

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO
WATER ACTIVITY ENTERPRISE
MINUTES
August 17, 2023**

A meeting of the Board of Directors of the Southeastern Colorado Water Activity Enterprise (Enterprise) was held on Thursday, August 17, 2023, at the District office, 31717 United Avenue, Pueblo, Colorado. President Long called to order the Enterprise meeting at 9:40 a.m. The ZOOM platform was also made available for Board members and visitors.

DIRECTORS PRESENT:

Alan Hamel	Dallas May	Matt Heimerich
Andy Colosimo	Greg Felt	Pat Edelmann
Ann Nichols	Howard "Bub" Miller	Patrick Garcia
Bill Long	Kevin Karney	Seth Clayton
Curtis Mitchell	Mark Pifher	Tom Goodwin

DIRECTOR(S) ABSENT AND EXCUSED:

None

President Long established that a Quorum was present.

DISTRICT OFFICIALS:

Executive Director James Broderick; General Counsel Lee Miller; Staff Attorney Peter Levish; Senior Policy and Issues Manager Chris Woodka; Water Resources Principal Engineer Garrett Markus; Principal Engineer Mark Scott; Administrator of Administration and Finance Leann Noga; Administrative Support Specialist's Margie Medina and Patty Rivas; Finance Manager Stephanie Shipley; H2O Consultant Roy Vaughan; and Kleinfelder Gordon Dillon.

VISITORS PRESENT:

Abba Ahmed, Aurora Water; Abby Ortega, Colorado Springs Utilities/Fountain Valley Authority; Scott Lorenz, Colorado Springs Utilities; Jeffery DeHerrera, Pueblo West Metro District; Mike Holmberg and Tim Miller, U.S. Bureau of Reclamation; and Roy Heald, Security Water District.

VISITORS CONNECTED VIA ZOOM:

Erin Wilson, Wilson Water Group; Jerry Pena, Kennedy Jenks @ 9:42; Lauren Duncan, Colorado Water Conservation Board; Luke Mecklenburg, Assistant Attorney General Water Unit; Taylor Murphy, City of Fountain; and Terry Scanga, UAWCD @ 9:43.

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APPROVAL OF MINUTES:

President Long said the minutes of the July 20, 2023, Enterprise Board meetings were posted to OnBoard and the website for review and asked if there were any corrections or additions. Hearing none, Mr. Garcia, seconded by Mr. Karney to approve the minutes. Motion unanimously carried.

TREASURER REPORT:

Mrs. Nichols reported the financial statements for July 2023, were posted to OnBoard and the Board website for review. Mrs. Nichols moved, seconded by Mr. Clayton, for acceptance of the July 2023 financial statements and payment of the August 2023 bills. Motion unanimously carried.

PRESENTATION ITEM:

WATER AND STORAGE RATE STRUCTURE OPTION 2 & 3

President Long gave a brief summary of the Rate study, from its origin in 2019 thru the Consulting firm of Jacobs, to its current state. The Rate Sub-Committee has been working diligently along with the District Staff to come up with a plan that would be equitable to all involved. President Long provided the following layout:

1. Mrs. Leann Noga will present a PowerPoint
2. Questions can be taken from the Board
3. Once the presentation has concluded, guests in attendance or Zoom connection are welcome to ask questions, with a time allotment of 3 minutes each
4. President Long will then address the Board
5. The meeting will move forward to the Action Item in which the Board will hold discussion

Mrs. Noga presented to the Board a PowerPoint entitled: *Rate Structures Options*.

The presentation included a timeline of progress and recommendations made by the Rate-Sub Committee:

March 9, 2023 (Discussion)

- Discuss Next Steps for Rates

March 24, 2023 (Review & Discussion)

- District and Enterprise Fund Types
- District and Enterprise Revenues Types
- Financial Model Results
- Cash Flow Results
- Revenue Requirement Results
- Previous Board-Approved Polices
- Surcharge Summary

April 27, 2023 (Review & Discussion)

- 2019 Financial Study Rate Model Results Review
- 2019 Board Action on Water and Storage Rates Review
- Additional discussion regarding Surcharge
- First Use and Full Use Water Sales Correction using current rates Option 1

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July 20, 2023 (Board Meeting)

- Allocation Principals and Policies Discussion

July 20, 2023 (Committee Recommendation)

- Reviewed 5 options (including Option 1 from April 27)
- Committee Recommendation to Board of Directions Option 2 and 3

After reviewing the timeline of progress of the Rate-Sub Committee, Mrs. Noga reviewed the 2024 proposed rate model results, stating that the 2024 budget is an ongoing process. She then presented the model results and both Option 2 and 3 in detail. She then aligned the rate structure next steps:

1. Board approves a Rate Structure Option
2. Implement the Rate Structure in the 2024 Budget
3. Communication meeting at District office for customers on the Rate Structure
4. Rate Structure included in the November Budget Presentation
5. Board Approved Resolution on Water and Storage Rate Resolution December

A copy of the PowerPoint is available upon request.

Mrs. Noga answered the following questions:

1. The District, thru this process, have any intent to change the operations of Storage?
 - No, the District has no intention to alter any operations and only has a goal to cover the cost of the District and Enterprise.
2. Surcharges that have been consolidated. Have costs in prior surcharges been fully covered?
 - Yes, through the calculation in the rate model.

A statement was read: The District does understand that this will impact customers. The District does not believe it will be major impact. It is necessary for the stability of the District moving forward. The rates overall in the big spectrum are not that significant.

Mr. Pifher asked, would the Carry Over Storage rate cause an increase in Municipal water use, in turn affect water available for Agriculture? – Mr. Markus replied, no, it is believed that it will not change operations or water use as the cost for storage is not significant.

A Public Comment Session:

- Abby Ortega – Colorado Springs Utilities/Fountain Valley Authority
 1. Full use water and tracking of Return Flows. If Fountain Valley Authority paid full use for Project water and placed that water in storage. Then the following year, decide to use the water and generate Return Flows, will an entity have to report the Return Flows to the District? – No, the tracking would be reported to the Division Engineer as it is now. There would not be additional tracking required for the District.

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- Terry Scanga – Upper Arkansas Water Conservancy District
 1. The Constituents would need to know, no matter what the cost of the amount of Return Flows that generate, is the District allocating all of that Return Flow every year and realizing revenue from it? – Yes, the District has done both Agriculture and Municipal, as of right now there is not a municipality that hasn't exercised their First Right of Refusal.
 2. The Full use charge on Project Water, the surcharge is for Augmentation, which basically reflects Full Use. Will the correction that will be made, drop the Augmentation surcharge? Yes, the Augmentation surcharge will be removed.

President Long thanked Staff and Board members that took their time to be a part of the Committee to work on this Rate Structure. Ann Nichols and Leann Noga worked extensively utilizing tools adopted from the Jacobs study, specifically the cost-of-service model. As a result of this Agriculture was hit with a very large increase which was found to be unacceptable. Based on different circumstances, Agriculture would be worthy of a discount. Commodity pricing is a very challenging environment to be in. President's Long mentioned the IGA between Colorado Springs Utilities and Bent County, that provides benefit to the agriculture industry in Colorado. Nationally it is an industry suffering. This is the second time in three years that the nation has imported more than it has exported. If this is a continuing trend, it is very important that we support Agriculture in every way possible.

ACTION ITEMS:**2024 WATER AND STORAGE RATE STRUCTURE**

Mrs. Noga presented an action item stating that Staff has no recommendation to the Board of Directors. Options 2 and 3 would both meet the revenue requirements.

The Rate Sub-Committee met twice in March and once in April to discuss the next step regarding Enterprise Project Water and Storage rates as well as Enterprise Surcharges. The Committee reviewed District and Enterprise funds, revenues, the Finance Rate Model revenue requirement results, the Finance Rate Model cash flow results, and previous Board approved policies. The Rate-Sub Committee discussed a correction that should be made to the current rate structure regarding the use of First use Project Water and Full Use Project water. At the conclusion of this discussion, it was determined that it would be timely for a presentation of the Allocation Principles and Policies to the Board of Directors.

In July, the Allocation Principles and Policies presentation was given to the Board of Directors. Directly after the July Board meeting a Rate Sub-Committee meeting was held to review five different Rate Structure options. The Rate Sub-Committee agreed to bring two of the five rate structures to the Board of Directors in August 2023 for review and action. Rate Structure Options 2 and 3 which are summarized below.

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The Rate-Sub Committee discussed a correction that should be made to the current rate structure regarding the use of First use Project Water and Full Use Project water.

The correction is explained as:

The Enterprise currently sells Fryingpan-Arkansas first use Project Water for \$13.14 per acre-foot, with a presumed consumptive use of 60 percent of each 1 acre-foot of water. This rate is applied to both Municipal/Domestic and Irrigation customers. For each acre-foot sold of First Use Project water, 40 percent should be returned to the Enterprise for resale and sold as Return Flows as Full Use. This return does not always occur, meaning that in some cases the sale of First Use at 60 percent becomes Full Use at 100 percent, but the additional revenue is currently not being collected.

In July 2023, the Rate Sub-Committee unanimously agreed to bring rate structure Options 2 and 3 to the Board of Directors for review and action in the August Board meeting. The correction is included in both proposed rate structure options.

They are described below:

Option 2: Correction of Full Use Water Rates, Surcharges on Storage Only

- *2024 Proposed:* This option applies the current rate of \$13.14 or 60 percent for First Use Water. Full Use water and Return Flow rates \$21.90 or 100 percent water use. A levelized Water Activity Enterprise surcharge is applied to all classes of in-District water storage at \$4.52. A levelized Water Activity Enterprise surcharge is applied to all classes of out-of-District water storage at \$10.00.
- *2025 Advisory Year:* Additional Water Activity Enterprise surcharge all classes of in-District water storage of \$0.24.
- *2026 Advisory Year:* Additional Water Activity Enterprise surcharge all classes of in-District water storage of \$0.30.

Option 3: Same amount for Project Water Sales and Project Water Storage

- *2024 Proposed:* This option applies to the rate of \$6.80 or 60 percent for First use Water. Full Use water and Return Flow rates \$11.33 or 100 percent water use. Project Water Carryover Activity Enterprise water storage surcharge of \$11.33. A levelized Water Activity Enterprise surcharge is applied to all classes of out-of-District water storage at \$10.00. No changes to Water Activity Enterprise surcharge for In-District Non-Project Water Storage.
- *2025 Advisory Year:* Additional Water Activity Enterprise surcharge to In-District Non-Project Water Storage of \$0.45.
- *2026 Advisory Year:* Additional Water Activity Enterprise surcharge to In-District Non-Project Water Storage of \$0.60.

After the August Board Meeting staff will hold a meeting at the District office to communicate the chosen Rate Structure option to customers. This timeline will provide adequate time to communicate changes to customers for their 2024 budget and planning processes. The chosen option will be incorporated into the first October Draft of the Proposed 2024 Budget, reviewed in the Budget presentation in November and final approval will occur with the Water and Storage Rate Resolution approval in December.

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Mr. Long mentioned that a letter of support for Option 2 was received from Colorado Springs Utilities and Fountain Valley Authority did support Option 2 as well.

Mr. Garcia moved, seconded by Mr. Edelman that the Board of Directors approve rate structure *Option 2* as described above to be effective for the 2024 water year and authorize staff to communicate this structure with customers, prepare the 2024 Proposed Budget, and prepare Water and Storage Rate Resolution to be approved in December 2023. Motion carried unanimously.

A brief PowerPoint presentation was provided by Mr. Woodka on the progress of the AVC project as of August 16, 2023. Exactly 61 years after the Fryingpan-Arkansas Project was signed into law, there is 600 feet of pipe buried, and another 3,000 welded and ready to go.

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
- Federal Legislation 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 11:07 a.m.

SECWAE
August 17, 2023
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Respectfully submitted,

Patty Rivas
Administrative Support Specialist

Seth Clayton – Secretary

Bill Long – President

Howard “Bub” Miller

Curtis Mitchell – Vice President

Kevin Karney

Ann Nichols – Treasurer

Mark Pifher

Alan Hamel

Matt Heimerich

Andy Colosimo

Pat Edelmann

Dallas May

Patrick Garcia

Greg Felt

Tom Goodwin