



Legislation Text

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Resolution Directing the Chief Executive Officer of Colorado Springs Utilities to Execute the Augmentation Water Lease between Colorado Springs Utilities and PF, LLC

From:

Jerry Forte, P.E., CEO, Colorado Springs Utilities

Summary:

Colorado Springs Utilities is seeking Utilities Board and City Council approval of the attached augmentation water lease with PF, LLC, a subsidiary of the Broadmoor Hotel. The lease was requested by the Broadmoor Hotel to provide augmentation water service for its operation of the Seven Falls attraction. The Lease is limited to a maximum of 15 acre-feet per year of fully consumable water.

Previous Council Action:

N/A

Background:

In early 2015, PF, LLC, a subsidiary of the Broadmoor Resort, approached Colorado Springs Utilities (Utilities) regarding a lease of augmentation water to replace depletions associated with the newly redesigned Seven Falls attraction. Previously this year, Utilities leased three acre-feet of surplus water to PF, LLC to cover some of those depletions. PF, LLC is currently operating under the surplus water lease with Utilities and under a temporary substitute water supply plan. PF, LLC has filed a water court application requesting approval of an augmentation plan for Seven Falls and will require a firm, long-term source of augmentation water to operate their system.

Utilities has negotiated a long-term augmentation lease with PF, LLC under which Utilities will deliver up to 15 acre-feet of augmentation water annually, three acre-feet of which is on a take or pay basis (Lease). The term of the Lease is three years with the potential to extend the Lease for seven additional three year terms not to exceed a 25 year total term.

The augmentation water provided under the Lease will be fully consumable water released from either the Rosemont pipeline directly to South Cheyenne Creek or released from the wastewater treatment plants.

Financial Implications:

Revenue from the Lease is expected to be less than \$6,000 per year, with a portion going to the City.

--Based on the prevailing augmentation tariff x 1.5 for outside service territory.

--Maximum 15 acre-feet x \$392.04 per acre-foot = \$5,880 maximum each year, with three acre-feet being on a take or pay basis.

The Lease provides for Utilities to charge an administrative fee of \$1,000 to account for the cost of

administration of the Lease.

Board/Commission Recommendation:

N/A

Stakeholder Process:

N/A

Alternatives:

1) approve the Lease; (2) not approve the Lease; or (3) refer the matter back to Utilities for further consideration.

Proposed Motion:

Motion for approval of the attached resolution authorizing execution of the Lease and directing the Chief Executive Officer of Utilities to execute the Lease.

N/A