



# Colorado River District

**75 Years**

**Protecting Western Colorado Water**



## MEMORANDUM

JANUARY 5, 2012

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**TO: BOARD OF DIRECTORS  
ERIC KUHN, GENERAL MANAGER**

**FROM: DAN BIRCH, DEPUTY GENERAL MANAGER**

**SUBJECT: WATER CONTRACT PRICING CHANGES FOR 2012**

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*Staff requests Board action to set 2011 Water Contract Pricing and recommends an increase of 3.83 %, which equals the Consumer Price Increase (CPI).*

The New Growth (NGI) is 3.18% and our allowable increase includes both the CPI and NGI, which would total 7.01%. Staff is not recommending the NGI increase.

### BACKGROUND

In 2006, the Board changed the District's water marketing policy to allow annual price increases up to the CPI and NGI. Contracts entered into subsequent to the change allow for this annual increase. Prior contracts were 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 2008 and will be due for update in 2013.

Last year the CPI and NGI were 1.00% and 1.98% respectively and the Board approved a 3% increase. This year the CPI and NGI are 3.83% and 3.18% respectively for a total of 7.01%. Also, last year, the Board approved an initial pricing for Elkhead Reservoir water at \$150 per acre-foot.

We are concerned about the cost-impact of increases to our customers, especially in the current economic downturn. Additionally, the substantial increase in the NGI reflects substantial increases in gas and other mineral production and is not reflective of the overall state of either the economy or the downturn in values of real property.

On the other hand, the long-term financial health of the Enterprise remains a concern and weighs heavily in our thinking about an increase. We also remain concerned about a potential need for some form of large improvement project at Wolford and our inability to assess existing and future contract holders with some reasonable share of extraordinary expenses.

## Water Marketing

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On balance, in reaching our recommendation we have come down on the side of a lesser financial impact to our customers.

Save for one small agricultural contract, our Elkhead water supplies remain uncontracted. We have heard rumblings from energy companies about securing supplies, and more probable, Tri-State General and Transmission has expressed an interest in securing additional water supplies since they have not renewed a portion of their contracts with the Upper Yampa District.

### CURRENT AND RECOMMENDED PRICING

Current, 2012 recommended, and allowed pricing are shown in the following table:

	Current	Recommended	CPI + NGI	
		CPI Only	(3.828+3.18%)	
	(\$/af/yr)	(\$/af/yr)		(\$/af/yr)
Blue River	\$ 1,407	3.83% \$ 1,461	7.01%	\$ 1,506
Colorado River above Roaring Fork - Ag	\$ 118	3.83% \$ 122	7.01%	\$ 126
Colorado River above Roaring Fork	\$ 295	3.83% \$ 307	7.01%	\$ 316
Colorado River below Roaring Fork - Ag	\$ 35	3.83% \$ 37	7.01%	\$ 38
Colorado River below Roaring Fork	\$ 153	3.83% \$ 159	7.01%	\$ 164
Eagle River	\$ 1,182	3.83% \$ 1,227	7.01%	\$ 1,265
Eagle River - Ag	\$ 354	3.83% \$ 368	7.01%	\$ 379
Elkhead Reservoir	\$ 150	3.83% \$ 156	7.01%	\$ 161
Elkhead Reservoir -- Ag	\$ 25	3.83% \$ 26	7.01%	\$ 27

### AVAILABLE SUPPLIES

Current available supplies for contracting are:

Ruedi Reservoir:	4385.0 af out of a total of 6730 af
Wolford Reservoir	1435.6 af out of a total of 8100 af
Eagle Park Reservoir	54.25 af out of a total of 306 af
Elkhead Reservoir	4594.0 af out of a total of 4596 af.

The Ruedi value does not reflect the West Divide and Encana options, which effectively make our Ruedi supplies nearly fully subscribed. Wolford supplies will increase by 3114 af when the interim provision of water for the Recovery Program ends, which is currently expected within two years. There are no contracts currently pending for Ruedi, Wolford, or Elkhead; there are currently contracts pending in the amount of 22.43 af for Eagle Park Reservoir.

HISTORICAL CONTRACTING

The following graph shows River District the amount of water contracted over time.

