

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO
WATER ACTIVITY ENTERPRISE
MINUTES
June 20, 2024**

A meeting of the Board of Directors of the Southeastern Colorado Water Activity Enterprise (Enterprise) was held on Thursday, June 20, 2024, at the District office, 31717 United Avenue, Pueblo, Colorado. President Long convened the Enterprise Board meeting concurrent with the District Board meeting for the purpose of going into Executive Session at 10:12 a.m.

Mr. Lee Miller announced that a request has been made for the Southeastern Colorado Water Activity Enterprise to enter Executive Session for the purpose of discussion with legal counsel on the following matter: AVC Contract Negotiations.

Pursuant to:

- C.R.S. §24-6-402(4)(b): (Conferences with an attorney for the local public body for the purposes of receiving legal advice on specific legal questions)
- C.R.S. §24-6-402(4)(e): (Determining positions relative to matters that may be subject to negotiations; developing strategy for negotiations; and instructing negotiators)

The presence of the following persons was requested at the Executive Session:

1. Non-Excused Committee and Board Members (state for the record any who are excused)
2. Executive Director
3. General Counsel
4. Staff Attorney
5. Senior Policy and Issues Manager
6. Enterprise Principal Engineers
7. Consultant – Bill McDonald
8. Lobbyist – Christine Arbogast

Mr. Clayton moved, seconded by Mr. Hamel for the District Board to move into Executive Session. Motion unanimously carried.

Mr. Lee Miller announced that during the executive session the Board received legal advice and provided direction to negotiators regarding the AVC Contract Negotiations, there was no action needed as a result of Executive Session.

President Long reconvened the Enterprise meeting at 12:04 p.m. The ZOOM platform was also made available for Board members and visitors.

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DIRECTORS PRESENT:

Alan Hamel	Dallas May	Tom Goodwin
Andy Colosimo	Howard "Bub" Miller	
Ann Nichols	Mark Pifher	
Bill Long	Pat Edelman	
Curtis Mitchell	Seth Clayton	

DIRECTOR(S) ABSENT AND EXCUSED:

Greg Felt, Justin DiSanti, Matt Heimerich, and Kevin Karney

President Long established that a Quorum was present.

DISTRICT OFFICIALS:

Executive Director Leann Noga; General Counsel Lee Miller; Staff Attorney Peter Levis; Senior Policy and Issues Manager Chris Woodka; Water Resources Principal Engineer Garrett Markus; Principal Engineer Kevin Meador; Principal Engineer/Operations Coordinator Gordon Dillon; Finance Manager Stephanie Shipley; Administrative Support Specialist's Margie Medina and Patty Rivas; H2O Consultant Roy Vaughan; Kogovsek & Associates Christine Arbogast, and Burns, Figa & Will, April Hendricks; Kennedy Jenks, Jerry Pena, and Greg Sekera (remote); AECOM, Curtis Thompson; and McDonald Water Policy, Bill McDonald.

VISITORS PRESENT:

Aurora Water, Abba Ahmed; USGS, Krystal Brown and Andrew Klakulak; Pueblo West Metro District, Jeffery DeHerrera and Bobby Bandham; USBR, Jeff Rieker and Mike Holmberg; JHL Constructors, Dominic Marquez; Senator Michael Bennet's Office, Rosy Weber; and Colorado Springs Utilities, Scott Lorenz.

VISITORS CONNECTED VIA ZOOM:

Wilson Water Group, Lisa Brown; Otero County Commissioners, Tim Knabenshue, Rob Oquist; and Otero County Administrator, Amy White-Oquist; Black & Veatch, Alberto Morales; Colorado River Conservation District, Bruce Walters; LP Water Logic, LLC, Lowell Pimley; Kansas Dept of Agriculture, Rachel Duran; and Aurora Water, Rick Kienitz.

APPROVAL OF MINUTES:

President Long said the minutes of the May 16, 2024, Enterprise Board meetings were posted to OnBoard and the website for review and asked if there were any corrections or additions. Hearing none, Mr. Edelman moved, seconded by Mr. Hamel, to approve the minutes. Motion unanimously carried.

TREASURER REPORT:

Ms. Nichols reported the financial statements for May 2024, were posted to OnBoard and the Website for review. Ms. Nichols moved, seconded by Mr. Clayton, for acceptance of the May 2024 financial statements and payment of the June 2024 bills. Motion unanimously carried.

PRESENTATION ITEMS:
ARKANSAS VALLEY CONDUIT

A PowerPoint presentation was provided - Arkansas Valley Conduit Project Updated Cost Estimate.

Mrs. Leann Noga began the presentation.

- Arkansas Valley Conduit Project
 1. Updated Construction cost Estimate
 - a. Enterprise spurs & delivery Lines (Southeastern Sub-Project)
 - b. Reclamation trunk line (Reclamation Sub-Project)
 2. Next Steps

Mr. Kevin Meador next covered:

- Reclamations Initial AVC Project Cost Estimate
 1. Southeastern Sub-Project \$123-134 million
 2. Reclamation Sub-Project \$441-476 million
 3. Total Project Cost \$564-610 million
- Reflected modification for new project configuration
- Indexed from initial 2016 feasibility cost estimate
Considered a preliminary level estimate
- Enterprise Spurs & Delivery Lines: Spurs (7), Delivery Lines (39), Pump Stations (2)
- Enterprise Spurs and Delivery Lines Updated Cost Estimate, due to Inflation, Design Changes, and Market Cost Trends

Mr. Jeff Rieker covered:

- Reclamation Trunk Line, consisting of these major features: Connection to Pueblo water, Injection Site, Trunk Line to Lamar, and Delivery Vaults.
- Recent History
 1. **2019/2020:** Moved into construction based on \$564-\$610 M total project cost estimate
 2. **2020-2023:** Additional data obtained, designs for first reaches developed
 3. **2020-2023:** Construction and material costs significantly increased
 4. **September 2022:** First construction contract awarded, \$42 M
 5. **September 2023:** Second construction contract awarded, \$27 M
 6. **September 2023-March 2024:** Repricing effort based on new data, active construction and awarded contracts

Updated Cost Estimate: \$1.3 billion

- Includes Construction costs of about \$972 million, Non Construction costs of \$335 million
- Does not include interest charges during construction, future escalation charges during construction. Increase in cost of about \$840 million.

The primary source of cost increases, inflation (chart below), new site condition information designs, and estimate refinements.

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➤ Non-metallic pipe prices	285%
➤ Valve prices	500%
➤ Concrete prices	67%
➤ Rebar prices	27%
➤ Average labor cost/manhour	45%
➤ Average equipment cost/hour	45%
➤ Fuel costs	55%

Primary drivers of design and scope refinements

1. Earthwork/Trench Design
2. Revised understanding of
 - a. Soil properties
 - b. Right-of-way considerations
3. Site Conditions
 - a. Dewatering
 - b. Rock excavation
4. Other Items
 - a. Trenchless/pavement crossings
 - b. Water treatment/regulation features
 - c. Fiber communication infrastructure

Primary sources of cost increases: 25% inflation, 53% result of scope changes, and 22% attributable to estimate refinements.

Total AVC Project Updated Cost Estimates:

Enterprise Sub-Project	\$75 million
Reclamation Sub-Project	\$1.3 billion
Total AVC Project	\$1.375 billion

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Mrs. Leann Noga:

- Review of AVC project funding to date
 1. Reclamation funding since 2020
 - a. Annual appropriations \$71 million
 - b. Infrastructure funding \$250 million
 2. Colorado Water Conservation Board
 - a. Loans \$90 million
 - b. Grants \$30 million
 3. Local contributions
 - a. ARPA funding \$3 million
 - b. Enterprise funding \$4.8 million
 - c. Participant contributions since 2011 \$2 million

Impact on Construction Schedules

Impacts on repayment

Next Steps

1. June 27 meeting with Participants
2. Briefings for Colorado delegation and state officials
3. Reclamation funding
 - IIJ Act monies
 - Annual appropriations
4. Continue working on financing for Enterprise spurs and delivery lines
5. Legislative fix to address repayment
 - Strategies being developed and options analyzed
 - Work with congressional delegation
 - Develop and introduce legislation in early 2025

Monday June 17th Leann Noga, Christine Arbogast and Bill Long were in Washington D.C.

Rosy Weber – Senator Bennetts Office, Agriculture and Water Policy, spoke:

The Senators commitment to the project was reiterated. They will follow the lead of the Southeastern Colorado Water Activity Enterprise as well as the Participants to ensure clean water getting to where it needs to go and to be affordable. The cost increase is significant, Senator Bennet is aware, and is committed to help in any way possible to seek out funding. President Long thanked Rosy and Senator Bennett for their efforts and continued support.

FEDERAL LEGISLATION UPDATE

Ms. Arbogast updated the Board as follows:

- House is marking up the FY '25 energy and water appropriations bill next week; this is where funding for AVC lives. Senate is just beginning.
- It is in this bill for FY '26 where we will be working to get a significant increase in the administration's baseline request for the AVC.

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- Drafts of the farm bill have been released in House and Senate. Some are applauding provisions and others are taking shots. There is hope to get a bill but a possibility of another year extension.
- This bill is important for its provisions for forest and watershed health; for conservation programs and for USDA rural development

2024 FRYINGPAN-ARKANSAS WATER IMPORTS STATUS

Mr. Garrett Markus updated the Board by way of a PowerPoint presentation. The following topics were discussed:

- Upper Colorado River Basin
- Fry-Ark Collection Basin Snowpack vs. Annual Basin Average w/Assoc. Fry-Ark Imports
 1. Fry-Ark Imports - Reclamation Forecasts
 - a. February 1: 51,700 AF
 - b. March 1: 60,300 AF
 - c. April 1: 60,400 AF
- May 1 Official Forecast, 60,600 AF
- Boustead Tunnel Diversion Compared to Fryingpan near Thomasville
- May 1 Projection 60,600 AF

Forecast	Acre-Feet
May 1st Import Basis for Allocation	60,600
<i>Twin Lakes Exchange</i>	<i>(3,000)</i>
<i>Fish Hatchery</i>	<i>(200)</i>
Before Moving to Pueblo Reservoir	57,400
<i>less 10% Transit Loss</i>	<i>(5,740)</i>
Before Storage Evaporation	51,660
<i>less 10% Evaporation Loss</i>	<i>(5,166)</i>
Net Project Water to Pueblo	46,494
Project Water Adjustment for Allocation	-
Water Available for Allocation	46,494

~May 1 Projection **60,600 AF**

Forecast	Acre-Feet
May 1st Import Basis for Allocation	42,420
<i>Twin Lakes Exchange</i>	<i>(3,000)</i>
<i>Fish Hatchery</i>	<i>(200)</i>
Before Moving to Pueblo Reservoir	39,220
<i>less 10% Transit Loss</i>	<i>(3,922)</i>
Before Storage Evaporation	35,298
<i>less 10% Evaporation Loss</i>	<i>(3,530)</i>
Net Project Water to Pueblo	31,768
Project Water Adjustment for Allocation	-
Water Available for Allocation	31,768

~70% Projection **42,420 AF**

Forecast	Acre-Feet
May 1st Import Basis for Allocation	26,999
<i>Twin Lakes Exchange</i>	<i>(3,000)</i>
<i>Fish Hatchery</i>	<i>(200)</i>
Before Moving to Pueblo Reservoir	23,799
<i>less 10% Transit Loss</i>	<i>(2,380)</i>
Before Storage Evaporation	21,419
<i>less 10% Evaporation Loss</i>	<i>(2,142)</i>
Net Project Water to Pueblo	19,277
Project Water Adjustment for Allocation	-
Water Available for Allocation	19,277

~June 11 Imports^(45%) **26,999 AF**

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Forecast	Acre-Feet		Authorized	Recommended
May 1st Import Basis for Allocation	60,600	~May 1 Projection 60,600 AF		
Twin Lakes Exchange	(3,000)		23,712 AF at 51.00%	10,709 AF at 23.03%
Fish Hatchery	(200)			
Before Moving to Pueblo Reservoir	57,400			
less 10% Transit Loss	(5,740)			
Before Storage Evaporation	51,660		1,669 AF at 3.59%	1,669 AF at 3.59%
less 10% Evaporation Loss	(5,166)			
Net Project Water to Pueblo	46,494		21,113 AF at 45.41%	34,116 AF at 73.38%
Project Water Adjustment for Allocation	-			
Water Available for Allocation	46,494		46,494 AF	46,494 AF
Forecast	Acre-Feet		Authorized	Recommended
May 1st Import Basis for Allocation	42,420	~70% Projection 42,420 AF		
Twin Lakes Exchange	(3,000)		16,202 AF at 51.00%	11,207 AF at 35.28%
Fish Hatchery	(200)			
Before Moving to Pueblo Reservoir	39,220			
less 10% Transit Loss	(3,922)			
Before Storage Evaporation	35,298		1,140 AF at 3.59%	1,140 AF at 3.59%
less 10% Evaporation Loss	(3,530)			
Net Project Water to Pueblo	31,768		14,426 AF at 45.41%	19,421 AF at 61.13%
Project Water Adjustment for Allocation	-			
Water Available for Allocation	31,768		31,768 AF	31,768 AF
Forecast	Acre-Feet		Authorized	Recommended
May 1st Import Basis for Allocation	26,999	~June 11 Imports(45%) 26,999 AF		
Twin Lakes Exchange	(3,000)		9,831 AF at 51.00%	9,800 AF at 50.84%
Fish Hatchery	(200)			
Before Moving to Pueblo Reservoir	23,799			
less 10% Transit Loss	(2,380)			
Before Storage Evaporation	21,419		692 AF at 3.59%	692 AF at 3.59%
less 10% Evaporation Loss	(2,142)			
Net Project Water to Pueblo	19,277		8,754 AF at 45.41%	8,785 AF at 45.57%
Project Water Adjustment for Allocation	-			
Water Available for Allocation	19,277		19,277 AF	19,277 AF

- Turquoise Reservoir Content & Lake Fork Creek Releases
- Twin Lakes Exchange - for the 2024 water year, the Twin Lakes exchange of 3,000 AF will not be operated
- Pueblo Reservoir
 1. Voluntary Flow Management Program
 2. Pueblo Reservoir Paper Spill Meetings
- On The River: Colors of Water Tool

Questions were asked of Mr. Markus throughout the presentation.

ACTION ITEMS:

APPROVAL OF THE ENERGY IMBALANCE PARTICIPATION SERVICES AGREEMENT
 Mr. Garrett Markus presented to the Board an action item recommending the Enterprise Board approve the Energy Imbalance Market Participation Services Agreement between Colorado Springs Utilities and the Southeastern Water Activity Enterprise.

The budgeted amount for this contract is \$36,000 per year to be prorated from March 1, 2024, to December 31, 2024, and escalated at 4% per year beginning on January 1, 2025, and every year thereafter. This amount was not budgeted in the 2024 budget because the need for an energy imbalance market participation services agreement was not identified and negotiated until March of 2024. A PowerPoint was provided showing scheduling.

The Southwest Power Pool (“SPP”) operates the Western Energy Imbalance Service (“WEIS”) market pursuant to its tariff, which tariff was approved by the Federal Energy Regulatory Commission. The SPP WEIS market enables intra-hour non-firm transmission service for all

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generating resources locate inside the SPP WEIS market footprint to reliably minimize differences between the scheduled and the actual delivery of energy to a load, as well as the associated cost of the mismatches. Utilities joined the SPP WEIS market on August 31, 2022.

The electric utilities in the Public Service Company of Colorado (“PSCo”) balancing authority area (“BAA”) joined the SPP WEIS market on April 1, 2023, at which time the Enterprise’s Facility became a generating resource located inside the SPP WEIS market footprint and, as such, began to be impacted by the market’s rules and regulations. The effect of the PSCo BAA joining the SPP WEIS is that SPP incurs energy imbalance costs associated with the Facility, which costs, pursuant to the market’s rules and regulations, are then passed through to PSCo (in its capacity as the balancing authority) and, in turn, become the responsibility of the Enterprise.

The energy imbalance costs attributed to the Facility can be limited if the Facility’s operations are actively managed and the Facility is also registered as a settlement location. Therefore, the Enterprise has determined that Utilities should perform the function of energy imbalance manager of the Facility; and Utilities is willing and able to perform the function of energy imbalance manager pursuant to the terms of this Agreement.

The Board was provided with a copy of the Energy Imbalance Market Agreement.

Mr. Pifher moved, seconded by Mr. Goodwin, the Southeastern Colorado Activity Enterprise Board approve an Energy Imbalance Market Participation Services Agreement between Colorado Springs Utilities and Southeastern Colorado Water Conservancy District acting by and through its Water Activity Enterprise. Mr. Colosimo recused himself from the vote. Motion carried unanimously.

APPROVAL OF THE AGREEMENT FOR MAINTENANCE SERVICES, RIVERSIDE INC.

Mr. Gordon Dillon presented to the Board an action item recommending the Enterprise Board approve the Agreement for Maintenance Services between Riverside Inc. and the Southeastern Colorado Water Activity Enterprise.

Riverside Inc. has been providing routine maintenance services for the hydro turbines and generators since the facility began operations in 2019. Riverside was a part of the original construction team that installed the hydropower equipment. This renewed contract is for continued maintenance services through the end of 2026.

The Board was provided a copy of the Contract.

Mr. Clayton moved, seconded by Mr. Edlmann, the Southeastern Colorado Activity Enterprise Board approve the Agreement for Maintenance Services between Riverside Inc. and the Southeastern Colorado Water Activity Enterprise. Motion carried unanimously.

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INFORMATION ITEMS:

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

- AVC Update
- JWBHP Update
- Excess Capacity Master Contract Update

President Long asked if there were any other matters to come before the Enterprise Board, hearing no other matters, Mr. Long adjourned the meeting at 1:32 p.m.

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Respectfully submitted,

Patty Rivas
Administrative Support Specialist

Seth Clayton – Secretary

Bill Long – President

Howard “Bub” Miller

Curtis Mitchell – Vice President

Justin Disanti

Ann Nichols – Treasurer

Kevin Karney

Alan Hamel

Mark Pifher

Andy Colosimo

Matt Heimerich

Dallas May

Pat Edelmann

Greg Felt

Tom Goodwin