slightly below previous seasonal low flow observations; however, seasonal peak flows declined.

Groundwater levels in wells for both the upgradient and near springs areas followed a similar trend as the spring water flows. Water levels generally reached a lower seasonal minimum in April to June following the historical general decline in the aquifer before rising to maximum seasonal levels in September to October, depending on the location within the aquifer and proximity to irrigation fields and canal diversions... Wells located further upgradient tend to reach maximum and minimum levels earlier than wells located down gradient. The smallest seasonal

variations in groundwater water levels occur in the wells that are closest to groundwater discharge points.

The correlation between irrigation and groundwater levels has been noted previously..., and review of the 2012 timing of irrigation diversions with the timing and magnitude of water level increases, confirms this relationship. ...groundwater levels during the 2012 high water season declined and total irrigation diversions were the lowest recorded since 2008...and precipitation measurements at the Buena Vista 2S weather station were below average compared to the long-term records... Early season diversions in April and May were consistent with water year 2009..., however diversions during the remaining of the irrigation season (June through September) were the lowest rates observed in the last four years. This decreased diversion rate—primarily from restricted flows in the Helena Ditch and the Bray Allen Ditch—corresponds closely with the observed low water levels in the seasonal high flows. As in the past, the effect of local precipitation in the Arkansas River Valley on the aquifer appear to be minimal...

Aquifer recharge via groundwater inflows from the mountains directly east of the Pinedale Outwash aquifer is significant...the closest SNOTEL precipitation monitoring station east of the Arkansas River is the Rough and Tumble station, which is located more than 20 miles north of Ruby Mountain and Bighorn Springs. From a general perspective, the station shows that the snow water equivalent (SWE) for the 2011-12 snowpack in the Mosquito Range was below average compared to the 30-year average but average compared to the last five years. SWE was well above 2010-11 snowpack, although it was considerably lower than 2009-10...

The sole source of withdrawals for the production of water were from Ruby Mountain Springs production well RMBH-3 for the 2012 water year. The withdrawal of water has a small effect on flows at Ruby Mountain Springs, but does not affect water levels in the Pinedale Outwash aquifer beyond the Ruby Mountain Springs site. There were no effects at Bighorn Springs, which is located approximately 3,000 feet northwest of Ruby Mountain Springs site. pumping. The localized nature of the impacts of pumping on the water levels in the aquifer are consistent with the results of the pump testing conducted for RMBH-2 in 2008...and for RMBH-3 in 2010..."

The 2012 BHSWM report presents the results of monitoring by CMC NRM of the conditions of the Bighorn Springs upland and wetlands conducted in 2012. Measurements of vegetative cover and species representation are presented. Within monitored transects, results display an increase and some decreases in coverage from the previous year, likely reflecting drought conditions and grazing of the site in 2012. The magnitude of differences may be significantly attributable to sampling variations, but a decrease in vegetative cover is noticeable. It is reasonable to expect that at least five sampling events/years will be necessary to: (1) establish a baseline of species and vegetation distribution at the site, (2) provide an estimate of sampling variance, and (3) evaluate the statistical validity and cause of possible trends.

2.4.17 Endowment and Annual Programmatic Contributions

NWNA becomes an active corporate citizen in the communities in which we operate. From Chaffee County citizen input, NWNA focused its community partnering primarily in the area of education, but also supports other local causes including, recycling, conservation, emergency response, community health, other community-specific events and needs. The following presents a brief summary of NWNA's 2012 community partnering in Chaffee County.

In December of 2009, NWNA funded the science education endowments to the Buena Vista Education Assistance Fund (BVCEAF) and to Support Our Schools Salida! (SOSS), each in the amount of \$250,000. Since the inception of these funds, each organization has received more than \$30,000 in distributions for worthy education causes, while at the same time the principal of these funds has grown to more than \$270,000.

Annual distributions of approximately \$13,000 from these endowments (held by the Denver Foundation) were made to these organizations in 2012, which then were awarded by their boards to worthy projects and scholars in their respective districts. The following table presents BVCEAF's grant awards made from the NWNA endowment distribution, as reported by BVCEAF.

| BVCEAF-Nestle Waters Endowment 2012 Award Accounting | | | | |
|--|--------------|--------------|-----------|--------------------------------------|
| Carry over for Nestle close of 2012 | | | | |
| | | \$ | 5,096.04 | |
| Nestle Grants 12/13 | | \$ | 12,972.00 | |
| TOTAL AVAILABLE | | \$ | 18,068.04 | |
| NAME | AMT FUNDED | AMT SPENT | DIFF. | PROJECT/EQUIPMENT |
| Kim Neagele | \$ 4,175.00 | \$ 4,175.00 | \$ - | VERNIER SOFTWARE/ANATOMY &PHYSIOLOGY |
| BELL, HARGROVE, KERR | \$ 1,704.75 | \$ 1,704.75 | \$ - | CDWG/ TABLETS |
| KEIDEL | \$ 1,152.14 | \$ 1,152.14 | \$ - | FLINN SCIENTIFIC/ SCIENCE SUPPLIES |
| BRUNJAK, BOTT, | \$ 4,939.08 | \$ 4,880.11 | \$ 58.97 | CAPSTONE/ BOOKS |
| PAGE | \$ 58.97 | \$ 58.97 | \$ - | BOOK |
| TOTAL SPENT TO DATE | \$ 12,029.94 | \$ 11,970.97 | \$ 58.97 | |
| Balance remaining as of 01-31-13 | | \$ | 6,097.07 | |

The balance of the fund will be awarded in the spring semester of 2012. NWNA also contributed \$2,000 to the BVCEAF Science Endowment principal. NWNA contributed \$280 in 2012 to BVCEAF to support causes not associated with the science endowment.

The following table presents SOSS's grant awards made from the NWNA endowment distribution.

**SOSS (Support Our Schools Salida)
2012 Year End Nestle Fund Report**

Denver Foundation -Salida Schools Science Education Endowment Fund
2012 Beginning Fund Balance ---\$250,442.98
2012 Ending Fund Balance ---\$271,029.09
Total Disbursements to SOSS---\$13,272.25

Longfellow Elementary School

received the following funding for Science, Natural Resource or Recycling related projects.

| | | |
|----------|----------|-----------------|
| 11-12-12 | \$625.00 | NSTA Conference |
|----------|----------|-----------------|

Salida Middle School

received the following funding for Science, Natural Resource or Recycling related projects.

| | | |
|----------|-----------|-------------------------------|
| 1-18-12 | \$570.00 | SMS Science Fair |
| 1-18-12 | \$500.00 | SMS Science Fair |
| 2-15-12 | \$2000.00 | SMS Science Explorers Program |
| 3-15-12 | \$1518.00 | SMS Smart Document Cameras |
| 3-21-12 | \$1133.00 | GPS Units |
| 6-15-12 | \$500.00 | SMS Greenhouse |
| 9-19-12 | \$3700.00 | SMS Science Explorers Program |
| 12-12-12 | \$325.00 | SMS Breathing Lung Exhibit |

Salida High School

received the following funding for Science, Natural Resource or Recycling related projects.

| | | |
|---------|-----------|---|
| 3-27-12 | \$3000.00 | SHS Science Scholarships |
| 5-16-12 | \$2500.00 | Destination Imagination Science Component |
| 11-6-12 | \$2250.55 | Horizons Exploratory Academy CB Probes |

\$18621.55

Funds received and spent from Nestle as grants not through the Denver Foundation

| | | |
|---------|-----------|--------------------------------|
| 2-15-12 | \$2000.00 | Nestle Endowment Re-investment |
| 3-21-12 | \$1300.00 | SHS Recycle Bins |
| 8-21-12 | \$5586.00 | SHS Recycle Bins |
| | \$8886.00 | |

NWNA contributed \$2,000 to the SOSS Science Endowment principal.

NWNA through SOSS also supported development of a Salida School District recycling program through a \$6,800 contribution and planning participation.

In addition to supporting education and schools in Chaffee County, NWNA has remained an active supporter of other community organizations. The following table summarizes more than \$10,000 in financial contributions NWNA made to local organizations in 2012.

NWNA 2012 Chaffee County Partnering

| Name of Organization/Event | Amount |
|--|---------------------|
| Arkansas River Basin Water Forum | \$ 2,858.00 |
| Avery Parsons Elementary-OTM SUPPORT | \$ 400.00 |
| Buena Vista Optimist | \$ 1,000.00 |
| Buena Vista Rotary Club | \$ 250.00 |
| BVHS After Prom | \$ 300.00 |
| Chaffee County Fair | \$ 275.00 |
| Chaffee County Search and Rescue | \$ 400.00 |
| Chaffee County--GARDEN PROJECT | \$ 600.00 |
| Collegiate Peaks Stampede Rodeo | \$ 150.00 |
| Partnership for Lake County Recreation | \$ 400.00 |
| Salida Babe Ruth Baseball | \$ 175.00 |
| Salida Cyclones Swim | \$ 500.00 |
| Salida Rotary Charitable Fund-TRYATHALON | \$ 300.00 |
| Salida Youth Football | \$ 500.00 |
| Spectrum Marketing | \$ 500.00 |
| SPOT | \$ 400.00 |
| TU Collegiate Peaks-CADDIS BQT FUNDR | \$ 300.00 |
| Upper Arkansas Basin - Water Year 2012 | \$ 1,000.00 |
| Total: | \$ 10,308.00 |

In order to complement the company's financial support of worthy causes in the community, NWNA's Natural Resources Manager and local community relations consultant were actively involved in 2012 with the efforts of some of these organizations.

NWNA contributed more than 11,000 bottles of water to Chaffee County organizations and events in 2012 as part of its programmatic giving. (See following table)

NWNA 2012 Chaffee County Water Donations

| Recipient | Cases |
|-----------------------------|---------------|
| 9 Health Fair / Buena Vista | 16 |
| 9 Health Fair / Cotopaxi | 11 |
| 9 Health Fair / Saguache | 11 |
| Boys and Girls Club | 22 |
| Buena Vista High School | 12 |
| Buena Vista High School | 25 |
| Chaffee County Fire Dept | 180 |
| Collegiate Peaks Rodeo | 19 |
| Mountain Mania Car Show | 12 |
| Rio Grand Watershed | 67 |
| Rocky Mountain Riders | 5 |
| Salida Youth Wrestling | 21 |
| Sangre de Cristo Electric | 7 |
| Vitality Task Force | 60 |
| Walden Chamber of Music | 7 |
| Total Cases: | 475 |
| Total Bottles: | 11,400 |

Finally, according to NWNA's 1041 Permit hearing testimony, NWNA will continue discretionary community programmatic annual giving to worthy local organizations, events, and causes for as long as it operates in Chaffee County.

2.4.18 Right-of-Way

The NWNA-Chaffee County ROW Agreement requires NWNA to notify the County in each Annual Report of certain deed restrictions. Thus, NWNA hereby requests that the County notify NWNA of the County's 2012 plans for any construction activities, weed control, or dust-suppression for CR300 through NWNA's Bighorn Springs and Ruby Mountain Springs Properties.

The County notified NWNA of its plans for application of dust suppression on CR 300 adjacent to both NWNA parcels. NWNA agreed to the County's dust suppression compound, and application rate and method, and the County

completed that activity in May 2012. NWNA hereby notifies the County that it would agree to the County applying dust suppression on CR 300 in 2012 along both NWNA properties as long as the same compound and application rate and method used in 2012 are used in 2013. NWNA requests notification from the County if it intends to modify its dust suppression procedures in 2013.

The County did not notify NWNA of any need for weed control along CR 300 and NWNA did not observe (during monthly checks) a noxious weed problem along the CR 300 ROW adjacent to its property, so no weed control was done in 2012. NWNA plans on conducting revegetation of the disturbed areas for weed control along CR 300 on its Ruby Mountain Springs Parcel during the spring/summer of 2012.

2.4.19 Wildlife Friendly Fencing

This condition is satisfied.

2.4.20 River Wade Fishing on Bighorn and Ruby Mountain Springs Parcels

On May 24, 2011, NWNA and CDOW finalized and signed permanent fishing easement agreement on the Ruby Mountain and Bighorn Springs parcels, to be managed by Colorado Parks and Wildlife. Colorado Parks and Wildlife installed an information sign in the Fisherman Parking Area next to the Ruby Mountain Springs site and will post additional signage in 2013 as part of its management of these easements.

2.4.21 Fishing Access on Bighorn Springs Parcel

On May 24, 2011, NWNA and CDOW finalized a permanent fisherman-parking-and-access easement agreement on the Bighorn Springs parcel, to be managed by Colorado Parks and Wildlife. Colorado Parks and Wildlife expects to construct the parking area, trails, and install signage in the next couple of years as part of its management of this easement.

2.4.22 Pipeline Requirements

This condition is satisfied.

2.4.23 Buildings and Structures

NWNA did not construct or modify any buildings or structures in 2012.

2.4.24 Construction Conditions Imposed by Special Land Use Permit

After receiving all required permits, NWNA completed construction of the hatchery reclamation project in 2012. Construction activities were completed in compliance with its USACE 27 and its Colorado water quality control permits as well as all conditions of NWNA's SLUP requirements dealing with public safety, water pollution, noise, vibration, smoke, dust, odor, heat, and glare. NWNA received no notice of non-compliance from Chaffee County.

Revegetation of the disturbed areas was completed during the summer of 2012, and re-growth will be monitored in Spring 2013 to evaluate if additional re-seeding or planting is required. Financial surety remains in place for this revegetation.

2.4.25 Local Construction Jobs and Local Purchasing

This 1041 Permit condition requires NWNA to hire local firms and purchase materials for the construction of the Ruby Mountain Springs Project to the degree that it is commercially practical. NWNA's corporate policy toward supporting the local communities in which it operates supports the objective of this permit condition and in 2012, NWNA made every attempt at achieving local hiring and purchasing of materials for the project.

Construction Contractors & Material and Equipment Purchases

NWNA employed CMC-NRM, a local contractor, and a trout habitat consultant (from the Front Range) to perform the habitat reclamation. Additionally, NWNA hired a local contractor for some site work at the truck loading station to accommodate additional tanker parking. NWNA also performed some system upgrades and maintenance of its facilities using local and non-local contractors and supplier, as dictated by local availability. NWNA's local contractor expenditures amounted to \$152,865, while NWNA's non-local contractor expenditures for specialize equipment installation was \$176,421.

Professional Service Contractors

NWNA employed local professional service contractors including community relations, technical consulting, operations and monitoring assistance, etc., for the project in 2012 amounting to \$95,451 of local expenditure. NWNA also employed non-local professional service contractors largely due to either their specialized service not available locally, or they were NWNA's national consultants (e.g. legal counsel, water resource specialists, etc.). In 2012, NWNA, in support of its Ruby Mountain Springs project, employed non-local specialized professional service and legal contractors totaling \$245,160.

NWNA's Other Local Spending

In addition to NWNA's construction activities, NWNA had other spending in Chaffee County in 2012 associated with operations. NWNA's Buena Vista-based NRM contracted local companies for equipment, project supplies, and storage locally for a total expenditure of \$3,975. NWNA's 2012 total non-local miscellaneous expenditures for specialized materials and installation was \$6,996. NWNA's miscellaneous 2012 local expenses, including meals, lodging, fuel, etc., amounted to \$6,963. NWNA paid \$29,843 for local utilities associated with project operations in 2012.

NWNA's Taxes Paid

NWNA's 2010 real property taxes payable and paid in 2012 was \$39,999.96.

2.4.26 Local Drivers

In 2012, NWNA's trucking contractor (DG Coleman) employed 18 drivers to haul water from the NWNA Truck Loading Facility to the Denver Bottling Plant. (NWNA did not utilize a mid-trip, drop-and-pick up, scenario for trucking during 2012.) Of the 18 drivers employed, 10 resided in Chaffee County. Local drivers conducted 2,113 round-trips, and non-local drivers conducted 1,419 round-trips.

NWNA and its trucking contractor made continuous efforts since May 13, 2010 to recruit local drivers as evidenced by advertising in the following media sources: The Mountain Mail; The Chaffee County Times; The Leadville Herald Democrat; The Fairplay Flume; and Craigslist.

During the time period January 1, 2012 through December 31, 2012, D.G. Coleman received 8 applications for employment from Chaffee County residents. Three of the applicants did not meet the driving qualifications of the contractor.

More detailed information regarding NWNA's 2012 trucking operations is presented in Exhibit 4.

2.4.27 Project Impacts Related to Well Pumping

Condition is County permit proviso. No submittal is required.

2.4.28 Augmentation Water Source Restrictions

NWNA only utilized augmentation water from the City of Aurora lease as permitted by NWNA's 1041 permit. NWNA's compliance with the water augmentation operational terms of the 1041 permit is presented in NWNA's 2012 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Submitted electronically to Chaffee County February 1, 2012; Exhibit 5).

2.4.29 Limitation on Project Depletions

This permit condition requires that NWNA's water depletions to the Arkansas River be limited to the net amount (196.0 acre-feet) of replacement water available to the Arkansas River in time, place and amount and that releases of augmentation water from Aurora's existing Lake County storage facilities or Aurora's existing Lake County consumptive use credits to the Arkansas River shall match the depletion in time and amount. NWNA's compliance with the water augmentation operational terms of the 1041 permit is presented in NWNA's monthly reports to Chaffee County and in NWNA's 2012 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Submitted electronically to Chaffee County February 1, 2012; Exhibit 5).

2.4.30 Approved SWSP or Augmentation Plan Required

NWNA received approval from the CDWR for its 2012 Substitute Water Supply Plan ("SWSP") that imposed the same SWSP restrictions on NWNA's spring-water withdrawals contained within NWNA's 1041 Permit (see Exhibit 6). NWNA operated RMBH3 and RMBH2 in compliance with the SWSP in 2012. NWNA

applied for renewal of the SWSP in 2013 containing the same provisions as the previous SWSPs. Prior to submitting the 2013 SWSP renewal, NWNA provided a draft to Chaffee County for review and comment in compliance with this permit condition. Jim Culichia, water attorney for the County, confirmed that the SWSP application conformed to permit requirements.

2.4.31 Augmentation Water Delivery Restrictions

This 1041 Permit condition requires that NWNA's depletions be replaced by augmentation water released up-stream of the Ruby Mountain Springs on the Arkansas River. NWNA's compliance with this permit condition is presented in NWNA's 2012 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Submitted electronically to Chaffee County February 1, 2012; Exhibit 5).

2.4.32 Mitigation of Increased Demand on Augmentation Water Source

NWNA has provided the County with monthly reports presenting the City of Aurora's water operations on the Arkansas River and augmentation of NWNA's depletions which demonstrate NWNA's compliance with this permit condition. NWNA's compliance with this water augmentation operational term of the 1041 permit is summarized in Nestle's 2012 Accounting of the City of Aurora Supply and Demands (Exhibit 7).

2.4.33 Pumping Well Operational Restrictions

This 1041 Permit condition restricts NWNA's pumping from RMBH2 and RMBH3 simultaneously and limits diversions from the wells to 200 gallons per minute, 1 acre-foot per day, and 16.6 acre-feet per month.

In 2012, NWNA operated RMBH3 as the primary production well. NWNA has provided the County with monthly reports presenting NWNA's pumping, and NWNA's 2012 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Submitted electronically to Chaffee County February 1, 2012; Exhibit 5) summarizes these data. NWNA pumped 164.45 acre-feet of water in 2012, of which 80.514 acre-feet was transported to the Denver Plant for bottling.

In 2012, NWNA's diversions from RMBH2 and RMBH3 have complied with the provisions of this permit condition not exceeding the daily limit of 1 acre-foot or the monthly limit of 16.6 acre-feet. NWNA operated its production wells according to these limits, except during one event. Due to a lightning strike on July 10, 2012, an electronic sensor was damaged such that the daily maximum volume (288,052 gallons) was exceeded slightly (228,340 gallons) before repairs could be made, as noted in the 2012 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases. Due to return flows to the river during this event, augmentation releases were in excess of depletions to the river.

2.4.34 Construction of Pumping Wells

NWNA constructed RMBH3 in accordance with the County-approved provisions of the Technical Revision to the 1041 Permit.

2.4.35 Surface Water Flow Measurements

NWNA 2012 Surface Water and Groundwater Monitoring Report (Exhibit 2) presents a reporting of required surface flow measurements taken during 2012 from the required locations on the Ruby Mountain Springs Parcel ("Lower Weir" and "Upper Flume"). That report also presents surface water flow data for two locations on the Bighorn Springs Parcel ("Parshall-1" and "Parshall-3"), the Arkansas River, and irrigation ditch diversions relevant to the Ruby Mountain Springs aquifer.

From the SWGWM Report it can be concluded that surface water flows at the Ruby Mountain Springs is predominantly controlled by seasonal groundwater level fluctuations. Further, NWNA has demonstrated that production pumping from RMBH2 has a measureable, but very minor, affect on flows at the Ruby Mountain Springs.

Also from the SWGWM Report it can be concluded that surface water flows at Bighorn Springs are controlled by seasonal groundwater level fluctuations. No influence of NWNA's water withdrawals at the Ruby Mountain Springs on surface water flows or groundwater levels at the Bighorn Springs is detectable.

2.4.36 Suspension of Pumping - Adverse Effects on Reconstructed Wetlands

NWNA completed its habitat reclamation project in 2012. The restored habitat will be monitored beginning in 2013 to evaluate the success of revegetation and function of created habitat. The two small wetland areas delineated prior to NWNA's 1041 permitting were not altered by construction.

NWNA's 2012 Surface Water and Groundwater Monitoring Report (Exhibit 2) demonstrates that production pumping from RMBH3 has a measureable, but very minor, affect on spring flows consistent with studies conducted prior to permitting of operations. Therefore, NWNA does not anticipate the need for suspension of operations. In compliance with NWNA's 1041 Permit, monitoring of groundwater levels and spring flows in relation to water withdrawals will be made on a systematic basis during operations in order to evaluate and mitigate any negative effect on the Ruby Mountain Springs and associated wetlands.

2.4.37 Inclusion of Reconstructed Wetlands in SWSP or Augmentation Plan

NWNA did not include reconstructed wetlands augmentation in its 2012 SWSP since the hatchery reclamation project entailed a significant reduction in water surface area and consumptive water use (1,150 cubic feet per year). NWNA does not anticipate the need for augmentation in the future for the reclaimed habitat at the hatchery site.

2.4.38 Cessation of Diversions upon Termination of Aurora Lease

The City of Aurora's lease of augmentation water for NWNA's Ruby Mountain Springs operations remained in full force and effect during 2012.

2.4.39 Restrictions on Acquisition of Additional Water Rights in County

In 2012, NWNA continued to rely on augmentation water leased from the City of Aurora. The NWNA-Aurora lease has not been amended or modified in any way.

2.4.40 Water Rights Filing and Administration Costs

NWNA received approval from the CDWR for its 2012 SWSP which imposed the same SWSP restrictions on NWNA's spring-water withdrawals contained within NWNA's 1041 Permit. (see attached) NWNA operated RMBH3 and RMBH2 in compliance with the SWSP in 2012. NWNA applied for renewal of the SWSP in 2013 containing the same provisions as the previous SWSPs. Prior to submitting the 2013 SWSP renewal, NWNA provided a draft to Chaffee County for review and comment in compliance with this permit condition. Jim Culichia, water attorney for the County, confirmed that the SWSP application conformed to permit requirements.

NWNA has not filed a Plan for Augmentation in Colorado Water Court to date and may continue to operate through SWSP approval for two more years.

Also in compliance with this permit condition, NWNA has maintained sufficient funds in its Chaffee County Reimbursement Account to cover the County's expenses associated with NWNA's processing of its SWSP and Water Court filings.

2.4.41 Trout Creek Pass Improvements Lobbying

NWNA did not receive notification or request from Chaffee County regarding lobbying actions with CDOT for improvements to US Highway 285 in 2012. Therefore, NWNA did not directly or indirectly lobby CDOT for such improvements in 2012.

2.4.42 Limits on Truck Traffic

This permit condition places certain restrictions on NWNA's trucking activity to limit impacts on the Trout Creek Pass portion of US Highway 285. These limitations include no more than 25 loaded trucks per day, with no more than two trucks per hour. During the restricted peak-hours period from the Friday of Memorial Day weekend through the Labor Day, truck traffic is limited to no more than two loaded trucks per hour, with an average of one truck per hour for the peak-hours period of each day.

Detailed information regarding NWNA's 2012 trucking operations is presented in Exhibit 4. NWNA made a total 2,092 truck trips in 3,532 from the Truck Loading Facility to the Denver Bottling Plant. Of these 3,532 trips, 1,020 trips employed the 6,500-gallon tanker, and 2,447 trips employed 8,200-gallon tankers. Therefore, the approximate total quantity of water transported to the Denver Plant was 80 acre-feet.

The average daily volume of NWNAs truck traffic over the course of 2012 was approximately 9.7 trips per day. The maximum number of trips on any given day in 2012 was 19. During the seasonally-restricted, daily peak 7-hour period, the maximum number of trucks in a given hour was 2 trips. The average trucking volume for the 7-hour restricted period was 0.71 trucks per hour. NWNAs is not aware of any violations of the limitations of this permit condition.

2.4.43 Emission Standards

NWNA employed the use of tanker trucks for its water shipments meeting the sample specifications that were submitted as part of the initial 1041 Application and subsequent Technical Revision (TR #7). In 2012, NWNA used only late-model tractors meeting all federal and state emission standards. The two tractor models were equipped with 435 to 500 horsepower engines depending on the tanker size hauled (either 6,500 gallon or 8,200 gallon). More detailed information regarding NWNAs 2012 trucking operations is presented in Exhibit 4.

2.4.44 No Idling During Loading

In compliance with its Permits, NWNA has not allowed its trucks to idle during loading. Limited idling only occurs as required for cold-weather start-up.

2.4.45 Emergency River Access

NWNA completed construction and revegetation of the emergency river access in the summer of 2010. This condition is completely satisfied.

2.4.46 River Crossing Revegetation and CDOW Approval

The CDOW conducted a final review of the revegetation of the river crossing and provided a letter of approval to the County dated August 30, 2010. This condition is completely satisfied.

2.4.47 River Crossing Construction Plans

NWNA completed construction of the pipeline crossing of the Arkansas River under the provision of a USACE General Permit 12 and NWNAs Amended 1041 permit before the March 15, 2010 deadline. The CDOW conducted a final review of the revegetation of the river crossing and provided a letter of approval to the County dated August 30, 2010. The USACE approved closure of the General Permit 12 on September 25, 2012. This condition is completely satisfied.

2.4.48 Army Corps of Engineers

NWNA completed the pipeline river crossing construction and revegetation in 2020 in accordance with USACE General Permit 12 (SPA-2008-00255-SCO; March 2, 2010). The USACE approved closure of the General Permit 12 on September 25, 2012. This condition is completely satisfied.

2.4.49 Town of Buena Vista Water Pipeline

NWNA completed construction in 2010 of the pipeline for the Town of Buena Vista in accordance with the USACE General Permit 12 and County-approved plans and

requirements. NWNA understands that all required easement agreements have been submitted to the County by the affected parties. This condition is completely satisfied.



2013 Annual Report

**Nestlé Waters North America Inc.
Chaffee County 1041 Permit**

**Submitted
March 1, 2014**

TABLE OF CONTENTS

CERTIFICATION OF REPORT

| | |
|--|----|
| 1.0 INTRODUCTION | 5 |
| 2.0 COMPLIANCE WITH 1041 PERMIT CONDITIONS..... | 5 |
| 2.4.1 Scope of Permit..... | 5 |
| 2.4.2 Technical Revision or Permit Amendment | 5 |
| TR#1: Truck Loading Facility (TLF) – Office Space and Parking Space..... | 5 |
| TR#2: Pipeline Size Reduction and Pipeline Realignment | 5 |
| TR#3: Pipeline Realignment on Gunsmoke Property | 6 |
| TR#4: Construction of a Water Discharge Pipeline to Bray Ditch | 6 |
| TR#5: Installation of Pipeline Sleeve under County Road 301 | 6 |
| TR#6: Water Discharge Pipeline to Arkansas River Outfall | 6 |
| TR#7: Alternative Truck and Tanker Size | 7 |
| TR#8: Modifications to Production Well (RMBH3) Configuration..... | 7 |
| TR#9: Tanker and Driver Parking at Truck Loading Facility | 7 |
| TR#10: Tanker and Driver Parking at Truck Loading Facility | 8 |
| PA#1: Alternative River Crossing | 8 |
| PA#2: Alternative Augmentation Water Source | 8 |
| 2.4.3 Dispute Resolution | 8 |
| 2.4.4 Term of Permit..... | 9 |
| 2.4.5 Commencement of Project | 9 |
| 2.4.6 Transfer of Permit..... | 9 |
| 2.4.7 Permit Violation | 9 |
| 2.4.8 Annual Reporting..... | 9 |
| 2.4.9 Hagen Exception | 9 |
| 2.4.10 Financial Security | 9 |
| 2.4.11 Compliance with Other Permits | 9 |
| 2.4.12 Cost Reimbursement Fund and Application Review Costs | 10 |
| 2.4.13 Bighorn Springs Land Management Plan | 11 |
| 2.4.14 Ruby Mountain Springs Land Management Plan | 12 |
| 2.4.15 Hatchery Restoration..... | 12 |
| 2.4.16 Surface and Groundwater Monitoring and Wetlands Monitoring | 15 |
| 2.4.17 Education Endowment and Annual Programmatic Contributions | 17 |
| 2.4.18 Right-of-Way | 22 |
| 2.4.19 Wildlife Friendly Fencing | 23 |
| 2.4.20 River Wade Fishing on Bighorn and Ruby Mountain Springs Parcels | 23 |
| 2.4.21 Fishing Access on Bighorn Springs Parcel | 23 |
| 2.4.22 Pipeline Requirements | 23 |
| 2.4.23 Buildings and Structures..... | 24 |
| 2.4.24 Construction Conditions Imposed by Special Land Use Permit | 24 |
| 2.4.25 Local Construction Jobs and Local Purchasing | 24 |

| | |
|---|----|
| Construction Contractors & Material and Equipment Purchases | 24 |
| Professional Service Contractors | 24 |
| NWNA's Other Local Spending..... | 24 |
| NWNA's Taxes Paid | 25 |
| 2.4.26 Local Drivers | 25 |
| 2.4.27 Project Impacts Related to Well Pumping..... | 25 |
| 2.4.28 Augmentation Water Source Restrictions | 25 |
| 2.4.29 Limitation on Project Depletions | 25 |
| 2.4.30 Approved SWSP or Augmentation Plan Required | 26 |
| 2.4.31 Augmentation Water Delivery Restrictions..... | 26 |
| 2.4.32 Accounting and Reporting for Augmentation Water Source | 26 |
| 2.4.33 Pumping Well Operational Restrictions | 26 |
| 2.4.34 Construction of Pumping Wells..... | 27 |
| 2.4.35 Surface Water Flow Measurements..... | 27 |
| 2.4.36 Suspension of Pumping - Adverse Effects on Reconstructed Wetlands ... | 27 |
| 2.4.37 Inclusion of Reconstructed Wetlands in SWSP or Augmentation Plan..... | 28 |
| 2.4.38 Cessation of Diversions upon Termination of Aurora Lease | 28 |
| 2.4.39 Restrictions on Acquisition of Additional Water Rights in County | 28 |
| 2.4.40 Water Rights Filing and Administration Costs | 28 |
| 2.4.41 Trout Creek Pass Improvements Lobbying | 28 |
| 2.4.42 Limits on Truck Traffic | 29 |
| 2.4.43 Emission Standards | 29 |
| 2.4.44 No Idling During Loading | 29 |
| 2.4.45 Emergency River Access | 29 |
| 2.4.46 River Crossing Revegetation and CDOW Approval | 29 |
| 2.4.47 River Crossing Construction Plans | 30 |
| 2.4.48 Army Corps of Engineers | 30 |
| 2.4.49 Town of Buena Vista Water Pipeline | 30 |

LIST OF EXHIBITS:

EXHIBIT 1 – NWNA 2013 Bighorn Springs Grazing Management Plan

EXHIBIT 2 – NWNA 2013 Ruby Mountain Springs Annual Monitoring Report

EXHIBIT 3 – NWNA 2013 Surface Water and Groundwater Monitoring Report,
Chaffee County, Colorado

EXHIBIT 4 – NWNA 2013 Bighorn Springs Wetlands Monitoring Report

EXHIBIT 5 – NWNA's 2013 Summary Trucking Operations

EXHIBIT 6 – NWNA's 2013 Annual Accounting Report Regarding Well Pumping
Operations and Augmentation Releases

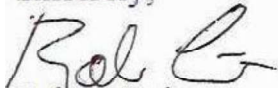
EXHIBIT 7 – CDWR Approval Letter of NWNA's 2013 Substitute Water Supply Plan

EXHIBIT 8 – Nestle's 2013 Accounting of the City of Aurora Supply and Demands

CERTIFICATION OF ANNUAL REPORT

NWNA is pleased to submit its 1041 Permit Annual Report for 2013 to Chaffee County, and by signing below, I certify that the information contained herein represents NWNA's activities in Chaffee County and demonstrates NWNA's compliance with its Permits in 2013. If the County needs clarification of the information presented herein, or additional information to meet compliance with the 1041 Permit Condition for Annual Reporting, please contact me.

Sincerely,



Robert Crain

Natural Resource Manager, Rocky Mountain Region

Waters North America

903-399-1011

Robert.Crain@waters.nestle.com

1.0 INTRODUCTION

Nestle Waters North America (NWNA) applied to Chaffee County (County) for a 1041 Permit and Special Land Use Permit (Permits) in November 2008 to construct and operate a spring water withdrawal and transport project (Project) at the Ruby Mountain Springs in Chaffee County. The County granted approval of NWNA's Permits on September 23, 2009. In accordance with Section 4.8 of the 1041 Permit, NWNA must submit an Annual Report to Chaffee County regarding its compliance with its Permits as well as its operations and activities in Chaffee County.

This report covers NWNA's operations and activities from January 1 through December 31, 2013, (Report Period). For continuity, this 2013 Annual Report may contain information addressing NWNA's compliance with all requirements specified in the Permits for the Reporting Period as well as up through the date of this report.

2.0 COMPLIANCE WITH 1041 PERMIT CONDITIONS

NWNA presents this annual report in accordance with recommendations of County staff made in the review letter dated April 7, 2010. NWNA's 2013 activities and compliance with 1041 permit conditions are presented subsequently being organized by condition number (e.g. Section 4.1) as presented in Chaffee County Resolution 2009-42 and as amended by Resolution 2010-20, and Resolution 2013-35.

2.4.1 Scope of Permit

Condition is County proviso. No submittal is required.

2.4.2 Technical Revision or Permit Amendment

According to NWNA's 1041 Permit Section 5.1, NWNA may seek and be granted by the County Technical Revisions to its Permits and permit conditions if certain provisions in permit Section 5 are met. Additionally, according to Section 5.2 NWNA may seek and be granted by the County an amendment to its Permits if provisions within Section 5 are met. NWNA applied for and received approval for nine (9) Technical Revisions to its original 1041 Permit and one (1) Permit Amendment subsequent to initial issuance of NWNA's Permits granted by Resolutions 2009-42 and 2009-43.

NWNA has received the following Technical Revisions:

TR#1: Truck Loading Facility (TLF) – Office Space and Parking Space

NWNA applied for modification of the floor-plan of the TLF to provide an office space for a locally-based NWNA employee and associated on-site parking.

The County approved this Technical Revision on November 3, 2009. The TLF was constructed in accordance with this revision.

TR#2: Pipeline Size Reduction and Pipeline Realignment

NWNA applied for reduction of its water transmission pipeline from 8" (O.D.) to 6" (O.D.) based on final engineering calculations. NWNA also requested minor realignments of the pipeline along some segments between the Ruby Mountain

Springs Parcel and the TLF because: (1) the Project no longer included pumping at the Bighorn Springs; and (2) the pipeline would be afforded more protection within easements on private property as opposed to within County Road Right of Way (ROW) and within the Union Pacific Railroad ROW.

The County approved this Technical Revision on February 23, 2010. The pipeline was constructed in accordance with this revision.

TR#3: Pipeline Realignment on Gunsmoke Property

NWNA applied for a minor realignment of its pipeline on the Gunsmoke property to accommodate the realignment of NWNA's pipeline due to the alternate river crossing alignment, the addition of the Town of Buena Vista's water main at the river crossing, and to minimize impact to the private owner's commercial utility of the Gunsmoke property.

The County approved this Technical Revision on March 10, 2010. The pipeline was constructed in accordance with this revision.

TR#4: Construction of a Water Discharge Pipeline to Bray Ditch

NWNA applied to the County to construct a spring-water discharge pipeline that would transmit spring water from the TLF back across the Arkansas River through NWNA's crossing sleeve to discharge to the Bray Irrigation Ditch. This discharge pipeline was sought by NWNA in order to keep NWNA's pipeline from the Ruby Mountain Springs to the TLF operational even when NWNA was not transporting water to its Denver Bottling plant in order to maintain sanitary conditions of the pipeline and associated infrastructure.

The County approved this Technical Revision April 5, 2010. NWNA did not ultimately pursue this Technical Revision, since a final agreement between NWNA and the owner of the Bray Ditch was never finalized.

TR#5: Installation of Pipeline Sleeve under County Road 301

NWNA applied to construct a 12" diameter sleeve at NWNA's pipeline crossing at County Road 301 in order to expedite construction of the County road crossing and to minimize any lane closures of CR 301 during installation of the pipeline.

The County approved this Technical Revision on April 23, 2010. The pipeline was constructed in accordance with this revision.

TR#6: Water Discharge Pipeline to Arkansas River Outfall

NWNA applied to the County to construct a spring-water discharge pipeline that would transmit spring water from the TLF back across the Arkansas River through NWNA's crossing sleeve to discharge to a protected outfall on the east bank of the Arkansas River. This discharge pipeline was sought by NWNA in order to keep NWNA's pipeline from the Ruby Mountain Springs to the TLF operational even when

NWNA was not transporting water to its Denver Bottling plant in order to maintain sanitary conditions of the pipeline and associated infrastructure.

The County approved this Technical Revision on June 14, 2010. The discharge pipeline was constructed in accordance with this revision and has been in operation through 2013.

TR#7: Alternative Truck and Tanker Size

In order to increase efficiency and to reduce total number of truck trips between Chaffee County and Denver, NWNA applied to the County to allow for use of an alternative tractor and tanker size. The proposed change potentially allows for 2,600 fewer truck trips annually. The proposed alternative configuration utilizes a 500 horsepower tractor and an 8,200 gallon tanker, versus the previously-approved 450 hp tractor with a 6,500 gallon tanker.

The County approved this Technical Revision on June 23, 2010. Since beginning operations in 2010, NWNA has employed both permitted tractor-tanker configurations in its water transport to the Denver plant.

TR#8: Modifications to Production Well (RMBH3) Configuration

NWNA requested certain modifications of the configuration for the new production well RMBH3. The requested modifications included: a larger casing diameter to allow for installation of water quality sampling instrumentation, a shorter screen interval to allow for a deeper pump placement to provide better pump cooling. NWNA did not request changes to County-imposed water-level pumping constraints.

Additionally, NWNA applied for a minor increase in the size of the RMBH3 wellhouse to accommodate water quality sampling and process equipment for pipeline sanitation.

The County approved this Technical Revision on August 18, 2010. NWNA has since constructed RMBH3 and associated wellhouse in accordance with this permit revision. RMBH3 was used as the primary production well in 2013.

TR#9: Tanker and Driver Parking at Truck Loading Facility

In order to facilitate the hiring of local truck drivers by making access to the NWNA tankers and the Truck Loading Facility convenient, NWNA applied to modify its site plan to allow for the parking of four (4) tankers and six (6) truck driver automobiles on private property south of and adjacent to NWNA's property. This re-configuration requires modification of the south fence and driveway apron in order for drivers to have access to the off-property parking spaces. This request was presented as an alternative to the permitted site plan and is to be implemented by NWNA when tanker parking on-site was no longer feasible due to increased activity.

The County approved this Technical Revision on September 13, 2010. However, NWNA did not implement the reconfiguration of its site allowed by this permit revision in 2013.

TR#10: Tanker and Driver Parking at Truck Loading Facility

In order to meet growing plant demand and to facilitate the hiring of local truck drivers by making access to the NWNA tankers and the Truck Loading Facility convenient, NWNA applied to the County on April 12, 2012 to modify its site plan to allow for the parking of additional tankers and truck driver automobiles on site.

The County approved this Technical Revision on April 19 2012, and NWNA modified its parking facility according to the plan in 2012.

NWNA has received the following amendments to its Permits:

PA#1: Alternative River Crossing

At the request of the Town of Buena Vista in order to provide a major water transmission line across the Arkansas River to meet the Town's projected need for water resources, NWNA applied to change its previously-approved directional drilling approach to cross the river to an open trenching method. This modification allowed for concurrent installation of NWNA's and the Town's water lines at no cost to the Town. In addition, the alternative crossing method required a minor realignment of the pipeline.

The U.S. Army Corps of Engineers (USACE) granted NWNA a General Permit 12 on March 2, 2010 for the river crossing. The County approved this 1041 Permit Amendment on February 22, 2010 by Resolution 2010-20 and approved a revised Special Land Use Permit (SLUP) by Resolution 2010-21. The pipeline was constructed in accordance with this Permit Amendment and USACE Permit.

PA#2: Alternative Augmentation Water Source

In 2013, the Upper Arkansas Water Conservancy District (UAWCD) requested that NWNA consider using the UAWCD Augmentation Plan to supply replacement water for the depletions from the NWNA's production wells. After negotiating an agreement with UAWCD, NWNA filed a request with Chaffee County to revise its 1041 Permit to allow NWNA to use the UAWCD Augmentation Plan as an alternative to using augmentation water from the City of Aurora. Chaffee County approved a Permit Amendment by Resolution 2013-35 on October 8, 2013.

This Permit Amendment requires that NWNA receive the UAWCD augmentation water and NWNA operate its wells under the same restrictions previously specified in NWNA's 1041 Permit which allowed for use of City of Aurora augmentation water. NWNA did not use the UAWCD source for its augmentation water in 2013.

2.4.3 Dispute Resolution

There are no NWNA-County disputes and no submittal is required.

2.4.4 Term of Permit

NWNA' Chaffee County 1041 Permit expires on October 22, 2019, unless extended by the Chaffee County Board of County Commissioners (BOCC).

2.4.5 Commencement of Project

NWNA completed construction of the Project as permitted in 2010 and after Chaffee County issued on July 27, 2010 a Notice to Proceed, NWNA began water transport operations on August 19, 2010. Therefore, NWNA has fully satisfied this permit condition.

2.4.6 Transfer of Permit

NWNA does not request a transfer of, nor has it transferred, its rights under this Permit to any parties.

2.4.7 Permit Violation

NWNA has not been notified by Chaffee County, or any other permit authority, of any violations of permits.

2.4.8 Annual Reporting

This report is submitted to Chaffee County for 2013 in compliance with this condition.

2.4.9 Hagen Exception

The metes and bounds description of the Hagen exclusion to the NWNA 1041 Permit Application has not changed. NWNA took no action on this exclusion in 2013. The land covered by the exclusion has been grazed according to the NWNA's 2013 Grazing Management Plan.

2.4.10 Financial Security

NWNA submitted a Letter of Credit (LOC) to the County on January 19, 2010 to cover costs associated with revegetation of the well sites, pipeline route, and County Road crossings. This initial LOC has been released by Chaffee County after revegetation was sufficient. On behalf of NWNA, ACA Products Inc., submitted a LOC to the County on February 18, 2010 to cover costs associated with revegetation of the pipeline crossing of the Arkansas River. That LOC remained in effect during 2013. The USACE closed out the permit associated with this river crossing in 2013 and NWNA has requested Chaffee County to release the remaining LOC in 2014. Additionally, NWNA has maintained the require reimbursement fund with the County which was used as financial security to cover the hatchery reclamation project, which was completed in 2012. NWNA received a letter dated February 7, 2014 from the USACE approving of the habitat restoration and closing out the permit. NWNA is seeking release by the County of coverage from the Reimbursement Fund for this project.

2.4.11 Compliance with Other Permits

On April 5, 2010 the CDWR issued to NWNA a well permit (69092-F) for RMBH2 which specifies conditions of well operation. NWNA operated RMBH2 in compliance with that permit in 2013.

On April 29, 2010 the CDWR issued to NWNA a well permit (69165-F) for RMBH3 which specifies conditions of operation. NWNA operated RMBH3 in compliance with that permit in 2013.

On August 4, 2010, the CDPHE issued to NWNA Source Approval for RMBH2 to provide water to be processed into bottled drinking water.

On May 25, 2011, the CDPHE issued Source Approval for RMBH3 to provide water to be processed into bottled drinking water.

NWNA received from the Colorado Division of Water Resources (CDWR) on May 14, 2013 approval of a Substitute Water Supply Plan allowing NWNA to operate the production wells RMBH2 and RMBH3 under specified conditions of operation and required augmentation. NWNA operated RMBH2 and RMBH3 in compliance with that permit in 2013.

NWNA received a Nationwide 27 Stream and Wetlands Restoration Permit from the USACE on February 1, 2012. This permit was closed out by the USACE on February 7, 2014.

On March 13, 2012, NWNA received a Stormwater Discharge Permit Associated with Construction Activities from the CDPHE for the hatchery reclamation project. That permit was closed in November 2012.

On March 29, 2012 NWNA received a Construction Dewatering Operations Permit from CDPHE for the hatchery reclamation project. That permit was terminated at the end of July 2012.

2.4.12 Cost Reimbursement Fund and Application Review Costs

In compliance with this section of the 1041 Permit, NWNA has maintained its Cost Reimbursement Fund balance per County requirements and has not objected to reimbursement of County costs presented in 2013. The following table contains an accounting of the NWNA Reimbursement Fund during 2013 as received from the Chaffee County Finance Director.

Chaffee County - Nestle Waters 2013 Reimbursement Fund Report

| Date | Vendor / Description | Payments | Receipts | Balance |
|--------|------------------------|----------|----------|------------|
| Jan-13 | Interest | | 35.34 | 171,238.98 |
| Feb-13 | Interest | | 30.50 | 171,269.48 |
| Mar-13 | Interest | | 24.89 | 171,294.37 |
| Apr-13 | Interest | | 24.43 | 171,318.80 |
| May-13 | Interest | | 22.78 | 171,341.58 |
| Jun-13 | Interest | | 20.16 | 171,361.74 |
| Jul-13 | Interest | | 19.15 | 171,380.89 |
| Jul-13 | Felt, Monson, Culichia | 125.00 | | 171,255.89 |
| Aug-13 | Interest | | 19.79 | 171,275.68 |
| Aug-13 | Felt, Monson, Culichia | 375.00 | | 170,900.68 |
| Sep-13 | Interest | | 19.79 | 170,920.47 |
| Sep-13 | Chaffee County Reimb | 789.80 | | 170,130.67 |
| Sep-13 | Felt, Monson, Culichia | 583.00 | | 169,547.67 |
| Oct-13 | Interest | | 19.15 | 169,566.82 |
| Oct-13 | Chaffee County Reimb | 621.18 | | 168,945.64 |
| Oct-13 | Felt, Monson, Culichia | 4,535.50 | | 164,410.14 |
| Nov-13 | Interest | | 19.79 | 164,429.93 |
| Nov-13 | Felt, Monson, Culichia | 1,125.00 | | 163,304.93 |
| Dec-13 | Interest | | 19.13 | 163,324.06 |

2.4.13 Bighorn Springs Land Management Plan

The County approved NWNA's Final Bighorn Springs Parcel Land Management Plan on May 5, 2010.

According to the NWNA-County ROW dedication agreement, the County after coordination with NWNA applied dust suppression on CR300 adjacent to the Bighorn Springs Parcel during May, 2013.

NWNA did not observe a noxious weed problem on the property and did not receive notification from the County concerning noxious weeds, so conducted no brush or weed control on the parcel other than revegetation of the disturbed portion of the property.

CMC NRM prepared NWNA's 2013 Bighorn Springs Grazing Management Plan. The plan was submitted to Colorado Division of Wildlife (CDOW), the Natural Resources Conservation Service (NRCS), and the County and approved in March 2013.

NWNA submitted its 2013 Bighorn Springs grazing report, this year contained in NWNA's 2013 Bighorn Springs Parcel Grazing Management Plan (Exhibit 1), to Colorado Parks and Wildlife and NRCS in October, 2013. NWNA received no formal written comment from these agencies, though CP&W indicated verbally that the report and grazing plan looked acceptable.

The Bighorn Springs parcel was grazed by 40 cow/calf pairs for about 10 days in August 2013 by the McMurry Land and Cattle Company. Cattle were used to graze the upland and lowland each for about 10 days. Additionally, a few cows were unintentionally allowed to graze the property for a couple of days in late August due to downed fencing at the property boundary next to the Arkansas River.

NWNA's 2014 grazing plan calls for a single grazing event to occur in August 2014. NWNA will work closely with CMC NRM and the agencies to evaluate if the land has received sufficient moisture and vegetative cover to allow for a grazing event in 2014.

2.4.14 Ruby Mountain Springs Land Management Plan

The County approved NWNA's Final Ruby Mountain Springs Parcel Land Management Plan on May 5, 2010.

According to the NWNA-County ROW dedication agreement, the County after coordination with NWNA applied dust suppression on CR300 adjacent to its Ruby Mountain Springs Parcel during May, 2013

NWNA did observe a few unwanted species in the restored habitat on the property and employed CMC NRM to remove them during the summer 2013. The County did not notify NWNA of the presence of noxious weeds on the property, so NWNA did not perform additional weed mitigation during 2013.

NWNA performed hatchery removal, habitat reclamation, and revegetation on the parcel in 2012. Revegetation was periodically inspected in 2013 and a monitoring report was prepared by CMC NRM. (See next section.) NWNA contracted with a local wildlife specialist to trap and relocate beavers, according to CP&W regulations, from the reconstructed channel/pond system due to repetitive damming of the channel and lower measuring weir that threatened washing out of the berm next to the river.

No grazing was permitted on the property as per the approved RMS Parcel Land Management Plan.

2.4.15 Hatchery Restoration

The County approved NWNA's Final Ruby Mountain Springs Hatchery Restoration Plan on April 26, 2010. CMC NRM completed a site inventory and documentation on July 1, 2010. NWNA removed the residential structures, rubbish, the old fish hatchery building and associated non-fixed equipment and structures from the property in 2010. Fish were also removed from the hatchery ponds and raceways at the request of the Colorado Division of Wildlife (CDOW).

Upon completion of the stakeholder process, CMC NRM completed The Ruby Mountain Springs Hatchery Reclamation Plan and submitted the plan to the stakeholders, including the County, on January 20, 2012. NWNA received from the USACE a Nationwide 27 Stream and Wetlands Restoration Permit on February 1, 2012. Construction of the reclamation project was completed by the end of 2012.

The USACE performed a final inspection of the restored habitat in the fall of 2013 and gave verbal approval for the closure of the 27 Permit for the project. NWNA received a letter dated February 7, 2014 confirming closure of this permit.

CMC performed a site inventory of the reclaimed habitat in late fall of 2013 and prepared the NWNA Ruby Mountain Springs Annual Monitoring Report (see Exhibit 2). Vegetative growth was excellent in 2013 with significant Spring and monsoon moisture as well as saturated soil conditions due to seasonally high water table. Not only has vegetative cover increased relative to that present in 2012, but a greater diversity of aquatic and riparian species was also observed in 2013. The survival of transplanted species acquired from NWNA property and commercially exceeded 90%. The aquatic and riparian habitat continued to be occupied by wildlife including ducks, geese, kingfisher, muskrat, beaver, squirrels, deer and Bighorn Sheep. Significant numbers of mature and fingerling trout were observed the pond and stream channel system. The success of the habitat reclamation project is illustrated in the following photos taken in 2013.



Photo of reclaimed riparian habitat east of Upper Pond at Ruby Mountain Springs, June 13, 2013.



Photo of reclaimed hatchery building site at Ruby Mountain Springs June 1, 2013.



Photo of reclaimed hatchery building site at Ruby Mountain Springs, 2012.

With completion of its Ruby Mountain Springs hatchery reclamation project, NWNA began active conversations with the Wild Sheep Foundation (WSF) exploring options for permanent conservation of its Ruby Mountains and Bighorn Springs properties. A representative of the WSF toured both NWNA spring properties on November 11, 2013, and after which expressed significant interest in working with NWNA to conserve the properties. Both NWNA and the WSF have agreed to meet in the first half of 2014 to begin discussion on the possible terms of a Conservation Easement Agreement.

2.4.16 Surface and Groundwater Monitoring and Wetlands Monitoring

Surface and Groundwater Monitoring

The County approved NWNA's Final Surface- and Groundwater Monitoring and Mitigation Plan on May 5, 2010 which includes provision for wetlands monitoring of the Bighorn Springs property.

In support of this present report, NWNA submits copies of: (1) NWNA's 2013 Surface Water and Groundwater Monitoring (SWGWM) report (Exhibit 3), and (2) NWNA's 2013 Bighorn Springs Wetlands Monitoring (BHSWM) Report (Exhibit 4).

The SWGWM report presents flow data collected from the weir and flumes on the Ruby Mountain Springs and Bighorn Springs Parcels, water level data for the wells in the monitoring well network, water quality data from approved monitoring locations, local and regional precipitation data, Arkansas River flows, and irrigation diversions for ditches that flow onto the local aquifer. The report provides an analysis of seasonal water levels relative to previously monitored years, as well as an evaluation of any affects that NWNA's pumping causes on spring flow and water levels in nearby monitoring wells.

The report, similar to last year's report, demonstrates that NWNA's production pumping is detectable by very slightly reduced flows through the lower weir, and slightly lower water levels in immediately adjacent monitoring wells. Further, the monitoring data reveal no influence of NWNA's withdrawals on water levels in up-gradient monitoring wells on either the adjacent Cogan parcel or the Bighorn Springs parcel, thus demonstrating that NWNA's withdrawals have only the predicted localized affect on aquifer water levels.

Findings and Conclusions presented in the SWGWM report are summarized below:

Seasonal surface water flows from both Ruby Mountain and Bighorn springs are generally at a maximum from September through November and at a minimum from April through June. Seasonal trends in spring water flows and groundwater levels in the Ruby Mountain Springs monitoring system were similar to those observed in water years 2008 through 2010.

During the 2013 water year, the minimum flow from the Ruby Mountain springs was average relative to previous seasonal low flow observations. However, seasonal peak flows at the upstream Ruby Mountain Parshall Flume and both Bighorn springs flumes were lower than average (similar to 2012 observations) possibly due to reduced irrigation diversions. Flows at Ruby Mountain Weir began the water year in November 2012 at a relatively low level, but by the end of the water year had returned to normal levels.

Groundwater levels in wells for both the up-gradient and near-springs areas followed a similar trend as the spring water flows. Water levels in 2011 rose to higher levels than in any of the other four years and water levels in 2012 were lower compared to 2008 through 2013. The generally declining trend that was present in the Pinedale Outwash Aquifer in the years 2008 to 2010 has not been consistently observed since the water year 2011. 2013 water levels generally reached a lower seasonal minimum in April to June following the 2012 drought before rising to maximum seasonal levels in September to October. Wells located further up-gradient reached maximum and minimum levels earlier than wells located down gradient. The smallest seasonal variations in groundwater water levels occurred in the wells closest to groundwater discharge points. Seepage from irrigation diversions influenced groundwater levels in wells located near canals and center pivots.

Groundwater levels during the 2013 high water season increased compared to 2012 as total irrigation diversions also increased, whereas precipitation at the Buena Vista weather station was below average for most of the 2013 water year compared to the long-term records. As in the past, the effect of local precipitation in the Arkansas River Valley on the aquifer appears to be minimal. The observed decrease in total irrigation diversions in July, primarily from reduced flows in the Helena Ditch), corresponds with paired high water level peaks in wells throughout the network.

Aquifer recharge via groundwater inflows from the mountains directly east of the Pinedale Outwash aquifer is significant (ENSR/AECOM, 2008). From a general perspective, the Rough and Tumble SNOTEL precipitation monitoring station located more than 20 miles north of Ruby Mountain Springs shows that the peak snow water equivalent (SWE) for the 2012-13 snowpack in the Mosquito Range was above the 30-year median, however the duration of the snowpack was reduced due to a late season snow accumulation. The 2012-13 SWE was well below that of the 2011-12 snowpack.

The sole source of withdrawals for the production of water was from Ruby Mountain Springs production well RMBH-3 for the 2013 water year. The withdrawal of water has a small effect on flows at Ruby Mountain Springs, but does not affect water levels in the Pinedale Outwash aquifer beyond the Ruby Mountain Springs site. There were no effects at Bighorn Springs, which is located approximately 3,000 feet northwest of the Ruby Mountain Springs site nor in monitoring wells located between the Ruby Mountain and Bighorn Springs parcels. The localized nature of the impacts of pumping on the water levels in the aquifer are consistent with the results of the

aquifer pumping test conducted for RMBH-2 in 2008 (ENSR/AECOM, 2008) and for RMBH-3 in 2010 (Malcolm-Pirnie, 2011).

Finally, water quality results for Ruby Mountain Springs and Bighorn Springs (ENSR/AECOM, 2008) and throughout the long-term monitoring program for Ruby Mountain Springs (AECOM, 2010; SSPA, 2011; SSPA, 2012; and SSPA, 2013) show that springs water quality has remained relatively consistent and distinctly different than irrigation-influenced water quality regardless of spring flow rates.

Bighorn Springs Wetlands Monitoring

The 2013 BHSWM report presents the results of monitoring by CMC NRM of the conditions of the Bighorn Springs upland and wetlands conducted in 2013. Measurements of vegetative cover and species representation are presented. Within monitored transects, 2013 results display both increases and some decreases in species coverage from the previous year. On average when the eight transects are considered, there was an increase in vegetative coverage of about 5% in 2013 from 2012. The magnitude of differences in a given transect may be predominantly attributable to sampling variations, but a general increase in vegetative cover is noticeable. It is reasonable to expect that at least five sampling events/years will be necessary to: (1) establish a baseline of species and vegetation distribution at the site, (2) provide an estimate of sampling variance, and (3) evaluate the statistical validity and cause of possible trends.

2.4.17 Education Endowment and Annual Programmatic Contributions

NWNA becomes an active corporate citizen in the communities in which we operate. From Chaffee County citizen input, NWNA focused its community partnering primarily in the area of education, but also supports other local causes including, recycling, conservation, emergency response, community health, and other community-specific events and needs. The following presents a brief summary of NWNA's 2013 community partnering in Chaffee County.

Support of Education

In December of 2009, NWNA funded the science education endowments to the Buena Vista Education Assistance Fund (BVCEAF) and to Support Our Schools Salida! (SOSS), each in the amount of \$250,000. Since the inception of these endowment funds, the BVCEAF has received more than \$50,000 and SOSS received more than \$54,000 in distributions for worthy education causes. During that same time, the principal balance of the BVCEAF has grown to more than 267,000 while the SOSS fund principal has grown to more than \$287,000. The BVCEAF received almost \$13,000 in distribution from its endowment fund in 2013, whereas SOSS received almost \$16,000 in distribution in 2013.

Since the fund's inception, the BVCEAF has awarded more than \$19,000 in scholarships to worthy students entering science-oriented college programs, including \$6,675 awarded to five students in 2013. SOSS has awarded \$8,000 in scholarships, including \$3,000 to three students in 2013.

The following table presents a summary of BVCEAF's grants made from the NWNA endowment distribution, as reported by BVCEAF.

Annual Report 2013: BVCEAF-Nestle Waters Science Education Endowment

| | | |
|---|----------------------|-------------|
| <u>Summary Denver Foundation Endowment Fund</u> | | |
| Denver Foundation Ending Balance 6-30-2013 | | 273,362.73 |
| Less disbursement in July-2013 | | (12,979.00) |
| Add net Gains in July 2013 | | 6,653.19 |
| Ending balance in July 2013 | | 267,036.92 |
| | | |
| BVCEAF Account Balance as of 6-30-2013 | \$ | 1,809.73 |
| 2013-Denver Foundation Disbursement (August) | \$ | 12,979.00 |
| Total for 2013-2014 Grants/Scholarships | \$ | 14,788.73 |
| | | |
| Scholarships Awarded Spring 2013 (Five) | | \$7,850.00 |
| | | |
| <u>GRANTS Issued 2013</u> | | |
| | | |
| <u>PROJECT NAME/SCHOOL/TEACHERS</u> | <u>AMOUNT FUNDED</u> | |
| <u>HANDS ON SCIENCE FUN - APES</u> St. JOHN/KIT/KOHLs | \$1,473.78 | |
| <u>DNA ELECTROPHOREIS PROJECT - BVHS</u> NAEGLE | \$2,007.12 | |
| <u>LOCAL SPECIES BIOLOGY DISPLAY - BVHS</u> KEIDEL | \$870.00 | |
| <u>ANATOMY & PHYSIOLOGY PROJECT - CCHS</u> RACHEL FRIEDMAN | \$588.40 | |
| <u>NEAR SPACE BALLOON LUNCH ACTIVITY - BVHS</u> NAEGELE, KUENNEN | \$1,286.00 | |
| <u>SAND & WATER PLAY - APES</u> KITE | \$469.95 | |
| <u>PE TEACHER I-Pads - BVHS, MMS</u> BVHS/MMS PE TEACHERS | \$2,715.96 | |
| <u>Total Funded 2013-2014</u> | <u>\$9,411.21</u> | |
| | | |
| Remaining Balance 2013-2014 | | \$5,377.52 |

The balance of the fund will be awarded in the spring semester of 2014 for scholarships. NWNA also contributed \$1,000 to the BVCEAF Science Endowment principal in 2013.

The following table presents SOSS's grant awards made from the NWNA endowment distribution, as reported by SOSS.

| SOSS (Support Our Schools Salida) 2013 Year End Nestle Fund Report | | |
|---|------------|---------------------------|
| Denver Foundation - Salida Schools Science Education Endowment Fund | | |
| 2013 Beginning Fund Balance ---\$285,425.35 | | |
| 2013 Ending Fund Balance ---\$287,095.48 | | |
| Total Disbursements to SOSS---\$15,932.00 | | |
| Longfellow Elementary School | | |
| recieved the following funding for Science, Natural Resource or Recycling related projects. | | |
| 1-16-13 | \$395 | Energy Study Materials |
| 4-4-13 | \$600 | Life Science Materials |
| Salida Middle School | | |
| recieved the following funding for Science, Natural Resource or Recycling related projects. | | |
| 2-22-13 | \$2,430 | Garden Master Plan |
| 4-1-13 | \$1,500 | Camp Red Cloud |
| 9-18-13 | \$1,000 | Guidestone Garden Project |
| 10-9-13 | \$845 | Riverwatch |
| Salida High School | | |
| recieved the following funding for Science, Natural Resource or Recycling related projects. | | |
| 1-27-13 | \$150 | Science Software |
| 4-15-13 | \$3,000 | SHS Science Scholarships |
| 8-26-13 | \$1,186.68 | Recycle Bins |
| 8-26-13 | \$77 | Economist Subscription |
| 9-11-13 | \$582 | Physics Homework System |
| 9-18-13 | \$480 | Flip cameras |
| | | <hr/> |
| | | \$12,245.68 |

Additionally, NWNA contributed \$1,000 to the SOSS Science Endowment principal in 2013.

Following are copies of news articles from Salida's "Mountain Mail" expressing community appreciation of the support for educational opportunities provided through NWNA's endowment to SOSS.

Fifth grade class offers thanks

Posted: Monday, May 27, 2013 10:33 am

Dear Editor:

Once again, the Salida Middle School fifth-grade classes have had an amazing experience at the outdoor adventure camp, Camp Red Cloud, in beautiful Lake City.

While at camp, the students participated in horseback riding, canoeing, a high ropes course, mountain biking, rappelling and archery. They practiced skills in teamwork, encouragement, trust, friendship, organization, physics, forestry, Colorado history and hard work.

This wonderful trip would not be possible without the generous donations from our community that help cover the expense.

We would like to extend a very sincere thanks to Support Our Schools Salida (SOSS), High Country Bank and Gail Granzella, Salida Sunrise Rotary Club, Shavano Academic Booster Club (SABC), Wes Hill and Associates, American Drilling Service, The Country Bounty Restaurant, Kim Bouldin and Moonlight Pizza & Brewpub, Mishmash Electric, Mrs. Marilyn Bouldin, Dennis Lane, Salida Middle School Principal Rose Ley and all of the incredible parents and families who supported the kids' trips. Thank you so much!

Salida Middle School Fifth-Grade Team:

Leslie Garrity, Keri Godina, Samantha Lane and Sandy Love

Reader offers thanks to SOSS

Posted: Thursday, October 3, 2013 9:44 am

Dear Editor:

I am writing to publicly thank the Support our Salida Schools (SOSS) organization for its generous support of my AP Calculus BC course at Salida High School. SOSS has agreed to fund a pilot program establishing a computer-based mathematical modeling, tutorial and homework management system.

This computer-based system will allow my students to better understand the calculus principles that support investigation into the growth of biological systems and will aid in modeling physical principles, such as the motion of objects under the influence of gravity and calculating work performed by varying forces.

In addition, the system will provide my students immediate feedback on their progress while working complicated problems. Hopefully, successful implementation of this initial pilot program will lead to the establishment of a permanent program improving student learning in the math and sciences throughout my advanced placement courses.

I am also indebted to Nestlé Waters North America, which provided the funding to the SOSS to support investigation in the sciences.

Sincerely,

Rob Gilchrist, Ph.D.

Instructor, AP Calculus BC

Salida

Community Partnering

In addition to supporting education and schools in Chaffee County, NWNA has remained an active supporter of other community organizations and activities. The following table summarizes the more than \$14,000 in financial contributions NWNA made to local organizations in 2013.

NWNA Chaffee County 2013 Partnering Summary

| Name of Organization or Event | Amount |
|--|--------------------|
| American Cancer Society | \$500 |
| Boys & Girls Clubs Of Chaffee County | \$1,500 |
| Buena Vista & Salida High Schools Radio Boosters | \$1,050 |
| Buena Vista Community Education Assistance Fund | \$1,300 |
| Buena Vista High School Athletics | \$1,000 |
| Buena Vista Optimist Club Fundraiser | \$1,500 |
| Chaffee County Fair | \$275 |
| Collegiate Peaks Stampede Rode | \$300 |
| Colorado Foundation for Water | \$1,500 |
| Land Trust of the Upper Arkansas | \$1,000 |
| Livewell Chaffee County | \$1,000 |
| Salida Cyclones Swim Team | \$500 |
| Angel of Shavano Carshow Benefit Fundraiser | \$500 |
| Support Our Schools Salida Inc | \$1,000 |
| The Autumn Color Run | \$200 |
| VFW POST 1166 | \$1,000 |
| Total: | \$14,125.00 |

In order to complement the company's financial support of worthy causes in the community, NWNA's Natural Resources Manager and local community relations consultant were actively involved in 2013 with the efforts of some of these organizations.

NWNA contributed almost 22,000 bottles of water to Chaffee County organizations and events in 2013 as part of its programmatic giving. NWNA is pleased to have provided healthy hydration to so many worthy causes and organizations including emergency responders, local health fairs, schools and athletic clubs, and community fundraising events. (See following table.)

Nestle Waters' 2013 Chaffee County Water Donations

| Organization/Event | # of Cases |
|---|---------------|
| 9 Health Fair - Salida | 12 |
| 9 Health Fair -Buena Vista | 30 |
| Alliance Against Domestic Abuse | 5 |
| American Legion | 47 |
| American Legion #110 - Westfork Fire Support | 216 |
| Autumn Fun Run | 23 |
| Buena Vista American Legion | 132 |
| Buena Vista Community Education Assistance Fund | 24 |
| Buena Vista High School Athletics | 37 |
| Buena Vista Pregnancy Center - Fundraiser | 7 |
| Chaffee County Fire Department | 128 |
| Chaffee County Public Works | 12 |
| Collegiate Peaks Rodeo | 14 |
| Forward Operating Base | 14 |
| High Rocky Riders | 13 |
| Mountain Mania Car Show Charity Fundraiser | 12 |
| Rob Mickel Wrestling Tournament | 25 |
| Rotary Club Fundraiser | 8 |
| Salida Youth Swim Club | 14 |
| Salida Youth Wrestling | 20 |
| Tenderfoot Climb - American Cancer Society | 18 |
| VFW Post #1166 Ladies Aux | 57 |
| VFW Post #1166 Ladies Auxiliary | 4 |
| Vuelta - Salida Cycling | 36 |
| Walden Chamber Music Society | 8 |
| Total Cases : | 916 |
| Total Bottles : | 21,984 |

Finally, according to NWNA's 1041 Permit hearing testimony, NWNA will continue its annual discretionary community programmatic support of worthy local organizations, events, and causes for as long as it operates in Chaffee County.

2.4.18 Right-of-Way

The NWNA-Chaffee County Right of Way (ROW) Agreement requires NWNA to re-iterate to the County in each Annual Report certain deed restrictions NWNA instituted when it granted to the County a right of way for County Road 300 through NWNA's properties. These deed restrictions require that the County notify NWNA annually of planned dust suppression, weed control, or construction activities on County Road 300 adjacent to NWNA's Bighorn Springs and Ruby Mountain Springs properties.

The County notified NWNA in 2013 of its plans for application of dust suppression on CR 300 adjacent to both NWNA parcels. NWNA agreed to the County's dust suppression compound, and application method and rate at ½ normal strength and the County completed that activity in May 2013. NWNA did not observe any noxious weeds on its properties along CR 300 and therefore did no weed mitigation along those ROWs. The County performed no road construction on CR 300

The County Road and Bridge Superintendent indicated to NWNA's community relations consultant that the County will be applying dust suppression in May 2014 with the same method and at the same rate as in 2013 (pers. comm. February 17, 2014). NWNA hereby notifies the County that it would agree to the County applying dust suppression on CR 300 in 2014 along both NWNA properties as long as the same compound and application rate and method used in 2013 are used in 2014. NWNA requests notification from the County if it intends to modify its dust suppression procedures in 2014.

The County Road and Bridge Superintendent did not notify NWNA's consultant of any road construction planned for 2014 along CR 300, nor of any specific plans for weed control along CR 300 (pers. comm. February 17, 2014). The County Road and Bridge Superintendent did notify NWNA's consultant that Colorado Parks and Wildlife has plans in 2014 to expand the campground south of and adjacent to NWNA's Ruby Mountain Springs property which may influence road improvement plans for CR 300. NWNA will endeavor to keep informed of the Parks and Wildlife plans for campground improvements in 2014.

2.4.19 Wildlife Friendly Fencing

This condition is satisfied.

2.4.20 River Wade Fishing on Bighorn and Ruby Mountain Springs Parcels

On May 24, 2011, NWNA and CDOW finalized and signed permanent fishing easement agreement on the Ruby Mountain and Bighorn Springs parcels, to be managed by Colorado Parks and Wildlife. Colorado Parks and Wildlife installed an information sign in the Fisherman Parking Area next to the Ruby Mountain Springs site and posted additional signage in 2013 as part of its management of these easements.

2.4.21 Fishing Access on Bighorn Springs Parcel

On May 24, 2011, NWNA and CDOW finalized a permanent fisherman-parking-and-access easement agreement on the Bighorn Springs parcel, to be managed by Colorado Parks and Wildlife. Colorado Parks and Wildlife has indicated to NWNA that it plans to construct the parking area, trails, and install signage in either 2014 or 2015 to further its management of this fishing easement.

2.4.22 Pipeline Requirements

This condition is satisfied.

2.4.23 Buildings and Structures

NWNA did not construct or modify any buildings or structures in 2013.

2.4.24 Construction Conditions Imposed by Special Land Use Permit

NWNA did not perform any construction in 2013.

2.4.25 Local Construction Jobs and Local Purchasing

This 1041 Permit condition requires NWNA to hire local firms and purchase materials for the construction of the Ruby Mountain Springs Project to the degree that it is commercially practical. NWNA's corporate policy toward supporting the local communities in which it operates supports the objective of this permit condition, and therefore in 2013 NWNA made every attempt at achieving local hiring and purchasing of materials for the project.

Construction Contractors & Material and Equipment Purchases

NWNA did not perform any construction in 2013, but did require the services and materials for system operation, maintenance, and equipment up-grade. These services and supplies were supplied to NWNA from local and non-local contractors and suppliers, as dictated by local availability. NWNA's local contractor and supply expenditures amounted to \$7,499, while NWNA's non-local contractor and supply expenditures for specialized equipment installation was \$66,765.

Professional Service Contractors

NWNA employed local professional service contractors including community relations, technical consulting, operations and monitoring assistance, etc., for the project in 2013 amounting to \$106,794 of local expenditure. NWNA also employed non-local professional service contractors largely due to either their specialized service not available locally, or they were NWNA's national consultants (e.g. legal counsel, water resource specialists, etc.). In 2013, NWNA, in support of its Ruby Mountain Springs project, employed non-local specialized professional service and legal contractors totaling \$172,888.

NWNA's Other Local Spending

In addition to NWNA's construction activities, NWNA had other spending in Chaffee County in 2013 associated with operations. NWNA contracted local companies for miscellaneous supplies, trash removal, sewer service, and storage for a total expenditure of \$8,496. NWNA's miscellaneous 2013 local expenses, including meals, lodging, fuel, etc., amounted to \$2,969. NWNA paid \$27,453 for local utilities associated with project operations in 2013.

NWNA through its trucking contractor endeavors to hire local truck drivers to make hauls of spring water to the NWNA Denver bottling plant. In 2013, more than 60% of the trips to the bottling plant were made by local drivers whose pay totaled more than \$546,000

NWNA's Taxes Paid

NWNA's 2012 real property taxes payable and paid in 2013 was \$43,654.04.

2.4.26 Local Drivers

In 2013, NWNA's trucking contractor (DG Coleman) employed 19 drivers to haul water from the NWNA Truck Loading Facility to the Denver Bottling Plant. (NWNA did not utilize a mid-trip, drop-and-pick up, scenario for trucking during 2013.) Of the 19 drivers employed, 9 resided in Chaffee County. Local drivers conducted 2,096 round-trips, and non-local drivers conducted 1,380 round-trips.

NWNA and its trucking contractor made continuous efforts since May 13, 2010 to recruit local drivers as evidenced by advertising in the following media sources: The Mountain Mail; The Chaffee County Times; and Craigslist. NWNA's trucking contractor placed 30 advertisements in local media in 2013 for recruiting drivers.

During the time period January 1, 2013 through December 31, 2013, NWNA's trucking contractor received 12 applications for employment from Chaffee County residents. Five of the applicants did not meet the driving qualifications of the contractor and 7 were hired.

More detailed information regarding NWNA's 2013 trucking operations is presented in Exhibit 5.

2.4.27 Project Impacts Related to Well Pumping

Condition is County permit proviso. No submittal is required.

2.4.28 Augmentation Water Source Restrictions

NWNA only utilized augmentation water from the City of Aurora lease as permitted by NWNA's 1041 permit. NWNA's compliance with the water augmentation operational terms of the 1041 permit is presented in NWNA's 2013 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Exhibit 6). (NWNA did not use the UAWCD's augmentation plan in 2013, so provisions to this condition from County Resolution 2013-35 do not apply.)

2.4.29 Limitation on Project Depletions

This permit condition requires that NWNA's water depletions to the Arkansas River be limited to the net amount (196.0 acre-feet) of replacement water available to the Arkansas River in time, place and amount and that releases of augmentation water from Aurora's existing Lake County storage facilities or Aurora's existing Lake County consumptive use credits to the Arkansas River shall match the depletion in time and amount. NWNA's compliance with the water augmentation operational terms of the 1041 permit is presented in NWNA's monthly reports to Chaffee County and in NWNA's 2013 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Exhibit 6). (NWNA did not use the UAWCD's augmentation plan in 2013, so provisions to this condition from County Resolution 2013-35 do not apply.)

2.4.30 Approved SWSP or Augmentation Plan Required

NWNA received approval from the CDWR on April 8, 2013 for its 2013 Substitute Water Supply Plan ("SWSP") that imposed the same SWSP restrictions on NWNA's spring-water withdrawals contained within NWNA's 1041 Permit (see Exhibit 7). NWNA operated RMBH3 and RMBH2 in compliance with the SWSP in 2013. NWNA applied for renewal of the SWSP in 2014 containing the same provisions as the previous SWSPs with modifications for NWNA to transition to the UAWCD's water augmentation plan according to the terms of the 06CW32 decree. Prior to submitting the 2014 SWSP for renewal by the State Engineers Office, NWNA provided a draft to Chaffee County for review and received comments in compliance with this permit condition. Jim Culichia, water attorney for the County, confirmed that the SWSP application with clarification by NWNA's water attorney conformed to permit requirements. (NWNA did not use the UAWCD's augmentation plan in 2013, so additional provisions to this condition from County Resolution 2013-35 do not apply.)

2.4.31 Augmentation Water Delivery Restrictions

This 1041 Permit condition requires that NWNA's depletions be replaced by augmentation water released up-stream of the Ruby Mountain Springs on the Arkansas River. NWNA's compliance with this permit condition is presented in NWNA's 2013 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Exhibit 6). (NWNA did not use the UAWCD's augmentation plan in 2013, so provisions to this condition from County Resolution 2013-35 do not apply.)

2.4.32 Accounting and Reporting for Augmentation Water Source

NWNA has provided the County with monthly reports presenting the City of Aurora's water operations on the Arkansas River and augmentation of NWNA's depletions which demonstrate NWNA's compliance with this permit condition. NWNA's compliance with this water augmentation operational term of the 1041 permit is summarized in Nestle's 2013 Accounting of the City of Aurora Supply and Demands (Exhibit 8). (NWNA did not use the UAWCD's augmentation plan in 2013, so provisions to this condition from County Resolution 2013-35 do not apply.)

2.4.33 Pumping Well Operational Restrictions

This 1041 Permit condition restricts NWNA's pumping from RMBH2 and RMBH3 simultaneously and limits diversions from the wells to 200 gallons per minute, 1 acre-foot per day, and 16.6 acre-feet per month.

In 2013, NWNA operated RMBH3 as the primary production well. NWNA operated both RMBH-2 and RMBH-3 on two days in July for testing of RMBH-2, but at no time did the two wells operate simultaneously. NWNA has provided the County with monthly reports presenting NWNA's pumping, and NWNA's 2013 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Exhibit 6) summarizes these data. NWNA pumped approximately 156 acre-feet of water in

2013, of which approximately 83 acre-feet was transported to the Denver Plant for bottling.

In 2013, NWNA's diversions from RMBH2 and RMBH3 complied with the provisions of this permit condition not exceeding the daily limit of 1 acre-foot or the monthly limit of 16.6 acre-feet. NWNA operated its production wells according to these limits.

2.4.34 Construction of Pumping Wells

NWNA constructed RMBH3 in accordance with the County-approved provisions of the Technical Revision to the 1041 Permit.

2.4.35 Surface Water Flow Measurements

NWNA 2013 Surface Water and Groundwater Monitoring Report (Exhibit 3) presents a reporting of required surface flow measurements taken during 2013 from the required locations on the Ruby Mountain Springs Parcel ("Lower Weir" and "Upper Flume"). That report also presents surface water flow data for two locations on the Bighorn Springs Parcel ("Parshall-1" and "Parshall-3"), the Arkansas River, and irrigation ditch diversions relevant to the Ruby Mountain Springs aquifer.

From the SWGWM Report it can be concluded that surface water flow at the Ruby Mountain Springs is predominantly controlled by seasonal groundwater level fluctuations. Further, NWNA has demonstrated that production pumping from RMBH-3 has a measureable, though very minor, affect on flows at the Ruby Mountain Springs.

Also from the SWGWM Report it can be concluded that surface water flows at Bighorn Springs are controlled by seasonal groundwater level fluctuations. No influence of NWNA's water withdrawals at the Ruby Mountain Springs on the surface water flows or groundwater levels at the Bighorn Springs is detectable.

2.4.36 Suspension of Pumping - Adverse Effects on Reconstructed Wetlands

NWNA completed its habitat reclamation project in 2012. The restored habitat was monitored in 2013 to evaluate the success of revegetation and function of created habitat and the results were outstanding given the relative drought conditions of 2012. Sufficient success of the re-established habitat was observed that the USACE closed out its reclamation permit ahead of the full monitoring term in early 2014.

NWNA's 2013 Surface Water and Groundwater Monitoring Report (Exhibit 3) demonstrates that production pumping from RMBH3 has a measureable, but very minor, affect on spring flows consistent with studies conducted prior to permitting of operations. Therefore, NWNA does not anticipate the need for suspension of operations. In compliance with NWNA's 1041 Permit, monitoring of groundwater levels and spring flows in relation to water withdrawals will be made on a systematic basis during operations in order to evaluate and mitigate any negative effect on the Ruby Mountain Springs and associated wetlands.

2.4.37 Inclusion of Reconstructed Wetlands in SWSP or Augmentation Plan

NWNA did not include reconstructed wetlands augmentation in its 2013 or 2014 SWSP since the hatchery reclamation project entailed a significant reduction in water surface area and consumptive water use (1,150 cubic feet per year). NWNA does not anticipate the need for augmentation in the future for the reclaimed habitat at the reclaimed hatchery site since the habitat is flourishing even during the relatively dry conditions of the region during the prior two years.

2.4.38 Cessation of Diversions upon Termination of Aurora Lease

The City of Aurora's lease of augmentation water for NWNA's Ruby Mountain Springs operations remained in full force and effect during 2013. (NWNA did not use the UAWCD's augmentation plan in 2013, so provisions to this condition from County Resolution 2013-35 do not apply.)

2.4.39 Restrictions on Acquisition of Additional Water Rights in County

In 2013, NWNA continued to rely on augmentation water leased from the City of Aurora. The NWNA-Aurora lease has not been amended or modified in any way.

2.4.40 Water Rights Filing and Administration Costs

NWNA received approval from the CDWR for its 2013 SWSP which imposed the same SWSP restrictions on NWNA's spring-water withdrawals contained within NWNA's 1041 Permit (see Exhibit 7). NWNA operated RMBH3 and RMBH2 in compliance with the SWSP in 2013. NWNA applied for renewal of the SWSP in 2013 containing the same provisions as the previous SWSPs. Prior to submitting the 2013 SWSP renewal, NWNA provided a draft to Chaffee County for review and comment in compliance with this permit condition. Jim Culichia, water attorney for the County, confirmed that the SWSP application conformed to permit requirements.

NWNA has not filed a Plan for Augmentation in Colorado Water Court to date and may continue to operate through a SWSP approval for one more year.

Prior to submitting the 2014 SWSP for renewal by the State Engineers Office, NWNA provided a draft to Chaffee County for review and received comments in compliance with this permit condition. Jim Culichia, water attorney for the County, confirmed that the SWSP application with clarification by NWNA's water attorney conformed to permit requirements. NWNA did not use the UAWCD's augmentation plan in 2013, so provisions to this condition from County Resolution 2013-35 do not apply.

Also in compliance with this permit condition, NWNA has maintained sufficient funds in its Chaffee County Reimbursement Account to cover the County's expenses associated with NWNA's processing of its SWSP and Water Court filings.

2.4.41 Trout Creek Pass Improvements Lobbying

NWNA did not receive notification or request from Chaffee County regarding lobbying actions with CDOT for improvements to US Highway 285 in 2013. Therefore, NWNA did not directly or indirectly lobby CDOT for such improvements in 2013.

2.4.42 Limits on Truck Traffic

This permit condition places certain restrictions on NWNA's trucking activity to limit impacts on the Trout Creek Pass portion of US Highway 285. These limitations include no more than 25 loaded trucks per day, with no more than two trucks per hour. During the restricted peak-hours period from the Friday of Memorial Day weekend through the Labor Day, truck traffic is limited to no more than two loaded trucks per hour, with an average of one truck per hour for the peak-hours period of each day.

Detailed information regarding NWNA's 2013 trucking operations is presented in Exhibit 5. NWNA made a total 3,476 truck trips in 2013 from the Truck Loading Facility to the Denver Bottling Plant. NWNA hauled 669 loads using 6,500-gallon tanker and 2807 loads using 8,200-gallon tankers in 2013. Therefore, the approximate total quantity of water transported to the Denver Plant did not exceed 84 acre-feet which is consistent with the 83 acre-feet of water metered during truck loading.

The average daily volume of NWNA's truck traffic over the course of 2013 was approximately 9.5 trips per day. The maximum number of tanker trips on any given day in 2013 was 20. In 2013, NWNA's Process Logic Controller (PLC computer) at its Truck Loading Facility in Johnson Village was programmed to allow the filling of no more than 1 truck per hour during the seasonally restricted dates and times. Therefore, the maximum number of truck trips for the 7-hour period for any day during the restricted period was 7 and the average trucking volume for the 7-hour restricted period was no more than 1 truck per hour. NWNA's is not aware of any violations of the limitations of this permit condition.

2.4.43 Emission Standards

NWNA employed the use of tanker trucks for its water shipments meeting the sample specifications that were submitted as part of the initial 1041 Application and subsequent Technical Revision (TR #7). In 2013, NWNA used only late-model tractors meeting all federal and state emission standards. The two tractor models were equipped with 435 to 500 horsepower engines. More detailed information regarding NWNA's 2013 trucking operations is presented in Exhibit 5.

2.4.44 No Idling During Loading

In compliance with its Permits, NWNA has not allowed its trucks to idle during loading. Limited idling only occurs as required for cold-weather start-up.

2.4.45 Emergency River Access

NWNA completed construction and revegetation of the emergency river access in the summer of 2010. This condition is completely satisfied.

2.4.46 River Crossing Revegetation and CDOW Approval

The CDOW conducted a final review of the revegetation of the river crossing and provided a letter of approval to the County dated August 30, 2010. This condition is completely satisfied.

2.4.47 River Crossing Construction Plans

NWNA completed construction of the pipeline crossing of the Arkansas River under the provision of a USACE General Permit 12 and NWNA's Amended 1041 permit before the March 15, 2010 deadline. The CDOW conducted a final review of the revegetation of the river crossing and provided a letter of approval to the County dated August 30, 2010. The USACE approved closure of the General Permit 12 on September 25, 2012. This condition is completely satisfied.

2.4.48 Army Corps of Engineers

NWNA completed the pipeline river crossing construction and revegetation in 2020 in accordance with USACE General Permit 12 (SPA-2008-00255-SCO; March 2, 2010). The USACE approved closure of the General Permit 12 on September 25, 2012. This condition is completely satisfied.

2.4.49 Town of Buena Vista Water Pipeline

NWNA completed construction in 2010 of the pipeline for the Town of Buena Vista in accordance with the USACE General Permit 12 and County-approved plans and requirements. NWNA understands that all required easement agreements have been submitted to the County by the affected parties. This condition is completely satisfied.



2014 Annual Report

**Nestlé Waters North America Inc.
Chaffee County 1041 Permit**

**Submitted
March 1, 2015**

TABLE OF CONTENTS

CERTIFICATION OF REPORT

| | |
|--|----|
| 1.0 INTRODUCTION | 5 |
| 2.0 COMPLIANCE WITH 1041 PERMIT CONDITIONS..... | 5 |
| 2.4.1 Scope of Permit..... | 5 |
| 2.4.2 Technical Revision or Permit Amendment | 5 |
| TR#1: Truck Loading Facility (TLF) – Office Space and Parking Space..... | 5 |
| TR#2: Pipeline Size Reduction and Pipeline Realignment | 5 |
| TR#3: Pipeline Realignment on Gunsmoke Property | 6 |
| TR#4: Construction of a Water Discharge Pipeline to Bray Ditch | 6 |
| TR#5: Installation of Pipeline Sleeve under County Road 301 | 6 |
| TR#6: Water Discharge Pipeline to Arkansas River Outfall | 6 |
| TR#7: Alternative Truck and Tanker Size | 7 |
| TR#8: Modifications to Production Well (RMBH3) Configuration..... | 7 |
| TR#9: Tanker and Driver Parking at Truck Loading Facility | 7 |
| TR#10: Tanker and Driver Parking at Truck Loading Facility | 8 |
| PA#1: Alternative River Crossing..... | 8 |
| PA#2: Alternative Augmentation Water Source | 8 |
| 2.4.3 Dispute Resolution | 8 |
| 2.4.4 Term of Permit..... | 9 |
| 2.4.5 Commencement of Project | 9 |
| 2.4.6 Transfer of Permit..... | 9 |
| 2.4.7 Permit Violation | 9 |
| 2.4.8 Annual Reporting..... | 9 |
| 2.4.9 Hagen Exception | 9 |
| 2.4.10 Financial Security | 9 |
| 2.4.11 Compliance with Other Permits | 9 |
| 2.4.12 Cost Reimbursement Fund and Application Review Costs | 10 |
| 2.4.13 Bighorn Springs Land Management Plan | 11 |
| 2.4.14 Ruby Mountain Springs Land Management Plan | 12 |
| 2.4.15 Habitat Reclamation of old Hatchery Site | 12 |
| 2.4.16 Surface and Groundwater Monitoring and Wetlands Monitoring | 15 |
| 2.4.17 Education Endowment and Annual Programmatic Contributions | 17 |
| 2.4.18 Right-of-Way | 21 |
| 2.4.19 Wildlife Friendly Fencing | 22 |
| 2.4.20 River Wade Fishing on Bighorn and Ruby Mountain Springs Parcels | 22 |
| 2.4.21 Fishing Access on Bighorn Springs Parcel | 22 |
| 2.4.22 Pipeline Requirements | 22 |
| 2.4.23 Buildings and Structures..... | 22 |
| 2.4.24 Construction Conditions Imposed by Special Land Use Permit | 22 |
| 2.4.25 Local Construction Jobs and Local Purchasing | 22 |
| Construction Contractors & Material and Equipment Purchases | 23 |

| | |
|---|----|
| Professional Service Contractors | 23 |
| NWNA's Other Local Spending..... | 23 |
| NWNA's Taxes Paid | 23 |
| 2.4.26 Local Drivers | 23 |
| 2.4.27 Project Impacts Related to Well Pumping..... | 24 |
| 2.4.28 Augmentation Water Source Restrictions | 24 |
| 2.4.29 Limitation on Project Depletions | 24 |
| 2.4.30 Approved SWSP or Augmentation Plan Required | 24 |
| 2.4.31 Augmentation Water Delivery Restrictions..... | 25 |
| 2.4.32 Accounting and Reporting for Augmentation Water Source | 25 |
| 2.4.33 Pumping Well Operational Restrictions | 25 |
| 2.4.34 Construction of Pumping Wells..... | 25 |
| 2.4.35 Surface Water Flow Measurements..... | 26 |
| 2.4.36 Suspension of Pumping - Adverse Effects on Reconstructed Wetlands ... | 26 |
| 2.4.37 Inclusion of Reconstructed Wetlands in SWSP or Augmentation Plan..... | 26 |
| 2.4.38 Cessation of Diversions upon Termination of Aurora Lease | 26 |
| 2.4.39 Restrictions on Acquisition of Additional Water Rights in County | 27 |
| 2.4.40 Water Rights Filing and Administration Costs | 27 |
| 2.4.41 Trout Creek Pass Improvements Lobbying | 27 |
| 2.4.42 Limits on Truck Traffic | 27 |
| 2.4.43 Emission Standards | 28 |
| 2.4.44 No Idling During Loading | 28 |
| 2.4.45 Emergency River Access | 28 |
| 2.4.46 River Crossing Revegetation and CDOW Approval | 28 |
| 2.4.47 River Crossing Construction Plans | 28 |
| 2.4.48 Army Corps of Engineers | 28 |
| 2.4.49 Town of Buena Vista Water Pipeline | 28 |

LIST OF EXHIBITS:

EXHIBIT 1 – NWNA 2014 Bighorn Springs Grazing Management Plan

EXHIBIT 2 – NWNA 2014 Ruby Mountain Springs Annual Monitoring Report

EXHIBIT 3 – NWNA 2014 Surface Water and Groundwater Monitoring Report,
Chaffee County, Colorado

EXHIBIT 4 – NWNA 2014 Bighorn Springs Wetlands Monitoring Report

EXHIBIT 5 – NWNA's 2014 Summary Trucking Operations

EXHIBIT 6 – NWNA's 2014 Annual Accounting Report Regarding Well Pumping
Operations and Augmentation Releases

EXHIBIT 7 – CDWR Approval Letter of NWNA's 2014 Substitute Water Supply Plan

EXHIBIT 8 – Nestle's 2014 Accounting of the City of Aurora Supply and Demands

CERTIFICATION OF ANNUAL REPORT

NWNA is pleased to submit its 1041 Permit Annual Report for 2014 to Chaffee County, and by signing below, I certify that the information contained herein represents NWNA's activities in Chaffee County and demonstrates NWNA's compliance with its Permits in 2014. If the County needs clarification of the information presented herein, or additional information to meet compliance with the 1041 Permit Condition for Annual Reporting, please contact me.

Sincerely,



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1.0 INTRODUCTION

Nestle Waters North America (NWNA) applied to Chaffee County (County) for a 1041 Permit and Special Land Use Permit (Permits) in November 2008 to construct and operate a spring water withdrawal and transport project (Project) at the Ruby Mountain Springs in Chaffee County. The County granted approval of NWNA's Permits on September 23, 2009. In accordance with Section 4.8 of the 1041 Permit, NWNA must submit an Annual Report to Chaffee County regarding its compliance with its Permits as well as its operations and activities in Chaffee County.

This report covers NWNA's operations and activities from January 1 through December 31, 2014, (Report Period). For continuity, this 2014 Annual Report may contain information addressing NWNA's compliance with all requirements specified in the Permits for the Reporting Period as well as up through the date of this report.

2.0 COMPLIANCE WITH 1041 PERMIT CONDITIONS

NWNA presents this annual report in accordance with recommendations of County staff made in the review letter dated April 7, 2010. NWNA's 2014 activities and compliance with 1041 permit conditions are presented subsequently being organized by condition number (e.g. Section 4.1) as presented in Chaffee County Resolution 2009-42 and as amended by Resolution 2010-20, and Resolution 2013-35.

2.4.1 Scope of Permit

Condition is County proviso. No submittal is required.

2.4.2 Technical Revision or Permit Amendment

According to NWNA's 1041 Permit Section 5.1, NWNA may seek and be granted by the County Technical Revisions to its Permits and permit conditions if certain provisions in permit Section 5 are met. Additionally, according to Section 5.2 NWNA may seek and be granted by the County an amendment to its Permits if provisions within Section 5 are met. NWNA applied for and received approval for ten (10) Technical Revisions and two (2) Permit Amendments subsequent to initial issuance of NWNA's Permits granted by Resolutions 2009-42 and 2009-43.

NWNA has received the following Technical Revisions:

TR#1: Truck Loading Facility (TLF) – Office Space and Parking Space

NWNA applied for modification of the floor-plan of the TLF to provide an office space for a locally-based NWNA employee and associated on-site parking.

The County approved this Technical Revision on November 3, 2009. The TLF was constructed in accordance with this revision.

TR#2: Pipeline Size Reduction and Pipeline Realignment

NWNA applied for reduction of its water transmission pipeline from 8" (O.D.) to 6" (O.D.) based on final engineering calculations. NWNA also requested minor realignments of the pipeline along some segments between the Ruby Mountain Springs Parcel and the TLF because: (1) the Project no longer included pumping at

the Bighorn Springs; and (2) the pipeline would be afforded more protection within easements on private property as opposed to within County Road Right of Way (ROW) and within the Union Pacific Railroad ROW.

The County approved this Technical Revision on February 23, 2010. The pipeline was constructed in accordance with this revision.

TR#3: Pipeline Realignment on Gunsmoke Property

NWNA applied for a minor realignment of its pipeline on the Gunsmoke property to accommodate the realignment of NWNA's pipeline due to the alternate river crossing alignment, the addition of the Town of Buena Vista's water main at the river crossing, and to minimize impact to the private owner's commercial utility of the Gunsmoke property.

The County approved this Technical Revision on March 10, 2010. The pipeline was constructed in accordance with this revision.

TR#4: Construction of a Water Discharge Pipeline to Bray Ditch

NWNA applied to the County to construct a spring-water discharge pipeline that would transmit spring water from the TLF back across the Arkansas River through NWNA's crossing sleeve to discharge to the Bray Irrigation Ditch. This discharge pipeline was sought by NWNA in order to keep NWNA's pipeline from the Ruby Mountain Springs to the TLF operational even when NWNA was not transporting water to its Denver Bottling plant in order to maintain sanitary conditions of the pipeline and associated infrastructure.

The County approved this Technical Revision April 5, 2010. NWNA did not ultimately pursue this Technical Revision, since a final agreement between NWNA and the owner of the Bray Ditch was never finalized.

TR#5: Installation of Pipeline Sleeve under County Road 301

NWNA applied to construct a 12" diameter sleeve at NWNA's pipeline crossing at County Road 301 in order to expedite construction of the County road crossing and to minimize any lane closures of CR 301 during installation of the pipeline.

The County approved this Technical Revision on April 23, 2010. The pipeline was constructed in accordance with this revision.

TR#6: Water Discharge Pipeline to Arkansas River Outfall

NWNA applied to the County to construct a spring-water discharge pipeline that would transmit spring water from the TLF back across the Arkansas River through NWNA's crossing sleeve to discharge to a protected outfall on the east bank of the Arkansas River. This discharge pipeline was sought by NWNA in order to keep NWNA's pipeline from the Ruby Mountain Springs to the TLF operational even when NWNA was not transporting water to its Denver Bottling plant in order to maintain sanitary conditions of the pipeline and associated infrastructure.

The County approved this Technical Revision on June 14, 2010. The discharge pipeline was constructed in accordance with this revision and has been in operation through 2014.

TR#7: Alternative Truck and Tanker Size

In order to increase efficiency and to reduce total number of truck trips between Chaffee County and Denver, NWNA applied to the County to allow for use of an alternative tractor and tanker size. The proposed change potentially allows for 2,600 fewer truck trips annually. The proposed alternative configuration utilizes a 500 horsepower tractor and an 8,200 gallon tanker, versus the previously-approved 450 horsepower tractor with a 6,500 gallon tanker.

The County approved this Technical Revision on June 23, 2010. Since beginning operations in 2010, NWNA has employed both permitted tractor-tanker configurations in its water transport to the Denver plant.

TR#8: Modifications to Production Well (RMBH3) Configuration

NWNA requested certain modifications of the configuration for the new production well RMBH3. The requested modifications included: a larger casing diameter to allow for installation of water quality sampling instrumentation, a shorter screen interval to allow for a deeper pump placement to provide better pump cooling. NWNA did not request changes to County-imposed water-level pumping constraints.

Additionally, NWNA applied for a minor increase in the size of the RMBH3 wellhouse to accommodate water quality sampling and process equipment for pipeline sanitation.

The County approved this Technical Revision on August 18, 2010. NWNA has since constructed RMBH3 and associated wellhouse in accordance with this permit revision. RMBH3 was used as the primary production well in 2014.

TR#9: Tanker and Driver Parking at Truck Loading Facility

In order to facilitate the hiring of local truck drivers by making access to the NWNA tankers and the Truck Loading Facility convenient, NWNA applied to modify its site plan to allow for the parking of four (4) tankers and six (6) truck driver automobiles on private property south of and adjacent to NWNA's property. This re-configuration requires modification of the south fence and driveway apron in order for drivers to have access to the off-property parking spaces. This request was presented as an alternative to the permitted site plan and is to be implemented by NWNA when tanker parking on-site was no longer feasible due to increased activity.

The County approved this Technical Revision on September 13, 2010. However, NWNA did not implement the reconfiguration of its site allowed by this permit revision in 2014.

TR#10: Tanker and Driver Parking at Truck Loading Facility

In order to meet growing plant demand and to facilitate the hiring of local truck drivers by making access to the NWNA tankers and the Truck Loading Facility convenient, NWNA applied to the County on April 12, 2012 to modify its site plan to allow for the parking of additional tankers and truck driver automobiles on site.

The County approved this Technical Revision on April 19 2012, and NWNA modified its parking facility according to the plan in 2012.

NWNA has received the following amendments to its Permits:

PA#1: Alternative River Crossing

At the request of the Town of Buena Vista in order to provide a major water transmission line across the Arkansas River to meet the Town's projected need for water resources, NWNA applied to change its previously-approved directional drilling approach to cross the river to an open trenching method. This modification allowed for concurrent installation of NWNA's and the Town's water lines at no cost to the Town. In addition, the alternative crossing method required a minor realignment of the pipeline.

The U.S. Army Corps of Engineers (USACE) granted NWNA a General Permit 12 on March 2, 2010 for the river crossing. The County approved this 1041 Permit Amendment on February 22, 2010 by Resolution 2010-20 and approved a revised Special Land Use Permit (SLUP) by Resolution 2010-21. The pipeline was constructed in accordance with this Permit Amendment and USACE Permit.

PA#2: Alternative Augmentation Water Source

In 2014, the Upper Arkansas Water Conservancy District (UAWCD) requested that NWNA consider using the UAWCD Augmentation Plan to supply replacement water for the depletions from the NWNA's production wells. After negotiating an agreement with UAWCD, NWNA filed a request with Chaffee County to revise its 1041 Permit to allow NWNA to use the UAWCD Augmentation Plan as an alternative to using augmentation water from the City of Aurora. Chaffee County approved a Permit Amendment by Resolution 2013-35 on October 8, 2013.

This Permit Amendment allows for NWNA to receive the UAWCD augmentation water and requires that NWNA operate its wells under the same restrictions previously specified in NWNA's original 1041 Permit which allowed for use of City of Aurora augmentation water. NWNA did not use the UAWCD source for its augmentation water in 2014.

2.4.3 Dispute Resolution

There are no NWNA-County disputes and no submittal is required.

2.4.4 Term of Permit

NWNA's Chaffee County 1041 Permit expires on October 22, 2019, unless extended by the Chaffee County Board of County Commissioners (BOCC).

2.4.5 Commencement of Project

NWNA completed construction of the Project as permitted in 2010 and after Chaffee County issued on July 27, 2010 a Notice to Proceed, NWNA began water transport operations on August 19, 2010. Therefore, NWNA has fully satisfied this permit condition.

2.4.6 Transfer of Permit

NWNA does not request a transfer of, nor has it transferred, its rights under this Permit to any parties.

2.4.7 Permit Violation

NWNA has not been notified by Chaffee County, or any other permit authority, of any violations of permits.

2.4.8 Annual Reporting

This report is submitted to Chaffee County for 2014 in compliance with this condition.

2.4.9 Hagen Exception

The metes and bounds description of the Hagen exclusion to the NWNA 1041 Permit Application has not changed. NWNA took no action on this exclusion in 2014. The land covered by the exclusion has been grazed according to the NWNA's 2014 Grazing Management Plan.

2.4.10 Financial Security

NWNA submitted a Letter of Credit (LOC) to the County on January 19, 2010 to cover costs associated with revegetation of the well sites, pipeline route, and County Road crossings. This initial LOC has been released by Chaffee County after revegetation was sufficient. On behalf of NWNA, ACA Products Inc., submitted a LOC to the County on February 18, 2010 to cover costs associated with revegetation of the pipeline crossing of the Arkansas River. That LOC remained in effect until the closure of the USACE permit in 2013 and the release of the LOC by Chaffee County on May 20, 2014. Additionally, NWNA maintained the required Reimbursement Fund with the County used as financial security to cover the habitat reclamation project of the old hatchery site at Ruby Mountain Springs. The reclamation project was completed in 2012 and the USACE closed out the Stream Restoration Permit in a letter dated February 7, 2014. NWNA continues to maintain the Reimbursement Fund to cover County costs associated with administration of NWNA's 1041 Permit.

2.4.11 Compliance with Other Permits

On April 5, 2010 the CDWR issued to NWNA a well permit (69092-F) for RMBH2 which specifies conditions of well operation. CDWR re-issued well permit (78196-F) for RMBH2 on June 6, 2014. NWNA operated RMBH2 in compliance with those permits in 2014.

On April 29, 2010 the CDWR issued to NWNA a well permit (69165-F) for RMBH3 which specifies conditions of operation. CDWR re-issued well permit (78192-F) for RMBH3 on June 6, 2014. NWNA operated RMBH3 in compliance with those permits in 2014.

On August 4, 2010, the CDPHE issued to NWNA Source Approval for RMBH2 to provide water to be processed into bottled drinking water.

On May 25, 2011, the CDPHE issued Source Approval for RMBH3 to provide water to be processed into bottled drinking water.

NWNA received from the Colorado Division of Water Resources (CDWR) on March 22, 2014 approval of its 2014-2015 Substitute Water Supply Plan allowing NWNA to operate the production wells RMBH2 and RMBH3 under specified conditions of operation and required augmentation. NWNA operated RMBH2 and RMBH3 in compliance with that permit in 2014.

NWNA received a Nationwide 27 Stream and Wetlands Restoration Permit from the USACE on February 1, 2012. This permit was closed out by the USACE on February 7, 2014.

On March 13, 2012, NWNA received a Stormwater Discharge Permit Associated with Construction Activities from the CDPHE for the habitat reclamation project of the old hatchery site at Ruby Mountain Springs. That permit was closed in November 2012.

On March 29, 2012 NWNA received a Construction Dewatering Operations Permit from CDPHE for the habitat reclamation project. That permit was terminated at the end of July 2012.

2.4.12 Cost Reimbursement Fund and Application Review Costs

In compliance with this section of the 1041 Permit, NWNA has maintained its Cost Reimbursement Fund balance per County requirements and has not objected to reimbursement of County costs presented in 2014. The following table contains an accounting of the NWNA Reimbursement Fund during 2014 as received from the Chaffee County Finance Director.

Chaffee County - Nestle Waters 2014 Reimbursement Fund Report

| Date | Vendor / Description | Payments | Receipts | Balance |
|--------------|------------------------|-----------|----------|---------------|
| January-14 | Interest | | \$ 19.79 | \$ 163,343.85 |
| February-14 | Interest | | \$ 19.79 | \$ 163,363.64 |
| March-14 | Interest | | \$ 17.87 | \$ 163,381.51 |
| March-14 | Felt, Monson, Culichia | \$ 800.00 | | \$ 162,581.51 |
| April-14 | Interest | | \$ 19.79 | \$ 162,601.30 |
| May-14 | Interest | | \$ 19.16 | \$ 162,620.46 |
| June-14 | Interest | | \$ 19.78 | \$ 162,640.24 |
| June-14 | Chaffee County Reimb | | | \$ 162,640.24 |
| July-14 | Interest | \$ 711.10 | \$ 19.16 | \$ 161,948.30 |
| August-14 | Interest | | \$ 19.80 | \$ 161,968.10 |
| September-14 | Interest | | \$ 19.79 | \$ 161,987.89 |
| October-14 | Interest | | \$ 19.16 | \$ 162,007.05 |
| November-14 | Interest | | \$ 19.80 | \$ 162,026.85 |
| December-14 | Interest | | \$ 19.13 | \$ 162,045.98 |

2.4.13 Bighorn Springs Land Management Plan

The County approved NWNA's Final Bighorn Springs Parcel Land Management Plan on May 5, 2010.

According to the NWNA-County ROW dedication agreement, the County after coordination with NWNA applied dust suppression on CR300 adjacent to the Bighorn Springs Parcel during May, 2014.

NWNA did not observe noxious weeds on the property and did not receive notification from the County concerning noxious weeds, so conducted no weed control on the parcel.

The Colorado Mountain College Natural Resources Management department (CMC NRM) prepared NWNA's 2014 Bighorn Springs Grazing Management Plan. The plan was submitted to Colorado Division of Wildlife (CDOW), the Natural Resources Conservation Service (NRCS), and the County which was approved in March 2014 after no written comment.

NWNA submitted its 2014 Bighorn Springs grazing report (contained in NWNA's 2014 Bighorn Springs Parcel Grazing Management Plan (Exhibit 1), to Colorado Parks and Wildlife and NRCS in October, 2014. NWNA received no written comment from these agencies, though NRCS indicated verbally that the report and grazing plan looked acceptable.

In 2014, NWNA had a local cattle rancher graze the property in August for about 17 days. Cattle spent seven and a half days in the upland and nine and a half days in the lowland. During the summer grazing, approximately 15 cow/calf pairs were on the parcels, a reduction in quantity from previous years. Salt licks and cross fencing was

utilized to encourage the cows to remain in the upland area of the property during that period of grazing.

NWNA's 2015 grazing plan calls for a single grazing event to occur in August 2015. NWNA will work closely with CMC NRM and the agencies to evaluate if the land has received sufficient moisture and vegetative cover to allow for a grazing event in 2015.

2.4.14 Ruby Mountain Springs Land Management Plan

The County approved NWNA's Final Ruby Mountain Springs Parcel Land Management Plan on May 5, 2010.

According to the NWNA-County ROW dedication agreement, the County after coordination with NWNA applied dust suppression on CR300 adjacent to NWNA's Ruby Mountain Springs Parcel during May, 2014

NWNA did not observe noxious weed species on the property. The County did not notify NWNA of the presence of noxious weeds on the property, so NWNA did not perform weed mitigation during 2014.

NWNA performed removal of the old hatchery, habitat reclamation, and revegetation on the parcel in 2012. Revegetation was periodically inspected in 2014 and a monitoring report was prepared by CMC NRM. (See next section.) NWNA contracted with a local wildlife specialist to trap and relocate several beavers according to CP&W regulations 2014 from the reconstructed channel/pond system due to repetitive damming of the channel and lower measuring weir that threatened washing out of the berm adjacent to the river.

Grazing was not permitted on the property in accordance with the approved RMS Parcel Land Management Plan.

2.4.15 Habitat Reclamation of old Hatchery Site

The County approved NWNA's Final Ruby Mountain Springs Hatchery Restoration Plan on April 26, 2010. CMC NRM completed a site inventory and documentation on July 1, 2010. NWNA removed the residential structures, rubbish, the old fish hatchery building and associated non-fixed equipment and structures from the property in 2010. Fish were also removed from the hatchery ponds and raceways at the request of the Colorado Division of Wildlife (CDOW).

Upon completion of the stakeholder process, CMC NRM completed The Ruby Mountain Springs Hatchery Reclamation Plan and submitted the plan to the stakeholders, including the County, on January 20, 2012. NWNA received from the USACE a Nationwide 27 Stream and Wetlands Restoration Permit on February 1, 2012. Construction of the reclamation project was completed by the end of 2012. The USACE performed a final inspection of the restored habitat in the fall of 2013 and

NWNA received a letter from the USACE dated February 7, 2014 confirming closure of this permit.

CMC performed a site inventory of the reclaimed habitat in late fall of 2014 and prepared the NWNA Ruby Mountain Springs Annual Monitoring Report (see Exhibit 2). Vegetative growth was vigorous in 2014 with continued increase in coverage and diversity being observed. The aquatic and riparian habitat continued to be occupied by wildlife including ducks, geese, kingfisher, muskrat, beaver, squirrels, deer and Bighorn Sheep. Significant numbers of mature and fingerling trout were observed the pond and stream channel system. The success of the habitat reclamation project is illustrated in the following photos taken in 2014.

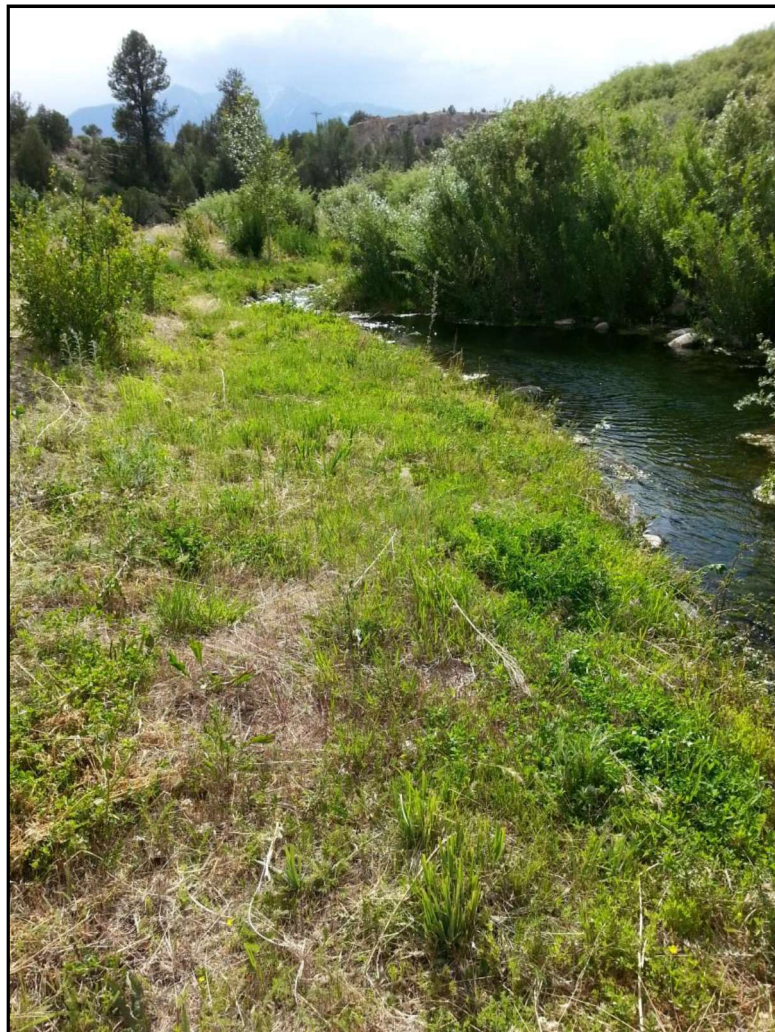


Photo of reclaimed riparian habitat east of Upper Pond at Ruby Mountain Springs, June 18, 2014.



Photo of reclaimed hatchery building site at Ruby Mountain Springs June 18, 2014



Photo of reclaimed hatchery building site at Ruby Mountain Springs, 2012.

With completion of its Ruby Mountain Springs habitat reclamation project, NWNA continued conversations with the Wild Sheep Foundation (WSF) exploring options for permanent conservation of its Ruby Mountains and Bighorn Springs properties. NWNA's will continue to explore options for conservation easements for these properties in 2015.

2.4.16 Surface and Groundwater Monitoring and Wetlands Monitoring

Surface and Groundwater Monitoring

The County approved NWNA's Final Surface- and Groundwater Monitoring and Mitigation Plan on May 5, 2010 which includes provision for wetlands monitoring of the Bighorn Springs property.

In support of this present report, NWNA submits copies of: (1) NWNA's 2014 Surface Water and Groundwater Monitoring (SWGWM) report (Exhibit 3), and (2) NWNA's 2014 Bighorn Springs Wetlands Monitoring (BHSWM) Report (Exhibit 4).

The SWGWM report presents flow data collected from the weir and flumes on the Ruby Mountain Springs and Bighorn Springs Parcels, water level data for the wells in the monitoring well network, water quality data from approved monitoring locations, local and regional precipitation data, Arkansas River flows, and irrigation diversions for ditches that flow onto the local aquifer. The report provides an analysis of seasonal water levels relative to previously monitored years, as well as an evaluation of any effects that NWNA's pumping causes on spring flow and water levels in nearby monitoring wells.

The report, similar to last year's report, demonstrates that NWNA's production pumping is detectable by very slightly reduced flows through the lower weir, and slightly lower water levels in immediately adjacent monitoring wells. Further, the monitoring data reveal no influence of NWNA's withdrawals on water levels in up-gradient monitoring wells on either the adjacent Cogan parcel or the Bighorn Springs parcel, thus demonstrating that NWNA's withdrawals have only the predicted localized effect on aquifer water levels.

Water quality results for Ruby Mountain Springs throughout the long-term monitoring program for Ruby Mountain Springs (AECOM, 2010; SSPA, 2011; SSPA, 2012; SSPA, 2013; and SSPA, 2014) show that spring water quality has remained consistently high.

Findings and Conclusions presented in the SWGWM report are summarized below:

Seasonal surface water flows from both Ruby Mountain and Bighorn springs are generally at a maximum from September through November and at a minimum from April through June. During the 2014 water year, the minimum flow from the Ruby Mountain springs was higher relative to previous seasonal low flow observations. Additionally, seasonal peak flows at the upstream Ruby Mountain Parshall Flume and

both Bighorn springs flumes were higher than average (similar to 2011 observations). Flows at Ruby Mountain Weir began the water year in November 2013 at a normal level, but by the end of the water year had increased to the highest level observed since monitoring began.

Seasonal trends in groundwater levels in the Ruby Mountain Springs monitoring system were generally similar to those observed in previous water years with low levels from April through June and elevated levels from September through November. Peak water levels were higher than all years previously recorded since 2008, except for up-gradient wells Well-A and BVMW-2, which had higher peak measurements in the 2011 water year. Minimum water levels were generally higher than the previous three or four water years (minimum water levels were generally higher in 2009 and 2010 than in 2014). The declining trend that was present in the Pinedale Outwash Aquifer in the years 2008 to 2010 has not been consistently observed since the water year 2011, and increasing trends have been observed since 2012.

The correlation between irrigation and groundwater levels has been noted previously for the Pinedale Outwash aquifer (ENSR/AECOM, 2008), and review of previous years timing of irrigation diversions with the timing and magnitude of water level increases, confirms this relationship. Groundwater levels during the 2014 water year increased compared to 2013, and ... total irrigation diversions were the highest recorded since monitoring began. As in the past, the effect of local precipitation in the Arkansas River Valley on the aquifer appears to be minimal. Aquifer recharge via groundwater inflows from the mountains directly east of the Pinedale Outwash aquifer is significant (ENSR/AECOM, 2008). From a general perspective, ... the peak snow water equivalent (SWE) for the 2013-14 snowpack in the Mosquito Range was above average compared to the 30-year median, and snowpack persistence was of slightly longer-than-average duration with melt occurring a week later compared to the 30 year median.

The sole source of withdrawals for the production of water was from Ruby Mountain Springs production well RMBH-3 for the 2014 water year. The withdrawal of water has a small effect on flows at Ruby Mountain Springs, but does not affect water levels in the Pinedale Outwash aquifer beyond the Ruby Mountain Springs site. There were no effects at Bighorn Springs, which is located approximately 3,000 feet northwest of the Ruby Mountain Springs site. The localized nature of the impacts of pumping on the water levels in the aquifer are consistent with the results of the aquifer pumping test conducted for RMBH-2 in 2008 (ENSR/AECOM, 2008) and for RMBH-3 in 2010 (Malcolm-Pirnie, 2011).

Bighorn Springs Wetlands Monitoring

The 2014 BHSWM report presents the results of monitoring by CMC NRM of the conditions of the Bighorn Springs upland and wetlands conducted in 2014. Measurements of vegetative cover and species representation are presented. It can be seen that from year to year the percentage of land cover within the same transect is quite variable. In several of the plots, vegetative cover appears to coincide with moisture in any given year. On average when the eight transects are considered, there was an increase in vegetative coverage of about 2.75% in 2014 from 2013.

To reliably identify long-term trends, either the number of variables in an analysis needs to be small to limit the combined random variation, or it is necessary to collect a large amount of multi-year data. Several factors may introduce random variation and error or bias into monitoring data sets including: sampling variations (human error), long periods of wetter or dryer than normal years, unknown time period for plots to adjust from wetter or dryer than normal years, and heavier or lighter grazing. It is reasonable to expect that several additional sampling events/years will be necessary to reliably establish any trends in vegetation distribution and density throughout the site.

2.4.17 Education Endowment and Annual Programmatic Contributions

NWNA becomes an active corporate citizen in the communities in which we operate. From Chaffee County citizen input, NWNA focused its community partnering primarily in the area of education, but also supports other local causes including, recycling, conservation, emergency response, community health, and other community-specific events and needs. The following presents a brief summary of NWNA's 2014 community partnering in Chaffee County.

Support of Education

In December of 2009, NWNA funded the science education endowments to the Buena Vista Education Assistance Fund (BVCEAF) and to Support Our Schools Salida! (SOSS), each in the amount of \$250,000. Since the inception of these endowment funds, the BVCEAF has received more than \$63,000 and SOSS received more than \$70,000 in distributions for worthy education causes. During that same time, the principal balance of the BVCEAF has grown to more than 280,000 while the SOSS fund principal has grown to more than \$287,000. The BVCEAF received more than \$13,500 in distribution from its endowment fund in 2014, whereas SOSS received more than \$16,500 in distribution in 2014.

Since the fund's inception, the BVCEAF awarded more than \$24,000 in scholarships to worthy students entering science-oriented college programs, including \$5,300 awarded to three students in 2014 who are pursuing programs in biomedicine and engineering. SOSS awarded \$7,000 in scholarships to seven students in 2014 who will be pursuing programs including biomedicine, neuroscience, veterinary medicine, engineering and physics.

The following table presents a summary of BVCEAF's grants made from the NWNA endowment distribution, as reported by BVCEAF.

Annual Report 2014: BVCEAF-Nestle Waters Science Education Endowment

Summary Denver Foundation Endowment Fund

| | |
|---|-------------------|
| Denver Foundation Ending Balance 1-1-2014 | 283,481.17 |
| Additions to Principal | 1,000.00 |
| Investment Earnings | 11,745.18 |
| Less disbursement in August 2014 | (13,534.00) |
| Administration Fee | (2,167.56) |
| Ending balance in September 2014 | 280,524.79 |

| | |
|--|---------------------|
| BVCEAF Account Balance as of 6-30-2014 | \$1,468.40 |
| 2014-Denver Foundation Disbursement (August) | \$ 13,534.00 |
| Total for 2014-2015 Grants/Scholarships | \$ 15,002.40 |

Scholarships Awarded Spring 2014

Student/School Attending/Major

| | |
|--|---------|
| Lindsey Fagerberg/ Rose Hulmon/BioMed Engineering | \$2,000 |
| Tyler Murphy/University of Colorado/Engineering | \$1,800 |
| Evan Walters/Colorado State University/Egnineering | \$1,500 |

| | |
|--|----------------|
| Total Scholarships Awarded 2014 | \$5,300 |
|--|----------------|

GRANTS Issued 2014

| <u>PROJECT NAME/SCHOOL/TEACHERS</u> | <u>AMOUNT FUNDED</u> |
|--|-----------------------------|
| <u>Hands on Science Fun - APES</u> | \$1,458.00 |
| Kite | |
| <u>Garden to Table Greenhouse - BVHS</u> | \$800.00 |
| Kohls | |
| <u>Hydroponic Garden - CCHS</u> | \$631.70 |
| Friedman | |
| <u>Genetics Project - MMS</u> | \$1,433.00 |
| Jacobson | |
| <u>High Magnification Microscope - BVHS</u> | \$2,027.20 |
| Keidel | |
| <u>Digital Camera - BVHS</u> | \$808.00 |
| Keidel | |
| <u>Science Night at APES - BVHS</u> | \$300.00 |
| Naegle | |
| Total Grants Funded 2014 | \$7,457.90 |

| | |
|------------------------------------|-------------------|
| Remaining Balance 2014-2015 | \$7,544.50 |
|------------------------------------|-------------------|

Grants issued by the BVCEAF from the NWNA Endowment distribution in 2014 served students and faculty in all four of the schools in the Buena Vista School District. BVCEAF grants in 2014 stimulated science and nutrition education across a broad spectrum of student ages. Grants supported two extracurricular, hands-on, science activities which encouraged interest in science learning among more than 160 elementary school students. The BVHS biology class was awarded a grant to fund purchase of a high-magnification microscope and digital camera for full-class participation in microscopic biological observation and experimentation. This

specialized equipment will be useful to introductory and advanced level biology classes for years to come. NWNA also contributed \$1,000 to the BVCEAF Science Endowment principal in 2014.

The following table presents SOSS's grant awards made from the NWNA endowment distribution, as reported by SOSS.

| Support our Schools Salida Nestle Waters Science Education Endowment Annual Summary for 2014 | | | |
|---|------------------------------|-----------------------|----------|
| (Prepared December 2014) | | | |
| Endowment Fund Summary (From Denver Foundation July Report) | | | |
| Beginning Fund Balance: \$ <u>\$283,944.35</u> | | | |
| Disbursement: \$ <u>\$16,570.00</u> | | | |
| Ending Fund Balance: \$ <u>\$287,319.68</u> | | | |
| Grant and Scholarship Summary (From SOSS Board) | | | |
| Carry-over Balance from Prior Award Cycle (End of Spring Semester): \$ <u>5,000</u> | | | |
| Total Grants Awarded Spring/Fall 2014: \$ <u>\$21,563.00</u> | | | |
| Grant Topic Teacher/Grade Amount | | | |
| 1/9 | Lego Robotics | LES | \$ 5,323 |
| 4/14 | Drinking Fountains | SECC, SMS, Crest | \$ 3,000 |
| 4/14 | Garden Supervisor | SMS | \$ 500 |
| 5/14 | Scholarships | SHS | \$ 7,000 |
| 8/14 | Garden and Outdoor Education | LES | \$ 2,000 |
| 8/14 | Outdoor Science Center | SECC | \$ 2,000 |
| 10/21 | Science Explorers | SMS | \$ 740 |
| 10/21 | GPS mapping systems | SMS | 1,000 |
| Total Scholarships Awarded Spring Semester 2014: \$ <u>7,000</u> | | | |
| Student School/Major Amount | | | |
| Ashley Potts | CSU | Bio Med Science | \$ 1000 |
| Tylea Enz | CSU | Veterinarian Medicine | \$ 1000 |
| Samantha Sharrar | CU Denver | Bio-engineering | \$ 1000 |
| John Michael Kreski | Regis University | Computer Science | \$ 1000 |
| Michael Proco | CU Boulder | Neuroscience | \$ 1000 |
| Ethan Coit | Colo Schools of Mines | Engineering | \$ 1000 |
| Evan Schehrer | Adams State College | Physics | \$ 1000 |

Grants issued by SOSS from the NWNA Endowment distribution in 2014 served students and faculty in five of the six schools in the Salida School District. Similar to the BVCEAF, the SOSS grants in 2014 stimulated healthy hydration, science, and

nutrition learning across a broad spectrum of student ages. SOSS awarded a grant for replacement water fountains in the preschool, elementary school, and middle school, where younger children are less likely to properly hydrate themselves. Several of the grants awarded by SOSS in 2014 helped support educational activities held during the Friday Enrichment program, which offers Salida children the opportunity for extracurricular learning on Fridays. (The Salida School District is on a four-day week. The Friday Enrichment program is also supported by the efforts and contributions of several other local organizations including The City of Salida, High Country Bank, GARNA, Guidestone, Live Well Colorado, Boys and Girls Club, etc.) A grant supported purchase of elementary robotics kits to help 1st through 5th graders develop STEM (science, technology, engineering, and math) skills on Fridays. Grants also supported out-doors science and garden projects focused on teaching elementary and middle-school aged students about nature, agriculture, and nutrition. NWNA also contributed \$1,000 to the SOSS Science Endowment principal in 2014.

Community Partnering

In addition to supporting education and schools in Chaffee County, NWNA has remained an active supporter of other community organizations and activities. The following table summarizes the more than \$14,000 in financial contributions NWNA made to local organizations in 2014.

NWNA Chaffee County 2014 Donation Summary

In order to complement the company's financial support of worthy causes in the community, NWNA's local community relations consultant was actively involved in 2014 with the efforts of some of these organizations.

| Name of Organization/Event | Amount |
|--|---------------|
| American Legion | \$1,000 |
| Arkansas Valley Broadcasting | \$200 |
| Arkansas Valley Broadcasting | \$200 |
| Boys & Girls Clubs | \$500 |
| Buena Vista Community Education Assistance Endowment | \$1,000 |
| Buena Vista Optimist Club | \$1,500 |
| Buena Vista Pregnancy Center | \$1,000 |
| Collegiate Peaks Anglers | \$750 |
| Colorado Foundation for Water Education | \$2,000 |
| Livewell Chaffee County | \$1,300 |
| Salida Youth Football | \$750 |
| Salida Youth Wrestling | \$250 |
| Support Our Schools Salida Endowment | \$1,000 |
| VFW Post 1166 | \$3,000 |
| Total: \$14,450 | |

NWNA contributed more than 11,800 bottles of water to Chaffee County organizations and events in 2014 as part of its programmatic giving. NWNA is pleased to have provided healthy hydration to so many worthy causes and

organizations including emergency responders, local health fairs, schools and athletic clubs, and community fundraising events. (See following table.)

| Nestle Waters 2014 Chaffee County Water Donations | | |
|--|-------------------|---------------------|
| Organization/Event | # of Cases | # of Bottles |
| American Cancer Society Tenderfoot Hillclimb Fundraiser | 13 | 312 |
| Buena Vista American Legion | 40 | 960 |
| Buena Vista Autumn Color Run | 34 | 816 |
| Buena Vista Channel 9 Health Fair | 24 | 576 |
| Buena Vista Fire Protection | 72 | 1,728 |
| Buena Vista High School After Prom | 3 | 72 |
| Buena Vista Optimist Club | 12 | 288 |
| Buena Vista Strong (Memorial Dinner) | 45 | 1,080 |
| BVCEAF Wetland Project | 10 | 240 |
| Chaffee County Fire Protection | 20 | 480 |
| Collegiate Peaks Rodeo | 16 | 384 |
| Cotopaxi Channel 9 Health Fair | 9 | 216 |
| High Rocky Riders Off Road | 15 | 360 |
| Mountain Mania Car Show Fundraiser | 18 | 432 |
| Saguache Channel 9 Health Fair | 9 | 216 |
| Salida Middle School | 69 | 1,876 |
| Salida Rotary Club Fundraiser | 8 | 192 |
| Salida Youth Wrestling | 21 | 504 |
| VFW Post 1166 | 40 | 960 |
| Walden Chamber Music Fundraiser | 7 | 168 |
| Total: | 485 | 11,860 |

Finally, according to NWNA's 1041 Permit hearing testimony, NWNA will continue its annual discretionary community programmatic support of worthy local organizations, events, and causes for as long as it operates in Chaffee County.

2.4.18 Right-of-Way

The NWNA-Chaffee County Right of Way (ROW) Agreement requires NWNA to re-iterate to the County in each Annual Report certain deed restrictions NWNA instituted when it granted to the County a right of way for County Road 300 through NWNA's properties. These deed restrictions require that the County notify NWNA annually of planned dust suppression, weed control, or construction activities on County Road 300 adjacent to NWNA's Bighorn Springs and Ruby Mountain Springs properties. The County notified NWNA in 2014 of its plans for application of dust suppression on CR 300 adjacent to both NWNA parcels. NWNA agreed to the County's dust suppression compound, and application method and rate at ½ normal strength and the County completed that activity in May 2014. NWNA did not observe any noxious

weeds on its properties along CR 300 and therefore did no weed mitigation along those ROWs. The County performed no road construction on CR 300

The County Road and Bridge Superintendent indicated to NWNA's community relations consultant that the County will be applying dust suppression in May 2015 with the same method and at the same rate as in 2014 (pers. comm. February 18, 2015). NWNA hereby notifies the County that it would agree to the County applying dust suppression on CR 300 in 2015 along both NWNA properties as long as the same compound and application rate and method used in 2014 are used in 2015. NWNA requests notification from the County if it intends to modify its dust suppression procedures in 2015.

The County Road and Bridge Superintendent indicated that the County had no plans in 2015 for any road construction (except for normal maintenance) along CR 300, nor of any specific plans for weed control along CR 300

2.4.19 Wildlife Friendly Fencing

This condition is satisfied.

2.4.20 River Wade Fishing on Bighorn and Ruby Mountain Springs Parcels

On May 24, 2011, NWNA and CDOW finalized and signed permanent fishing easement agreement on the Ruby Mountain and Bighorn Springs parcels, to be managed by Colorado Parks and Wildlife. Colorado Parks and Wildlife installed an information sign in the Fisherman Parking Area next to the Ruby Mountain Springs site and posted additional signage in 2014 as part of its management of these easements.

2.4.21 Fishing Access on Bighorn Springs Parcel

On May 24, 2011, NWNA and CDOW finalized a permanent fisherman-parking-and-access easement agreement on the Bighorn Springs parcel, to be managed by Colorado Parks and Wildlife. Colorado Parks and Wildlife has completed construction of the access road, parking area, signage, and trail on the Bighorn Springs Parcel.

2.4.22 Pipeline Requirements

This condition is satisfied.

2.4.23 Buildings and Structures

NWNA did not construct or modify any buildings or structures in 2014.

2.4.24 Construction Conditions Imposed by Special Land Use Permit

NWNA did not perform any construction in 2014.

2.4.25 Local Construction Jobs and Local Purchasing

This 1041 Permit condition requires NWNA to hire local firms and purchase materials for the construction of the Ruby Mountain Springs Project to the degree that it is commercially practical. NWNA's corporate policy toward supporting the local

communities in which it operates supports the objective of this permit condition, and therefore in 2014 NWNA made every attempt at achieving local hiring and purchasing of materials for the project.

Construction Contractors & Material and Equipment Purchases

NWNA did not perform any construction in 2014, but did require the services and materials for system operation, maintenance, and equipment up-grade. These services and supplies were supplied to NWNA from local and non-local contractors and suppliers, as dictated by local availability. NWNA's local contractor and supply expenditures amounted to \$13,685, while NWNA's non-local contractor and supply expenditures for specialized equipment installation was \$22,546.

Professional Service Contractors

NWNA employed local professional service contractors including community relations, technical consulting, operations and monitoring assistance, etc., for the project in 2014 amounting \$91,744 of local expenditure. NWNA also employed non-local professional service contractors largely due to either their specialized service not available locally, or they were NWNA's national consultants (e.g. legal counsel, water resource specialists, etc.). In 2014, NWNA, in support of its Ruby Mountain Springs project, employed non-local specialized professional service and legal contractors totaling \$127,535.

NWNA's Other Local Spending

NWNA paid \$35,294 for local utilities associated with project operations in 2014. NWNA also began payment in 2014 to the UAWCD for water augmentation to begin in 2015 in the amount of \$135,000 (which was in addition to payment to the City of Aurora for augmentation in 2014). NWNA also paid \$9673 to local service providers in 2014 for waste management, telecommunications, and storage.

NWNA, through its trucking contractor, endeavors to hire local truck drivers to make hauls of spring water to the NWNA Denver bottling plant. In 2014, more than 52% of the 3,253 trips to the bottling plant were made by local drivers whose pay totaled more than \$514,023.

NWNA's Taxes Paid

NWNA's 2013 real property taxes payable and paid in 2014 was \$45,513.

2.4.26 Local Drivers

In 2014, NWNA's trucking contractor (DG Coleman) employed 33 drivers to haul water from the NWNA Truck Loading Facility to the Denver Bottling Plant. (NWNA did not utilize a mid-trip, drop-and-pick up, scenario for trucking during 2014.) Of the 33 drivers employed, 17 resided in Chaffee County. Local drivers conducted 1,712 round-trips, and non-local drivers conducted 1,541 round-trips.

NWNA and its trucking contractor have made continuous efforts since May 13, 2010 to recruit local drivers as evidenced by advertising in the following media sources: The Mountain Mail; The Chaffee County Times; The Fairplay Flume; The Leadville

Herold Democrat; and Craigslist. NWNA and DG Coleman also participated in job fairs with the Colorado Unemployment Office in Salida in 2014. An advertising banner was also hung at the loading station in Johnson Village.

Due to the challenge of attracting and retaining local drivers, NWNA's trucking contractor increased pay by 11% and offered a \$2,500 signing bonus to local drivers. NWNA also purchased and domiciled new equipment in Chaffee County for greater driver convenience.

During the time period January 1, 2014 through December 31, 2014, NWNA's trucking contractor received 14 applications for employment from Chaffee County residents. Seven of the applicants did not meet the driving qualifications of the contractor, 2 declined employment offers, and 5 were hired.

More detailed information regarding NWNA's 2014 trucking operations is presented in Exhibit 5.

2.4.27 Project Impacts Related to Well Pumping

Condition is County permit proviso. No submittal is required.

2.4.28 Augmentation Water Source Restrictions

IN 2014 NWNA only utilized augmentation water from the City of Aurora lease as permitted by NWNA's 1041 permit. NWNA's compliance with the water augmentation operational terms of the 1041 permit is presented in NWNA's 2014 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Exhibit 6). (NWNA did not use the UAWCD's augmentation plan in 2014, so provisions to this condition from County Resolution 2013-35 do not apply.)

2.4.29 Limitation on Project Depletions

This permit condition requires that NWNA's water depletions to the Arkansas River be limited to the net amount (196.0 acre-feet which accounts for transit losses) of replacement water available to the Arkansas River in time, place and amount and that releases of augmentation water from Aurora's existing Lake County storage facilities or Aurora's existing Lake County consumptive use credits to the Arkansas River shall match the depletion in time and amount. NWNA's compliance with the water augmentation operational terms of the 1041 permit is presented in NWNA's monthly reports to Chaffee County and in NWNA's 2014 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Exhibit 6). (NWNA did not use the UAWCD's augmentation plan in 2014, so provisions to this condition from County Resolution 2013-35 do not apply.)

2.4.30 Approved SWSP or Augmentation Plan Required

NWNA received approval of its 2014-2015 Substitute Water Supply Plan ("SWSP") from the CDWR on March 22, 2014 that imposed the same SWSP restrictions on NWNA's spring-water withdrawals contained within NWNA's 1041 Permit (see Exhibit 7). NWNA operated RMBH3 and RMBH2 in compliance with the SWSP in 2014.

NWNA did not apply for renewal of a SWSP for 2015-2016 since NWNA will transition to the UAWCD's water augmentation plan according to the terms of the 06CW32 decree at the expiration of the SWSP based on augmentation from the City of Aurora. (NWNA did not use the UAWCD's augmentation plan in 2014, so additional provisions to this condition from County Resolution 2013-35 do not apply.)

2.4.31 Augmentation Water Delivery Restrictions

This 1041 Permit condition requires that NWNA's depletions be replaced by augmentation water released up-stream of the Ruby Mountain Springs on the Arkansas River. NWNA's compliance with this permit condition is presented in NWNA's 2014 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Exhibit 6). (NWNA did not use the UAWCD's augmentation plan in 2014, so provisions to this condition from County Resolution 2013-35 do not apply.)

2.4.32 Accounting and Reporting for Augmentation Water Source

NWNA has provided the County with monthly reports presenting the City of Aurora's water operations on the Arkansas River and augmentation of NWNA's depletions which demonstrate NWNA's compliance with this permit condition. NWNA's compliance with this water augmentation operational term of the 1041 permit is summarized in Nestle's 2014 Accounting of the City of Aurora Supply and Demands (Exhibit 8). (NWNA did not use the UAWCD's augmentation plan in 2014, so provisions to this condition from County Resolution 2013-35 do not apply.)

2.4.33 Pumping Well Operational Restrictions

This 1041 Permit condition restricts NWNA's pumping from RMBH2 and RMBH3 simultaneously and limits diversions from the wells to 200 gallons per minute, 1 acre-foot per day, and 16.6 acre-feet per month.

In 2014, NWNA operated RMBH3 as the primary production well. NWNA operated both RMBH-2 and RMBH-3 on June 25th, 2014 for water-quality testing of RMBH-2, but at no time did the two wells operate simultaneously. NWNA has provided the County with monthly reports presenting NWNA's pumping, and NWNA's 2014 Annual Accounting Report Regarding Well Pumping Operations and Augmentation Releases (Exhibit 6) summarizes these data. NWNA pumped approximately 160.8 acre-feet of water in 2014, of which approximately 82 acre-feet was transported to the Denver Plant for bottling.

In 2014, NWNA's diversions from RMBH2 and RMBH3 complied with the provisions of this permit condition not exceeding the daily limit of 1 acre-foot or the monthly limit of 16.6 acre-feet. NWNA operated its production wells according to these limits.

2.4.34 Construction of Pumping Wells

NWNA constructed RMBH3 in accordance with the County-approved provisions of the Technical Revision to the 1041 Permit.

2.4.35 Surface Water Flow Measurements

NWNA 2014 Surface Water and Groundwater Monitoring Report (Exhibit 3) presents a reporting of required surface flow measurements taken during 2014 from the required locations on the Ruby Mountain Springs Parcel ("Lower Weir" and "Upper Flume"). That report also presents surface water flow data for two locations on the Bighorn Springs Parcel ("Parshall-1" and "Parshall-3"), the Arkansas River, and irrigation ditch diversions relevant to the Ruby Mountain Springs aquifer.

From the SWGWM Report it can be concluded that surface water flow at the Ruby Mountain Springs is predominantly controlled by seasonal groundwater level fluctuations. Further, NWNA has demonstrated that production pumping from RMBH-3 has a measureable, though very minor, effect on flows at the Ruby Mountain Springs.

Also from the SWGWM Report it can be concluded that surface water flows at Bighorn Springs are controlled by seasonal groundwater level fluctuations. No influence of NWNA's water withdrawals at the Ruby Mountain Springs on the surface water flows or groundwater levels at the Bighorn Springs is detectable.

2.4.36 Suspension of Pumping - Adverse Effects on Reconstructed Wetlands

NWNA completed its habitat reclamation project in 2012. The restored habitat was monitored in 2014 to evaluate the success of revegetation and function of created habitat and the results have been outstanding. Sufficient success of the re-established habitat was observed that the USACE closed out its reclamation permit ahead of the full monitoring term in early 2014.

NWNA's 2014 Surface Water and Groundwater Monitoring Report (Exhibit 3) demonstrates that production pumping from RMBH3 has a measureable, but very minor, effect on spring flows consistent with studies conducted prior to permitting of operations. Therefore, NWNA does not anticipate the need for suspension of operations. In compliance with NWNA's 1041 Permit, monitoring of groundwater levels and spring flows in relation to water withdrawals will be made on a systematic basis during operations in order to evaluate and mitigate any negative effect on the Ruby Mountain Springs and associated wetlands.

2.4.37 Inclusion of Reconstructed Wetlands in SWSP or Augmentation Plan

NWNA did not include reconstructed wetlands augmentation in its 2014-2015 SWSP since the habitat reclamation project entailed a significant reduction in water surface area and consumptive water use (1,150 cubic feet per year). NWNA does not anticipate the need for augmentation in the future for the reclaimed habitat at the old hatchery site since the habitat is flourishing.

2.4.38 Cessation of Diversions upon Termination of Aurora Lease

The City of Aurora's lease of augmentation water for NWNA's Ruby Mountain Springs operations remained in full force and effect during 2014. (NWNA did not use the UAWCD's augmentation plan in 2014, so provisions to this condition from County Resolution 2013-35 do not apply.)

2.4.39 Restrictions on Acquisition of Additional Water Rights in County

In 2014, NWNA continued to rely on augmentation water leased from the City of Aurora. The NWNA-Aurora lease has not been amended or modified in any way.

2.4.40 Water Rights Filing and Administration Costs

NWNA applied for renewal of the SWSP in 2014 containing the same provisions as the previous years' SWSPs. Prior to submitting the 2014 SWSP renewal, NWNA provided a draft to Chaffee County for review and comment in compliance with this permit condition. Jim Culichia, water attorney for the County, confirmed that the SWSP application conformed to permit requirements. NWNA received approval from the CDWR for its 2014 SWSP which imposed the same SWSP restrictions on NWNA's spring-water withdrawals contained within NWNA's 1041 Permit (see Exhibit 7). NWNA operated RMBH3 and RMBH2 in compliance with the SWSP in 2014.

NWNA has not filed a Plan for Augmentation in Colorado Water Court to date. With the transition of augmentation from the City of Aurora to the UAWCD 06CW32 decree, NWNA will not be filing for a Plan for Augmentation.

Also in compliance with this permit condition, NWNA has maintained sufficient funds in its Chaffee County Reimbursement Account to cover the County's expenses associated with NWNA's processing of its SWSP and Water Court filings.

(NWNA did not use the UAWCD's augmentation plan in 2014, so provisions to this condition from County Resolution 2013-35 do not apply.)

2.4.41 Trout Creek Pass Improvements Lobbying

NWNA did not receive notification or request from Chaffee County regarding lobbying actions with CDOT for improvements to US Highway 285 in 2014. Therefore, NWNA did not directly or indirectly lobby CDOT for such improvements in 2014.

2.4.42 Limits on Truck Traffic

This permit condition places certain restrictions on NWNA's trucking activity to limit impacts on the Trout Creek Pass portion of US Highway 285. These limitations include no more than 25 loaded trucks per day, with no more than two trucks per hour. During the restricted peak-hours period from the Friday of Memorial Day weekend through the Labor Day, truck traffic is limited to no more than two loaded trucks per hour, with an average of one truck per hour for the peak-hours period of each day.

Detailed information regarding NWNA's 2014 trucking operations is presented in Exhibit 5. NWNA made a total 3,253 truck trips over 307 days in 2014 from the Truck Loading Facility to the Denver Bottling Plant. NWNA utilized 8,200-gallon tankers in 2014.

The average daily volume of NWNA's truck traffic over the course of 2014 was approximately 10.6 trips per day. The maximum number of tanker trips on any given

day in 2014 was 19. In 2014, NWNA's Process Logic Controller (PLC computer) at its Truck Loading Facility in Johnson Village was programmed to allow the filling of no more than 1 truck per hour during the seasonally restricted dates and times. The maximum number of truck trips for the 7-hour period for any day during the restricted period was 3 and the average trucking volume for the 7-hour restricted period was no more than 1 truck per hour. NWNA is not aware of any violations of the limitations of this permit condition.

2.4.43 Emission Standards

NWNA employed the use of tanker trucks for its water shipments meeting the sample specifications that were submitted as part of the initial 1041 Application and subsequent Technical Revision (TR #7). In 2014, NWNA used only late-model tractors meeting all federal and state emission standards. The two tractor models were equipped with 435 to 500 horsepower engines. More detailed information regarding NWNA's 2014 trucking operations is presented in Exhibit 5.

2.4.44 No Idling During Loading

In compliance with its Permits, NWNA has not allowed its trucks to idle during loading. Limited idling only occurs as required for cold-weather start-up.

2.4.45 Emergency River Access

NWNA completed construction and revegetation of the emergency river access in the summer of 2010. This condition is completely satisfied.

2.4.46 River Crossing Revegetation and CDOW Approval

The CDOW conducted a final review of the revegetation of the river crossing and provided a letter of approval to the County dated August 30, 2010. This condition is completely satisfied.

2.4.47 River Crossing Construction Plans

NWNA completed construction of the pipeline crossing of the Arkansas River under the provision of a USACE General Permit 12 and NWNA's Amended 1041 permit before the March 15, 2010 deadline. The CDOW conducted a final review of the revegetation of the river crossing and provided a letter of approval to the County dated August 30, 2010. The USACE approved closure of the General Permit 12 on September 25, 2012. This condition is completely satisfied.

2.4.48 Army Corps of Engineers

NWNA completed the pipeline river crossing construction and revegetation in 2020 in accordance with USACE General Permit 12 (SPA-2008-00255-SCO; March 2, 2010). The USACE approved closure of the General Permit 12 on September 25, 2012. This condition is completely satisfied.

2.4.49 Town of Buena Vista Water Pipeline

NWNA completed construction in 2010 of the pipeline for the Town of Buena Vista in accordance with the USACE General Permit 12 and County-approved plans and requirements. NWNA understands that all required easement agreements have been

submitted to the County by the affected parties. This condition is completely satisfied.