

**ALLOCATION COMMITTEE
MINUTES
September 15, 2016**

A meeting of the Allocation Committee was held on Thursday, September 15, 2016 at 1:55 p.m. at the District Office 31717 United Avenue, Pueblo, Colorado 81001.

Chairman McClure announced a quorum was present.

COMMITTEE MEMBERS PRESENT:

Carl McClure - Chairman, Howard "Bub" Miller – Vice Chairman
Gary Bostrom; Pat Edelmann; Tom Goodwin; Curtis Mitchell; David Simpson; and James Broderick.

COMMITTEE MEMBERS ABSENT AND EXCUSED:

None

OTHERS PRESENT:

Scott Lorenz, Jenny Bishop, and Brett Gracely, Colorado Springs Utilities; Terry Book, Board of Water Works of Pueblo; Bill Long and Kevin Karney, Southeastern Colorado Water Conservancy District (District); Garrett Markus, Chris Woodka, and Lee Miller, District staff.

APPROVAL OF MINUTES:

Chairman McClure confirmed that members of the Committee received their copy of the August 18, 2016 minutes, and asked if there were any corrections or additions. Hearing none, Howard "Bub" Miller moved, seconded by Tom Goodwin, to approve the minutes. Motion carried unanimously.

PRESENTATIONS:

PROJECT WATER AND PROJECT WATER RETURN FLOW FINANCIAL IMPACTS

Garrett Markus and Jim Broderick had a two part discussion in relation of Project water sales. The first discussion was the Project water available but not allocated to municipal entities would transfer to the agriculture allocation. The municipal group pays a total of \$9.75 per acre-foot (AF) and the agricultural group pays a total of \$9.00 per AF. The District budgets assumes that each group will be allocated the amount of water available to them and generates revenue on that full amount of water. This leaves a deficit in the budget in the Water Activity Enterprise Surcharge for Project water sales. The second discussion was analyzing the price structure of our Project water sales and surcharges, their origin, and reason for existence. A summary of this discussion is in the graphic on the next page.

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<p><u>Project Water</u> -Project Water= \$7.00 -Return Flows= \$6.00 -Been \$7.00 since 1998 and in 2010 dollars were brought to the District by Amendment 9 to the Fryingpan-Arkansas Contract. Bureau of Reclamation received those funds prior to Amendment 9.</p>	<p><u>Safety of Dams Surcharge (SOD)</u> -Created 1998 -District up-fronted M&I portion of the SOD construction (to be reimbursed by the Enterprise) and will pay Ag portion to Reclamation. SOD surcharge generates revenue to pay both portions and any excess revenue reverts back to WAE.</p>	<p><u>Water Activity Enterprise Surcharge (WAE)</u> -Created 2002 -Funds programs, projects, and functions of the Water Activity Enterprise (WAE). Any excess revenue will be put to the reserve fund if money is available.</p>	<p><u>Environmental Stewardship Surcharge (ESS)</u> -Created 2013 -WAE created the ESS for the specific reasons below and associated costs.</p> <table border="1" data-bbox="1193 409 1546 546"> <thead> <tr> <th>• Program</th> <th>Annual Cost</th> <th>Surcharge/AF</th> </tr> </thead> <tbody> <tr> <td>• 10,825</td> <td>\$126,640</td> <td>\$0.49 per AF</td> </tr> <tr> <td>• Twin Lakes</td> <td>\$ 22,500</td> <td>\$0.09 per AF</td> </tr> <tr> <td>• Fish Hatcheries</td> <td>\$ 1,500</td> <td>\$0.01 per AF</td> </tr> <tr> <td>• USGS Monitoring</td> <td>\$ 35,000</td> <td>\$0.14 per AF</td> </tr> <tr> <td>• Total</td> <td>\$185,640</td> <td>\$0.73 per AF</td> </tr> </tbody> </table> <p>Revenue will be generated for the WAE.</p>	• Program	Annual Cost	Surcharge/AF	• 10,825	\$126,640	\$0.49 per AF	• Twin Lakes	\$ 22,500	\$0.09 per AF	• Fish Hatcheries	\$ 1,500	\$0.01 per AF	• USGS Monitoring	\$ 35,000	\$0.14 per AF	• Total	\$185,640	\$0.73 per AF
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ACTION ITEM:

AGRICULTURAL 80/20 RULE FOR PROJECT WATER STORAGE

Garrett Markus presented a PowerPoint on the Agricultural 80/20 Rule for Fryingpan-Arkansas Project water storage to the Committee August 18, 2016. Mr. Markus was tasked with contacting stakeholders to inquire whether this was a viable option for the 2016-2017 non-irrigation season. Mr. Markus reported back to the Committee that the majority of the stakeholders were interested but have already executed plans to proceed with the 80/20 Rule as it was implemented in the past for this winter storage season and would like to discuss potential new policy for upcoming seasons.

Tom Goodwin moved, seconded by Gary Bostrom, to recommend to the District Board to enact the Agricultural 80/20 Rule for Project water storage for the 2016-2017 winter water season. Motion carried unanimously.

NEXT MEETING

To Be Determined.

ADJOURN

Chairman McClure adjourned the meeting at 2:49 p.m.

Respectfully submitted,

Garrett J. Markus
 Water Resources Specialist / Engineer