

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
ACTIVITY ENTERPRISE**

MINUTES

January 17, 2019

A regular meeting of the Board of Directors of the Southeastern Colorado Water Activity Enterprise (Enterprise) was held on Thursday, January 17, 2019 at 9:36 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
Kevin Karney	Carl McClure	Greg Felt
Tom Goodwin	Dallas May	Alan Hamel
Mark Pifher	Seth Clayton	Andy Colosimo
Patrick Garcia		

DIRECTOR(S) ABSENT AND EXCUSED:

Gibson Hazard and Howard "Bub" Miller

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:

Abby Ortega, Earl Wilkinson, and Jenny Bishop, Colorado Springs-Utilities; Doug Fitzgerald, U.S. Congressman Scott Tipton's office; Roy Vaughan, U.S. Bureau of Reclamation; Jerry Peña, GEI Consultants; Mark Scott, CHD Inc.; Gordon Dillon and Steve Howell, Kleinfelder Judy Leonard, Jim Quam, and Kim Swearingsen, Pueblo West Metropolitan District; Bill Tyner, Lori Lest, and Rachel Zancanella, Colorado Division of Water Resources; David Mau, citizen; Rena Brand, CPW Southeastern Region; Kacey Myers, Arkansas Valley Range Project; Bob Hamel, Arkansas River Outfitters Association; Rob White, CPW/Arkansas River Headwaters Recreation Area; and Tom Simpson, Aurora Water.

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APPROVAL OF MINUTES:

President Long said the minutes of the December 6, 2018 Board meeting were posted to the Board website for review, and if there were any corrections or additions. Hearing none, Mr. Clayton moved, seconded by Mr. Garcia, to approve the minutes. Motion unanimously carried.

FINANCE COMMITTEE REPORT:

Treasurer Nichols reported the financial statements for November and draft December 2018 were posted to the Board website for review. Treasurer Nichols moved, seconded by Mr. Clayton, for acceptance of the November and draft December 2018 financial statements and payment of the January 2019 bills. Motion unanimously carried.

CONSENT ITEMS:

None

PRESENTATIONS:

AVC UPDATE

Chris Woodka reported on the following:

1. CDM Smith continues working on the Regionalization contract with the Bureau of Reclamation (Reclamation). The goal of the contract is to determine strategies that will improve water deliveries and the quality of water for Arkansas Valley Conduit (AVC) communities until the AVC can be built.
2. Reclamation continues to work on final design for the “Boone reach” of AVC. This section includes about 12 miles of pipeline from the east end of Pueblo Water’s system at the Airport Industrial Park to the town of Boone
3. A second technical session among Reclamation, Pueblo Water, and the District is scheduled at the District headquarters at 10 a.m. Tuesday, January 22, 2019.
4. A Senate Joint Memorial in support of the AVC is being sponsored by State Senator Larry Crowder, R-Alamosa, and State Representative Daneya Esgar, D-Pueblo. The memorial urges the return of federal funding for the AVC. The Board was provided a copy of the Joint Senate Memorial 19-001.

FEDERAL LEGISLATION

Christine Arbogast reported there is much uncertainty about the processes in Washington, D.C., but we do know that the Bureau of Reclamation, which was funded in September, is working and so the work described by Chris Woodka continues.

It is unknown whether the Administration’s FY ‘20 budget request will be released the first week in February, as is customary. Delays may be caused by the government shutdown.

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There has been one change in the staffing of the House appropriations subcommittee, one staff person who has not been particularly friendly to the AVC has left the committee. The committee will be chaired by Marcy Kaptur of Ohio, who has been the ranking member for many years. We will be engaging the Democrats in our delegation and briefing them on the status of the AVC. They can aid Congressman Tipton, who does a great job of reaching across party lines, with funding for the AVC.

District staff and Ms. Arbogast plan to visit Washington, D.C. early in February to make delegation visits.

The farm bill was passed before the end of the year, with strong bipartisan support. There were areas of progress on forest health issues, but more needs to be done. The western water community plans to engage the USDA directly on implementation and rule-making in hopes of achieving some forest management needs that were not included by Congress.

The bill also included provisions to remove hemp from the Controlled Substances Act, allowing for production of hemp in the agriculture sector under certain conditions. But it is not as simple as it seems, and Ms. Arbogast asked Lee Miller for further explanation. Lee Miller explained that before Project water can be used for irrigating hemp, the Department of Agriculture must enact implementing regulations, the State Department of Agriculture must submit and have approved a program under the regulations, and Reclamation has to amend their policies regarding use of Project water for growing hemp.

A member of the Ag committee staff told Ms. Arbogast that Senate majority leader Mitch McConnell has contacted Secretary of Agriculture Purdue to ask for prompt implementation. This is a big issue in Kentucky for McConnell; a top priority of his.

PUEBLO DAM HYDROELECTRIC PROJECT UPDATE

Kevin Meador reported construction of the Pueblo Dam Hydroelectric Project is nearing completion by the end of January. An early to mid-February start-up is planned for testing. Remaining tasks include installation of powerhouse controls, electrical work, final site work, and overhead electrical transmission line. Remaining agreements to finalize include the power scheduling (CSU), operator, and long-term maintenance.

Start-up in February will present a challenge because of lower river flow availability during the winter months. Higher flows are needed for the testing period to test all three turbines under their design flow conditions. Testing in February, however, allows for any needed fixes as a result of the testing before the big Spring flows and peak generation potential. Arrangements are being made by the District to arrange higher flows during the testing period. Average winter month revenues will be between \$500 to \$1,000 per day compared to Spring revenues of \$7,000 to \$10,000 per day.

The facility tour schedule for January has been postponed until March.

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Mr. Meador provided the Board a copy of the Project Status Report showing the major tasks timeline along with a PowerPoint reviewing the following:

- All the Pieces are in Place
- Draft Tube and Elbow Joint on Baby Bear
- Elbow Joint to Draft Tube on Mama Bear
- Painting on Papa Bear
- Generators Awaiting the Big Reveal
- Small Generator, Shared by Baby Bear and Mama Bear
- Large Generator Still Under Wraps
- Some Electrical Equipment Being Installed
- Transformer

ACTION ITEMS:

KNOWLEDGE SHARING AGREEMENT BETWEEN COLORADO SPRINGS UTILITIES AND SECWAE

In the Spring of 2018, Colorado Springs Utilities (Utilities) declined a request from the Enterprise to provide operations services for the hydroelectric project. Utilities, did however, offer to provide consultation services and assistance during the initial start-up, commissioning, and operation of the facility as requested by the Enterprise. The Knowledge Sharing Agreement outlines the scope of the assistance and has a term of one year.

The Resources and Engineering Planning Committee reviewed and recommended approval of the agreement on January 3, 2019

Mr. Goodwin moved, seconded by Mr. Pifher, to approve the Knowledge Sharing Agreement with Colorado Springs Utilities for the Pueblo Dam Hydroelectric Project. Motion unanimously carried.

FORM OF SERVICE AGREEMENT FOR SHORT TERM FIRM POINT-TO POINT AND NON-FIRM POINT-TO-POINT TRANSMISSION SERVICE BETWEEN BLACK HILLS/COLORADO ELECTRIC UTILITY COMPANY, L.P. AND SECWAE

Mr. Meador reported the firm and non-firm point-to-point transmission services agreements are between the Enterprise and Black Hills Energy. They provide for the transmission of the electrical power from the Pueblo Dam Hydroelectric Project through the Black Hills transmission system to the power purchasers. The standard terms of the agreements are set by Public Utilities Commission (PUC) and the Open Access Transmission Tariff. These are standard agreements for electricity transmission. Legal review has been completed. Firm and non-firm refers to the “priority” given to the transmission service and short term refers to any timeframe less than one year. Our service will be scheduled on a daily basis.

Mr. Mitchell reported the Resource and Engineering Planning Committee reviewed and recommended approval of the agreements on January 3, 2019.

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Mr. Goodwin moved, seconded by Mr. Garcia, to approve the Service Agreements for Firm and Non-Firm Point-To-Point Transmission Service for the Pueblo Dam Hydroelectric Project. Motion unanimously carried.

INSURANCE PROPOSAL FOR PROPERTY, COMMERCIAL GENERAL LIABILITY, AND AUTO LIABILITY

Mr. Meador reported an insurance proposal for the Property, Commercial General Liability and Auto Liability coverage was received from the firm of Flood and Peterson on September 6, 2018. The policy coverage for Property include business interruption insurance in the event of major equipment breakdown resulting in loss of power generation revenue. Coverages were determined from estimated values of equipment based on information provided by the equipment manufacturers and contractor. A summary of coverages are as follows:

Property Coverage

Insurance Coverage Limits

Building and Contents

Item	Project Cost	Insurance Value
Engineering/Permits/Studies/Administration	\$1,900,000	
Direct Job Expenses- Construction	\$3,520,000	
Blasting/Excavation/Cofferdam	\$1,866,000	
Powerhouse Concrete	\$2,341,000	
Overhead and Doors	\$18,000	\$8,000
Painting	\$5,000	
Signage/Fire Extinguishers	\$3,000	\$3,000
Building	\$362,000	\$300,000
Turbine Shutoff Valves	\$1,750,000	\$750,000
Mechanical - Turbine Install labor	\$1,475,000	
Substation/Transmission Line/Switchgear/Controls/Electrical	\$3,540,000	\$789,000
Change Order No. 1	\$760,000	
Turbines and Generators	\$2,460,000	\$2,000,000
	\$20,000,000	\$3,850,000

The project cost values include such items as labor, insurance, bonds, and items that were needed for construction, but do not need to be insured or are not insurable. The higher excess liability coverages are recommended because of exposure of the facility to the public along the Arkansas River.

Building and Contents - \$3,850,000

Business Income - \$1,212,500 (one year based on average annual generation)

Deductibles

Business Income – 14 days, \$75,000

Equipment Breakdown (Boiler Machinery) – 30 days, \$150,000

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A summary of the quoted insurance premiums are as follows:

Property (includes Business Interruption) - \$31,000, with terrorism \$34,804
General Liability - \$14,018, with terrorism \$14,439
Auto Liability - \$381
Excess Liability (Umbrella) - \$10,500 w/ \$5M aggregate/\$5M each occurrence
 \$8,500 w/\$3M aggregate/\$3M each occurrence
 \$5,000 w/\$1M aggregate/\$1M each occurrence
Estimated Total Annual Premium - \$50,399 to \$60,124

The premiums in this proposal are good through January 31, 2019

Mr. Mitchell reported the Resource and Engineering Planning Committee reviewed and recommended approval of the insurance proposal on January 3, 2019.

Mr. Felt moved, seconded by Mr. Hamel, to approve the insurance proposal limits of coverage and estimated premium from Flood and Peterson for the Pueblo Dam Hydroelectric Project. Motion unanimously carried.

PUEBLO DAM HYDROELECTRIC PROJECT APPROVAL TO USE PROJECT WATER FOR HYDRO TESTING

Mr. Meador reported flows ranging between 15 to 810 cfs will be required to perform operational tests on the turbine equipment at the Pueblo Dam Hydroelectric Project (PDHP). The total duration of these flows will range from 30 minutes to 10 hours requiring approximately 800 to 1,000 AF of water over a three-week testing period. By testing the equipment during the historically low flows in February, we have the opportunity to have the facility ready for the higher Spring flows when we will have the ability to generate up to \$10,000 per day of revenue. In February, we would only be generating about \$750 per day. The early testing timeframe also gives us time to remedy any needed repairs or adjustments before the higher flows are available.

Garrett Markus reported from a water resource perspective, the Project water would be provided from the District's 3,000 AF capacity emergency account. As of January 6, 2019, the District's emergency account had 2,982.32 AF of Project water. The flow testing would be non-consumptive and would be captured downstream for allocation or exchange, whichever is more beneficial to the Enterprise. Even though the testing is non-consumptive, the releases will be subject to transit loss and evaporation. District staff will be diligent in finding the most efficient way to deliver, capture, and reuse the Project water to minimize losses.

Mr. Goodwin moved, seconded by Mr. Colosimo, the Board authorize the use of Project water up to 1,000 AF for hydroelectric unit testing for the PDHP. Motion unanimously carried.

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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

OTHER BUSINESS MATTERS:

President Long asked if there were any other matters to come before the meeting, and hearing none, adjourned the meeting at 10:24 a.m.

Respectfully submitted,

Toni Gonzales
Administrative Manager

Secretary