



S O U T H E A S T E R N C O L O R A D O

Water Conservancy District

"Your investment in water"

November 25, 2019

Dear Stakeholders,

The Southeastern Colorado Water Activity Enterprise (Enterprise) Board voted at its November 21, 2019 meeting to implement a portion of the rates recommended in the Financial Strategy and Sustainability Study (Study) which was performed by Jacobs under a contract with the Southeastern Colorado Water Conservancy District (District) earlier this year.

All members of the Board recognized that the District needs additional revenue to meet the requirements identified in the cost of service analysis which was a part of the study. The only source of raising more revenue is to increase water sales and storage charges in the Enterprise. Water rates have not been raised in more than 20 years, so the shortfall has been growing annually.

The most aggressive approach for 2020 rates would have created a split rate for Municipal & Industrial (M&I) and Irrigation, increased the storage charge for Winter water, increased Return Flow charges, and introduced a base charge for carry-over Project water (available only to M&I). The Study recommended phasing in the carry-over charges over a five-year period, with no additional charge in 2020.

Under the aggressive scenario, M&I would pay \$15.25 per acre-foot (af), and Irrigation would pay 13.14/af in 2020. Winter Water would increase to \$5.72/af in 2020, up from \$2.80/af in 2019. Return Flows would increase to \$18.78/af for M&I in 2020, and \$16.18/af for Irrigation, up from \$6/af in 2019.

"Option 1 Aggressive" under the Study would recover projected costs over a 10-year period, assuming the rate would remain constant over that time. The Board, of course, sets the rate each year. The 10-year revenue requirement was projected to be an additional \$1.72 million per year, and this option yielded only about \$500,000 in the first year. Seeing the need for revenue, but still undecided on several issues, the Board agreed to adopt the minimal portion of this option.

"As president of this Board, it is important to me that we be in agreement as we move forward," President Bill Long said. "We've got to move forward and work together to take care of the future needs of the District."

The Board voted 15-0 to:

- 1) Increase water sales rates to \$13.14/af in 2020, up from \$7/af in 2019;
- 2) Increase Return Flow rates to \$12/af in 2020, up from \$6/af in 2019;
- 3) Leave storage charges unchanged in 2020;
- 4) Leave surcharges unchanged in 2020.

The Board also will look at the following issues during the first quarter of 2020:

- 1) Carry-over Storage charges;
- 2) Winter water charges;
- 3) Return Flow charges;
- 4) Split rates for M&I and Agriculture.

Jacobs could provide technical assistance to the Board in all of these areas, under an extension of its current contract, if the Board chooses. At the conclusion of its analysis and discussions, the Board may take action to revise the rate schedule, but total charges will not be higher than the aggressive option under the Study. The Board intends to have final charges in place prior to Project water allocations.

In October, the Board voted to extend Jacobs' contract to study surcharges, and how altering them would affect water sales and storage rates. All surcharges still will remain in place for at least 2020.

Three tables are attached to explain the changes:

- 1) **Table 1: 2019 Water and Storage Rates and Surcharges**
- 2) **Table 2: Financial Strategy and Sustainability Option 1 Aggressive FY 2020**
- 3) **Table 3: Board Approved Rates as of November 21, 2019 for FY 2020**
(subject to change pending additional Board action in first quarter of 2020)

District staff would like to thank all of our stakeholders who have attended the outreach meetings and public hearings associated with the Financial Strategy and Sustainability Study. This is the most comprehensive effort by the District to understand its financial position, and to consider options moving forward into the future.

As the Fryingpan-Arkansas Project approaches its 60th year, the infrastructure needs are growing. Climate variability has created a greater need to more closely manage our precious water resources. Most of all, we intend to continue to provide all of our stakeholders, responsive and reliable service.

Sincerely,



James W. Broderick
Executive Director
Southeastern Colorado Water Conservancy District

Table 1: 2019 Water and Storage Rates and Surcharges

Description	2019 Rates and Surcharges (\$/acre-foot)					Current Total Charge (\$)
	Current Water Rate (\$)	Safety of Dams (\$)	Water Activity (\$)	Environmental Stewardship (\$)	Augmentation (\$)	
Project Water Sales						
Irrigation	7.00	0.50	0.75	0.75	--	9.00
Municipal	7.00	0.50	1.50	0.75	--	9.75
Project Water Sales used for Well Augmentation						
Irrigation used for Well Augmentation	7.00	0.50	0.75	0.75	2.60	11.60
Municipal used for Well Augmentation	7.00	0.50	1.50	0.75	2.60	12.35
Storage Charges						
Winter Water Storage	2.80	0.25	--	0.75	--	3.80
Carry-Over Project Water	--	1.00	1.25	0.75	--	3.00
If and When Storage						
In District	--	0.50	0.50	0.75	--	1.75
Out of District	--	2.00	4.00	0.75	--	6.75
Aurora	--	--	10.00	--	--	10.00
Project Water Return Flows						
Return Flows	6.00	0.50	--	0.75	--	7.25

Table 2: Option 1 Aggressive FY 2020

Description	Aggressive Option 1 Proposed Rates and Surcharges (\$/ac-ft)					
	Proposed Water Rate (\$)	Safety of Dams (\$)	Water Activity (\$)	Environmental Stewardship (\$)	Augmentation (\$)	Proposed Total Charge (\$)
Project Water Sales						
Irrigation	13.14	0.50	0.75	0.75	--	15.14
Municipal	15.25	0.50	1.50	0.75	--	18.00
Project Water Sales used for Well Augmentation						
Irrigation used for Well Augmentation	13.14	0.50	0.75	0.75	2.60	17.74
Municipal used for Well Augmentation	15.25	0.50	1.50	0.75	2.60	20.60
Storage Charges						
Winter Water Storage*	5.72	0.25	--	0.75	--	6.72
Carry-Over Project Water	--	1.00	1.25	0.75	--	3.00
If and When Storage						
In District	--	0.50	0.50	0.75	--	1.75
Out of District	--	2.00	4.00	0.75	--	6.75
Aurora	--	--	10.00	--	--	10.00
Project Water Return Flows						
Irrigation	16.18	0.50	--	0.75	--	17.43
Municipal	18.78	0.50	--	0.75	--	20.03

**Table 3: Board Approved Rates as of November 21, 2019 for FY 2020
(subject to change pending additional Board action in first quarter of 2020)**

Description	2020 Rates and Surcharges (\$/ac-ft) (as of 11/21/2019)					
	Proposed Water Rate (\$)	Safety of Dams (\$)	Water Activity (\$)	Environmental Stewardship (\$)	Augmentation (\$)	Proposed Total Charge (\$)
<i>Project Water Sales</i>						
Irrigation	13.14	0.50	0.75	0.75	--	15.14
Municipal	13.14	0.50	1.50	0.75	--	15.89
<i>Project Water Sales used for Well Augmentation</i>						
Irrigation used for Well Augmentation	13.14	0.50	0.75	0.75	2.60	17.74
Municipal used for Well Augmentation	13.14	0.50	1.50	0.75	2.60	18.49
<i>Storage Charges</i>						
Winter Water Storage*	2.80	0.25	--	0.75	--	3.80
Carry-Over Project Water	--	1.00	1.25	0.75	--	3.00
<i>If and When Storage</i>						
In District	--	0.50	0.50	0.75	--	1.75
Out of District	--	2.00	4.00	0.75	--	6.75
Aurora	--	--	10.00	--	--	10.00
<i>Project Water Return Flows</i>						
Irrigation	12.00	0.50	--	0.75	--	13.25
Municipal	12.00	0.50	--	0.75	--	13.25