

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
ACTIVITY ENTERPRISE**

MINUTES

December 5, 2019

A regular meeting of the Board of Directors of the Southeastern Colorado Water Activity Enterprise (Enterprise) was held on Thursday, December 5, 2019 at 11:03 a.m., at the District office, 31717 United Avenue, Pueblo, Colorado.

President Long announced a quorum was present.

DIRECTORS PRESENT:

Bill Long	Curtis Mitchell	Ann Nichols
Carl McClure	Tom Goodwin	Dallas May
Seth Clayton	Alan Hamel	Andy Colosimo
Patrick Garcia	Pat Edelman	

DIRECTOR(S) ABSENT AND EXCUSED:

Greg Felt, Kevin Karney, Howard "Bub" Miller, and Mark Pifher

ENTERPRISE OFFICIALS PRESENT:

Executive Director James Broderick; General Counsel Lee Miller; Administrative Manager Toni Gonzales; Principal Engineer Kevin Meador; Water Resources Engineer Garrett Markus; Senior Policy and Issues Manager Chris Woodka; Finance Manager Leann Noga; Accountant Stephanie Shipley; and Federal Lobbyist Christine Arbogast.

VISITORS PRESENT:

George Hanzas, Catlin Canal; Curt Thompson AECOM; and Berniece McClure

APPROVAL OF MINUTES:

President Long said the minutes of the November 21, 2019 Board meeting were posted to the Board website for review, and asked if there were any corrections or additions. Hearing none, Mr. Colosimo moved, seconded by Mr. Clayton, to approve the minutes. Motion unanimously carried.

FINANCE COMMITTEE REPORT:

None

CONSENT ITEMS:

None

RECORD OF PROCEEDING

PRESENTATIONS:

None

ACTION ITEMS:

2020 PROPOSED BUDGET AND RESOLUTION APPROVAL

President Long called the Enterprise meeting to order to be held in conjunction with the District meeting for the 2020 Proposed Budget and Resolution approval.

Mrs. Noga reported the Board received the 2020 Proposed Budget on October 15, 2019. The 2020 Proposed Budget was presented to the Board and the general public at the November 21, 2019 Public Hearing.

Since the November Public Hearing, there have been no changes to the Enterprise Water Fund or the Hydroelectric Power expenditures totals of the 2020 Proposed Budget. The Enterprise 2020 Budget reflects the Aggressive Option1 revenue totals, pending discussion of the Board in the first quarter of 2020.

Mr. Goodwin moved, seconded by Mr. Edlmann, to approve Resolution and Order No. 2019-02EF for the Enterprise Water Fund and No. 2019-03EF for the Hydroelectric Power Project for the adoption of the 2020 Proposed Budget as presented. Motion unanimously carried.

WATER AND STORAGE RATE RESOLUTION

Mrs. Noga reported the 20-year average of water allocation is equal to \$1,051,051 in Enterprise revenue prior to any adjustment in rates. The Aggressive Option 1 in the Finance Study increases the 20-year average revenues by \$527,497 for a total of \$1,578,548 in Enterprise Revenues. The action taken by the Board on November 21, 2019 increase the 20-year average revenues by \$319,629 for a total of \$1,370,680 in Enterprise Revenues.

The Board of Directors determined that additional discussion was needed on the following subjects in the first quarter of 2020:

- 1) Carry-over Storage charges;
- 2) Winter water charges;
- 3) Return Flow charges;
- 4) Split rates for M&I and Agriculture.

The Board noted that there could be a change in the 2020 Water and Storage Rates pending the first quarter discussions. It was stated that the rates would not exceed the Aggressive Option 1 rates and suggested customers to use Aggressive Option 1 for budgeting purposes. The Enterprise 2020 Budget reflects the Aggressive Option 1 revenue totals.

RECORD OF PROCEEDING

The Southeastern Colorado Water Activity Enterprise (Enterprise) Board voted at its November 21, 2019 meeting to implement a portion of the rates recommended in the Financial Strategy and Sustainability Study (Study), which was performed by Jacobs.

All members of the Board recognized that the District needs additional revenue to meet the requirements identified in the cost of service analysis, which was a part of the study. The only source of raising more revenue is to increase water sales and storage charges in the Enterprise. Water rates have not been raised in more than 20 years, so the shortfall has been growing annually.

“As president of this Board, it is important to me that we be in agreement as we move forward,” President Bill Long said. “We’ve got to move forward and work together to take care of the future needs of the District.”

The Board voted 15-0 to:

- 1) Increase water sales rates to \$13.14/af in 2020, up from \$7/af in 2019;
- 2) Increase Return Flow rates to \$12/af in 2020, up from \$6/af in 2019;
- 3) Leave storage charges unchanged in 2020;
- 4) Leave surcharges unchanged in 2020.

Mr. Hamel moved, seconded by Mr. May, the Board adopt Resolution and Order No. 2019-01E for the 2020 Water and Storage rates as approved on November 21, 2019. Motion unanimously carried.

Mr. Mitchell thanked the staff for the letter that was prepared to notify the constituents, clarifying the action of the Board and the rate increases for 2020.

THIRD AMENDMENT TO THE HYDRO POWER PURCHASE AGREEMENT

Mr. Meador reported Colorado Springs Utilities (Utilities) and The City of Fountain (Fountain) entered into a Purchase Power Agreement (PPA), dated October 3, 2017 and September 29, 2017 respectively, with the Southeastern Colorado Water Conservancy District to purchase the hydro energy output from the James W. Broderick Hydropower Plant at the base of the Pueblo Reservoir Dam in Pueblo, Colorado. Under the PPA’s, Utilities and Fountain were to each purchase 50 percent of the Energy Output. Fountain is to purchase 50 percent of the energy through December 31, 2027, then 100 percent through December 31, 2047.

The production of the Hydro Project is based on the flow through the north outlet of the Pueblo Reservoir Dam. The flow is dependent on several conditions including, but not limited to, the available hydrology of the Arkansas River and the Pueblo Reservoir, and the downstream user requirements. During the winter months when the flow goes into the Winter Water Storage mode, the flow is severely reduced, hence the Energy Output.

Due to the scheduling requirements of the transmission provider, it is not practical nor feasible to deliver 50 percent of the Energy Output to Fountain during the low flow period. In consultation with Utilities and Fountain, Utilities is willing to forgo the energy delivery, and Fountain is agreeable to take delivery

RECORD OF PROCEEDING

and purchase 100 percent of the Energy Output during the low flow winter months of December, January, and February.

This Amendment agrees to modify the PPA for Utilities and Fort Carson to forgo purchase of energy during the months of December, January, and February, effective December 1, 2019 through December 31, 2027.

Mr. Goodwin moved, seconded by Mr. Edelman, to approve the Third Amendment to the Hydroelectric Power Purchase Agreement dated October 3, 2017 Between Colorado Springs Utilities and the Southeastern Colorado Water Conservancy District acting by and through its Water Activity Enterprise, which agrees to modify the Purchase Power Agreement for Colorado Springs Utilities and Fort Carson to forgo purchase of energy during the months of December, January, and February effective December 1, 2019 through December 31, 2027. Motion passed with Mr. Mitchell recusing.

INFORMATION ITEMS:

The Board was provided written material on the following topics, which were posted to the Board website:

- James W. Broderick Hydropower Plant Update
- AVC and Excess Capacity Master Contract Update

OTHER BUSINESS MATTERS:

President Long asked if there were any other matters to come before the meeting, and hearing none, adjourned the meeting at 11:14 a.m.

Respectfully submitted,

Toni Gonzales
Administrative Manager

Secretary

SECWAE
December 5, 2019
5

RECORD OF PROCEEDING
