

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
ACTIVITY ENTERPRISE**

MINUTES

February 16, 2017

A regular meeting of the Board of Directors of the Southeastern Colorado Water Activity Enterprise (Enterprise) was held on Thursday, February 16, 2017 at 9:38 a.m., at the District office, 31717 United Avenue, Pueblo, Colorado.

President Long announced a quorum was present.

DIRECTORS PRESENT:

Bill Long	Ann Nichols	Gary Bostrom
Vera Ortegon	Kevin Karney	Gibson Hazard
Carl McClure	Tom Goodwin	David Simpson
Howard "Bub" Miller	Jay Moore	Pat Edelman
Curtis Mitchell	Dallas May	
Alan Hamel-Advisory Board Member		

DIRECTOR(S) ABSENT AND EXCUSED:

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; Issues Management Program Coordinator Chris Woodka; Finance Coordinator/IT Leann Noga; and Federal Lobbyists Ray Kogovsek and Christine Arbogast.

VISITORS PRESENT:

Tom Simpson, Aurora Water; Doug Fitzgerald, U.S. Congressman Scott Tipton's office; Cathy Garcia, U.S. Senator Cory Gardner's office; Roy Vaughan, U.S. Bureau of Reclamation; Steve Witte and Phil Reynolds, Colorado Division of Water Resources; Jerry Peña, GEI Consultants; Seth Clayton, Board of Water Works of Pueblo; Scott Lorenz, Colorado Springs Utilities; Mark Scott, GHD; and Steve Howell, SCI Engineering.

APPROVAL OF MINUTES:

President Long said the minutes of the January 19, 2017 Board meeting were posted to the Board website for review, and if there were any corrections or additions. Hearing none, Mr. Howard "Bub" Miller moved, seconded by Dr. Moore, to approve the minutes. Motion unanimously carried.

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FINANCE COMMITTEE REPORT:

Treasurer Nichols reported the financial statements for January 2017 were posted to the Board website for review. Treasurer Nichols moved, seconded by Mr. Karney, for acceptance of the January 2017 financial statements and payment of the February 2017 bills. Motion unanimously carried.

CONSENT ITEMS:

None

PRESENTATIONS:

FEDERAL LEGISLATION

Christine Arbogast reported activity in Washington is still focused on the transition, including confirmation of Cabinet members. We are hoping that Secretary of the Interior nominee Zinke will be confirmed soon; he is non-controversial, but the Senate is taking nominees in a certain order. Confirmation will most likely be after the President's Day recess.

The Continuing Resolution (CR) is still pending until April 28; most congressional offices do not want a year-long CR and are hoping for an omnibus appropriations bill or a series of small, clustered appropriations bills.

The FY '18 administration's budget is still in limbo, in part because the director of Office of Management and Budget (OMB), Congressman Mulvaney, has not been confirmed and so OMB has not begun its work on the pending budget.

Our congressional delegation has asked the Administration for sufficient funding for FY '18 to keep the Arkansas Valley Conduit (AVC) moving along.

There is talk of doing away with the ban on congressional directed spending, or earmarks. It would be tightly prescriptive, allowing earmarks only for state and local governmental entities. Hearings are planned.

The House Energy and Water Subcommittee is planning a hearing for Members of Congress to provide testimony on programs and projects within that subcommittee's jurisdiction. Congressman Tipton is planning to testify on behalf of the AVC.

Meanwhile, Mr. Broderick and Mr. Meador continue working with the Bureau at the area and regional offices regarding AVC.

PUEBLO DAM HYDROELECTRIC PROJECT OVERVIEW OF CONTRACT STATUS AND FINANCIAL ANALYSIS

Kevin Meador said the Finance Committee and the Resources and Engineering Planning Committee met on February 10, 2017 and received a detailed report on the Pueblo Dam Hydro Project. Each Board

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member was provided a copy of the binder with all the details, which Mr. Meador briefly reviewed the following:

This information packet includes contract and financial information for the Pueblo Dam Hydroelectric Project. The information presented includes both draft documents still in legal review as well as documents that have been technically and legally reviewed and are ready for Board review and action.

The documents are organized into three groups as follow:

1. Contracts and Agreements
2. Financial Analysis Information
3. Electrical Generation Projection Information

Following is a listing of the documents presented in each group:

1. Contracts and Agreements

This group includes the draft and final contracts and agreements that will be required for the project. Figure 1 shows the documents, the status of the documents, the agencies involved and any supporting agreements or documents. Each main contract or agreement includes a summary of key provisions.

Reclamation Lease of Power Privilege Documents

Attachment A - PDHP LoPP Key Provisions Summary

Attachment B - PDHP Lease of Power Privilege

Attachment C - PDHP Colorado Parks Wildlife Access Agreement Key Provisions Summary

Attachment D - PDHP Colorado Parks Wildlife Access Agreement

Attachment E - Reclamation Special Work Permit – work permit executed in December 2016 that allowed Mountain States Hydro to store construction equipment at the hydro site.

Mountain States Hydro, LLC Construction Contract

Attachment F - PDHP Design and Construction Contract Key Provisions Summary

Attachment G - PDHP Mountain States Hydro Design and Construction Contract (Draft 1-24-17)

Attachment H - CSU Fiber Optics MOU Key Provisions Summary

Attachment I – CSU Fiber Optics MOU

Attachment J - Mountain States Hydro Interim Agreement (Executed) – Preliminary design agreement approved by the Board in 2016.

Black Hills Energy Distribution Interconnect Agreement

Attachment K - Black Hills Energy Distribution Interconnect Agreement Key Provisions Summary

Attachment L – Black Hills Energy Distribution Interconnect Agreement (Draft 1-24-17)

Colorado Water Conservation Board Loan Contract

Attachment M - PDHP CWCB Loan Contract Key Provisions Summary

Attachment N - PDHP CWCB Loan Contract

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Power Purchase Agreements

Attachment O - PDHP PPA Key Provisions Summary
Attachment P - PDHP Fountain PPA Fountain (Draft 1-24-17)
Attachment Q -PDHP ARPA PPA (Draft 1-24-17)

2. Financial Analysis Information

Attachment R - PDHP Cost to Date and Cost to Complete Summary
Attachment S - PDHP Financial Summaries – Cash flow for 33-year and 10-year average revenue
Attachment T - PDHP Dry Year Revenue and Expenses Payment Plan Example – Shows a recommended priority of payments for project in a dry (low revenue) year.

3. Electrical Generation Projection Information

Attachment U - PDHP Electrical Generation Projections – shows the 33-year and 20-year average generation values.

4. Pueblo Hydroelectric Project Description

Attachment V- Project Description

Leann Noga reviewed the cash flow for 20 and 33 years, the expenditures and revenues associated with the Hydro Project.

ACTION ITEMS:

PUEBLO DAM HYDROELECTRIC-APPROVE EXPENDITURE TO PROCURE TURBINES AND GENERATORS

Mr. Meador reported the expenditure will provide for the procurement of the major hydro equipment including the turbines (3), generators (2), and the transfer control valves (3) for the project. These items have long lead times (up to 12 months) and pricing is not set until the first payment is made on the equipment. The payment is due upon ordering of the equipment. The payment for the equipment will secure the price and ensure that delivery estimated for January, 2018 stays on schedule and will be the only payment due until the final contract with Mountain States Hydro, LLC is executed. The terms and conditions of this payment will be incorporated into the final design-build agreement with Mountain States Hydro, LLC.

Mrs. Ortegon moved, seconded by Dr. Moore, the Southeastern Colorado Water Activity Enterprise approve an expenditure to Mountain States Hydro, LLC, not-to-exceed \$460,000.00, to secure procurement of the major long lead equipment for the project, subject to reaching a final design-build agreement with Mountain States Hydro, LLC. 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 10:25 a.m.

Respectfully submitted,

Toni Gonzales
Administrative Manager

Secretary
