



Legislation Text

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A Resolution Directing the Chief Executive Officer of Colorado Springs Utilities to Execute a Second Amendment to the Groundwater Capacity Lease Agreement with Security Water District

Presenter:

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Summary:

Colorado Springs Utilities requests approval of a resolution directing the Chief Executive Officer to execute a second amendment to the Groundwater Capacity Lease Agreement between Colorado Springs Utilities and Security Water District.

Previous Council Action:

City Council approved the Groundwater Capacity Lease Agreement between Colorado Springs Utilities and Security Water District on December 11, 2012 and approved an amendment to that lease on February 25, 2014.

Background:

City Code § 12.4.304 allows Colorado Springs Utilities (Utilities) to provide by contract for the use of or connection to the City's water supply system by institutions, organized special districts, governments, municipal corporations, or other similar users located outside of the corporate limits of the City. Security Water District (Security) is a Colorado special district that provides water to the town of Security, which is located just south of Colorado Springs.

Utilities is entitled to withdraw its apportionment of the Widefield Aquifer capacity through its Pinello Wells at a base level pumping rate of not more than 375 acre-feet per month, nor more than 1,200 acre-feet in any successive four month period, nor more than 1,600 acre-feet in any calendar year. Pursuant to a Groundwater Capacity Lease Agreement (Lease) approved by City Council in 2012, Utilities leases up to 600 acre-feet per year of its apportionment of Widefield Aquifer capacity to Security from Pinello Wells 8, 10, and 13 (Pinello Wells) for a period of 25 years. The Lease was amended in 2014 to allow Security to withdraw the leased portion of the Widefield Aquifer capacity from two additional wells owned by Security.

The Lease requires Security to pay for a minimum of 300 acre-feet of Widefield Aquifer capacity annually whether or not any of the capacity is withdrawn (Take or Pay Obligation). The cost for Widefield Aquifer capacity in 2016 is \$180 per acre-foot or a minimum annual revenue of \$54,000 based on 300 acre-feet of take or pay. In 2017 and 2018, this cost increases to \$210 per acre-foot for a minimum annual revenue of \$63,000. The Lease also limits Security to withdrawing 600 acre-

feet annually of Widefield Aquifer capacity. The Lease further provides that Security has the right to terminate the Lease if the water quality in the Widefield Aquifer is such that it requires treatment under governmental drinking water standards.

Due to the presence of perfluorooctane sulfonate and perfluorooctanoic acid, water quality in the Widefield Aquifer in the vicinity of the Wells has deteriorated to the point that Security can no longer divert and use the Widefield Aquifer capacity without additional water treatment to meet governmental drinking water standards. Security has requested an amendment to the Lease that would suspend the Take or Pay Obligation for three years (2016-2018), with the option to extend the suspension upon mutual agreement of the parties, in order to give Security time to investigate how to use the Wells in compliance with drinking water standards. If Security determines during the suspension that it can use the Wells in compliance with drinking water standards, the take or pay provision will automatically be reinstated on January 1 of the following year. Under such an amendment, Security would only pay for the volume of Widefield Aquifer capacity it actually withdraws during the applicable timeframes. Utilities' staff believes that suspending the Take or Pay Obligation is in the best interest of our regional partners and Utilities in the long term.

The Lease is a regional water service agreement and its amendment requires City Council approval. Utilities provided a briefing to the Utilities Board on the proposed amendment at the September 21, 2016 Utilities Board meeting and is requesting City Council for approval of the proposed resolution authorizing the amendment on the consent calendar at the September 27, 2016 City Council meeting. The proposed resolution also authorizes Utilities to enter into a subsequent amendment to the Agreement that suspends the Take or Pay Obligation for additional periods not to exceed the original term of the Lease without seeking further authorization from City Council.

Financial Implications:

N/A

Board/Commission Recommendation:

N/A

Stakeholder Process:

N/A

Alternatives:

N/A

Proposed Motion:

Approval of the proposed Resolution directing the Chief Executive Officer to execute a Second Amendment to the Groundwater Capacity Lease Agreement between Colorado Springs Utilities and Security Water District.

N/A