

RECORD OF PROCEEDING

**SOUTHEASTERN COLORADO WATER
ACTIVITY ENTERPRISE**

MINUTES

March 21, 2019

A regular meeting of the Board of Directors of the Southeastern Colorado Water Activity Enterprise (Enterprise) was held on Thursday, March 21, 2019 at 11:39 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	Howard "Bub" Miller	

DIRECTOR(S) ABSENT AND EXCUSED:

Gibson Hazard

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; and Administrative Support Specialist Margie Medina.

VISITORS PRESENT:

Doug Fitzgerald, U.S. Congressman Scott Tipton's office; Dwight Gardner, U.S. Senator Michael Bennet's office; Terry Dawson, U.S. Bureau of Reclamation; Mark Scott, GHD Inc.; Judy Leonard, Jeffrey DeHerrera, and Jim Quam, Pueblo West Metropolitan District; Bill Tyner and Rachel Zancanella, Colorado Division of Water Resources; David Mau and Krystal Brown, U.S. Geological Survey; Jay Winner, Lower Arkansas Valley Water Conservancy District; Bob Hamilton, citizen; Brett Gracely, Matrix Design Group; Michael Hill, Bessemer Ditch; Tom Pope, Riverside Dairy Ditch; Rick Kientz, Aurora Water; Tom Browning, Atkins Global; and Curt Thompson, AECOM.

APPROVAL OF MINUTES:

President Long said the minutes of the February 21, 2019 Board meeting were posted to the Board website for review, and if there were any corrections or additions. Hearing none, Mr. Karney moved, seconded by Mr. Pifher, to approve the minutes. Motion unanimously carried.

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FINANCE COMMITTEE REPORT:

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

CONSENT ITEMS:

None

ACTION ITEMS;

PUEBLO DAM HYDROELECTRIC PROJECT OPERATOR SERVICES AGREEMENT BETWEEN KLEINFELDER, INC. AND SECWAE

Mr. Meador reported this agreement is for services related to providing a part-time operator at the Pueblo Dam Hydroelectric Project (PDHP). The 7.5-megawatt (MW) facility is currently being constructed with commissioning planned by April, 2019. The PDHP will utilize discharge into the Arkansas River from the Pueblo Dam to generate electricity. The PDHP will not determine or forecast the discharges required for release. During normal operations, the PDHP will manage and direct the predetermined flows through the PDHP small, medium, and large turbines along with an existing fixed cone valve on the North Outlet Works. The cone valve is operated by the U.S. Bureau of Reclamation (Reclamation). It is intended that project operation will not affect the total average daily discharge from the Pueblo Dam.

The plant operator will work closely on a part-time daily basis to determine the optimal combination of turbines to run based on the available flow to the facility. In addition, the operator will perform routine checks of mechanical equipment, instrumentation monitoring, and basic building functions to make sure that the facility is operating as intended. The operator will also be required to respond to alarm conditions and troubleshoot conditions. The operator will have remote access to the facilities operation information to operate turbine units and monitor operation. The operations, under this contract, will not be responsible for maintenance repairs or expenses that may be required. A separate maintenance contract will be obtained for annual maintenance and repair.

A summary of the basic operator duties and estimated time requirements has been summarized below. The final negotiated operations agreement will detail the time requirements, as well as scope of services for the PDHP. The operator provided under this agreement will be required for training and assistance during startup to become familiar with the facility.

General Duties and Responsibilities for the PDHP Operator

1. Daily/Weekly coordination with the Owner, Reclamation, and State of Colorado in determining available flows and optimal hydro units to run for a give release.
2. Hydro turbine unit start-up either under routine conditions or after an emergency or alarm shut-down condition. Units will be allowed to be shut-down remotely.
3. Facility site checks and general security and grounds condition checks.

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4. Equipment, controls, and instrumentation checks and documentation (see attached routine checklist)
5. Owner notification if conditions warrant additional maintenance or repair.
6. Respond to alarm conditions and troubleshoot problems and report issues to Owner and Reclamation.

Estimated Operator Staff Hour Requirements

1. Start-up and Testing Period – 8 hours per day for 40 days = 320 hours.
2. Final Testing and Commissioning – 8 hours per day for 20 days =160 hours.
3. Operations after Commissioning – For the first 6 months of operation, on site daily for 2 hours/day = 360 hours. After 6 months of operations up to one year, on site every other day for 2 hours/day = 180 hours.
4. After one year of operation, on site two to three (3) days per week for 2 hours/day = 208-312 hours/year.
5. After commissioning, trip charges outside of normal operations listed above will be paid on a per hourly basis plus mileage charges.

During the term of this Agreement, Kleinfelder Inc., in its role as Operator, will provide part-time operator services at the PDHP. The estimated 2019 fee for these services is estimated to be \$88,590 which includes additional time for training and start-up. The estimated fee for 2020, as routine operations are established is \$28,500. The Board was provided a copy of the Operator Services Agreement between Kleinfelder Inc. and Southeastern Colorado Water Conservancy District acting by and through its Water Activity Enterprise.

On March 7, 2019, the Resource and Engineering Planning Committee recommended approval of the agreement subject to final legal review.

Mr. Clayton moved, seconded by Mr. Garcia, to approve the Operator Services Agreement with Kleinfelder Inc. for the Pueblo Dam Hydroelectric Project. Motion unanimously carried.

**PUEBLO DAM HYDROELECTRIC PROJECT MAINTENANCE SERVICE AGREEMENT
BETWEEN RIVERSIDE, INC. AND SECWAE**

Mr. Meador reported this agreement is for providing annual equipment maintenance services at the Pueblo Dam Hydroelectric Project (PDHP). This is an annual renewable agreement and subject to both parties' acceptance each year. The 2019 agreement cost is \$14,250 for services outlined in the agreement. Emergency maintenance services would be provided at a cost.

Two proposals were requested for the maintenance services. The proposals received were from Riverside, Inc. and Hydro Consulting & Maintenance Services, Inc. (HCMS). The HCMS proposed an annual cost exceeding \$135,000, substantially over the Riverside estimate. Riverside is able to combine travel for annual services with several other facilities in Colorado resulting in lower costs. In addition, Riverside is familiar with the PDHP since they were the mechanical subcontractor on the PDHP who

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installed all of the equipment. Riverside has also worked with Mountain States Hydro for over 25 years on similar projects and has a long history of providing similar services on other facilities.

Based on Riverside's experience, familiarity with our project, and proposed cost, it is recommended that the agreement be approved.

On March 7, 2019, the Resource and Engineering Planning Committee recommended approval of the agreement subject to final legal review.

The Board was provided copies of the following documents:

- Pueblo Dam Hydroelectric Project Maintenance Service Agreement between the Riverside, Inc. and Southeastern Colorado Water Conservancy District acting by and through its Water Activity Enterprise.
- Pueblo Dam Hydroelectric Project Maintenance Contract Request for Proposal, January, 2019
- PDHP Maintenance Agreement RFP Proposal, February 21, 2019

Mr. Colosimo moved, seconded by Mr. Clayton, to approve the Maintenance Service Agreement with Riverside, Inc. for the Pueblo Dam Hydroelectric Project subject to legal review. Motion unanimously carried.

PUEBLO DAM HYDROELECTRIC PROJECT POWER SCHEDULING SERVICES AGREEMENT BETWEEN COLORADO SPRINGS UTILITIES AND SECWAE

Mr. Meador reported this agreement was approved by the SECWAE Board on February 21, 2019. On February 28 following additional discussions between Colorado Springs Utilities (Utilities) staff and legal counsel, Utilities requested that additional provisions be included in the agreement for SECWAE consideration. The provisions pertain to limits of liability related to the scheduling services.

Actually, we (the Enterprise) will provide a monthly estimated schedule to Utilities (the scheduling agent). We will adjust that schedule, as needed, on a daily basis. The daily schedule will be on an hourly schedule that we prepare and give to Utilities. It is our opinion that Utilities wants to be sure that they are not held liable if what we schedule and provide to them results in any imbalances. In summary, they are going to schedule what we tell them and manage that schedule with the balancing authority.

Utilities doesn't want us to challenge or second-guessing their scheduling decision. This is related to reserving transmission capacity for delivery of the energy output from Pueblo Reservoir Substation to Midway Substation. They may be concerned that we may allege they reserve too much transmission capacity, hence costing us higher cost for transmission service from Pueblo Reservoir Substation to Midway Substation. They'll reserve transmission service on a daily/weekly basis, based on the water flow information and the anticipated generation output we provide to them. They should reserve transmission capacity (rounded to the whole MW) equal to the anticipated generation output. Utilities will use its "best effort" to minimize our transmission cost. As long as they use their "best effort", we shouldn't have any reason to question what they do for us. Their added language is to further protect

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them from any liability. “Best Effort” is what many electric contracts use in cases where the requirements or performance standards are not easily defined. It involves a certain amount of trust between the contracting parties. Utilities has nothing to gain by over or under reserve transmission capacity on our behalf.

There is always a chance that we end up not using all the transmission capacity reserved, i.e. last-minute change in water flow, unit forced outage, etc. The risk of not reserving sufficient transmission capacity is paying the penalty of two (2) times the regular rate for unreserved use.

The Enterprise, as generating resource owner, and Utilities, as scheduling agent, will have periodic discussions on scheduling related issues (more frequently in the beginning) and typically these discussions will resolve most if not all concerns from either side. Utilities has put in the protective language, since they receive no payment for the service they provide.

The main reason we have a Scheduling Agent for energy scheduling and transmission reservation is the special software and access to BHE websites. Utilities has both, so they can provide these services to us at very little incremental cost.

SECWAE staff and legal counsel reviewed the requested changes as noted in Attachment 1 and recommend approval of the changes. Since the previously approved agreement was not signed by both parties, it is recommended that the original agreement be replaced with the revised agreement for Board approval.

On March 7, 2019, the Resource and Engineering Planning Committee recommended approval of the agreement subject to final legal review.

The Board was provided a copy of the Scheduling Services Agreement between Colorado Springs Utilities and Southeastern Colorado Water Conservancy District acting by and through its Water Activity Enterprise.

Mr. Clayton moved, seconded by Mr. Pifher, to approve the updated Scheduling Services Agreement with Colorado Springs Utilities for the Pueblo Dam Hydroelectric Project. Motion unanimously carried.

PROJECT WATER UTILIZATION FOR PUEBLO DAM HYDROELECTRIC PROJECT TESTING

Mr. Markus reported the Board authorized the use of Project water up to 1,000 AF for hydroelectric unit testing for the PDHP on January 17, 2019.

Flows ranging between 15 to 810 cfs will be required to perform operational tests on the turbine equipment at the 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 soon after March 15, we have the opportunity to use more native flows for test and have the facility ready for the higher spring flows when we will have the ability to generate up to \$10,000 per day

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of revenue. In March, we would only be generating about \$750 to \$2,000 per day. The early testing timeframe also gives us time to remedy any needed repairs or adjustments before the higher flows are available.

From a water resource perspective, the Project water would be provided from the District's 3,000 AF capacity emergency account. As of February 27, 2019, the District's emergency account had 2,971.72 AF of Project water. The flow testing would be non-consumptive at the PDHP but would need to be captured or consumed downstream, 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. Clayton moved, seconded by Mr. Goodwin, the Board authorize District staff the discretion to determine the most cost effective and efficient utilization of Fryingpan-Arkansas Project water (Project water) to complete non-consumptive hydroelectric unit testing for the Pueblo Dam Hydroelectric Project (PDHP). Motion unanimously carried.

PRESENTATIONS:

FEDERAL LEGISLATION

None

COLORADO RIVER ISSUES STATUS

Lee Miller reported Commissioner Burman posted a notice concerning "Responding to Historic Drought and Ongoing Dry Conditions in the Colorado River Basin" on the Reclamation website, which was published in the Federal Register on February 6, 2019. The notice indicates that the Department will accept input from the Basin states representatives beginning on March 4, 2019, for a 15-day period. As stated in the Notice, the Department will ensure that information received from the Governors' representatives will be promptly shared with Tribes, interested parties, and the general public at the end of the comment period. In a transmittal electronic mail to the Governors' representatives, Commissioner Burman said that should the States complete work on the DCP, she anticipates terminating the request for further input and rescinding the request contained in the Federal Register notice. On March 19, 2019, Representatives of all 7 Colorado River Basin States sent a letter to the Commissioner approving the DCP documents, although the Imperial Irrigation District (IID) in California did not approve their implementation actions under the Lower Basin DCP. Metropolitan Water District, the water provider for Los Angeles, has stated that it will provide water to cover IID's requirements.

Lee Miller said both U.S. Senate and House Committees will hold hearings next week on the DCP, which he will attend.

During the Colorado Water Conservation Board (CWCB) meeting in late January, CWCB staff and the Attorney General's Office made a presentation on the status of Colorado River issues and a Demand Management Program work plan. The CWCB approved this work plan framework during the January

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CWCB meeting. The Board members were provided a copy of the CWCB memo and working draft “2019 Work Plan for Intrastate Demand Management Feasibility Investigations,” that will be discussed at the March 21, 2019 CWCB meeting. CWCB’s meeting in Fort Collins conflicts with the District’s Board meeting.

PUEBLO DAM HYDROELECTRIC PROJECT UPDATE

Mr. Meador reported the Pueblo Dam Hydroelectric Project continues to progress towards a March 18, 2019 testing start-up date and an April 8, 2019 commissioning target date. The table below summarizes the status of major construction items:

Progress of Work

February 2019			
	Progress Completed	Anticipated Completion	Additional Notes
Powerhouse Electrical	98% Complete	Mar 2019	
Generation Units Concrete Encasement	Complete		
Install Monorail Trolley	Complete		
Install Catwalk, Handrail and Stairs	Complete		
Set and Install HPU Skids	Complete		
Dan Batdorf to Complete Offsite Programming for Hydro PLC	80% Complete	Mar 2019	
Golden Automation LLC to Complete Offsite Programming for Reclamation PLC	80% Complete	Mar 2019	
Grade Parking Lot	Complete		
Trim Out Roof Hatches	Complete		
Repair Foam at Flow Meter Sensors	Complete		
Install Switchgear	Complete		
Transmission Line	Complete		
Interconnect	90% Complete	Mar 2019	To be completed by Black Hills

The Board was provided a copy of the Pueblo Dam Hydroelectric Project Status Report.

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AVC UPDATE

Mr. Woodka provided an update on the Arkansas Valley Conduit (AVC) reviewing the following:

1. Funding: For the second year, there was not an appropriation for the Arkansas Valley Conduit (AVC) in the President's Budget Message. We are working with the congressional delegation, particularly Senator Cory Gardner, to restore funding. We are also talking to Reclamation officials about paths to funding.
2. Contract negotiations: Contract negotiations have not been scheduled. Reclamation is still working on the Basis of Negotiation. Conversations continue between the District and Pueblo Water on points we would like to see addressed in the Contract.
3. Regionalization: The District and CDM Smith had a technical meeting on March 11, 2019, to discuss the hydraulic model for the AVC. The model was developed several years ago and will assist in determining the amounts of water needed at each of the hubs. We are looking at Regionalization as a way to bring water to communities, particularly those under State enforcement, until the AVC can reach their communities.
4. Boone-Avondale area: Staff has continued to keep tabs on state enforcement actions at the town of Boone. On February 19, 2019, staff contacted Emily Clark at the Colorado Water Quality Control Division, to inform the State of AVC progress. At this time, Boone has some grant money to improve their internal water system, but needs a sustainable source of water. Since AVC has no guaranteed funding, the State is evaluating a connection to the Avondale system. Avondale has recently faced enforcement action, but one of its two wells was deemed not under the influence of surface water recently. Avondale is not looking at joining the AVC at this time.

2019 FRYINGPAN-ARKANSAS PROJECT WATER SUPPLY OUTLOOK

Mr. Markus reported the Fryingpan-Arkansas (Fry-Ark) Project utilizes the Boustead Tunnel to import Fryingpan-Arkansas Project water (Project water) for allocation each year. The 20-year average for Project water imports is 55,124 acre-feet (AF) and is highly dependent on snow pack. Snow pack reports are published weekly and display the four SNOTEL sites that are most relative to the Fry-Ark collection system. The snow pack reports also compare the current snow pack to the 30-year average of those four sites and to seven other years with the corresponding Fry-Ark Project water import for each year. Even though Project water imports are highly dependent on snow pack, there are several key variables that highly effect the actual import amount. Several of those considerations are how fast the snow melts and whether we are legally and available to divert those amounts, excessive sublimation (evaporation of snow without runoff), weather during diversion season, local and basin wide river calls, and precipitation not associated with snow pack.

The snow pack sites report a great amount of valuable information, but they are located at or below the elevation of our collection system and do not represent the full tributary area of our collection basin. In the 2020 budget, the District has budgeted for the installation of two new SNOTEL sites at \$35,000 per

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site. The Natural Resource Conservation Service (NRCS) who is the federal agency that is responsible for the SNOTEL program is investigating the Fry-Ark collection basin in 2019 to determine if there are a more representative locations to install the proposed SNOTEL sites to produce the best data possible.

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 12:24 p.m.

Respectfully submitted,

Toni Gonzales
Administrative Manager

Secretary

