

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
ACTIVITY ENTERPRISE**

MINUTES

June 21, 2018

A regular meeting of the Board of Directors of the Southeastern Colorado Water Activity Enterprise (Enterprise) was held on Thursday, June 21, 2018 at 10:25 a.m., recessed at 10:34 a.m., and reconvened at 11:21 a.m. at the District office, 31717 United Avenue, Pueblo, Colorado.

President Long announced a quorum was present.

DIRECTORS PRESENT:

Bill Long	Ann Nichols	Curtis Mitchell
Gibson Hazard	Kevin Karney	Carl McClure
Tom Goodwin	Dallas May	Greg Felt
Mark Pifher	Alan Hamel	Seth Clayton
Andy Colosimo	Patrick Garcia	Howard "Bub" Miller

DIRECTOR(S) ABSENT AND EXCUSED:

None

ENTERPRISE OFFICIALS PRESENT:

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

VISITORS PRESENT:

Terry Dawson, Bureau of Reclamation-Pueblo Office; Abby Ortega, Colorado Springs-Utilities; Doug Fitzgerald, U.S. Congressman Scott Tipton's office; Cathy Garcia, U.S. Senator Cory Gardner's office; Dwight Gardner, U.S. Senator Michael Bennet's office; Jerry Peña, GEI Consultants; Bill Banks, U.S. Geological Survey; Curt Thompson, AECOM; Lain Leoniak, Colorado Attorney General's Office; Brent Newman, Colorado Water Conservation Board; Bob Hartzman, City of Canon City Water; Judy Leonard, Pueblo West Metropolitan Board; Kevin Niles, Arkansas Groundwater Users Association; and Steve Witte, Division Engineers Office.

APPROVAL OF MINUTES:

President Long said the minutes of the May 17, 2018 Board meeting were posted to the Board website for review, and asked if there were any corrections or additions. Hearing none, Mr. Clayton moved, seconded by Mr. Hamel, to approve the minutes. Motion unanimously carried.

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FINANCE COMMITTEE REPORT:

Treasurer Nichols reported the financial statements for May 2018 were posted to the Board website for review. Treasurer Nichols moved, seconded by Mr. Clayton, for acceptance of the May 2018 financial statements and payment of the June 2018 bills. Motion unanimously carried.

CONSENT ITEMS:

None

PRESENTATIONS:

PUEBLO DAM HYDROELECTRIC PROJECT UPDATE

Kevin Meador reported construction of the Pueblo Dam Hydroelectric Project continues on schedule for a Fall 2018 start-up. Mr. Meador provided the Board a chart showing the project summary. He then presented a PowerPoint showing the following pictures:

- Turbine Parts Have Arrived On-Site-June 6, 2018
- Two Telescopic Boom Lifts are Being Used to Put Beams in Place on the Building
- Progress as of June 6, 2018
- Five-ton Crane Installed Inside Building-Used to Place or Remove Parts
- Values Inside Powerhouse
- Regional Director Mike Black Site Visit, June 15, 2018
- The View...June 15, 2018
- Progress as of June 20, 2018

ACTION ITEMS:

Mr. Meador reported on September 21, 2017, the Southeastern Colorado Water Activity Enterprise Board of Directors ratified the Omnibus Resolution No. 2017-02E which authorized and directed President Long to execute the Design and Construction Contract for the PDHP with Mountain. States Hydro, LLC.

On June 11, 2018, the Resources and Engineering Planning Committee recommended approval of Change Order No. 1 in the amount of \$759,703.

Board approval is required for the Change Order No. 1 to the Contract. There are three parts to the Change Order as follows:

1. Increased labor and material costs associated with delays in starting construction from original anticipated contract date of September, 2016 to actual contracted date of September, 2017. The construction was delayed due to issues related to executing the project's Power Purchase Agreements. These issues, in turn, delayed release of loan funds for the project and subsequently delayed construction. The cost increase of \$684,514 includes \$522,806 (76%) in material costs increases as a direct pass through and \$161,708 (24%) in labor increases.

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2. Increased material and labor costs due to delays relating to blasting work. In September, 2017, several issues relating to the blasting work had to be addressed with Reclamation. Blasting work had already started, resulting in down time for blasting crews and equipment of nine days while the Reclamation issues were resolved. The cost increase of \$64,557.53 includes \$49,198 (76%) for labor and \$15,360 (24%) for material costs.
3. Increased costs for surveying related to blasting monitoring and revisions to the Lease of Power Privilege Lease Area of \$10,631. Reclamation would have normally provided (still at PDHP cost) the blasting monitoring surveys. Reclamation survey crews were not immediately available, so Mountain States Hydro contracted a local surveyor (with Reclamation approval) to provide these services.

All cost increases were negotiated with Mountain States Hydro, LLC. The Change Order No. 1 represents the negotiated value of the work. The total change order includes a 3 percent Bond markup and a 10 percent overhead and profit markup as allowed by Contract. Cost backup for the Change Order is available upon request. The Change Order represents a 3.4 percent increase to the total contract amount.

Mr. Goodwin moved, seconded by Mr. Hazard, to approve Change Order No. 1 to the Design and Construction Contract with Mountain States Hydro, LLC in the amount of \$759,703. Motion unanimously carried.

FEDERAL LEGISLATION

Christine Arbogast reported good news coming from Washington, D.C.

The Senate is debating the energy and water appropriations bill now. It is a rare bipartisan bill and could possibly be enacted before end of the fiscal year, which would be amazing.

It includes report language for the Arkansas Valley Conduit (AVC), which sends a helpful signal to the Administration about what the Senate would like to see. The Board was provided the language for the AVC.

The Senate is also getting ready to consider the farm bill, which came out of committee on a 20-1 bipartisan vote. They are strong on conservation programs for producers and they do some good things for forest and watershed health but it could be better for Colorado.

AVC UPDATE

Chris Woodka reported the District staff is working on several fronts to move the Arkansas Valley Conduit ahead. Here are the most recent developments.

1. Funding: Water and Energy Bill is Moving Through Congress.
2. New Concept: Report Awaiting final OK from Reclamation. Last Step is to Brief the Colorado Department of Public Health and Environment.
3. Water Quality Concerns: 17 Communities are Currently Facing Enforcement Actions.

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4. Regionalization: District is Shaping the Idea of Developing regional Hubs to Connect with the AVC as it Moves Down the Arkansas Valley.

Mr. Woodka presented a PowerPoint reviewing the following:

- AVC Funding for FY 2019
- New Concept Report
- Water Quality Concerns
- Regionalization

ACTION ITEMS-CONTINUED:

AMENDED PROJECT WATER ALLOCATION REGARDING THE INITIAL RELEASE OF PROJECT WATER

Garrett Markus reported the Board allocated Project water and Return Flows on May 17, 2018 at the Southeastern Colorado Water Activity Enterprise Board of Directors meeting.

Reclamation forecasted imports of 58,200 acre-feet (AF) based on the snowpack of May 1, 2018; which would net 43,050 AF for allocation. The allocation was distributed with 9,326 AF allocated for municipal, 33,724 AF allocated for agricultural, and 11,901 AF of Return Flows allocated for agricultural. The amount of Project water initially released upon payments was based on seventy-three percent (73%) of projected imports. The initial release allows purchasing entities to use Project water up to a limited amount before the Project has diverted and imported the water. The remaining allocated Project water is held back as an insurance policy in the event that actual imports is less than projected imports.

After the snowpack was considered on May 23, 2018, there was diminishing confidence in the May 1, 2018 import projection nor that the Project water would meet the seventy-three percent (73%) initial release. Upon consulting with the Allocation Committee, a determination was made to reduce the initial release to sixty percent (60%) to ensure that Project water used wouldn't surpass actual Project imports. A condition of the reduction was to release additional Project water on the first and the fifteenth of each month as Project water imports exceeded the sixty percent (60%); which is critical to ensure Project water is timely and usable to our stakeholders.

Mr. Hamel moved, seconded by Mr. McClure, the Board amend the Fryingpan-Arkansas Project water and Return Flow Allocation action taken May 17, 2018 at the Southeastern Colorado Water Activity Enterprise Board of Directors meeting reducing the Project water allocations available initially to sixty percent (60%) opposed to the seventy-three percent (73%) originally approved. Portions of the remaining forty percent (40%) will be made available on the first and fifteenth of each month as imports accumulate above sixty percent (60%). If any portion of the forty percent (40%) of allocated water is not available to the entities, that portion of their Project water payments will be refunded. Motion passed, with Mr. Garcia abstaining.

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COLOTRUST AND INVESTMENT STRATEGY

Leann Noga reported at the May 17, 2018 Finance Committee meeting an information item regarding possibly investing in COLOTrust was presented. The Finance Committee requested an investment strategy.

Investment Strategy

Evaluating Investment Option

The investment strategy would consist of a calculation comparison at each Wells Fargo investment maturity, prior to reinvestment. The comparison would evaluate the differences in investing in a Wells Fargo single CUSIP's or COLOTrust investment pool over the same time period. This will all be considered while at the same time, maintain the lateral year approach within Enterprise Wells Fargo accounts. Considerations will include treasury rates, agency rates, COLOTrust rates and forward-looking rates such as market and federal expectations.

Six Month Review Period

From June to December 2018, the Enterprise and Aurora accounts will have 25 percent of its total portfolio reach maturity. No more than 35 percent of the Enterprise and 21 percent of the Aurora funds will be invested in COLOTrust in the next six months. The Finance Committee will receive monthly updates regarding Wells Fargo and COLOTrust investments. During this same six-month period, staff will prepare additional strategies to align 2019 as well as budget expectations.

The Board was provided a summary of the three Wells Fargo investment accounts with maturity dates. Upon the approval of this item the Finance Committee will have a meeting on June 27, 2018 at 10:00 a.m. for an introduction presentation given by Joe Carroll from COLOTrust.

Staff will continue to ensure that the Enterprise investments follow current policy of *"primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield."*

Ms. Nichols moved, seconded by Mr. Mitchell, the Finance Committee recommend to the Board of Directors to approve opening COLOTrust investment account for the Enterprise and Aurora investment funds. Motion unanimously carried.

INFORMATION ITEMS:

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

- AVC and Excess Capacity Master Contract Update

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OTHER BUSINESS MATTERS:

President Long asked if there were any other matters to come before the meeting, and hearing none, adjourned the meeting at 11:51 a.m.

Respectfully submitted,

Toni Gonzales
Administrative Manager

Secretary

