



MEMORANDUM

December 28, 2018

TO: BOARD OF DIRECTORS
ANDY MUELLER, GENERAL MANAGER

FROM: IAN PHILIPS, CHIEF ACCOUNTANT

SUBJECT: WATER MARKETING

ACTION: Every January the Board reviews and determines whether to make changes in pricing to our water marketing contracts. Traditionally we also review with the Board any proposed changes in our water marketing policies.

Staff requests Board action to set 2019 Water Contract Pricing and recommends an increase of 3.00 %.

STRATEGIC INITIATIVE(S): 6. Agricultural Water Use
7. Water Needs/Project Development
12. Financial Sustainability

BACKGROUND

In 2006, the Board changed the District's water marketing policy to allow annual price increases up to the 'Denver-Aurora-Lakewood' (FKA 'Denver-Boulder-Greeley') Consumer Price Index (CPI) and New Growth Index (NGI), a measure of annual property value stemming from new growth. Contracts entered into subsequent to the change allow for this annual increase. Prior contracts are limited to increases based on CPI every five years and only for the operation and maintenance (O&M) component of the fee. These prices were last updated in 2018 and are therefore due for review next in 2023.

Last year the CPI and NGI were 3.0% and 1.31% respectively, totaling 4.31% and the Board approved a 3.0% increase. This year the CPI and NGI are 3.00% and 1.45% respectively for a total of 4.45%. Continuing with the trend for the past four years, staff's recommendation is an increase of the CPI or 3.0%.

The long-term financial health of the Enterprise remains a concern and weighs heavily in our thinking about an increase. While reducing costs within the Enterprise is viable to a certain extent, we need to be able to generate more revenue. While energy development has increased by over 50% in 2018, it remains well below (-500%) levels 8 – 10 years ago. A few years ago there was a substantial hit to our Enterprise revenue (\$160K) when Encana amended their contract (CW11002)

201 Centennial Street / PO Box 1120 • Glenwood Springs, CO 81602

(970) 945-8522 • (970) 945-8799 Fax

www.ColoradoRiverDistrict.org

from 1250 AF to 625 AF, in addition to dropping their option for 3048 AF of Ruedi water. In 2019 there will be \$228K of revenue coming into the Enterprise from the CWCB for in-channel uses (such as environmental enhancement or icing-prevention) along the Fryingpan River, in the amount of 3500 AF of Ruedi supply. In 2019 staff will continue to explore water marketing opportunities and will keep the Board informed of opportunities that may arise.

CURRENT AND RECOMMENDED PRICING

Current and 2019 recommended pricing are shown in the following table:

Post-2006 Contract Pricing			
	Current	Recommended Increase	Proposed 2019
Blue River	\$ 1,089.50	3.00%	\$ 1,122.25
Colorado River above Roaring Fork – Ag	\$ 144.25	3.00%	\$ 148.75
Colorado River above Roaring Fork	\$ 362.50	3.00%	\$ 373.50
Colorado River below Roaring Fork – Ag	\$ 43.50	3.00%	\$ 45.00
Colorado River below Roaring Fork	\$ 188.50	3.00%	\$ 194.25
Eagle River	\$ 1,452.25	3.00%	\$ 1,496.00
Eagle River – Ag	\$ 434.75	3.00%	\$ 448.00
Elkhead Reservoir	\$ 185.50	3.00%	\$ 191.25
Elkhead Reservoir – Ag	\$ 31.00	3.00%	\$ 32.00
<i>Identified Source</i> Colorado River above Roaring Fork – M&I	\$ 544.00	3.00%	\$ 560.50
<i>Identified Source</i> Colorado River above Roaring Fork - Ag	\$ 216.25	3.00%	\$ 222.75
<i>Identified Source</i> Colorado River below Roaring Fork – M&I	\$ 283.00	3.00%	\$ 291.50
<i>Identified Source</i> Colorado River below Roaring Fork - Ag	\$ 65.25	3.00%	\$ 67.25

AVAILABLE SUPPLIES

Current available and remaining supplies in acre-feet for contracting are shown below. These amounts reflect the additional amount of Ruedi water supplies for which we contracted in 2013.

Source	Available	Contracted	Pending	Remaining	Right of Refusals	Remaining w/ ROR & Pending
Wolford	8,100	3,038	0	5,062		5,062
Ruedi*	11,413	5,263	0	6,150	900	5,250
Eagle Park	432	254	0	178		178
Elkhead**	4,457	100	0	4,357		4,357
TOTAL	24,402	8,655	0	15,747	900	14,847

*Contracted amount includes 3,500 acre-feet one year term lease to CWCB for winter 2019 in-channel use on the Frying Pan and /or delivery to 15 Mile Reach to enhance flows for the endangered fish.
 ** No yield determination has been made for Elkhead Reservoir. Contracted amount includes 100 acre-feet one year term lease to ColoWyo for direct delivery in September 2018.

HISTORICAL CONTRACTING

The following graph shows the amount of water contracted over time. The graph shows a net increase in contracted supplies from 2017 to 2018, including recent contracts for Ruedi and Elkhead supplies noted above, as well as termination of a 990 acre-feet Ruedi contract by Black Hills Plateau Production in March 2018.

