



**NWCWD COST OF SERVICE STUDY:
WATER CHARGES AND PLANT
INVESTMENT FEE
*MORE RESULTS AND DISCUSSION***

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OCTOBER 9, 2023

2023 COST OF STUDY UPDATE

- PRELIMINARY RESULTS WERE PRESENTED IN SEPT. BOARD MEETING
- RESULTS ARE STILL PRELIMINARY PENDING BOARD AND STAFF REVIEW
 - MODIFICATIONS WILL DEPEND ON THEIR INPUT AND THE FINAL MASTER PLAN
- DOCUMENT DRAFTED BUT WITHOUT RECOMMENDATIONS
- FOLLOW-UP ON ISSUES FROM SEPTEMBER
- DISCUSSION OF CRITICAL ASSUMPTIONS AND POLICIES

CALCULATED COST OF SERVICE RATES

	Current water charges	Baseline cost-of-service water rates, 2023 update	Baseline cost-of-service water rates, 2023 updated since Sept. Board mtg.
Residential customers	\$4.44/1,000 gal	\$6.50/1,000 gal	\$6.50/1,000 gal
Commercial and industrial	\$4.44/1,000 gal	\$4.30/1,000 gal	\$4.30/1,000 gal
Towns (average)	\$3.33/1,000 gal	\$4.40/1,000 gal average	\$4.71/1,000 gal average
Plant Investment fee	\$20,250/tap District \$15,100/tap Town	\$22,650/tap District \$16,700/tap Town	\$22,650/tap District \$16,700/tap Town

CALCULATED VOLUME CHARGE FOR TOWNS, BASED ON THEIR HISTORIC PEAKING FACTORS (\$/1000 GAL)

Town of Windsor	\$	4.31
Town of Eaton	\$	4.90
Town of Severance	\$	4.60
Town of Ault	\$	5.04
Town of Pierce	\$	4.31
N. Colo Water Assoc #A-2110	\$	4.90
Town of Nunn	\$	4.90
Simple average	\$	4.71

ASSUMPTIONS AND POLICIES

- PI SURCHARGE: A BASIS FOR IT AND PROPOSED REVISION
- ALLOCATION OF SURCHARGE REVENUES
- ESTIMATE OF FUTURE TAP SALES
- ALLOCATION OF COSTS BETWEEN GROWTH AND CURRENT CUSTOMERS
- ALLOCATION OF COSTS TO TOWNS
- FUTURE WATER PURCHASES
- REMAINING CAPACITY IN THE SYSTEM

PLANT INVESTMENT SURCHARGE

- CURRENTLY AT \$3.95/1,000 GALLONS, UNCHANGED FOR SEVERAL YEARS, WITH UNKNOWN SOURCE
- PLANT INVESTMENT FEE (PI) SHOULD BE BASED ON INFRASTRUCTURE EXPENDITURES
- TRANSLATE PI FEE TO ANNUAL VOLUME CHARGE
- PROPOSE CALCULATING PI SURCHARGE SIMILAR TO WATER ALLOCATION SURCHARGE
- AMORTIZE \$20,250/TAP USING THE SAME ASSUMPTIONS AS THE WATER SURCHARGE AND DIVIDE BY ANNUAL TAP WATER ALLOCATION
- *RESULTING PI SURCHARGE WOULD BE \$6.25/1,000 GALLONS*
- PI SURCHARGE WOULD CHANGE IN PROPORTION TO PI FEE

ALLOCATION OF SURCHARGE REVENUES

- HISTORICALLY CREDITED TO ALL RATEPAYERS
- WITH INCREASES IN WATER (AND PI) SURCHARGES, THIS BECOMES A MAJOR SOURCE OF REVENUE, ALTHOUGH POSSIBLY TEMPORARY
- *MOVING FORWARD, THESE REVENUES ASSUMED TO BE SPLIT EVENLY BETWEEN DISTRICT RATEPAYERS AND CAPITAL FUND*
 - CHANGING THIS ALLOCATION CAN HAVE MAJOR IMPACTS ON RATES (+ OR -) AND CAPITAL FUND, AT LEAST IN NEAR TERM
- THESE REVENUES ARE CURRENTLY ASSUMED TO BE REDUCED OVER TIME WITH SUCCESS OF COMMERCIAL PROGRAM

FUTURE WATER PURCHASES

- THE DISTRICT PLANS TO SPEND \$6 MILLION PER YEAR ON RAW WATER OVER THE NEXT 10 YEARS
- FINANCED THROUGH RATES
- IF THE COMMERCIAL PROGRAM IS SUCCESSFUL, WATER PURCHASES CAN BE REDUCED
 - A 50% REDUCTION IN WATER PURCHASES IS ASSUMED, MOSTLY TOWARDS END OF PLANNING PERIOD
 - ***SAVINGS APPLIED TO THE CAPITAL RESERVE RATHER THAN RATES***

ESTIMATES OF FUTURE TAP SALES

- CURRENT PI FEES ARE \$20,250/TAP; REVISION IS PENDING
- ASSUMPTION ABOUT TAP SALES:
 - SCENARIO 1: DISTRICT SELLS ABOUT 285-290 TAPS PER YEAR THROUGH 2028
 - SCENARIO 2: DISTRICT SELLS ABOUT 150 TAPS PER YEAR THROUGH 2032 AND BEYOND
 - IN BOTH SCENARIOS, ABOUT 1,100 TOTAL TOWN TAPS ADDED
 - 3 LARGEST TOWNS ASSUMED TO ACCOUNT FOR ABOUT 300 TAPS EACH THROUGH 2032

SCENARIO 1

- WITH CURRENT TAP FEES AND SURCHARGES, CAPITAL RESERVES ARE EXHAUSTED IN 2032 (ABOUT \$1.5 MILLION IN THE RED)
- INCREASING TAP FEES TO PRELIMINARY REVISED LEVEL AND MINOR INCREASE IN PI SURCHARGE RESULTS IN A POSITIVE CAPITAL RESERVE BALANCE IN 2032 (BARELY)

SCENARIO 2

- WITH CURRENT TAP FEES AND SURCHARGES, CAPITAL RESERVES ARE EXHAUSTED IN 2031 AND DEFICIT INCREASES TO ABOUT \$5.7 MILLION
- INCREASING TAP FEES TO PRELIMINARY REVISED LEVEL AND INCREASING PI SURCHARGE TO \$6.25/1,000 GALLONS RESULTS IN A POSITIVE CAPITAL RESERVE BALANCE IN 2032 (BARELY)

FUTURE TAP SALES

- AVOIDING A CAPITAL FUND DEFICIT
 - TAP FEE REVISION
 - ADJUSTING WATER ALLOCATION AND PI SURCHARGES
 - DO NOT REDUCE FUTURE WATER RATES IF WATER ACQUISITIONS ARE REDUCED (INSTEAD, CONTRIBUTE THESE FUNDS TO CAPITAL RESERVES)
- CAPITAL RESERVES ARE INCREASED IF TAP SALES EXCEED THE SCENARIOS,
 - DISTRICT SHOULD HAVE CAPACITY TO TAKE ON MORE TAPS
- KEEP THE TOWNS IN THE SYSTEM TO MAINTAIN PI REVENUES

ALLOCATION OF CAPITAL IMPROVEMENT EXPENDITURES

- ALLOCATION BETWEEN GROWTH COSTS AND EXISTING CUSTOMERS
 - WITH THE EXCEPTION OF RAW WATER, MOST MAJOR CIP EXPENDITURES ARE TO ACCOMMODATE GROWTH
- ALLOCATION BETWEEN THE DISTRICT AND TOWNS
 - TOWNS DO NOT PAY FOR RAW WATER AND PEAK HOUR STORAGE
 - REVIEWING THESE ALLOCATIONS WITH THE DISTRICT

NEXT STEPS

- FINALIZE ASSUMPTIONS REGARDING:
 - GROWTH IN TAP SALES,
 - SUCCESS OF COMMERCIAL PROGRAM
 - ALLOCATION OF SURCHARGE REVENUES
- REVISED PI FEE CALCULATION; PI SURCHARGE
- RATE AND FEE RECOMMENDATIONS
 - POTENTIAL PHASING OF RATE CHANGES
- FINAL DOCUMENT/BOARD AND STAFF APPROVAL

The background of the slide is a light gray gradient with several realistic water droplets of various sizes scattered across it. The droplets have highlights and shadows, giving them a three-dimensional appearance. The word "QUESTIONS?" is centered in the middle of the slide in a bold, black, sans-serif font.

QUESTIONS?

Cost-of-Service Water Rate and Fee Study
North Weld County Water District
Confidential Draft for Review



By

Honey Creek Resources, Inc.

September 30, 2021

May 31, 2022 (revised)

October 2, 2023 (revised)

Contents

Introduction	3
Report Organization.....	3
Water Demand and Usage	4
Customers	4
Residential Usage.....	4
Commercial Usage	4
Towns	5
Customer Usage.....	5
Future Usage Estimates	5
New Taps and Customers.....	5
Peaking Factors.....	6
Taps and Water Allocations.....	7 11
Water Allocation and Plant Investment (PI) Surcharges.....	7 11
Tap Moratorium.....	8 12
Capital Improvements and Plant Investment Fee	8 14
Plant Investment Fees.....	10 17
Costs Allocated to Growth for Purposes of Calculating PI Fee	10 17
Calculated Plant Investment Fees.....	10 17
User Charge Revenue Requirements.....	11 19
Capital Reserve Fund	12 21
Allocation of User Charge Revenue Requirements to Customer Classes	13 23
Allocation to District Functions	14 24
Allocations of Functional Costs to Base-Extra Capacity	14 24
Allocation of Base-Extra Capacity Cost to Customer Class.....	15 24
Allocated Costs	15 24
Cost-of-Service User Charge Calculations	18 25
Fees and User Charge Scenario	18 31
Cash Flow Analysis.....	16 31
Conclusions and Recommendations.....	16 31
Conclusions.....	16 31
Recommendations:.....	17 32
Appendix A Base-Extra Capacity Cost Allocations	18 33

Introduction

This water rate and fee study develops cost-of-service based user charges and a Plant Investment (PI) fee for the North Weld County Water District. The District is rapidly changing from a rural water-oriented provider to a residential and industrial type of provider. The current rate structure is a continuation of the historical rate structure, which charges all District customers the same price for each gallon of water, periodically updated. However, it doesn't cost the same to serve all customers. Customers with high seasonal demands, for instance, require more capacity than those with constant demand.

This analysis uses the base-extra capacity cost allocation method to calculate user charges. This method focuses upon capacity usage and equitably allocating "extra capacity" costs – those costs needed to serve peak demands above average demand, to those who create the demand. This method is discussed in greater detail and applied to the District's user charge revenue requirements in the Cost Allocation below.

User charges are calculated for the period 2023 through 2032. Updating this study prior to 2032 is recommended because capital costs and growth rates could change significantly over this period and because customers may reduce their usage in response to intervening rate increases.

For purposes of estimating annual operation and maintenance costs, the year 2023 is considered the baseline year for the analysis. Due to greater than average spring and summer rainfall, water usage in 2023 has been significantly reduced compared to historic level, so an average precipitation year is assumed. User charge revenue requirements, which form the basis of user charges are considered representative of current trends. Costs are allocated using the base-extra capacity method to determine baseline water rates and the relative differences between the customer classes.

Report Organization

The following describe the development and present the data used to develop the Plant Investment (PI) fee and cost-of-service based user charges

1. Water demand and usage
2. Capital improvements and Plant Investment fee
3. Capital Reserve Fund
4. User Charge Revenue Requirements
5. Cost Allocation
6. Rate Development
7. Rate Scenarios (or Recommendations, depending on Board's discretion)
8. Cash Flow Analysis

Water Demand and Usage

Customers

The District provides treated water to residents, businesses, farms, and towns in North Weld County. Water usage and demand fall into three major categories, residential, commercial, and wholesale service, with additional subcategories within the residential and commercial sectors.

Residential Usage

Residential usage consists of single-family usage of varying categories primarily based on lot size.

- Standard Full service applies to residential properties with lot sizes greater than 0.33 acres. Allocated annual use for this category is 0.70 acre-feet per unit, or 228,000 gallons, equivalent to one Colorado -Thompson unit (C-BT). This is the largest subcategory in the Residential sector but due to increasing raw water prices and trends towards smaller lot sizes, its rate of increase is dampening over time. Commercial businesses with low water usage could also be placed in this category
- Standard $\frac{3}{4}$ service applies to properties with lot sizes between 0.20 acres and 0.33 acres. Allocated annual use for this category is 171,000 gallons, equivalent to $\frac{3}{4}$ of a C-BT unit.
- Standard $\frac{1}{2}$ service applies to properties with lot sizes 0.20 acres and less. Allocated annual use for this category is 114,000 gallons, or about $\frac{1}{2}$ of a C-BT unit. The majority of new single-family construction is in this category.

There are three additional smaller categories that evolved due to special circumstances.

- Residence accounts for the Soaring Eagle development, which has its own non-potable system. Since this development is near build-out, no future growth is expected in this category.
- Conservation Blue was past program the District used to develop residential usage, allowing up-front tap fees to be rolled into user charges. This resulted in the District effectively subsidizing residential growth. This program has been terminated and usage under Conservation Blue is effectively capped at its current level.

Commercial Usage

Commercial usage is dominated by two major subcategories of usage.

- Commercial-industrial usage encompasses large commercial enterprises with allocations of 3 taps or more. These are generally large dairies with consistent high levels of daily usage and relatively low peaking factors. The number of dairies is not expected to increase significantly but usage per dairy is expected to continue to increase modestly over time as herds expand.
- Non-municipal flow control consists of a number of large dairies under flow control meters.

Two additional subcategories of commercial usage include:

- Landscape meter, which includes existing meters for HOAs. No additional growth is assumed for this category. Future customers desiring this service will be placed in the commercial-industrial category.
- Fire protection, which provides supply for fire suppression systems.

Towns

Wholesale treated water service is provided to the towns of Eaton, Severance, Ault, Pierce, Nunn, Windsor, and to Northern Colorado Water Association No. #A-2110. The towns supply their own raw water and benefit from the District's share of the Soldier Canyon Treatment Plant and from the District's transmission facilities, storage, administrative, engineering, and planning activities. Town demands are primarily residential in nature with corresponding fluctuations in seasonal usage. The District provides infrastructure capacity to meet the towns' maximum daily demands, while local storage to meet peak hourly demands is the towns' responsibilities. Currently, District water charges to the towns, on a dollar per 1,000 gallons basis, are reduced to recognize the latter's contribution of raw water and their local distribution systems. However, this reduction was based on mutual agreement and not necessarily a cost analysis. In addition, since the towns' demand are primarily residential-based, it is reasonable that costs associated with providing service should be derived through a base-extra capacity method of cost allocation. This method equitably allocates system capacity charges across customer classes and is discussed in more detail in sections below.

Customer Usage

Prior to this most recent revision to this water rate study, future usage estimates for each customer class were based on Water Master Plan estimates developed by Providence Infrastructure. These estimates were developed in the 2018-2020 time range and reflected the strong regional economy that existed at the time. It also assumed the District could add taps at a rate to meet all future demands and sustain this growth. As a result, the demand estimate was unconstrained by how rapidly capacity could be added.

Regional growth appears to remain strong but the District, as well as other water providers in the area, have been challenged to install and expand infrastructure fast enough to sustain this 2018-2020 rate of system growth. As a result, North Weld imposed a temporary moratorium in capacity-constrained areas to relieve these growth pressures until financing, agreements, permitting, and construction could be reasonably sequenced. The number of new taps per year dropped significantly in 2022, but major new infrastructure projects are funded and moving forward, so the number of new taps per year could begin to return to pre-moratorium levels within the 2023-2032 planning horizon. Regardless, increases in future taps and water usage are dependent upon both the regional economy and the number and timing of taps the District can develop.

Future Usage Estimates

New Taps and Customers

In light of the uncertainty regarding the number and pace of new taps, North Weld staff has developed two growth scenarios for the period 2023 through 2032.

1. Scenario 1 assumes District growth continues at the average annual pace experienced over the 9-year period 2013-2021, implying that approximately 285 to 290 taps are added each year. This pace is assumed to continue through 2028, or until the currently foreseeable developments and planned developments are completed. After this, the pace of growth is significantly reduced.
2. Scenario 2 assumes a slower pace more closely matching the last few years, or approximately 150 District taps per year.

In both scenarios, it is assumed that a total of 1,100 taps are sold to the Town over the 2023-2032 time period. Severance, Eaton, and Windsor are assumed to account for 900 of these taps (300 each), with the remainder being accounted for by the remaining towns in the system.

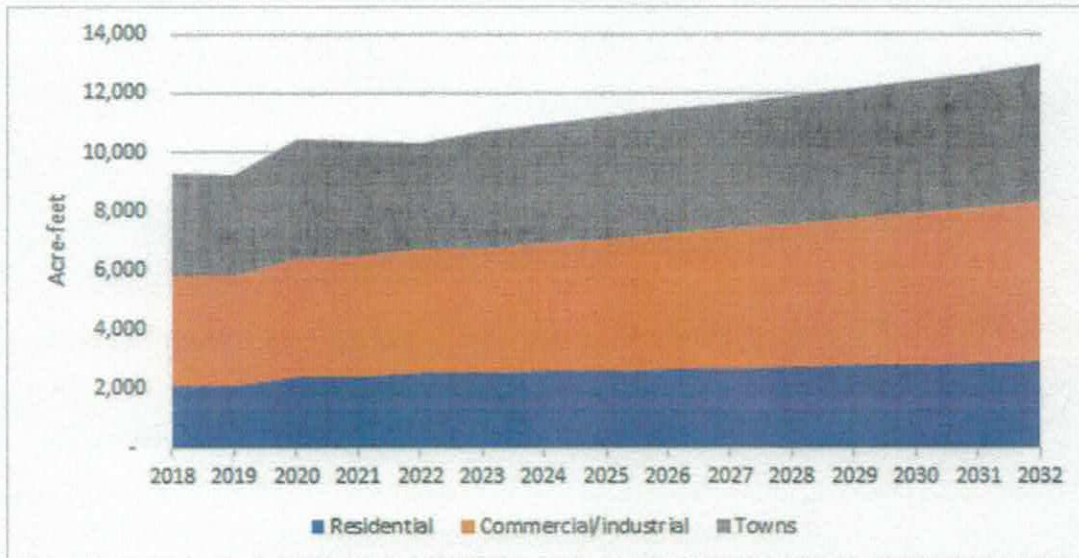
Table 1, New Taps Per Year, summarizes the number of new taps coming into the District's system, 2018 through 2022, and estimates the number of new taps for the District and Towns, per year, from 2023 through 2032. These assumptions match Scenario 2, above.

Table 2 shows the number of customer meters currently in the system, excluding Towns, and how many are anticipated in the future, based on the number of estimated new taps. These estimates are multiplied by average usage per customer to determine overall usage by customer class.

Table 3 shows historic billed water usage by customer class and Town, through 2022. For District customers, usage from 2023 through 2032 is estimated by multiplying the number of customers in each class (Table 2) by its estimated water use, shown in the second column of Table 3. Usage per customer for years 2023 through 2032 is assumed to be equal to their 5-year, 2018-2022 usage level. For towns, it is assumed that each new tap (Table 1) is accompanied by the usage represented by a full tap, or 0.70 acre-feet.

Figure 1 graphically summarizes historic and estimated future usage by major customer class.

Figure 1. Historic and Estimated Future Water Usage (acre-feet)



Peaking Factors

Water system facilities are built to meet peak daily and peak hourly demands. Peaking factors characterize customers' usage characteristics. For District customers, peaking factors are based on historical demand and shown and shown in Table 4. A peak day, or max day, factor of 2.6, for instance, indicates that maximum day water demand, which occurs during the summer irrigation season, is 2.6

Table 1. New Taps Per Year

	Assumed rate of annual growth	Change in number of taps (actual)				Estimated new taps									
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Residential															
Standard Full	1.00%	39	35	45	39	15	15	15	15	16	16	16	16	16	16
Standard 3/4	1.00%	4	5	61	36	20	20	20	21	21	21	21	21	22	22
Standard 1/2	1.00%	69	65	284	123	110	111	112	113	114	116	117	118	119	120
Residence	0.10%	1	1	2	4	1	1	1	1	1	1	1	1	1	1
Conservation Blue	0.00%	271	289	120	30	-	-	-	-	-	-	-	-	-	-
Billable	0.00%	2	0	0	0	-	-	-	-	-	-	-	-	-	-
						146	147	149	150	152	153	155	156	158	160
Commercial-Industrial															
Commercial-industrial	1.00%	-2	-7	-3	-2	1	1	1	1	1	1	1	1	1	1
Non-municipal flow control	3.00%	-1	0	1	2	1	1	1	1	1	1	1	1	1	1
Landscape	10.00%	0	0	-1	0	-	-	-	-	-	-	-	-	-	-
Fire meters	0.10%	2	2	0	0	-	-	-	-	-	-	-	-	-	-
						2	2	2	2	2	2	2	2	2	2
Towns															
Windsor	Assumed					30	30	30	30	30	30	30	30	30	30
Eaton	Assumed					30	30	30	30	30	30	30	30	30	30
Severance	Assumed					30	30	30	30	30	30	30	30	30	30
Ault	1.00%					10	10	10	10	10	11	11	11	11	11
Pierce	1.00%					5	5	5	5	5	5	5	5	5	5
North County	1.00%					3	3	3	3	3	3	3	3	3	3
Nunn	1.00%					2	2	2	2	2	2	2	2	2	2
						110	110	110	111	111	111	111	111	112	112
Total new taps						256	258	259	261	263	264	266	268	270	271

7

Table 2. Number of Meters and Customers

	<i>Actual</i>						<i>Estimated</i>								
	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>2027</i>	<i>2028</i>	<i>2029</i>	<i>2030</i>	<i>2031</i>	<i>2032</i>
Residential															
Standard Full	3,201	3,240	3,275	3,320	3,359	3,374	3,389	3,404	3,420	3,436	3,451	3,467	3,483	3,500	3,516
Standard 3/4	16	20	25	86	122	142	162	183	203	224	245	266	288	309	331
Standard 1/2	206	275	340	624	747	857	968	1,080	1,194	1,308	1,424	1,540	1,658	1,778	1,898
Residence	164	165	166	167	171	172	173	174	175	176	177	178	179	180	181
Conservation Blue	729	1,000	1,289	1,409	1,439	1,439	1,439	1,439	1,439	1,439	1,439	1,439	1,439	1,439	1,439
Billable	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Subtotal	4,316	4,702	5,097	5,608	5,840	5,986	6,133	6,282	6,433	6,585	6,738	6,893	7,049	7,207	7,367
Implied new taps		386	395	511	232	146	147	149	150	152	153	155	156	158	160
Commercial-Industrial															
Commercial-industrial	203	201	194	191	189	190	191	192	193	194	195	196	197	198	199
Non-municipal flow control	5	4	4	5	7	8	9	10	11	12	13	15	16	17	18
Landscape	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0
Fire meters	11	13	15	15	15	15	15	15	15	15	15	15	15	15	15

8

Table 3
Estimate of Billed Water Usage, 2023-2032

	Annual usage per customer (1,000 gal)	2018 actual	2019 actual	2020 actual	2021 actual	2022 actual	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
		Standard Full	177.3	583,977	549,831	608,575	581,593	582,020	598,151	600,836	603,549	606,289	609,056	611,851	614,674	617,525
Standard 3/4	123.9	2,204	2,423	3,407	8,668	15,160	17,589	20,091	22,618	25,171	27,748	30,352	32,982	35,638	38,321	41,030
Standard 1/2	67.4	12,385	16,026	22,912	42,367	62,117	57,728	65,212	72,771	80,405	88,115	95,903	103,769	111,713	119,736	127,840
Residence	86.8	14,046	13,271	13,744	15,433	15,844	14,936	15,023	15,110	15,197	15,284	15,372	15,459	15,546	15,634	15,722
Conservation Blue	95.2	68,308	88,504	127,767	135,422	141,875	137,002	137,002	137,002	137,002	137,002	137,002	137,002	137,002	137,002	137,002
Billable	160.0	2	2	-	2	10	-	-	-	-	-	-	-	-	-	-
Subtotal		680,922	670,057	776,405	783,485	817,026	825,406	838,164	851,050	864,063	877,206	890,480	903,885	917,424	931,097	944,906
Commercial-industrial																
Commercial-industrial	5,717	1,075,014	1,075,986	1,145,243	1,166,963	1,121,241	1,086,297	1,092,072	1,097,904	1,103,794	1,109,744	1,115,753	1,121,822	1,127,952	1,134,143	1,140,396
Non-municipal flow control	31,899	136,279	131,772	136,107	143,689	255,712	255,190	288,046	321,887	356,743	392,646	429,625	467,714	506,945	547,354	588,974
Landscape		-	-	21,016	-	-	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000
Fire meters		1,800	7,651	488	215	258	640	640	640	640	640	640	640	640	640	640
Subtotal		1,213,093	1,215,409	1,302,854	1,310,867	1,377,211	1,369,127	1,407,757	1,447,431	1,488,178	1,530,030	1,573,018	1,617,176	1,662,537	1,709,136	1,757,010
Towns																
Windsor		449,458	496,125	598,312	560,127	428,750	550,000	556,844	563,688	570,532	577,376	584,220	591,063	597,907	604,751	611,595
Eaton		284,460	273,225	294,711	285,496	299,248	300,000	306,844	313,688	320,532	327,376	334,220	341,063	347,907	354,751	361,595
Severance		215,037	163,028	216,243	227,812	132,016	214,300	221,144	227,988	234,832	241,676	248,520	255,363	262,207	269,051	275,895
Ault		80,788	85,309	103,013	101,630	103,825	108,100	110,404	112,731	115,082	117,456	119,853	122,275	124,721	127,191	129,686
Pierce		47,270	44,814	50,243	48,222	43,259	55,600	56,752	57,916	59,091	60,278	61,477	62,687	63,910	65,146	66,393
North County		37,171	34,852	41,835	38,826	42,740	46,900	47,591	48,289	48,995	49,707	50,426	51,152	51,886	52,627	53,376
Nunn		18,204	18,481	22,193	21,823	19,057	19,600	20,061	20,526	20,996	21,471	21,951	22,435	22,924	23,418	23,917
Subtotal		1,132,388	1,115,834	1,326,550	1,283,936	1,068,895	1,294,500	1,319,640	1,344,826	1,370,058	1,395,338	1,420,665	1,446,040	1,471,464	1,496,936	1,522,458
Total w/o Towns		1,894,015	1,885,466	2,079,259	2,094,352	2,194,237	2,194,532	2,245,921	2,298,480	2,352,241	2,407,236	2,463,497	2,521,061	2,579,961	2,640,233	2,701,916
Total w/ Towns		3,026,403	3,001,300	3,405,809	3,378,288	3,263,132	3,489,032	3,565,561	3,643,306	3,722,299	3,802,574	3,884,163	3,967,101	4,051,424	4,137,169	4,224,374

6

Table 4
Peaking Factors by Customer Class

<u>Customer class</u>	<u>Max Day</u>	<u>Max Hour</u>
Commercial-Industrial	1.30	1.75
Non-municipal Flow Control	1.30	1.75
Conservation Blue	2.60	4.00
Residence	2.60	4.00
Standard-1/2	2.60	4.00
Standard-3/4	2.60	4.00
Standard-Full	2.60	4.00
Towns		
Town of Windsor	2.00	2.00
Town of Eaton	2.40	2.40
Town of Severance	2.20	2.20
Town of Ault	2.50	2.50
Town of Pierce	2.00	2.00
N. Colo Water Assoc #A-2110	2.40	2.40
Town of Nunn	2.40	2.40
Landscape	2.60	4.00
Billable	2.60	4.00
Fire Protection	1.55	1.82
Non-Potable		
Unset meters		

times that of average day demand. A maximum hourly peaking factor indicates that the maximum hourly demand is 4 times that of average daily demand. The contrast between residential and commercial-industrial peaking factors is significant. Also, it should be noted that, by agreement, the District doesn't provide max hourly demand to the towns. As a result, their max hourly demands are assumed equal to their max daily demand.

From a practical perspective, the above discussion provides rationale for the District's residential water volume charges to be measurably higher than those for commercial and industrial customers. Water charges to towns would be expected to lie somewhere in between because they are supplied water to meet peak day demand but not peak hour.

Taps and Water Allocations

The District uses the concept of taps to measure capacity and allocation. This is equivalent to the use of a meter-equivalent capacity unit used for urban water utilities. For the District, a water tap is set equal to 0.70 acre-feet, which is also equivalent to the average annual yield of one unit of Colorado-Big Thompson (C-BT) water supply. Each customer has an associated tap equivalent. For instance, a single-family residence may be assigned one full tap, $\frac{3}{4}$ of a tap, or $\frac{1}{2}$ of tap, meaning that the customer is entitled to a respective 0.70 acre-feet, 0.53, or 0.35 acre-feet of water supply without a penalty surcharge. Commercial and industrial customers are assigned taps based on their individual anticipated usage.

Water Allocation and Plant Investment (PI) Surcharges

A substantial number of customers chronically exceed their allocations. These are mostly dairy operations which have grown significantly over time but haven't purchased additional allocations to match their increased demands on the system. As a result, the District has developed surcharges for customers exceeding their allocations. The surcharge was historically \$2.00 per 1,000 gallons when the water allocation is exceeded and approximately \$3.95 per 1,000 gallons when the PI allocation is exceeded.

When developed, the Water Allocation surcharge of \$2.00 per 1,000 gallons was likely based on the cost of raw water. However, with the current cost of a C-BT unit exceeding \$65,000, a cost-based surcharge would translate to a level of about \$18.50 per 1,000 gallons. Though cost-based, raising the surcharge to this level was considered untenable by the District Board and staff. As a result, the Water Allocation surcharge was increased to \$6.00 per 1,000 gallons in the February, 2022 Board meeting, with the possibility of raising it further if customers continue to chronically exceed their allocations.

Also, during drought conditions, when the District declares either a Stage 1, 2, or 3 situation, the District may establish a lease pool of water to shore-up supplies. This lease pool would be used to satisfy demand of those chronically over-allocated who would otherwise have water unavailable during a drought year. The lease pool is anticipated to work on a cost-based basis when operational. This will add uncertainty to the level of Water Allocation surcharge revenues because in drought years, the volume of leased water will affect the volume of water subject to surcharge.

This increase in the Water Allocation surcharge has implications for the rate study. Surcharges, in general, are a significant component of the District's overall revenue. A three-fold increase in the Water Allocation surcharge could temporarily increase surcharge revenue before the price effects encourage customers to either buy more taps, reduce usage, or find another water source. This analysis assumes

that surcharge revenues have increased in 2023 over their previous historical levels, but will dampen over time as customers and their allocations eventually align. Regardless, it is certain that Water Allocation revenues will decline over time, but their levels over the next several years are uncertain.

Estimating future surcharge revenue involves multiplying the surcharge rates times excess usage. Excess usage estimates, in terms of 1,000 gallons subject to surcharges, for the year 2020 is shown in Table 5. The 2020 value was estimates from billing data. The anticipated 2023 value is carried through 2030 with the rationale that commercial-industrial usage may increase over time, but the District will take measures to cap excess usage at current levels.

Tap Moratorium

In late 2021, the District imposed a moratorium on new water taps due to infrastructure constraints and delays getting the NEWT III pipeline project permitted through Fort Collins and Larimer County. In February, 2022, the District Board lifted a portion the moratorium on several zones within the system, primarily on its west side (<https://nwcwd.org/news/resolution-20220214-01-and-moratorium-update/>). However, the Board limited new taps to 120 per year until the moratorium is fully lifted. In addition, after that point, there remains concerns about how many new taps the District's infrastructure can accommodate on an annual basis.

For purposes of this analysis, the number of new taps per year for the years 2023 through 2032 were shown in Table 1. Tap fee revenues are based on these levels of new taps.

- Future values of billing adjustments (+ and -), meter usage, meter rental, rental repair, and non-potable water reimbursements are based on escalating current values at a 3 percent annual inflation rate.
- Non-operating income includes interest, leases, farm income, and other minor sources. These sources are assumed to increase with inflation.

The bottom line of Table 11 summarizes estimated user charge revenue requirements.

Capital Reserve Fund

The Capital Reserve fund is not a specific fund, per se, but an accounting format to track capital revenues and capital expenditures. A major benefit of its use is demonstration that growth-related fees such as PI fees, Water Allocation fees, and Distance fees are indeed being used for new capital assets and not being comingled with user charge revenues and O&M expenditures. However, since growth revenues are volatile and capital expenditures can vary significantly from year to year, funds can be transferred back and forth between the Capital Reserve fund and the Operating fund as needed.

The Capital Reserve fund is shown through year 2032 in Table 12. The top portion of the table summarizes the rate of inflation, or cost escalation, used for some of the cost and revenue components. Also summarized are the underlying PI fees used to calculate PI revenues.

Sources of Capital Reserve funds include:

- Beginning year balance, or previous year's carryover. The initial assumption is that the District has \$10 million in current capital reserves.
- Transfers in from the Operating Fund. This amount is equal to the Capital Expenditure component of revenue requirements and show how much the ratepayers are contributing to capital assets.
- Plant investment fees from new District customers and new Town customers, based on the PI fees shown at the top of the table.
- Distance fees, based on the current fee of \$300 per mile for a full tap and a minimum distance of 5 miles, multiplied by new taps. It is assumed to increase over time with inflation. This fee is subject to change by the Board of Directors.
- Water Allocation fees. Current policy is that new customers will "bring their own water", with the District financing very little water for new growth. However, it may be possible that individual parcels outside of major developments may be allowed to pay a water allocation fee rather than supply water. These revenues are assumed to increase with inflation over time.
- Bond proceeds. The District issued \$34.6 million in debt (net) to fund NEWT3 and Tanks 1c and accelerate projects. Debt service associated with the bond(s) is shown in the Revenue Requirements (Table 11).
- Interest earnings. Positive balances in the capital reserve fund earn interest, although the rate of return is limited by arbitrage regulation.

Uses of Capital Reserve funds include:

Table 12
Capital Reserve Account Activity

Assumptions											
Inflation	3.00%		Increase in PI fee rate			3.0%					
Plant investment fee District	\$ 17,650	\$ 20,250	\$ 22,650	\$ 23,330	\$ 24,029	\$ 24,750	\$ 25,493	\$ 26,258	\$ 27,045	\$ 27,857	\$ 28,692
Plant investment fee, Towns	\$ 17,650	\$ 15,188	\$ 16,988	\$ 17,497	\$ 18,022	\$ 18,563	\$ 19,120	\$ 19,693	\$ 20,284	\$ 20,892	\$ 21,519
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Sources of funds											
Beginning year balance	\$ 10,000,000	\$ 38,348,283	\$ 24,405,088	\$ 15,288,483	\$ 6,058,558	\$ 6,071,372	\$ 10,366,681	\$ 9,514,176	\$ 6,738,417	\$ 3,725,461	\$ (1,130,254)
Transfer in from Operating Fund	\$ 11,949,702	\$ 15,108,988	\$ 10,741,089	\$ 10,746,648	\$ 11,947,079	\$ 10,757,498	\$ 10,762,681	\$ 10,762,743	\$ 10,768,148	\$ 11,553,662	\$ 12,479,586
Plant investment fees, District	\$ 3,000,000	\$ 2,997,000	\$ 3,385,971	\$ 3,522,696	\$ 3,664,954	\$ 3,812,969	\$ 3,966,975	\$ 4,127,216	\$ 4,293,943	\$ 4,467,422	\$ 4,647,926
Plant investment fees, Towns	\$ -	\$ 1,670,625	\$ 1,872,023	\$ 1,931,718	\$ 1,993,346	\$ 2,056,971	\$ 2,122,660	\$ 2,190,479	\$ 2,260,500	\$ 2,332,795	\$ 2,407,439
Less adjustment for Windsor PI (400 gpm)											
Water Allocation Surcharge, credited to Revenue Requir	\$ 3,996,000	\$ 3,596,400	\$ 3,196,800	\$ 2,797,200	\$ 2,397,600	\$ 1,998,000	\$ 1,598,400	\$ 1,198,800	\$ 799,200	\$ 799,200	\$ 799,200
Plant Investment Surcharge, credited to Revenue Requir	\$ 2,499,955	\$ 2,249,960	\$ 3,164,500	\$ 2,852,006	\$ 2,517,914	\$ 2,161,209	\$ 1,780,836	\$ 1,375,696	\$ 944,645	\$ 972,984	\$ 1,002,173
Distance fee	\$ 24,000	\$ 24,000	\$ 24,227	\$ 24,455	\$ 24,686	\$ 24,920	\$ 25,155	\$ 25,393	\$ 25,634	\$ 25,876	\$ 26,121
Water allocation fees	\$ 600,000	\$ 618,000	\$ 636,540	\$ 655,636	\$ 675,305	\$ 695,564	\$ 716,431	\$ 737,924	\$ 760,062	\$ 782,864	\$ 806,350
Bond proceeds	\$ 34,600,000		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earning											
Subtotal sources	\$ 66,669,657	\$ 64,613,256	\$ 47,426,237	\$ 37,818,842	\$ 29,279,441	\$ 27,578,504	\$ 31,339,820	\$ 29,932,427	\$ 26,590,549	\$ 24,660,264	\$ 21,038,541
Uses of funds											
Transfer to operating fund		\$ 4,590,000									
Capital improvements, not inc. water purchases	\$ 15,835,108	\$ 18,567,700	\$ 18,540,515	\$ 18,518,430	\$ 10,337,623	\$ 6,714,204	\$ 12,718,024	\$ 15,493,998	\$ 16,580,403	\$ 19,491,662	\$ 21,388,523
1 Transfer of water surcharge revenues to operating fund	\$ 1,998,000	\$ 1,798,200	\$ 1,598,400	\$ 1,398,600	\$ 1,198,800	\$ 999,000	\$ 799,200	\$ 599,400	\$ 399,600	\$ 399,600	\$ 399,600
1 Transfer of PI surcharge revenues to operating fund	\$ 1,249,978	\$ 1,124,980	\$ 1,582,250	\$ 1,426,003	\$ 1,258,957	\$ 1,080,605	\$ 890,418	\$ 687,848	\$ 472,322	\$ 486,492	\$ 501,087
Water purchases	\$ 6,000,000	\$ 9,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 4,000,000	\$ 3,000,000	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Debt service, existing debt	\$ 3,238,288	\$ 3,294,288	\$ 1,705,175	\$ 1,705,838	\$ 1,701,275	\$ 1,706,600	\$ 1,706,588	\$ 1,701,350	\$ 1,701,350	\$ 1,701,350	\$ 1,701,350
Debt service, new issues	\$ -	\$ 1,833,000	\$ 2,711,414	\$ 2,711,414	\$ 2,711,414	\$ 2,711,414	\$ 2,711,414	\$ 2,711,414	\$ 2,711,414	\$ 2,711,414	\$ 2,711,414
Subtotal uses	\$ 28,321,374	\$ 40,208,168	\$ 32,137,754	\$ 31,760,284	\$ 23,208,069	\$ 17,211,823	\$ 21,825,644	\$ 23,194,009	\$ 22,865,089	\$ 25,790,518	\$ 27,701,974
Net position											
Sources - Uses	\$ 38,348,283	\$ 24,405,088	\$ 15,288,483	\$ 6,058,558	\$ 6,071,372	\$ 10,366,681	\$ 9,514,176	\$ 6,738,417	\$ 3,725,461	\$ (1,130,254)	\$ (6,663,433)
Additional transfer in from Operating fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
End of year balance	\$ 38,348,283	\$ 24,405,088	\$ 15,288,483	\$ 6,058,558	\$ 6,071,372	\$ 10,366,681	\$ 9,514,176	\$ 6,738,417	\$ 3,725,461	\$ (1,130,254)	\$ (6,663,433)

22

Table 5
Estimated Usage in Excess of User Allocations, Subject to Surcharge (1,000 gallons)

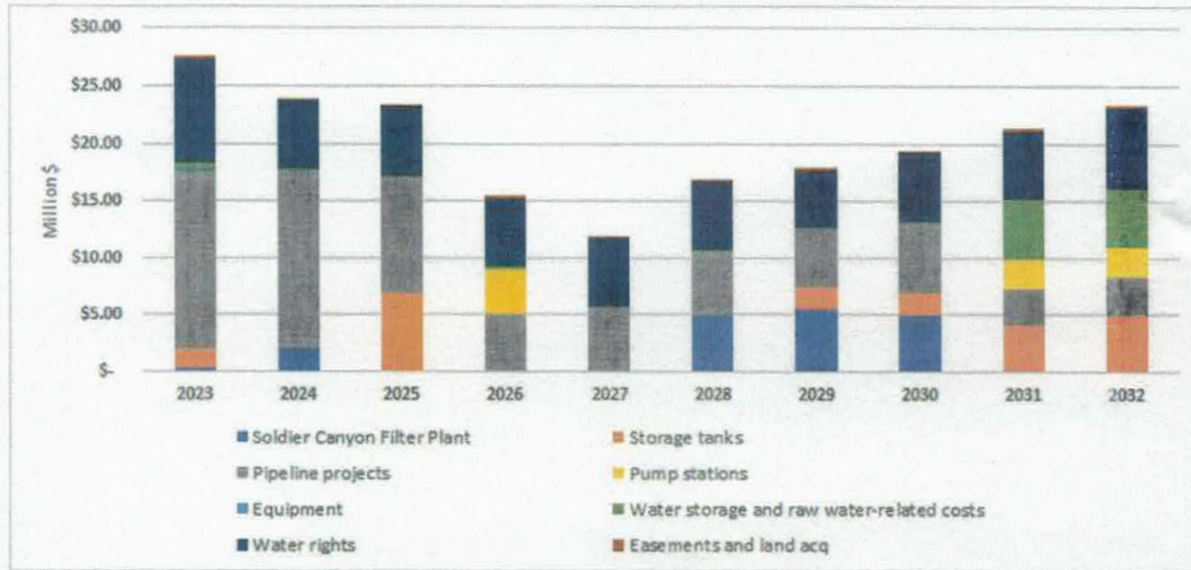
	2023-2030 estimates are based on the following proportion of 2022 estimate:												
	2020	2021	2022	0.90	0.80	0.70	0.60	0.50	0.40	0.30	0.20	0.20	0.20
Estimated usage in excess of Water Allocation, total (1,000 gallons)	666,466	666,000	666,000	599,400	532,800	466,200	399,600	333,000	266,400	199,800	133,200	133,200	133,200
<i>Acre-feet</i>	2,045	2,044	2,044	1,839	1,635	1,431	1,226	1,022	817	613	409	409	409
Estimated usage in excess of PI allocation, total (1,000 gallons)	632,900	632,900	632,900	569,610	506,320	443,030	379,740	316,450	253,160	189,870	126,580	126,580	126,580
<i>Acre-feet</i>	632,900	1,942	1,942	1,748	1,554	1,359	1,165	971	777	583	388	388	388

13

Capital Improvements and Plant Investment Fee

Expenditures for major capital improvements, by type of expenditure, are summarized in Figure 1. They vary by year, but average about \$20 million per year over 10 years (in 2023 dollars) and about \$14 million per year if water expenditures are not considered. Estimates for non-water projects have increased by approximately \$35 million since the previous draft of this rate analysis, due to both cost escalation and an accelerated CIP schedule.

Figure 2. Estimated future capital improvements, in 2023 dollars



These capital costs can be further categorized:

1. Expenditures allocated to new growth and benefitting new customers. These are sometimes called expansion costs. Throughout the Front Range, new customers are typically expected to cover these costs through development impact fees, or PI fees.
2. Expenditures allocated to upgrading the existing system and benefitting current customers. These are sometimes called upgrade or existing customer costs. Existing customers repay these costs through user charges.

Table 6 shows how these expenditures are allocated between new and existing customers. It shows how the capital costs are allocated between the new District customers and the new customers in the towns served by the District. In general, infrastructure projects are shared equally by the District and towns, with the exception of most storage tanks because the towns are expected to provide their peak hour storage. Storage tank 1c will provide peak day as well as peak hour storage and its cost is shared equally by all. In addition, the towns are expected to provide their own water supply, so any raw water acquisition costs would be exclusively borne by District customers.

The proportions shown in Table 6 are applied to Tables 7, 8, and 9, which show:

Table 6. Allocation Proportions for Capital Improvements

	Proportion of expenditures			Proportion of expenditures	
	New customers through Plant Investment fees	Existing customers through monthly rates	Other dedication?	Proportion of project shared by all (District and Town)	Proportion of project paid by District customers only
Soldier Canyon Treatment Plant					
SCWTP Upgrade to 65 mgd and to 72 MGD	100%	0%		100%	
Pleasant Valley Pipeline, sedimentation basin	0%	100%		100%	
Storage tanks					
TANK 1C - Newt - Bond	100%	0%		100%	
TANK 4 new	100%	0%			100%
TANK 5 new	100%	0%			100%
TANK 5B - rehab	100%	0%			100%
TANK 6 new	100%	0%			100%
TANK 6B	100%	0%			100%
TANK 7 - new	100%	0%			100%
TANK 7 rehab	100%	0%			100%
Pump stations					
PS1 I25_HWY14	70%	30%		100%	
PS9 NUNN 90_29	70%	30%		100%	
Equipment					
	0%	100%		100%	
Transmission and distribution system					
Engineering	100%			100%	
Master Plan, Distribution System	100%			100%	
Waterlines - Pipelines and Meters (line extensions, misc. small non-specific jobs)	70%	30%		100%	
Zone 6 delivery	100%	0%			100%
Eaton pipeline	100%	0%		100%	0%
NEWT III - NW Only - pre construction	100%			100%	
NEWT III - NW Only - Construction	100%			100%	
Interconnect to Greeley 60 inch	100%	0%		100%	0%
Weld County Road 42 Inch 2 mile - Tank 1	100%	0%		100%	0%
Meter Upgrades - flow control devices		100%			100%
Security AWIA and Generators		100%		100%	
Generator Power SummitView and Pump Sta 1		100%		100%	
Water rights, raw water exp., storage					
Diversion from Larimer No. 2 Canal =	50%	50%		100%	
Overland Trail Pump Station (#3) =	50%	50%		100%	
North of the Poudre reservoir acquisition	50%	50%		100%	
Loveland Ready Mix	50%	50%			100%
Water Rights Acquisitions and Pumping (allocated cost of Tri-District, not North Weld)	0%	100%			100%
Water Rights Purchase (by District separate from WR)	0%	100%			100%
Water Rights (Legal, engr., infrastruc. Engr., Planning, permitting, compliance)	50%	50%			100%
New Acquisitions	50%	50%			100%
Legal	50%	50%			100%
Engineering	50%	50%			100%
General and Objections (TD)	50%	50%			100%
Legal	50%	50%			100%
Engineering	50%	50%			100%
WSSC Structures	50%	50%			100%
Storage	100%	0%		100%	
Easements and acquisition					
	70%	30%		100%	
Office equipment					
	0%	100%		100%	

Table 7. Capital Improvements Recoverable Through Rates (shown in 2023 dollars; escalated at 3% per year for Revenue Requirements)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Soldier Canyon Treatment Plant	\$ 0.31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storage tanks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump stations	\$ -	\$ -	\$ -	\$ 1.20	\$ -	\$ -	\$ -	\$ -	\$ 0.78	\$ 0.78
Equipment	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03
Transmission and distribution	\$ 0.59	\$ 0.24	\$ 0.25	\$ 0.25	\$ 0.26	\$ 0.26	\$ 0.27	\$ 0.28	\$ 0.28	\$ 0.29
Water, other than raw water acq.	\$ 0.46	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 2.70	\$ 2.70
Raw water acquisition	\$ 9.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 5.00	\$ 6.00	\$ 6.00	\$ 7.00
Easements and acquisitions	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
Office equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 10.44	\$ 6.52	\$ 6.53	\$ 7.73	\$ 6.54	\$ 6.54	\$ 5.55	\$ 6.56	\$ 9.84	\$ 10.85
Cumulative	\$ 10.44	\$ 16.96	\$ 23.49	\$ 31.22	\$ 37.76	\$ 44.31	\$ 49.86	\$ 56.41	\$ 66.26	\$ 77.10

Table 8. Capital Improvements Recoverable Through Plant Investment Fees, shared equally by District and Town Customers (2023 dollars)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Soldier Canyon Treatment Plant	\$ -	\$ 2.00	\$ -	\$ -	\$ -	\$ 5.00	\$ 5.50	\$ 5.00	\$ -	\$ -
Storage tanks	\$ -	\$ -	\$ 7.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump stations	\$ -	\$ -	\$ -	\$ 2.80	\$ -	\$ -	\$ -	\$ -	\$ 1.82	\$ 1.82
Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transmission and distribution	\$ 15.15	\$ 13.35	\$ 7.80	\$ 2.80	\$ 3.30	\$ 3.30	\$ 2.80	\$ 3.80	\$ 3.10	\$ 3.10
Water, other than raw water acq.	\$ 0.26	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2.50	\$ 2.50
Raw water acquisition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Easements and acquisitions	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13
Office equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 15.53	\$ 15.48	\$ 14.93	\$ 5.73	\$ 3.43	\$ 8.43	\$ 8.43	\$ 8.93	\$ 7.55	\$ 7.55
Cumulative	\$ 15.53	\$ 31.01	\$ 45.93	\$ 51.66	\$ 55.09	\$ 63.51	\$ 71.94	\$ 80.86	\$ 88.41	\$ 95.96

Table 9. Capital Improvements Recoverable Through Plant Investment Fees From District Customers Only (Towns receive no benefit) (2023 dollars)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Soldier Canyon Treatment Plant	\$ 0.59	\$ 0.24	\$ 0.25	\$ 0.25	\$ 0.26	\$ 0.26	\$ 0.27	\$ 0.28	\$ 0.28	\$ 0.29
Storage tanks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pump stations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment	\$ 9.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 5.00	\$ 6.00	\$ 6.00	\$ 7.00
Transmission and distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water, other than raw water acq.	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.00)	\$ (0.00)
Raw water acquisition	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Easements and acquisitions	\$ -	\$ -	\$ -	\$ 0.00	\$ -	\$ -	\$ -	\$ -	\$ 0.00	\$ 0.00
Office equipment	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total	\$ 9.59	\$ 6.24	\$ 6.25	\$ 6.25	\$ 6.26	\$ 6.26	\$ 5.27	\$ 6.28	\$ 6.28	\$ 7.29
Cumulative	\$ 9.59	\$ 15.83	\$ 22.08	\$ 28.34	\$ 34.60	\$ 40.86	\$ 46.13	\$ 52.41	\$ 58.69	\$ 65.98

- Capital costs allocated to all new customers to be recovered through tap fees, Table 7. Cost escalation, or inflation, or 3 percent per year is added to these costs when they considered in the Revenue Requirements;
- Additional capital costs added to the paid only by new District customers only (primarily tanks and raw water), also through tap fees, Table 8;
- Capital costs to be recovered from current customers, Table 9.

Plant Investment Fees

For this 10-1-23 revision, new estimates for PI fees are still preliminary. Revised levels of calculated fees will be included in the Final Water Rate Report (Revised). Table 10 is left blank.

Current fee levels are \$20,250 for District customers and \$15,100 for town wholesale customers.

Plant investment fees, or tap fees, are the result of dividing the total cost of capital improvements benefitting new customers by the number of new taps.

Costs Allocated to Growth for Purposes of Calculating PI Fee

As shown in Table 5, total CIP expenditures allocated to growth are estimated to be \$91.1 million through 2031. This figure includes anticipated inflation of 3 percent per year.

For purposes of calculating a current PI fee, cost escalation of capital costs over time due to inflation may or may not be considered. Most often it is not considered for purposes of setting a current fee but the fee itself should be adjusted over time for inflation. Table _ below shows capital costs allocated to new customers for the period 2023-2032, in 2023 dollars. These costs are shown on an annual basis and a cumulative basis. Since inflation is not considered in the costs in Table _, they will be lower than the totals shown in Table _.

It should be noted that the growth costs are also adjusted to recognize that the NEWT3 Pipeline, Tank 1c, and Solider Canyon Treatment Plant expansion will have available capacity beyond 2032. To avoid placing all the costs of these two expensive assets exclusively on the shoulders of new customers joining the system between 2023 and 2032, their costs have been amortized over 30 years (at 3 percent interest) and only the portion of the amortized costs occurring during the 2023-2032 period are included in the cost to be recovered from PI fees.

Calculated Plant Investment Fees

Table 10 (to be included in the Final Report) calculates the PI fee under two scenarios

1. Assumes the town customers and District customers pay differing PI fees based on cost allocation of specific assets. This mostly involves storage tanks expenditures from costs allocated to the towns and having the District exclusively pay for those.
2. All customers, District and town alike, pay the same PI fee.

It should be again noted that the fee calculations are based on 2023 dollars and should be adjusted annual with cost inflation.

Table 10
Plant Investment Fee Calculations

PI fee based on 2020-2031 new taps and growth, District and Towns calculated separately

Portion of growth costs all customers, District and Town, share equally:

Adjusted growth-related expenditures (Table 8) new taps district and towns

Total new taps (Table 9)

Calculated PI _____
#DIV/0!

Portion of growth costs only District customers benefit from:

Growth-related expenditures (Table 8) New taps just for District

Total new taps (Table 9)

Incremental addition to PI for District customers only _____
#DIV/0! Additional fee for District customers

Calculated PI fee for Towns

Calculated PI fee for District customers

19 **PI fee based on 2020-2031 new taps and growth, all taps are treated equally**

Total new taps new taps district and town

Calculated PI fee

PI fee if all customers are treated equally _____
#DIV/0!

Currently, all customers pay a \$20,250 PI fee.

User Charge Revenue Requirements

User charge revenue requirements determine how much revenue is required from user charges, or rates, after all other revenue sources and expenditures are considered. Specifically, it's what is left over after non-rate sources of revenue are subtracted from all operation, maintenance, and capital expenditures. It should be noted that capital-related revenue sources, including PI fees, Water Allocation fees, Distance fees, and bond proceeds are considered in the capital reserve account and not components of the revenue requirements.

Components of user charge revenue requirements are shown in Table 11, which includes budgeted values for 2023 and estimated values for 2024 through 2032. Expenditures include:

- Operation and Maintenance (O&M) expenditures for years 2023 and beyond are based on estimated 2023 expenditures escalated over time at 3.0 percent.
- Administrative Expenses for years 2023 and beyond are also based on estimated 2023 expenditures escalated over time at 3.0 percent.
- Capital expenditures allocated to the existing system show the proportion of current and future capital expenditures expected to be reimbursed by current customers, also shown in Table 7, but escalated at a 3 percent rate of cost inflation. The remainder of capital expenditures that were shown in Tables 8 and 9 are intended to provide service for future customers and are reimbursed through PI and Distance fees. It should also be noted there are substantial capital expenditures for water supply within this category, intended to shore-up supplies and drought reserves for existing customers.
- Debt service on existing debt is assumed to be recovered from rates. This includes the most recent debt issuance in late 2022.
- Debt service on new debt is also assumed to be recovered through rates on the basis that revenue bond covenants may effectively require it. To the degree that this new debt finances new facilities for new customers, some reimbursement to ratepayers from the capital account should be considered in the future.
- As previously indicated, there is \$6 million per year allocated for future water purchases through 2026, reducing over time to \$1,000,000 per year by 2032 that will be paid for by ratepayers. This is intended to provide a drought reserve.

Non-rate revenues and non-operating revenues offsetting these expenditures include:

- PI and Water Allocation surcharges. These revenues are currently assumed to be split 50-50 between rate relief and the Capital Reserve fund. Future surcharge revenues are based on the revised Water Allocation surcharge rate of \$6.00 per 1,000 gallons and the PI surcharge is assumed to remain at \$3.95 per 1,000 gallons, both times usage in excess of customers' allocations. Both surcharge levels are assumed to escalate at a 3 percent rate over time. The surcharge rate is set by the Board of Directors and can be changed at their discretion.

Table 11
User Charge Revenue Requirements

Assumed inflation for O&M expenditures		3.00%									
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Operations and Maintenance		Baseline year									
4000 Operating Expenses											
4100 Water (Treatment)	\$	3,864,000	\$ 3,879,920	\$ 4,098,318	\$ 4,222,297	\$ 4,348,966	\$ 4,479,435	\$ 4,613,818	\$ 4,752,233	\$ 4,894,800	\$ 5,041,844
4200 Personnel Operations	\$	1,825,000	\$ 1,879,750	\$ 1,936,143	\$ 1,994,227	\$ 2,054,054	\$ 2,115,675	\$ 2,179,145	\$ 2,244,520	\$ 2,311,855	\$ 2,381,211
4400 Operation & Maintenance	\$	1,855,200	\$ 1,886,856	\$ 1,119,462	\$ 1,153,046	\$ 1,187,637	\$ 1,223,266	\$ 1,259,964	\$ 1,297,763	\$ 1,336,696	\$ 1,376,797
4500 Engineering	\$	50,000	\$ 51,500	\$ 53,045	\$ 54,636	\$ 56,275	\$ 57,964	\$ 59,703	\$ 61,494	\$ 63,339	\$ 65,239
4600 Electricity	\$	181,000	\$ 186,430	\$ 192,023	\$ 197,784	\$ 203,717	\$ 209,829	\$ 216,123	\$ 222,607	\$ 229,285	\$ 236,164
4700 Communication	\$	50,000	\$ 51,500	\$ 53,045	\$ 54,636	\$ 56,275	\$ 57,964	\$ 59,703	\$ 61,494	\$ 63,339	\$ 65,239
4800 Insurance	\$	140,000	\$ 144,200	\$ 148,526	\$ 152,982	\$ 157,571	\$ 162,298	\$ 167,167	\$ 172,182	\$ 177,348	\$ 182,668
4900 Miscellaneous	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to Capital Reserve	\$	-	\$ -	\$ -	\$ -	\$ 2,000,000	\$ 3,000,000	\$ 4,000,000	\$ 5,000,000	\$ 5,000,000	\$ 6,000,000
Total Operating Expenses	\$	7,165,200	\$ 7,380,156	\$ 7,601,561	\$ 7,829,608	\$ 10,064,496	\$ 11,306,431	\$ 12,555,624	\$ 13,812,292	\$ 14,076,661	\$ 15,348,961
5000 Administrative Expense											
5100 Salaries	\$	858,483	\$ 884,248	\$ 910,775	\$ 938,098	\$ 966,241	\$ 995,229	\$ 1,025,086	\$ 1,055,838	\$ 1,087,513	\$ 1,120,139
5200 Payroll Taxes	\$	112,020	\$ 115,381	\$ 118,842	\$ 122,408	\$ 126,080	\$ 129,862	\$ 133,758	\$ 137,771	\$ 141,904	\$ 146,161
5300 Health Insurance	\$	51,338	\$ 52,878	\$ 54,484	\$ 56,098	\$ 57,781	\$ 59,515	\$ 61,300	\$ 63,139	\$ 65,033	\$ 66,984
5400 Office Utilities	\$	373,777	\$ 384,991	\$ 396,540	\$ 408,437	\$ 420,690	\$ 433,310	\$ 446,310	\$ 459,699	\$ 473,490	\$ 487,695
5500 Office Expense	\$	204,451	\$ 210,585	\$ 216,902	\$ 223,410	\$ 230,112	\$ 237,015	\$ 244,126	\$ 251,449	\$ 258,993	\$ 266,763
5600 Professional Fees	\$	209,390	\$ 215,672	\$ 222,142	\$ 228,806	\$ 235,670	\$ 242,740	\$ 250,022	\$ 257,523	\$ 265,249	\$ 273,206
5900 Miscellaneous	\$	7,880	\$ 8,117	\$ 8,360	\$ 8,611	\$ 8,869	\$ 9,136	\$ 9,410	\$ 9,692	\$ 9,983	\$ 10,282
Total Administrative Expenses	\$	1,817,350	\$ 1,871,871	\$ 1,928,027	\$ 1,985,898	\$ 2,045,444	\$ 2,106,807	\$ 2,170,011	\$ 2,235,112	\$ 2,302,185	\$ 2,371,230
Total Operating and Administration Expense	\$	8,982,550	\$ 9,252,027	\$ 9,529,588	\$ 9,815,475	\$ 12,109,940	\$ 13,413,238	\$ 14,725,635	\$ 16,047,404	\$ 16,378,826	\$ 17,720,191
Capital Expenditures, allocated to existing system											
Pleasant Valley Pipeline	\$	312,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tanks (exc. Zone 1c, inc. in debt service)	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pipelines	\$	590,000	\$ 244,800	\$ 249,696	\$ 254,690	\$ 259,784	\$ 264,979	\$ 270,279	\$ 275,685	\$ 281,198	\$ 286,822
Pump Stations (also inc. easements and equipment)	\$	79,700	\$ 79,700	\$ 79,700	\$ 1,279,700	\$ 79,700	\$ 79,700	\$ 79,700	\$ 79,700	\$ 859,700	\$ 780,000
SCWTP Expansion	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing debt service, 2012R (last payment paid from Cap Res)	\$	1,590,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service, 2009 A	\$	473,288	\$ 474,175	\$ 474,838	\$ 470,275	\$ 475,600	\$ 475,588	\$ 470,350	\$ 470,350	\$ 470,350	\$ 470,350
Existing debt service Soldier Canyon bond	\$	1,231,000	\$ 1,231,000	\$ 1,231,000	\$ 1,231,000	\$ 1,231,000	\$ 1,231,000	\$ 1,231,000	\$ 1,231,000	\$ 1,231,000	\$ 1,231,000
New debt service (all allocated to existing customers)	\$	1,833,000	\$ 2,711,414	\$ 2,711,414	\$ 2,711,414	\$ 2,711,414	\$ 2,711,414	\$ 2,711,414	\$ 2,711,414	\$ 2,711,414	\$ 2,711,414
Water Rights, to close existing supply gap	\$	9,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 4,000,000	\$ 3,000,000	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Total capital expenditures allocated to existing system	\$	15,108,988	\$ 10,741,089	\$ 10,746,648	\$ 11,947,079	\$ 8,757,498	\$ 7,762,681	\$ 6,762,743	\$ 5,768,148	\$ 6,553,662	\$ 6,479,586
Total O&M and capital costs	\$	24,091,538	\$ 19,993,116	\$ 20,276,236	\$ 21,762,554	\$ 20,867,437	\$ 21,175,919	\$ 21,488,378	\$ 21,815,552	\$ 22,932,488	\$ 24,199,777
Less non-rate revenues											
Tax levy		\$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water allocation surcharge revenues transferred in	\$	1,798,200	\$ 1,598,400	\$ 1,398,600	\$ 1,198,800	\$ 999,000	\$ 799,200	\$ 599,400	\$ 399,600	\$ 199,800	\$ 99,900
Plant Investment Surcharge transfer in	\$	1,124,980	\$ 1,582,250	\$ 1,426,003	\$ 1,258,957	\$ 1,080,605	\$ 890,418	\$ 687,848	\$ 472,322	\$ 248,492	\$ 101,087
Transfer from Capital fund	\$	4,590,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjustments	\$	(57,903)	\$ (47,531)	\$ (46,748)	\$ (45,500)	\$ (50,780)	\$ (49,692)	\$ (48,050)	\$ (48,154)	\$ (48,435)	\$ (49,022)
Construction Meter Usage	\$	213,808	\$ 220,327	\$ 226,936	\$ 233,744	\$ 240,757	\$ 247,979	\$ 255,419	\$ 263,081	\$ 270,974	\$ 278,103
Construction Meter Rental	\$	5,628	\$ 5,788	\$ 5,972	\$ 6,151	\$ 6,336	\$ 6,526	\$ 6,721	\$ 6,923	\$ 7,131	\$ 7,345
Construction Meter Repair	\$	563	\$ 580	\$ 598	\$ 616	\$ 634	\$ 653	\$ 673	\$ 693	\$ 714	\$ 735
Non-Potable Reimbursement	\$	(43)	\$ (41)	\$ (41)	\$ (42)	\$ (42)	\$ (42)	\$ (41)	\$ (42)	\$ (42)	\$ (42)
Subtotal, Non-Rate Operating Income	\$	7,675,336	\$ 3,359,783	\$ 3,011,319	\$ 2,652,726	\$ 2,276,510	\$ 1,895,042	\$ 1,501,969	\$ 1,094,424	\$ 1,116,433	\$ 1,138,806
Less Non-operating income											
Interest (Colorado Trust)	\$	179,842	\$ 161,840	\$ 162,250	\$ 161,784	\$ 168,064	\$ 166,756	\$ 164,139	\$ 164,599	\$ 165,068	\$ 165,725
Port Partonage Agfrity	\$	496	\$ 534	\$ 552	\$ 572	\$ 527	\$ 536	\$ 544	\$ 547	\$ 545	\$ 540
Other misc income (Ag rental, farm income, misc)	\$	-	\$ 22,400	\$ 26,880	\$ 32,256	\$ 16,307	\$ 19,569	\$ 23,482	\$ 23,699	\$ 23,063	\$ 21,224
Subtotal, non-operating income	\$	180,238	\$ 184,774	\$ 189,683	\$ 194,612	\$ 184,859	\$ 186,861	\$ 188,166	\$ 188,844	\$ 188,676	\$ 187,489
Total Non-Rate Revenues	\$	7,855,674	\$ 3,544,557	\$ 3,201,002	\$ 2,847,339	\$ 2,461,408	\$ 2,081,904	\$ 1,690,135	\$ 1,283,268	\$ 1,305,110	\$ 1,326,295
Revenue Requirements from Rates	\$	16,235,864	\$ 16,448,559	\$ 17,075,234	\$ 18,915,216	\$ 18,406,029	\$ 18,094,015	\$ 19,798,243	\$ 20,532,284	\$ 21,627,378	\$ 22,873,482

- Capital improvements, as developed in the “constrained CIP”. These are total capital costs, including those intended to upgrade the existing system and those used to grow the system. As previously stated, a 3 percent rate of inflation is applied to these 2023-based cost estimates.
- Potential transfers to the Operating Fund if there is surplus in the Capital fund.
- Water purchases. These are District purchases to provide greater system reliability for current customers, currently assumed to be \$6,000,000 per year through 2030. These expenditures may be reduced in the more distant years with the anticipated success of a commercial customer program intended to reduce usage in excess of allocations.
- Debt service on existing debt and new issues.

The fund’s net position is the difference between sources and uses. If the fund runs below zero, it is assumed that the Operating fund will cover this shortage in the next year.

Under currently assumed conditions, it is of interest to note that the Capital Reserve Fund will drop below zero in approximately 2031, unless revenue is increased or expenditures decreased. This will be discussed with the Board prior to the Final Water Rate Report.

Allocation of User Charge Revenue Requirements to Customer Classes

The base-extra capacity is used here to equitably allocate user charge revenue requirements across customer classes. This is a widely used industry standard approach supported by the American Water Works Association (AWWA), and more fully described in their M1 Manual of Practice.¹

The benefit of this method is recognition that different customer classes have different demand characteristics, and place differing loads on the system. From the District’s perspective, a comparison of residential customers and commercial customers illustrates this point. Residential customers have high seasonal peaking demands and, on a per unit basis, require more treatment, transmission, and storage capacity than commercial customers, whose demand is relatively constant over the year. As a result, the District’s residential customers would be expected to pay relatively more per 1,000 gallons than commercial customers. Determining how much more is the purpose of the base-extra capacity cost allocation method.

The cost allocation is developed in steps:

1. Allocation to function. User charge revenue requirements are divided into the logical activities, or functions, the utility provides, such as source of supply, treatment, transmission, and others.
2. Allocation of functional costs across base and extra capacity components.
3. Allocation of base and extra capacity components to customer classes.

Since the District provides wholesale treated water service to the Towns, steps 2 and 3 are each two-part in nature. For purposes of this analysis, there are both joint costs and specific costs that require steps 2 and 3.

- Joint costs are those that are shared on an equal basis between the towns and the District customers, including water treatment, transmission, storage, and administration.

¹ American Water Works Association. “Water Rates, Fees, and Charges” M1 Manual, 7th Edition. .

- Specific costs are those that are borne exclusively by the District for the benefit of their own customers. These would include source of supply (raw water), storage, and distribution costs.

Allocation to District Functions

Annual estimates of revenue requirements were allocated across the six basic functions the District performs for its customers: supply, treatment, transmission, storage, distribution, and administration. Specifically, each cost was allocated either in part or in full to one of the functions using information from the District, standard rate setting assumptions, and/or best professional judgement. As an example, pipeline costs were allocated partially to transmission and partially to distribution, while water rights costs were allocated fully to supply. Appendix A, Table A-1, Table A-2, and A-3 show the detailed allocations, as a percentage and by expenditure, for total revenue requirements, joint revenue requirements, and specific revenue requirements.

The total cost of each District’s function was determined by summing the individual costs allocated to each function. The total operating and maintenance (O&M) and capital costs are shown in Table 13, along with revenues. Net required income to the District was determined for each function by subtracting the revenues from the O&M and capital costs necessary to perform each function.

Table 13: Allocation of User Charge Revenue Requirements across district functions for year 2023.

	Capacity Costs for Select Year						Total
	Supply	Treatment	Transmission	Storage	Distribution	Administration	
Base	\$ 2,531,446	\$ 3,889,115	\$ 2,904,414	\$ 176,110	\$ -	\$ 1,767,961	\$ 11,269,045
Max Day	\$ -	\$ 2,094,139	\$ 1,563,915	\$ 352,219	\$ 312,318	\$ -	\$ 4,322,591
Max Hour	\$ -	\$ -	\$ -	\$ 352,219	\$ 312,318	\$ -	\$ 664,537
Fire Flow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 2,531,446	\$ 5,983,254	\$ 4,468,329	\$ 880,548	\$ 624,636	\$ 1,767,961	\$ 16,256,173
							\$ 16,256,173

Allocations of Functional Costs to Base-Extra Capacity

The functional costs were allocated across three cost components: base, max day and max hour. As was the case when allocating costs to District functions, each functional required revenue was allocated in full or in part to one of the three components using information from the District and/or standard rate setting assumptions and best professional judgment. For example, transmission costs were allocated partially to the base capacity and partially to the max day capacity components, while source of supply costs were allocated fully to the base capacity component. Table 14 and Table 15 show allocations, as dollar amounts, by function and cost component. The total cost for the base, max day and max hour components were determined by summing the individual components from each function.

Table 14: Joint functional costs allocated to base-extra capacity parameters, year 2023

	Capacity Costs for Select Year							Total
	Supply	Treatment	Transmission	Storage	Distribution	Administration		
Base	\$ -	\$ 3,875,914	\$ 3,379,718	\$ 254,858	\$ -	\$ 1,767,961	\$ 9,278,451	
Max Day	\$ -	\$ 2,087,031	\$ 1,819,848	\$ 509,717	\$ -	\$ -	\$ 4,416,595	
Max Hour	\$ -	\$ -	\$ -	\$ 509,717	\$ -	\$ -	\$ 509,717	
Fire Flow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Customer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	\$ -	\$ 5,962,945	\$ 5,199,566	\$ 1,274,291	\$ -	\$ 1,767,961	\$ 14,204,753	
							\$ 14,204,753	

Table 15: Specific functional costs allocated to base-extra capacity parameters, year 2023

	Capacity Costs for Select Year							Total
	Supply	Treatment	Transmission	Storage	Distribution	Administration		
Base	\$ 2,531,446	\$ 13,201	\$ (475,304)	\$ (78,749)	\$ -	\$ -	\$ 1,990,594	
Max Day	\$ -	\$ 7,108	\$ (255,933)	\$ (157,497)	\$ 312,318	\$ -	\$ (94,004)	
Max Hour	\$ -	\$ -	\$ -	\$ (157,497)	\$ 312,318	\$ -	\$ 154,821	
Fire Flow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Customer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	\$ 2,531,446	\$ 20,309	\$ (781,237)	\$ (393,743)	\$ 624,636	\$ -	\$ 2,051,411	
							\$ 2,051,411	

Allocation of Base-Extra Capacity Cost to Customer Class

Customer class usage and peaking factors are used to allocate costs to customer class. Tables 16 and 17 summarize the procedure for joint and specific costs, respectively. Using joint costs as an example, Table 16 shows allocated costs across the top.

- Annual usage, expressed in terms of 1,000 gals per year and in terms of average daily demand (ADD) are shown vertically. The proportions of ADD attributable to each customer class is calculated.
- Max day proportions, or allocations, are calculated as the difference between max day demand and average day demand for each customer class.
- Max hour allocations are calculated as the difference between max hour demand and max day demand for each customer class.

Allocated Costs

Table 18 and Table 19 show the user charge revenue requirements allocated to customer class, for joint and specific costs, respectively. The final column of each table shows the allocated cost per 1,000 gallons for each customer class.

Cost-of-Service User Charge Calculations

User charges per customer class are the sum of the joint and specific costs for each, divided by their usage per 1,000 gallons. Table 20 summarizes calculated user charges for each customer class.

It is important to note that this user charge estimate is specific to estimated costs and non-rate revenues estimated for year 2023, and assumptions made about future growth fees, surcharges, and peaking factors. However, the relative differences in calculated user charges would not be expected to change if different or additional years were considered. The absolute values of the estimates will

Table 16
Allocation of Base-Extra Capacity Costs to Customer Class, Joint Costs

			Base			Max Day			Max Hour
			\$ 9,278,451			\$ 4,416,595			\$ 509,717
	Annual usage (acre-feet)	Annual usage (1,000 gal)	Average daily demand (ADD), (1,000 gal)	Proportion	Max day (1,000 gal)	Proportion	Max hour	Proportion	
Commercial-Industrial	3,440.44	1,121,241	3,069.79	34.36%	920.94	11.17%	1,381.41	28.61%	
Non-municipal Flow Control	784.63	255,712	700.10	7.84%	210.03	2.55%	315.05	6.53%	
Conservation Blue	435.33	141,875	388.43	4.35%	621.49	7.54%	543.81	11.26%	
Residence	48.62	15,844	43.38	0.49%	69.41	0.84%	60.73	1.26%	
Standard-1/2	190.60	62,117	170.07	1.90%	272.11	3.30%	238.09	4.93%	
Standard-3/4	46.52	15,160	41.51	0.46%	66.41	0.81%	58.11	1.20%	
Standard-Full	1,785.89	582,020	1,593.48	17.84%	2,549.57	30.92%	2,230.88	46.20%	
Towns									
Town of Windsor	1,315.59	428,750	1,173.85	13.14%	1,173.85	14.23%	-	0.00%	
Town of Eaton	918.22	299,248	819.30	9.17%	1,147.01	13.91%	-	0.00%	
Town of Severance	405.08	132,016	361.44	4.05%	433.73	5.26%	-	0.00%	
Town of Ault	318.58	103,825	284.26	3.18%	426.39	5.17%	-	0.00%	
Town of Pierce	132.74	43,259	118.44	1.33%	118.44	1.44%	-	0.00%	
N. Colo Water Assoc #A-2110	131.14	42,740	117.02	1.31%	163.82	1.99%	-	0.00%	
Town of Nunn	58.47	19,057	52.18	0.58%	73.05	0.89%	-	0.00%	
Landscape	-	-	-	0.00%	-	0.00%	-	0.00%	
Billable		10							
Fire Protection	0.79	258	0.71	0.01%	0.39	0.00%	0.19	0.00%	
Non-Potable		-	-	0.00%	-	0.00%	-	0.00%	
Unset meters		-	-	0.00%	-	0.00%	-	0.00%	
	10,012.65	3,263,132	8,933.94	100.00%	8,246.63	100.00%	4,828.26	100.00%	

26

Table 17
Allocation of Base-Extra Capacity Costs to Customer Class, Specific Costs

			Base			Max Day			Max Hour
			\$ 1,990,594			\$ (94,004)			\$ 154,821
	Annual usage (acre-feet)	Annual usage (1,000 gal)	Average daily demand (ADD), (1,000 gal)	Proportion	Max day	Proportion	Max hour	Proportion	
Commercial-Industrial	3,440.44	1,121,241	3,069.79	51.10%	920.94	19.55%	1,381.41	28.61%	
Non-municipal Flow Control	784.63	255,712	700.10	11.65%	210.03	4.46%	315.05	6.53%	
Conservation Blue	435.33	141,875	388.43	6.47%	621.49	13.19%	543.81	11.26%	
Residence	48.62	15,844	43.38	0.72%	69.41	1.47%	60.73	1.26%	
Standard-1/2	190.60	62,117	170.07	2.83%	272.11	5.78%	238.09	4.93%	
Standard-3/4	46.52	15,160	41.51	0.69%	66.41	1.41%	58.11	1.20%	
Standard-Full	1,785.89	582,020	1,593.48	26.52%	2,549.57	54.13%	2,230.88	46.20%	
Towns									
Town of Windsor			-	0.00%	-	0.00%	-	0.00%	
Town of Eaton			-	0.00%	-	0.00%	-	0.00%	
Town of Severance			-	0.00%	-	0.00%	-	0.00%	
Town of Ault			-	0.00%	-	0.00%	-	0.00%	
Town of Pierce			-	0.00%	-	0.00%	-	0.00%	
N. Colo Water Assoc #A-2110			-	0.00%	-	0.00%	-	0.00%	
Town of Nunn			-	0.00%	-	0.00%	-	0.00%	
Landscape	-	-	-	0.00%	-	0.00%	-	0.00%	
Billable		10							
Fire Protection	0.79	258	0.71	0.01%	0.39	0.01%	0.19	0.00%	
Non-Potable		-	-	0.00%	-	0.00%	-	0.00%	
Unset meters		-	-	0.00%	-	0.00%	-	0.00%	
	6,732.82	2,194,237	6,007.47	100.00%	4,710.34	100.00%	4,828.26	100.00%	

27

Table 18

User Charge Revenue Requirements Allocated to Customer Class, Joint Costs

Allocated cost

		Base	Max Day	Max Hour	Fire Flow	Customer			
		\$ 9,278,451	\$ 4,416,595	\$ 509,717	\$ -	\$ -	\$ -	\$ -	\$ 14,204,763
		Average daily demand (ADD), (1,000 gal)							Volume charge
Annual usage (acre-feet)	Annual usage (1,000 gal)	Max day	Max hour	Fire flow	Customer	Total			
Commercial-Industrial	3,440.44	1,121,241	\$ 3,188,158	\$ 493,220	\$ 145,834	\$ -	\$ -	\$ 3,827,212	\$ 3.41
Non-municipal Flow Control	784.63	255,712	\$ 727,096	\$ 112,485	\$ 33,259	\$ -	\$ -	\$ 872,840	\$ 3.41
Conservation Blue	435.33	141,875	\$ 403,410	\$ 332,849	\$ 57,409	\$ -	\$ -	\$ 793,668	\$ 5.59
Residence	48.62	15,844	\$ 45,051	\$ 37,171	\$ 6,411	\$ -	\$ -	\$ 88,633	\$ 5.59
Standard-1/2	190.60	62,117	\$ 176,625	\$ 145,731	\$ 25,135	\$ -	\$ -	\$ 347,491	\$ 5.59
Standard-3/4	46.52	15,160	\$ 43,106	\$ 35,566	\$ 6,134	\$ -	\$ -	\$ 84,807	\$ 5.59
Standard-Full	1,785.89	582,020	\$ 1,654,927	\$ 1,365,459	\$ 235,513	\$ -	\$ -	\$ 3,255,898	\$ 5.59
Landscape	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Billable	0.03	10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Fire Protection	0.79	258	\$ 734	\$ 208	\$ 20	\$ -	\$ -	\$ 962	\$ 3.73
Non-Potable	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Unset meters	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	6,732.85	2,194,237	\$ 6,239,106	\$ 2,522,689	\$ 509,717	\$ -	\$ -	\$ 9,271,512	\$ 4.23
Towns									
Town of Windsor	1,315.59	428,750	\$ 1,219,116	\$ 628,673	\$ -	\$ -	\$ -	\$ 1,847,789	\$ 4.31
Town of Eaton	918.22	299,248	\$ 850,887	\$ 614,299	\$ -	\$ -	\$ -	\$ 1,465,187	\$ 4.90
Town of Severance	405.08	132,016	\$ 375,377	\$ 232,289	\$ -	\$ -	\$ -	\$ 607,666	\$ 4.60
Town of Aull	318.58	103,825	\$ 295,218	\$ 228,357	\$ -	\$ -	\$ -	\$ 523,575	\$ 5.04
Town of Pierce	132.74	43,259	\$ 123,003	\$ 63,430	\$ -	\$ -	\$ -	\$ 186,434	\$ 4.31
N. Colo Water Assoc #A-2110	131.14	42,740	\$ 121,528	\$ 87,737	\$ -	\$ -	\$ -	\$ 209,265	\$ 4.90
Town of Nunn	58.47	19,057	\$ 54,187	\$ 39,120	\$ -	\$ -	\$ -	\$ 93,307	\$ 4.90
	3,279.83	1,068,895	\$ 3,039,316	\$ 1,893,906	\$ -	\$ -	\$ -	\$ 4,933,222	\$ 4.62

28

Table 19
User Charge Revenue Requirements Allocated to Customer Class, Specific Costs

			Base	Max Day	Max Hour	Fire Flow	Customer		
			\$ 1,990,594	\$ (94,004)	\$ 154,821	\$ -	\$ -	\$ 2,051,411	
	Annual usage (acre-feet)	Annual usage (1,000 gal)	Average daily demand (ADD), (1,000 gal)	Max day	Max hour	Fire flow	Customer	Total	Volume charge
Commercial-Industrial	3,440.44	1,121,241	\$ 1,017,181	\$ (18,379)	\$ 44,296	\$ -	\$ -	\$ 1,043,097	\$ 0.93
Non-municipal Flow Control	784.63	255,712	\$ 231,980	\$ (4,192)	\$ 10,102	\$ -	\$ -	\$ 237,890	\$ 0.93
Conservation Blue	435.33	141,875	\$ 128,708	\$ (12,403)	\$ 17,437	\$ -	\$ -	\$ 133,742	\$ 0.94
Residence	48.62	15,844	\$ 14,374	\$ (1,385)	\$ 1,947	\$ -	\$ -	\$ 14,936	\$ 0.94
Standard-1/2	190.60	62,117	\$ 56,352	\$ (5,430)	\$ 7,635	\$ -	\$ -	\$ 58,556	\$ 0.94
Standard-3/4	46.52	15,160	\$ 13,753	\$ (1,325)	\$ 1,863	\$ -	\$ -	\$ 14,291	\$ 0.94
Standard-Full	1,785.89	582,020	\$ 528,004	\$ (50,882)	\$ 71,534	\$ -	\$ -	\$ 548,656	\$ 0.94
Landscape	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Billable	0.03	10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Fire Protection	0.79	258	\$ 234	\$ (8)	\$ 6	\$ -	\$ -	\$ 232	\$ 0.90
Non-Potable	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Unset meters	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	6,732.85	2,194,237	\$ 1,990,585	\$ (94,004)	\$ 154,821	\$ -	\$ -	\$ 2,051,401	\$ 0.93
Towns									
Town of Windsor	1,315.59	428,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Eaton	918.22	299,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Severance	405.08	132,016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Aull	318.58	103,825	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Pierce	132.74	43,259	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
N. Colo Water Assoc #A-2110	131.14	42,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Nunn	58.47	19,057	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	3,279.83	1,068,895	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

29

Table 20
Calculated User Charge by Customer Class, Year 2023

	<u>Calculated rate for 2023, \$/1,000 gal</u>
Commercial-Industrial	\$ 4.34
Non-municipal Flow Control	\$ 4.34
Conservation Blue	\$ 6.54
Residence	\$ 6.54
Standard-1/2	\$ 6.54
Standard-3/4	\$ 6.54
Standard-Full	\$ 6.54
Towns	
Town of Windsor	\$ 4.31
Town of Eaton	\$ 4.90
Town of Severance	\$ 4.60
Town of Ault	\$ 5.04
Town of Pierce	\$ 4.31
N. Colo Water Assoc #A-2110	\$ 4.90
Town of Nunn	\$ 4.90
Simple average	\$ 4.71
Landscape	
Billable	
Fire Protection	
Non-Potable	
Unset meters	

change with different assumptions but unless the peaking factors are changed, the relative differences between classes will not.

In addition, it has been verified that these calculated user charges will generate near exact sufficient revenue to cover all revenue requirements for the year 2023. Considering that many O&M and capital costs increase over time with inflation, it is unlikely that these charges will generate sufficient revenue to cover all costs through 2030. As a result, recommended user charges should either be sufficient to cover all costs through the planning period or some sort of inflation index should be used to periodically adjust them.

Fees and User Charge Scenario

The District's Board of Directors must ultimately agree on a combination of fees and charges for a range of variables, including:

1. Future user charges, or rates, by customer class
2. Future PI fees, District-wide and for the Towns
3. Distance fees
4. PI and Water Allocation surcharge levels

This analysis was primarily tasked to focus upon future user charges based on base-extra capacity cost of service principles, but user charges are influenced by these other revenue sources. A very preliminary baseline recommendation of user charges is developed to facilitate Board Discussion. However, it is anticipated that the Board and other stakeholders may want to consider a range of issues and alternative combinations of rates and fees, likely resulting in several scenarios to decide upon.

Table 21 shows recommended fees and rates in **blue bold** for the years 2022 through 2030.

Cash Flow Analysis

Table 22 shows a cash flow analysis resulting from the sample scenario.

Conclusions and Recommendations

To be developed after District review and review by Board of Directors

Conclusions

The North Weld District's three major customer categories, residential, commercial/industrial, and wholesale service to towns, are rapidly growing and have changed the nature of the District from a rural water provider to more wide-ranging urban-industrial-wholesale provider. In response to the major capital improvement program these changes have triggered, the District is transitioning to a more explicit cost-of-service approach for setting water rates and charges. These rates and charges include Plant Investment (PI) fees and user charges based on the base-extra capacity method of cost allocation.

This cost allocation method is an industry-standard method and results in equitable rates across customer classes considering the demands placed on the system by each class. This report represents the initial effort in this transition and implementation to base-extra capacity water rates.

Table 21
Recommended Fee and Charge Levels

		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Water Allocation surcharge, \$/1,000 over allocation	\$	6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
Plant investment surcharge, \$/1,000 over allocation	\$	3.95	\$ 3.95	\$ 4.07	\$ 4.19	\$ 4.32	\$ 4.45	\$ 4.58	\$ 4.72	\$ 4.86	\$ 5.00	\$ 5.15
Rate increase for commercial		0.00%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Rate increase for residential		0.00%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Rate increase for towns												
Rate changes apply to all town equally		0.00%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	Calculated											
	charge for 2023											
Commercial industrial, Non munic flow con	\$	4.34	\$ 4.44	\$ 4.34	\$ 4.47	\$ 4.61	\$ 4.75	\$ 4.89	\$ 5.04	\$ 5.19	\$ 5.34	\$ 5.50
Residential	\$	6.54	\$ 4.44	\$ 6.54	\$ 6.73	\$ 6.93	\$ 7.14	\$ 7.36	\$ 7.58	\$ 7.81	\$ 8.04	\$ 8.28
Towns												
Town of Windsor	\$	4.31	\$ 3.33	\$ 4.31	\$ 4.44	\$ 4.57	\$ 4.71	\$ 4.85	\$ 5.00	\$ 5.15	\$ 5.30	\$ 5.46
Town of Eaton	\$	4.90	\$ 3.33	\$ 4.90	\$ 5.04	\$ 5.19	\$ 5.35	\$ 5.51	\$ 5.68	\$ 5.85	\$ 6.02	\$ 6.20
Town of Severance	\$	4.60	\$ 3.33	\$ 4.60	\$ 4.74	\$ 4.88	\$ 5.03	\$ 5.18	\$ 5.34	\$ 5.50	\$ 5.66	\$ 5.83
Town of Ault	\$	5.04	\$ 3.33	\$ 5.04	\$ 5.19	\$ 5.35	\$ 5.51	\$ 5.68	\$ 5.85	\$ 6.02	\$ 6.20	\$ 6.39
Town of Pierce	\$	4.31	\$ 3.33	\$ 4.31	\$ 4.44	\$ 4.57	\$ 4.71	\$ 4.85	\$ 5.00	\$ 5.15	\$ 5.30	\$ 5.46
N. Colo Water Assoc #A-2110	\$	4.90	\$ 3.33	\$ 4.90	\$ 5.04	\$ 5.19	\$ 5.35	\$ 5.51	\$ 5.68	\$ 5.85	\$ 6.02	\$ 6.20
Town of Nunn	\$	4.90	\$ 3.33	\$ 4.90	\$ 5.04	\$ 5.19	\$ 5.35	\$ 5.51	\$ 5.68	\$ 5.85	\$ 6.02	\$ 6.20

32

Table 22

Cash Flow Analysis with Recommended Rates and Charges

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Sources											
Carryover from previous year	\$ 12,000,000	\$ 38,633,489	\$ 24,211,977	\$ 13,705,113	\$ 3,512,149	\$ 1,815,726	\$ 4,047,453	\$ 594,516	\$ (5,321,928)	\$ (11,989,549)	\$ (20,399,692)
User charge revenues	\$ 13,301,788	\$ 17,339,163	\$ 18,238,306	\$ 19,181,715	\$ 20,171,570	\$ 21,210,160	\$ 22,299,890	\$ 23,443,286	\$ 24,643,003	\$ 25,901,831	\$ 27,222,701
Tax assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant investment fees	\$ 3,000,000	\$ 2,997,000	\$ 3,118,009	\$ 3,243,913	\$ 3,374,913	\$ 3,511,214	\$ 3,653,033	\$ 3,800,592	\$ 3,954,125	\$ 4,113,874	\$ 4,280,093
Plant investment surcharges	\$ 2,499,955	\$ 2,249,960	\$ 2,059,963	\$ 1,856,542	\$ 1,639,061	\$ 1,406,861	\$ 1,159,253	\$ 895,523	\$ 614,926	\$ 633,374	\$ 652,375
Distance fees	\$ 24,000	\$ 24,000	\$ 24,227	\$ 24,455	\$ 24,686	\$ 24,920	\$ 25,155	\$ 25,393	\$ 25,634	\$ 25,876	\$ 26,121
Water allocation fees	\$ 600,000	\$ 618,000	\$ 636,540	\$ 655,636	\$ 675,305	\$ 695,564	\$ 716,431	\$ 737,924	\$ 760,062	\$ 782,864	\$ 806,350
Water allocation surcharges	\$ 3,996,000	\$ 3,596,400	\$ 3,292,704	\$ 2,967,549	\$ 2,619,922	\$ 2,248,767	\$ 1,852,984	\$ 1,431,430	\$ 982,915	\$ 1,012,403	\$ 1,042,775
Debt proceeds	\$ 34,600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All other sources	\$ 556,913	\$ 431,504	\$ 332,519	\$ 342,495	\$ 363,907	\$ 376,399	\$ 389,582	\$ 381,804	\$ 392,285	\$ 402,887	\$ 411,346
Total sources	\$ 70,578,656	\$ 65,889,515	\$ 51,914,243	\$ 41,977,418	\$ 32,381,513	\$ 31,289,611	\$ 34,143,780	\$ 31,310,468	\$ 26,051,022	\$ 20,883,560	\$ 14,042,069
Uses											
Operations and maintenance	\$ 8,023,017	\$ 8,982,550	\$ 9,252,027	\$ 9,529,588	\$ 9,815,475	\$ 12,109,940	\$ 13,413,238	\$ 14,725,635	\$ 16,047,404	\$ 16,378,826	\$ 17,720,191
Capital expenditures	\$ 14,683,862	\$ 18,567,700	\$ 18,540,515	\$ 18,518,430	\$ 10,337,623	\$ 6,714,204	\$ 12,718,024	\$ 15,493,998	\$ 16,580,403	\$ 19,491,662	\$ 21,388,523
Water purchases	\$ 6,000,000	\$ 9,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 4,000,000	\$ 3,000,000	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Debt Service	\$ 3,238,288	\$ 5,127,288	\$ 4,416,589	\$ 4,417,252	\$ 4,412,689	\$ 4,418,014	\$ 4,418,002	\$ 4,412,764	\$ 4,412,764	\$ 4,412,764	\$ 4,412,764
All other expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total uses	\$ 31,945,167	\$ 41,677,538	\$ 38,209,131	\$ 38,465,269	\$ 30,565,788	\$ 27,242,158	\$ 33,549,264	\$ 36,632,396	\$ 38,040,570	\$ 41,283,252	\$ 44,521,478
Net position											
End of year balance	\$ 38,633,489	\$ 24,211,977	\$ 13,705,113	\$ 3,512,149	\$ 1,815,726	\$ 4,047,453	\$ 594,516	\$ (5,321,928)	\$ (11,989,549)	\$ (20,399,692)	\$ (30,479,409)

33

This analysis also calculated cost-based PI fees using the most recent CIP and demand estimates. PI fees were calculated for the towns and District customers separately using the principle of "used and useful" assets for each. As an alternative, the analysis also calculated a District-wide PI fee if the Board does not opt to treat the towns separately with respect to these fees.

Major findings include:

- The base-extra cost allocation provides support for charging residential customers significantly more than commercial/industrial customers because of the formers' high peaking factors. Conversely, commercial and industrial usage, primarily dairies, is characterized by steady daily demand over the year with very few peaks. As a result, less conveyance and delivery capacity, is needed. Calculated charges for towns lie between the District's residential customers and commercial/industrial customers because their peaking characteristics lie between these two extremes and because they provide their own water supply and local distribution systems.
- Rates and charges suggested by this analysis are comparable to those of surrounding water providers, especially those providers in high-growth areas of Weld and Larimer Counties (Table 24)

There are a range of uncertainties that will impact the rates and charges developed in this analysis and will require vigilance by the District's staff and Board to ensure that future rates respond to these uncertainties. These uncertainties include the regional population growth rate, the cost and availability of new raw water supplies, the ability to design and construct new infrastructure projects in a timely manner, construction cost escalation, the response of customers using water in excess of allocations to new Water Allocation surcharge levels, and more.

Recommendations:

... move towards cost of service in stages

Appendix A Base-Extra Capacity Cost Allocations

Table A-1
Allocation of Revenue Requirements to District Functions for 2023

Base year	2023	District Function Allocations						District Function Costs for Select Year								
		Source of Supply	Treatment	Transmission	Storage	Distribution	Administrative	Check	Source of Supply	Treatment	Transmission	Storage	Distribution	Administrative	Check	
Operations and Maintenance																
4000 Operating Expenses																
4100 Water (Treatment)	\$ 3,864,000.00	0%	100%					100%	\$ -	\$ 3,864,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,864,000.00
4200 Personnel Operations	\$ 1,825,000.00	0%		40%	40%	20%		100%	\$ -	\$ -	\$ 730,000.00	\$ 730,000.00	\$ 365,000.00	\$ -	\$ -	\$ 1,825,000.00
4400 Operation & Maintenance	\$ 1,055,200.00			40%	40%	20%		100%	\$ -	\$ -	\$ 422,080.00	\$ 422,080.00	\$ 211,040.00	\$ -	\$ -	\$ 1,055,200.00
4500 Engineering	\$ 50,000.00	20%	20%	20%	20%	20%		100%	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ -	\$ -	\$ 50,000.00
4600 Electricity	\$ 181,000.00			33%	33%	33%		100%	\$ -	\$ -	\$ 60,333.33	\$ 60,333.33	\$ 60,333.33	\$ -	\$ -	\$ 181,000.00
4700 Communication	\$ 50,000.00			20%	20%	20%	40%	100%	\$ -	\$ -	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 20,000.00	\$ -	\$ 50,000.00
4800 Insurance	\$ 140,000.00						100%	100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,000.00	\$ -	\$ 140,000.00
4900 Miscellaneous	\$ -	20%	20%	20%	20%	20%		100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to Operating Reserve Fund	\$ -	20%	20%	20%	20%	20%		100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ 7,165,200.00															\$ 7,165,200.00
5000 Administrative Expense																
5100 Salaries	\$ 858,493						100%	100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 858,493.01	\$ -	\$ 858,493.01
5200 Payroll Taxes	\$ 112,020						100%	100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,020.43	\$ -	\$ 112,020.43
5300 Health Insurance	\$ 51,338						100%	100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,338.01	\$ -	\$ 51,338.01
5400 Office Utilities	\$ 373,777						100%	100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 373,777.35	\$ -	\$ 373,777.35
5500 Office Expense	\$ 204,451						100%	100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 204,451.34	\$ -	\$ 204,451.34
5600 Professional Fees	\$ 209,390	25%	25%	20%	20%	10%	0%	100%	\$ 52,347.46	\$ 52,347.46	\$ 41,877.97	\$ 41,877.97	\$ 20,938.98	\$ -	\$ 209,390.00	
5900 Miscellaneous	\$ 7,880	0%	0%	0%	0%	0%	100%	100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,880.37	\$ -	\$ 7,880.37
Total Administrative Expenses	\$ 1,817,350															\$ 1,817,350.00
Total Operating and Administration Expense	\$ 8,982,550															\$ 8,982,550.00
Capital Expenditures, allocated to existing system																
Pleasant Valley Pipeline	\$ 312,000.00		100%					100%	\$ -	\$ 312,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312,000.00
Tanks (exc. Zone 1c, inc. in debt service)	\$ -				100%			100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pipelines (exc. NEWTS, inc in debt service)	\$ 590,000.00			75%		25%		100%	\$ -	\$ -	\$ 442,500.00	\$ -	\$ 147,500.00	\$ -	\$ -	\$ 590,000.00
Pump Stations	\$ 79,700.00			75%		25%		100%	\$ -	\$ -	\$ 59,775.00	\$ -	\$ 19,925.00	\$ -	\$ -	\$ 79,700.00
SCWIP Expansion	\$ -		100%	0%				100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing debt service, 2012R	\$ 1,590,000.00			100%				100%	\$ -	\$ -	\$ 1,590,000.00	\$ -	\$ -	\$ -	\$ -	\$ 1,590,000.00
Debt service, 2009 A	\$ 473,288.00	0%	100%					100%	\$ -	\$ 473,288.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 473,288.00
Existing debt service Soldier Canyon bond	\$ 1,231,000.00		100%					100%	\$ -	\$ 1,231,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,231,000.00
Debt service	\$ 1,833,000.00	0%	0%	100%	0%			100%	\$ -	\$ -	\$ 1,833,000.00	\$ -	\$ -	\$ -	\$ -	\$ 1,833,000.00
Transfer to Capital Reserve	\$ -			65%	35%			100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water flights, to close existing supply gap	\$ 9,000,000.00	100%	0%					100%	\$ 9,000,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,000,000.00
Total capital expenditures allocated to existing system	\$ 15,108,988.00															\$ 15,108,988.00
Total O&M and capital costs	\$ 24,091,538.34															\$ 24,091,538.00
Less non-rate revenues																
Tax levy	\$ -	100%						100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Allocation Surcharge	\$ 1,798,200	100%						100%	\$ 1,798,200.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,798,200.00
Plant Investment Surcharge	\$ 1,124,980	0%	0%	65%	35%			100%	\$ -	\$ -	\$ 731,236.84	\$ 393,742.91	\$ -	\$ -	\$ -	\$ 1,124,980.00
Transfer from capital fund	\$ 4,590,000	100%						100%	\$ 4,590,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,590,000.00
Adjustments	\$ (57,903)	65%	35%					100%	\$ (37,636.72)	\$ (20,265.92)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (57,903.00)
Construction Meter Usage	\$ 213,909					100%		100%	\$ -	\$ -	\$ -	\$ -	\$ 213,909.27	\$ -	\$ -	\$ 213,909.00
Construction Meter Rental	\$ 5,629					100%		100%	\$ -	\$ -	\$ -	\$ -	\$ 5,629.14	\$ -	\$ -	\$ 5,629.00
Construction Meter Repair	\$ 563					100%		100%	\$ -	\$ -	\$ -	\$ -	\$ 563.34	\$ -	\$ -	\$ 563.00
Non-Potable Reimbursement	\$ (43)		100%					100%	\$ -	\$ (43.21)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (43.00)
Subtotal, Non-Rate Operating Income	\$ 7,675,336															\$ 7,675,336.00
Less Non-operating income																
Interest (Colorado Trust)	\$ 179,842	100%						100%	\$ 179,842.29	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 179,842.00
Port Partonage Aglivity	\$ 496	100%						100%	\$ 496.34	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 496.00
Soldier Canyon Bond Issue Proceeds	\$ -		100%					100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal, non-operating income	\$ 180,338.64															\$ 180,339.00
Total Non-Rate Revenues	\$ 7,855,674															\$ 7,855,674.00
Revenue Requirements from Rates	\$ 16,235,864.07															\$ 16,235,864.00

36

Table A-3
Allocation of Specific Costs Using Base-Extra Capacity

	Total District Function Costs for Select Year						
	Source of Supply	Treatment	Transmission	Storage	Distribution	Administrative	
Total O&M and capital expenditures	\$ 9,062,347.46				\$ 844,737.32		
Less non-rate revenues	\$ 6,530,901.92	\$ (20,309.14)	\$ 731,236.84	\$ 393,742.91	\$ 220,101.74	\$ -	
Requirement from Rates	\$ 2,531,445.54	\$ 20,309.14	\$ (731,236.84)	\$ (393,742.91)	\$ 624,635.58		

	Capacity Cost Allocations						
	Supply	Treatment	Transmission	Storage	Distribution	Administration	
Base	100%	65%	65%	20%	0%		100%
Max Day		35%	35%	40%	50%		
Max Hour		0%	0%	40%	50%		
Fire Flow				0%	0%		
Customer					0%		0%
Check	100%	100%	100%	100%	100%		

	Capacity Costs for Select Year							Total
	Supply	Treatment	Transmission	Storage	Distribution	Administration		
Base	\$ 2,531,446	\$ 13,201	\$ (475,304)	\$ (78,749)	\$ -	\$ -	\$ 1,990,594	
Max Day	\$ -	\$ 7,108	\$ (255,933)	\$ (157,497)	\$ 312,318	\$ -	\$ (94,004)	
Max Hour	\$ -	\$ -	\$ -	\$ (157,497)	\$ 312,318	\$ -	\$ 154,821	
Fire Flow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Customer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	\$ 2,531,446	\$ 20,309	\$ (731,237)	\$ (393,743)	\$ 624,636	\$ -	\$ 2,051,411	
							\$ 2,051,411	

38

Honey Creek Resources, Inc.

MEMORANDUM

TO: ERIC RECKENTINE, NWCWD
FROM: GEORGE OAMEK
DATE: SEPTEMBER 26, 2023
SUBJECT: WATER AND PLANT INVESTMENT SURCHARGES

Water Allocation Surcharge and a Proposed Basis and Revision of the Plant Investment (PI) Surcharge

District customers have an expected maximum level of water and infrastructure utilization, termed their allocation, which is defined either by their customer class or individually. For instance, full tap, $\frac{3}{4}$ tap, and $\frac{1}{2}$ tap residential customers are expected to use no more than 0.70 acre-feet, 0.525 acre-feet, or 0.35 acre-feet of water, respectively, over the course of a year. Usage in excess of these limits results in a surcharge for each increment over these limits, measured in 1,000 gallons. Commercial customers, such as dairies, have an expected level of water and system capacity usage, measured in full tap equivalents, which are specified based on the new customers' expected usage.

The water and plant investment (PI) surcharges are primarily due to chronic usage beyond water and PI allocations by growing dairies and, to a lesser degree, residential customers with extensive landscapes. These surcharges, expressed in dollars per 1,000 gallons, are added to the existing water charge when the customer exceeds their annual water and/or PI allocations.

Historically, the water allocation surcharge has been \$2.00/1,000 gallons and the PI surcharge \$3.95. When and how these levels were determined is unknown. Aggressively growing usage in excess of allocations by dairies has provided convincing evidence that the surcharges were too low to provide incentives to reduce water usage or increase allocations. At \$2.00, the water surcharge appeared to have the opposite impact.

Water Allocation Surcharge

In 2021, the District hired Headwaters Corporation to develop a water allocation surcharge. Using a cost-based method, a revised surcharge was proposed based on the market value of C-BT units at the time, approximately \$60,000, or about \$86,000 per acre-foot. This translated to over \$18.51/1,000 gallons when expressed on an annual, unit basis. The Board determined that this surcharge would apply to new dairies to the system but did not apply this level of surcharge on a system-wide basis at this time because such an increase was considered untenable. However, recognizing that something had to be done to reduce the excess usage problem, the District decided to approach the surcharge increase in three stages, with the first stage being \$6.00/1,000 gallons. This approach was approved and the current water allocation surcharge is \$6.00/1,000 gallons. It is still uncertain whether this increase has resulted in significant changes in commercial water usage.

Honey Creek Resources, Inc.

In early 2023, Honey Creek Resources updated Headwaters water surcharge calculations with more recent C-BT market sales, which resulted in a proposed surcharge of \$22.52.¹ No action has yet been taken to implement this revision into the current water allocation surcharge.

The District has currently developed a plan in which large commercial users with excessive over-usage will be limited to their 2022 historical usage level. Up to this historical usage level, the customer would pay the existing \$6.00 surcharge, as they currently do. However, usage in excess of historical levels would be billed at a level equal to the current water rate plus the \$18.51/1,000 gallons (or \$22.52) level represented by the market value of a C-BT unit.

Plant Investment Surcharge

No documentation supports the level of the current PI surcharge although intuition suggests that it's cost-based. Lacking documentation, a cost-based basis for a PI fee is proposed here. Desirable characteristics that a proposed fee should incorporate include the following:

1. A rational basis. The PI surcharge should be rooted in some measure of infrastructure cost since it is intended to reduce discourage infrastructure utilization beyond the customers' current agreements.
2. Utilize readily available, reliable data, or data that can at least be obtained and verified.
3. Be simple in nature. That is, be easily understood and depend on a minimum number of steps and calculations.

Base the Surcharge on the Current Plant Investment Fee

This method was suggested near the end of the aforementioned memo from Honey Creek Resources, Inc. and involves calculating the PI surcharge in the same manner as the water allocation fee. However, rather than basing the value on a C-BT unit, the PI fee itself is the unit of value.

Therefore, the current PI fee, \$20,250 per tap, would be amortized over the same period of time (20 years) and at the same discount rate (3.5%) as the water allocation fee.

- *This amortization results in an annual cost of \$1,425 per unit, \$2,035 per acre-foot. Based on 0.70 acre-feet per year annual usage per tap, this translates to a surcharge of **\$6.25 per 1,000 gallons**, compared to the current fee of \$3.95 per 1,000 gallons. This surcharge would change over time in proportion to the PI fee.*

Increasing the PI surcharge from \$3.95 per 1,000 to \$6.25 would reflect the increase in the PI fees that have occurred over the last three years.

¹ Draft memo from Honey Creek Resources, Inc. to Eric Reckentine, March 3, 2023.

Draft - North Weld County Water District 2024 Budget Memo
To: Board of Directors North Weld County Water District
From: Eric Reckentine
October 9, 2023

Revenue

Total district water usage for North weld County Water District (District) is projected to increase 0.5% annually for the next 5 years from 2022 water usage.

- Commercial water usage is projected as flat to 2022 volumes for the next 5 years.
- Wholesale Water Accounts are projected at an approximate .25% water usage increase annually for the next 5 years from 2022 usages and
- The three towns associated with the Group treatment plant usage volumes are projected as flat perpetually starting in 2028.
- District residential water usage is projected at an approximate 1.5% annual water usage increase for the next 5 years from 2022 usages.

Total meter sale revenue is budgeted to increase from approximately \$18.1 million in the 2023 budget to \$20.8 million in 2024 budget and \$.85 million less to 2022 actual revenues. The 2023 forecast projects approximately \$17.2 million in metered revenues. Water allocation and plant investment surcharges are budgeted at \$6 million annually for the next five years. The district is projected to see approximately \$4 million in total contributions which is flat to 2023 forecast with budgeted sales of approximately 150 meters, \$1.5 million in interest and miscellaneous revenues with a total revenue projection of \$26.3 million.

- The rate increase projections for all customer classes are at 5% for the next five years.
- Towns out of compliance with storage requirements are projected at residential rates for 2024.
- Water allocation surcharges are projected at \$6.00/1000 gallons. Recommend raising water allocation surcharge to Honey Creek Consulting Recommendations.
- Plant investment surcharges are projected at \$3.85/1000 gallons. Recommend increasing PI surcharge to Honey Creek Consulting Recommendations.
- Plant Investment sales are projected at 150 meters sold for 2024- and 175-meter sales annually for the following 5 years.
- Cash in Lieu sales are projected at 3 units in 2024 and at 10 units for the following five years at \$73,500.
- Plant Investment Fee is currently projected at \$20,500 per PI not counting distance fee. Recommend increasing PI surcharge to Honey Creek Consulting Recommendations.

Expenses

Operations Maintenance and Administration 2024 budget is projected at approximately \$10.7 million which is approximately \$1 million increase from 2023 budget and forecast.

- Labor costs are projected to increase approximately \$0.5 million from 2023 to 2024 which equates to approximately 20%, that includes a proposed 5% employee cost of living increase, insurance increases and mid-year increases 2023.
- The District anticipates acquiring two replacement fleet vehicles in 2024 and dump truck.

- The District has budgeted \$30,000 for Web Site Design.
- Repaving Project for Home Office Budgeted at \$100,000
- Fiber Optic Line Installation Budgeted at \$125,000
- Solider Canyon Filter Plant treatment costs rate increase of \$100,000 for 2024, SCWTA budget memo is attached as draft final to be attached for October meeting.
- Increase in material costs projected at double for 2024 from 2023-line replacement and repair and meter repairs O&M costs increase of \$0.5 million dollars.

Capital improvement project costs for 2024 are projected at approximately \$29.5 million compared to 2023 budget of \$27.8 million. Forecast for 2023 is capital improvement projects is projected at \$25.5 million to date. Capital Improvements project costs for 2023 and 2024 are approximately 30% greater than original engineering projections 2021/2022 due to rapid increase in material costs. The anticipated capital improvement ten-year forecast is approximately \$200 million that includes approximately \$60 million in water rights acquisition.

The District is forecasted to complete the following capital improvement projects in 2023:

- Constructed approximately 1.5 of 2 miles Eaton Pipeline Phase II at \$5.3 million dollars.
- Construction of the Greeley/ NW Harmony Interconnect 24- inch Pipeline at \$1.5 million dollars
- Construction NEWT III Transmission Line- Timberline Crossing and Permitting, Pipe and Property Acquisition, and 1st Phase of Construction at \$8.5 million dollars.
- Acquisition of Water Rights at \$7 million dollars
- Rehabilitation Project for Tanks 1A, 5B and 7 at \$1 million dollars CIP and O&M
- Larimer #2 Headgate Construction Project Overland Ponds
- Longs Peak WSSC Recharge Structure
- Emergency Generator Backup Power, Nunn PS, PS-1 and Summit View
- These costs do not reflect reimbursement from ELCO for NEWT III and City of Greeley for Interconnect materials as per the IGA – approximately \$1.5 million dollars.

Capital Improvement System Projects for 2024

- North Weld East Larimer County (NEWT) III transmission line permitting, and construction projected cost of \$8.5 million for 2023 and \$13.5 million for 2024.
- Eaton Pipeline Phase 2 two mile 30-inch distribution construction projected cost of \$5.3 million for 2023, anticipating winter of 2024 construction costs of \$2.5 million.
- Greeley and North Weld Interconnect projected cost of \$1.5 million for pump station acquisition and construction in 2024
- Tank Rehabilitation Program for Tank 4 and Tank 5 at \$1 million
- Tank 1 to CR 78, 16-inch distribution pipeline upsizing project projected start 2024 total project cost of approximately \$9 million with \$2 million dollars in 2024
- Weld County Zone 1 Transmission Line to Tank 1 Site project starts in 2024 and project cost of \$9 million with \$ 2 million dollars budgeted for 2024.
- Tank 1C Design and Construction project cost \$7 million with 2025 construction. Engineering and Design in 2024
- Line 1 Interconnect Project at \$500,000
- Timnath 36-inch Line Lowering projected cost \$1 million with ½ to be paid by Timnath.

- Line replacement projects – Highway 85, Woods Lake, County RD 84

Capital Improvement Raw Water Projects for 2024

- Raw water district drought supply acquisition project projected at \$6 million.
- Water Supply and Storage Company Structures projected cost of \$100,000
- Reservoir Pumping Costs of \$200,000.
- Legal and Engineering cost of approximately \$200,000 Change Case and Oppositions

Master Planning

- Finalize Regional Master Plan
- Cost of Service Study Update 2023 dependent on Revised Water Service Agreement.
- System Pressurization Study for analyses of pressurization of the transmission system at the treatment plant to be managed by SCWTA.
- Soldier Canyon Filter Plant Rating Expansion to 65 to 67 MGD be managed by SCWTA projected at \$60,000 for 2024.
- Soldier Canyon Filter Plant Master Plan to be managed by SCWTA projected at \$250,000 for 2024.

Total expenditures for 2024 are projected at \$44.6 million dollars. Funds available at end of 2024 are projected at \$16.9 million dollars of which \$5.5 million dollars is depreciation reserve fund with an additional \$7 million in operational reserve fund.

Previous Five-Year Financial Summary 2018 to 2022

From 2018 to 2022, the District has received in approximate figures \$74 million dollars in operational revenue, has received \$61 million in non-operation revenue, has obtained debt proceeds in total of \$51 million dollars with approximately 6 million in miscellaneous incomes, and has maintained approximately \$10 million dollars in operational and replacement reserve funds for a total revenue of \$192 million dollars (\$141 million dollars without debt proceeds),

From 2018 to 2022, the District has acquired approximately 1,300 acre-feet of new water supplies at a cost of approximately \$49 million dollars, averaging \$38,000 per acre-foot and averaging approximately \$10 million annually in water acquisitions investment, constructed approximately \$38 million dollars of system improvements, averaging about \$8 million dollars annually to serve growth and maintain reliable service for a total capital improvement expenditure of \$86 million dollars, has spent \$40 million dollars in operations and maintenance (O&M), or about \$8 million per year, has paid \$16 million in debt service, for total expenditures of approximately \$143 million. Specific projects include:

- Solider Canyon Treatment Plant Expansion from 45 to 60 MGD.
- Line 1 replacement project and 48-inch upsizing.
- Pump Station 1 upgrade.
- Old Eaton Pipeline, 16-inch line replacement and 20-inch upsizing.
- Emergency Backup Power Summit View.
- Eaton Pipeline Project 2 miles Phase 1.
- Pump Station Rebuild Summit View.
- Pump Station Upgrade Station 4.

- Pump Station Upgrade Station 6.
- Mason Street Interconnect City of Greeley 60-inch to NEWT III.
- Horse tooth Operation Project Hansen Pump Back Station.
- 2nd Master Meters to Severance.
- 2nd Master Meter to Windsor.
- Master Meter City of Greeley
- Town of Nunn Pump Station Upsize and Replacement.
- Wild wing Irrigation Raw Water Line.
- Purchase Contract for Knox Pit Reservoir Project - Overland Ponds
- Acquisition of River Bluffs Reservoir Storage Project.
- Acquisition of Overland Ponds – Cells 4 and 5.
- Development of two Return Flow Structures for Native Rights.
- 5- year CDPHE Sanitary Survey.
- American Water Infrastructure Act Survey and Emergency Response System Upgrades.
- Mill Levy Ballot Initiative.
- Emergency Power SCADA.

Policies

The District over the course of 5 years has developed or modified approximately 20 policies, and updated manuals and protocols related to updated design criteria, maintenance program, safety, employment manuals and polices, development review procedures, drought triggers, finance and reserve fund policies, regulatory compliance manual and policies related to back flow and cross connection devices, board of director manual and plant investment and water dedication policies.

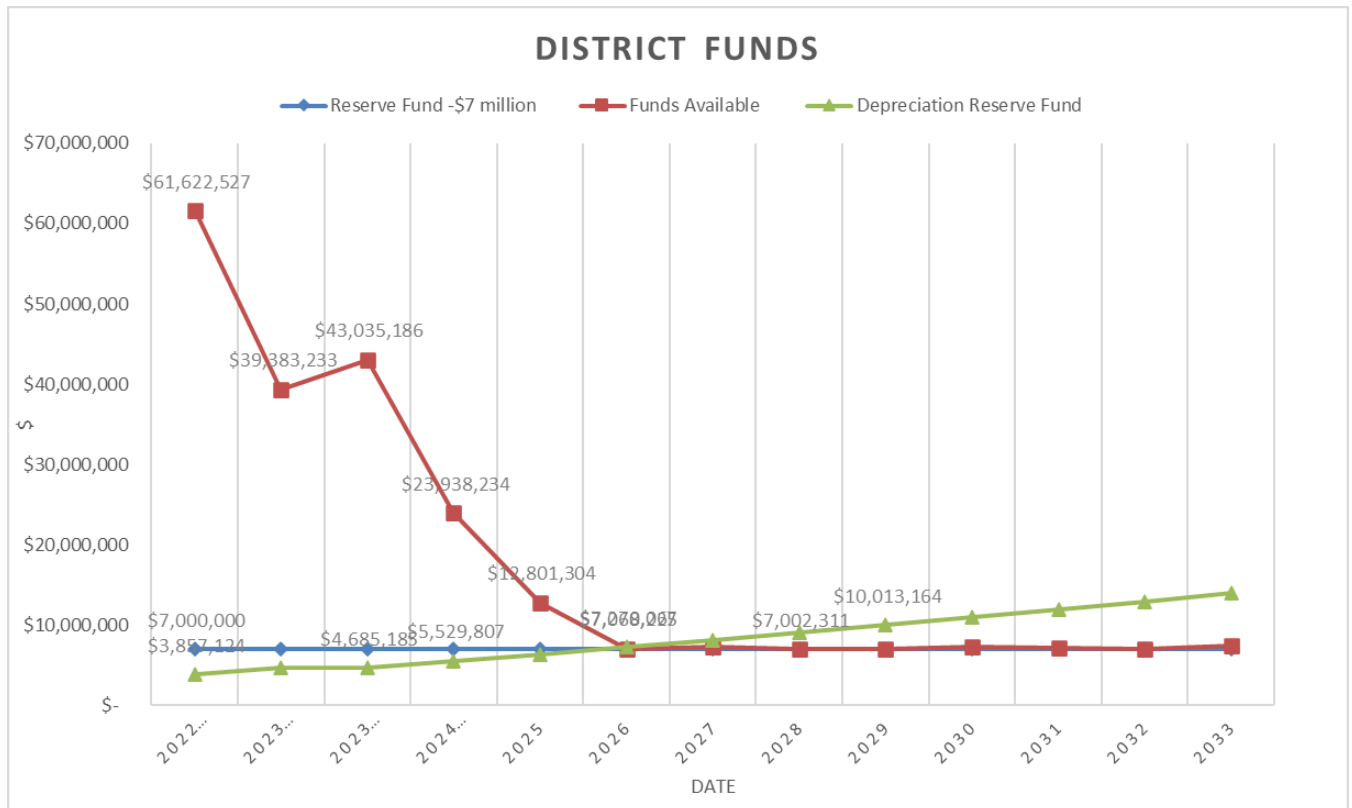
The following are considered by District Management to be key policy changes that have had significant impact on maintaining district solvency:

- Finance Policies for Reserve and Depreciation Funds.
- Elimination of the Conservation Blue Tap Program.
- Raw Water Dedication Policy Change from 100% Cash in Lieu to 100% Raw Water Dedication.
- Drought Trigger Policies and Surcharges.
- Flow Control Program for Commercial Customers.
- Mortarium Policies Temporarily Limiting New Growth.
- Elimination of the Water Allocation and Plant Investment Reinvestment Program.
- Residential Meter Over Usage Policy and Surcharge

Management Recommendations:

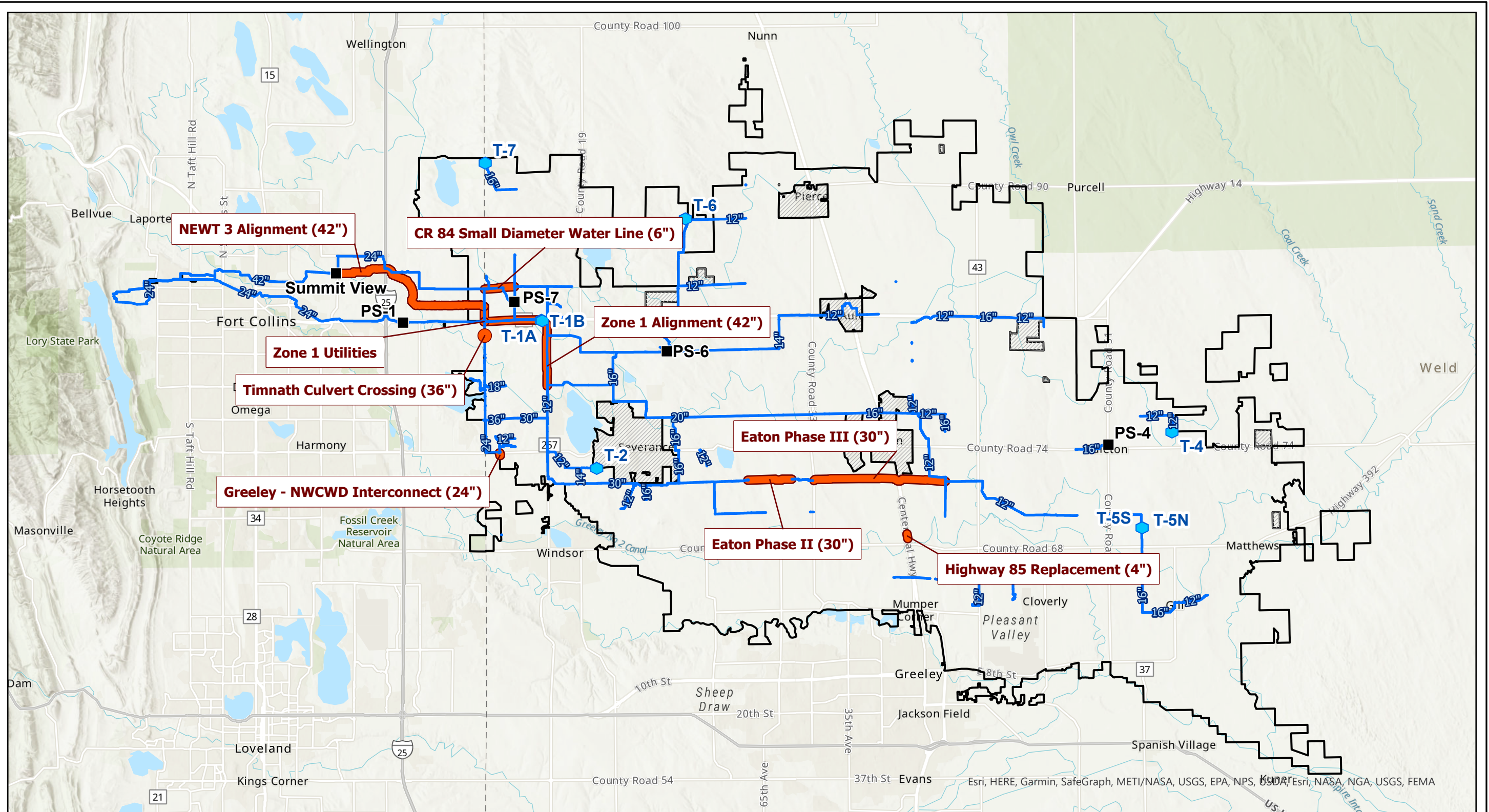
1. A 5% rate increase
2. Increasing the plant investment fee to reflect the Honey Creek recommendation per PI not including distance fee.
3. Increasing CIL to \$73,500
4. Increasing the Plant Investment and Water Allocation Surcharge to Honey Creek recommendation.

	2022 Actual	2023 Budget	2023 Forecast	2024 Budget	Forecast				
					2025	2026	2027	2028	2029
Revenues									
Total Operating Revenue	\$ 21,708,287	\$ 18,189,459	\$ 17,193,431	\$ 20,867,804	\$ 21,642,563	\$ 22,451,083	\$ 23,302,799	\$ 23,700,015	\$ 24,636,199
Debt Proceeds	\$ 34,615,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Operating Revenue	\$ 1,026,000	\$ 185,081	\$ 1,502,000	\$ 1,537,637	\$ 738,390	\$ 739,157	\$ 739,941	\$ 740,739	\$ 741,554
Total Contributions	\$ 7,134,545	\$ 4,174,964	\$ 3,986,224	\$ 3,895,784	\$ 5,299,500	\$ 5,313,490	\$ 5,327,759	\$ 5,342,315	\$ 5,357,161
Total Revenues	\$ 64,483,832	\$ 22,624,387	\$ 22,681,655	\$ 26,377,605	\$ 27,758,361	\$ 28,583,196	\$ 29,451,554	\$ 29,865,745	\$ 30,819,244
Expenditures									
Administrative	\$ 2,163,522	\$ 2,147,230	\$ 2,065,250	\$ 2,058,589	\$ 2,105,146	\$ 2,152,796	\$ 2,201,565	\$ 2,251,481	\$ 2,302,572
Operational	\$ 6,622,341	\$ 7,165,217	\$ 7,642,136	\$ 8,628,628	\$ 8,829,912	\$ 8,390,234	\$ 8,583,077	\$ 8,985,824	\$ 8,760,815
Debt Service	\$ 2,907,375	\$ 5,127,288	\$ 4,654,000	\$ 4,420,825	\$ 4,421,488	\$ 4,416,925	\$ 4,422,250	\$ 4,422,238	\$ 4,417,000
Water Enterprise Fund 2020 Bond	\$ 477,288	\$ 473,288	\$ 473,288	\$ 474,175	\$ 474,838	\$ 470,275	\$ 475,600	\$ 475,588	\$ 470,350
Capital Improvements	\$ 12,223,970	\$ 28,239,700	\$ 25,589,700	\$ 29,505,000	\$ 22,660,000	\$ 18,460,000	\$ 13,060,000	\$ 13,610,000	\$ 14,310,000
Total Expenditures	\$ 24,394,496	\$ 42,679,435	\$ 40,424,374	\$ 44,613,042	\$ 38,016,546	\$ 33,419,955	\$ 28,266,892	\$ 29,269,544	\$ 29,790,387
Earnings	\$ 40,089,336	\$ (20,055,048)	\$ (17,742,719)	\$ (18,235,437)	\$ (10,258,185)	\$ (4,836,759)	\$ 1,184,662	\$ 596,202	\$ 1,028,857
Funds Available (carry over prior to depreciation)	\$ 62,450,588	\$ 40,227,855	\$ 43,879,808	\$ 24,799,749	\$ 13,680,049	\$ 7,964,545	\$ 8,252,887	\$ 7,934,842	\$ 8,031,168
Depreciation	\$ 828,061	\$ 844,622	\$ 844,622	\$ 861,515	\$ 878,745	\$ 896,320	\$ 914,246	\$ 932,531	\$ 951,182
Funds Available	\$ 61,622,527	\$ 39,383,233	\$ 43,035,186	\$ 23,938,234	\$ 12,801,304	\$ 7,068,225	\$ 7,338,641	\$ 7,002,311	\$ 7,079,987
Reserve Fund -\$7 million	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000
Fund Available minus reserve fund	\$ 54,622,527	\$ 32,383,233	\$ 36,035,186	\$ 16,938,234	\$ 5,801,304	\$ 68,225	\$ 338,641	\$ 2,311	\$ 79,987
Depreciation Reserve Fund	\$ 3,857,124	\$ 4,685,185	\$ 4,685,185	\$ 5,529,807	\$ 6,391,322	\$ 7,270,067	\$ 8,166,387	\$ 9,080,633	\$ 10,013,164



North Weld County Water District
2024 Budget

	BREAKDOWN		2024 Budget	2025	2026	2027	2028	2029
3000	Revenue		\$ 26,377,605	\$ 27,758,361	\$ 28,583,196	\$ 29,451,554	\$ 29,865,745	\$ 30,819,244
	3100	Operating	\$ 20,867,804	\$ 21,642,563	\$ 22,451,083	\$ 23,302,799	\$ 23,700,015	\$ 24,636,199
	3200	Non-Operating	\$ 1,500,845	\$ 700,862	\$ 700,879	\$ 700,897	\$ 700,914	\$ 700,933
	3300	New Service	\$ 3,895,784	\$ 5,299,500	\$ 5,313,490	\$ 5,327,759	\$ 5,342,315	\$ 5,357,161
	3400	Ag-Water Income (Non-Op)	\$ 18,571	\$ 18,943	\$ 19,321	\$ 19,708	\$ 20,102	\$ 20,504
	3500	Miscellaneous (Non-Op)	\$ 18,221	\$ 18,585	\$ 18,957	\$ 19,336	\$ 19,723	\$ 20,117
	3700	Debt Proceeds						
		2009 Bond Revenue (included in operating revenue)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4000	Operational Expense		\$ 8,628,628	\$ 8,829,912	\$ 8,390,234	\$ 8,583,077	\$ 8,985,824	\$ 8,760,815
	4100	Water	\$ 3,994,485	\$ 4,139,214	\$ 3,844,576	\$ 3,955,598	\$ 4,274,622	\$ 3,963,940
	4200	Personnel Operations	\$ 2,042,823	\$ 2,093,731	\$ 2,145,912	\$ 2,199,398	\$ 2,254,220	\$ 2,310,413
	4400	Operation & Maintenance	\$ 2,183,198	\$ 2,180,682	\$ 1,975,136	\$ 1,994,979	\$ 2,015,218	\$ 2,035,863
	4500	Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	4600	Electricity	\$ 184,722	\$ 188,416	\$ 192,185	\$ 196,028	\$ 199,949	\$ 203,948
	4700	Communications	\$ 51,000	\$ 52,020	\$ 53,060	\$ 54,122	\$ 55,204	\$ 56,308
	4800	Insurance	\$ 172,400	\$ 175,848	\$ 179,365	\$ 182,952	\$ 186,611	\$ 190,344
	4900	Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5000	Administrative		\$ 2,058,589	\$ 2,105,146	\$ 2,152,796	\$ 2,201,565	\$ 2,251,481	\$ 2,302,572
	5100	Personnel - Administrative	\$ 538,541	\$ 554,697	\$ 571,338	\$ 588,479	\$ 606,133	\$ 624,317
	5200	Payroll Taxes	\$ 144,068	\$ 146,949	\$ 149,888	\$ 152,886	\$ 155,944	\$ 159,062
	5300	Health Insurance	\$ 61,200	\$ 62,424	\$ 63,672	\$ 64,946	\$ 66,245	\$ 67,570
	5400	Office Utilities	\$ 211,907	\$ 216,145	\$ 220,468	\$ 224,878	\$ 229,375	\$ 233,963
	5500	Office Expenses	\$ 204,939	\$ 209,037	\$ 213,218	\$ 217,483	\$ 221,832	\$ 226,269
	5600	Professional Fees	\$ 787,934	\$ 803,693	\$ 819,767	\$ 836,162	\$ 852,885	\$ 869,943
	5900	Miscellaneous	\$ 110,000	\$ 112,200	\$ 114,444	\$ 116,733	\$ 119,068	\$ 121,449
6000	Capital Improvements		\$ 29,505,000	\$ 22,660,000	\$ 18,460,000	\$ 13,060,000	\$ 13,610,000	\$ 14,310,000
	6200	Storage Tanks	\$ 1,000,000.00	\$ 7,000,000.00	\$ 750,000.00	\$ 1,000,000.00	\$ -	\$ -
	6300	Pump Stations	\$ 75,000.00	\$ -	\$ -	\$ 1,500,000.00	\$ 2,250,000.00	\$ 4,000,000.00
	6400	Equipment	\$ 220,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -
	6500	System	\$ 21,700,000	\$ 9,000,000	\$ 11,200,000	\$ 4,000,000	\$ 4,800,000	\$ 4,750,000
	6600	Water Rights/Storage	\$ 6,330,000	\$ 6,380,000	\$ 6,330,000	\$ 6,380,000	\$ 6,380,000	\$ 5,380,000
	6700	Land / Easements	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000
	6900	Office Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7000	Bond Issue		\$ 4,420,825	\$ 4,421,488	\$ 4,416,925	\$ 4,422,250	\$ 4,422,238	\$ 4,417,000
	7200	Interest / Principle	\$ 4,420,825	\$ 4,421,488	\$ 4,416,925	\$ 4,422,250	\$ 4,422,238	\$ 4,417,000
	7400	Interest Expense Other						
	7800	Depreciation						
	7900	Amortization						
		Water Enterprise Fund	\$ 474,175	\$ 474,838	\$ 470,275	\$ 475,600	\$ 475,588	\$ 470,350
		Total Expense	\$ 44,613,042	\$ 38,016,546	\$ 33,419,955	\$ 28,266,892	\$ 29,269,544	\$ 29,790,387



EXPLANATION

- STORAGE TANK
- PUMP STATION
- CAPITAL IMPROVEMENT PROJECT (CIP) LOCATION
- CAPITAL IMPROVEMENT PROJECT (CIP) EXTENT
- 12" OR LARGER WATER LINE
- DISTRICT BOUNDARY
- EXCLUDED FROM DISTRICT

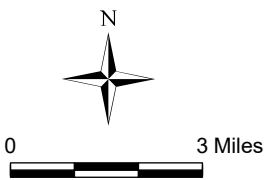


FIGURE 2
CAPITAL IMPROVEMENT PROJECTS
NORTH WELD COUNTY WATER DISTRICT
LUCERNE, COLORADO

Drawn By: BR | Checked By: JG | Scale: 1" = 3 Miles | Date: 8/1/23 | File: 2_CIP_2023

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SOLDIER CANYON WATER TREATMENT AUTHORITY

To: Soldier Canyon Water Treatment Authority Board of Directors

From: Mark Kempton, P.E., CWP - SCWTA Manager

Date: October 5th, 2023

RE: FINAL - 2024 Budget for the Soldier Canyon Water Treatment Authority

The intent of this memo is to present the proposed draft Operational & Maintenance and Renewal & Replacement expenditure budgets for the Soldier Canyon Water Treatment Authority (SCWTA) for the fiscal year 2024. In addition to treatment plant expenses, the SCWTA budget includes funding for the Tri-District’s Water Resources personnel. Due to the unusual summer weather and subsequent lower water demands in 2023, the calculations used for 2024 District per gallon cost contributions are based on the assumed increase over 2022 actual water production, as detailed in Table 1 below. The fiscal year for the SCWTA budget is January 1 through December 31.

Table 1 – Historic and projected water usage (MG)

<u>District</u>	<u>2021 Actual</u>	<u>2022 Actual</u>	<u>2023* Projected Actual</u>	<u>2024 Projected</u>	<u>Assumed 2024 increase/(decrease) over 2022</u>
East Larimer County	1,449	1,540	1,232	1,638	6.3%
Fort Collins Loveland	3,167	3,336	2,668	3,610	8.2%
North Weld County	3,683	3,514	2,811	3,531	0.5%
Tri-Districts Totals	8,299	8,391	6,712	8,779	4.6%

*Assumed 20% decrease in summer demands

The following documents are included to provide details for the 2024 Budget.

- A. **2024 Budget** – The budget summarizes the proposed revenues, expenditures, and reserve account fund projections. It also summarizes the funding responsibility for each District.
- B. **Operations & Maintenance (O&M) Summary** – The attached worksheet lists the major categories in the O&M Budget. The operations and maintenance summary is divided into six major categories.
 - a. Personnel Services
 - b. Professional Services
 - c. Utilities
 - d. Contractual Services
 - e. Commodities

f. Repair and Maintenance

- C. **O&M Expense Detail Worksheet** – The attached worksheet provides additional detail about planned O&M Expenses for 2024.
- D. **Renewal & Replacement Fund Summary** – This worksheet lists the upcoming Renewal and Replacement (R&R) Fund projects planned for 2024.

General Review of 2023**Treated Water Production**

The annual plant production for 2023 is projected to be 6.7 billion gallons. To date, the peak daily plant production in 2023 was 46.55 million gallons, recorded on July 26, 2023. For comparison, the annual plant production and peak daily production for 2022 were 8.39 billion gallons and 49.76 MGD, respectively.

Water Quality

Treated water produced at Soldier Canyon Filter Plant continues to be rated as very high-quality water. All Environmental Protection Agency, (EPA) and Colorado Department of Public Health and Environment, (CDPHE), Safe Drinking Water regulations were met, with the exception of one external lab reporting error. In most cases, water quality far exceeded regulatory requirements.

Water Quality / Regulatory / Watershed

SCWTA continues to support monitoring of the Poudre River watershed in conjunction with regional partners.

2024 Proposed Budget**Operations & Maintenance Budget**

The proposed O&M budget for 2024 is \$6,426,851. This is an increase of 4.5% from the 2023 O&M budget of \$6,151,833.

Details of expense categories, proposed 2024 costs, and 2024 over 2023 budget % changes are listed below.

1. Personnel Services (\$3,347,631) – 2.0% increase.
An assumed wage increase of 5% is included in the 2024 budget. Increases are primarily due to health insurance and personnel costs.
2. Professional Services (\$73,465) – 37% decrease.
Decreases in legal and engineering services.
3. Utilities (\$167,937)– 46.7% increase.
Increase due to higher electricity and natural gas costs.
4. Contractual Services (\$572,483) – 12.2% increase.
Increases in liability insurance, and PVP Enterprise indirect costs/capital projects.

5. Commodities (\$1,515,619) – 8.7% increase.
Increased cost of water treatment chemicals.
6. Facilities Repair and Maintenance (\$749,716) – 2.0% increase.
Increase due to project selection. Proposed projects for 2024 include:
 - PLC Controls improvements.
 - Painting Pipes.
 - Replace House Water PVC Piping.
 - Replace Surface Wash Pipes.
 - Replace Filter Actuators.
 - Upgrade Filter Consoles.
 - Replace Redwood Floc Walls - Annual Program.
 - Replace filters 1-20 surface wash PVC - Annual Program.
 - Filter Air Solenoid Valve replacement program - Annual Program.
 - Tank 2 - Spot coating repairs.
 - Yard Butterfly Valve Actuator Replacement - Annual Program.

Renewal and Replacement (R&R) Fund Budget

The proposed R&R Fund budget for 2024 is \$1,936,738. This is a decrease of 3.4% from the 2023 R&R budget. Proposed 2024 R&R projects are listed below:

1. New Hydrocarbon Analyzer for Poudre River and new Lab TOC Analyzer - \$95,000.
New analyzer at the PVP Sed Basin to detect gasoline spills in the Poudre River.
2. Upgrade SCADA operating system - \$260,000.
Upgrade the iFix SCADA operating interface.
3. Upgrade Chlorine Dioxide system - \$400,000.
Replace the older, smaller 195-gallon tank with a new 800-gallon tank, install new generators, and piping.
4. Replace MCC - \$568,000.
Replace the main Plant Motor Control Center.
5. Replace Sedimentation Sludge collectors - Basins 1-4 - Annual Program- \$100,000.
Replace sludge collectors – phase over several years until complete.
6. Vehicle replacement - \$85,000.
Replace two 15-year-old maintenance trucks.
7. Replace Mud Valves - Floc Basin Drains - \$32,000.
Replace original mud valves.
8. Replace NWCWD 20-inch meter - \$280,000.

Table 2 – Summary of 2024 District costs

	<u>East Larimer County</u>	<u>Fort Collins Loveland</u>	<u>North Weld County</u>
Fixed O&M	\$1,124,350	\$1,888,504	\$1,904,485
Variable O&M	\$281,247	\$620,724	\$607,141
Renewal and Replacement	\$442,835	\$743,804	\$750,099
Total	\$1,848,832	\$3,253,032	\$3,261,724
Increase/(Decrease) from 2023 Budget	2.77%	3.34%	1.69%

SOLDIER CANYON WATER TREATMENT AUTHORITY

To: Soldier Canyon Water Treatment Authority Board of Directors

From: Mark Kempton, P.E., CWP - SCWTA Manager

Date: October 5th, 2023

RE: FINAL - 2024 Budget for the Soldier Canyon Water Treatment Authority

The intent of this memo is to present the proposed draft Operational & Maintenance and Renewal & Replacement expenditure budgets for the Soldier Canyon Water Treatment Authority (SCWTA) for the fiscal year 2024. In addition to treatment plant expenses, the SCWTA budget includes funding for the Tri-District’s Water Resources personnel. Due to the unusual summer weather and subsequent lower water demands in 2023, the calculations used for 2024 District per gallon cost contributions are based on the assumed increase over 2022 actual water production, as detailed in Table 1 below. The fiscal year for the SCWTA budget is January 1 through December 31.

Table 1 – Historic and projected water usage (MG)

<u>District</u>	<u>2021 Actual</u>	<u>2022 Actual</u>	<u>2023* Projected Actual</u>	<u>2024 Projected</u>	<u>Assumed 2024 increase/(decrease) over 2022</u>
East Larimer County	1,449	1,540	1,232	1,638	6.3%
Fort Collins Loveland	3,167	3,336	2,668	3,610	8.2%
North Weld County	3,683	3,514	2,811	3,531	0.5%
Tri-Districts Totals	8,299	8,391	6,712	8,779	4.6%

*Assumed 20% decrease in summer demands

The following documents are included to provide details for the 2024 Budget.

- A. **2024 Budget** – The budget summarizes the proposed revenues, expenditures, and reserve account fund projections. It also summarizes the funding responsibility for each District.
- B. **Operations & Maintenance (O&M) Summary** – The attached worksheet lists the major categories in the O&M Budget. The operations and maintenance summary is divided into six major categories.
 - a. Personnel Services
 - b. Professional Services
 - c. Utilities
 - d. Contractual Services
 - e. Commodities

f. Repair and Maintenance

- C. **O&M Expense Detail Worksheet** – The attached worksheet provides additional detail about planned O&M Expenses for 2024.
- D. **Renewal & Replacement Fund Summary** – This worksheet lists the upcoming Renewal and Replacement (R&R) Fund projects planned for 2024.

General Review of 2023**Treated Water Production**

The annual plant production for 2023 is projected to be 6.7 billion gallons. To date, the peak daily plant production in 2023 was 46.55 million gallons, recorded on July 26, 2023. For comparison, the annual plant production and peak daily production for 2022 were 8.39 billion gallons and 49.76 MGD, respectively.

Water Quality

Treated water produced at Soldier Canyon Filter Plant continues to be rated as very high-quality water. All Environmental Protection Agency, (EPA) and Colorado Department of Public Health and Environment, (CDPHE), Safe Drinking Water regulations were met, with the exception of one external lab reporting error. In most cases, water quality far exceeded regulatory requirements.

Water Quality / Regulatory / Watershed

SCWTA continues to support monitoring of the Poudre River watershed in conjunction with regional partners.

2024 Proposed Budget**Operations & Maintenance Budget**

The proposed O&M budget for 2024 is \$6,426,851. This is an increase of 4.5% from the 2023 O&M budget of \$6,151,833.

Details of expense categories, proposed 2024 costs, and 2024 over 2023 budget % changes are listed below.

1. Personnel Services (\$3,347,631) – 2.0% increase.
An assumed wage increase of 5% is included in the 2024 budget. Increases are primarily due to health insurance and personnel costs.
2. Professional Services (\$73,465) – 37% decrease.
Decreases in legal and engineering services.
3. Utilities (\$167,937)– 46.7% increase.
Increase due to higher electricity and natural gas costs.
4. Contractual Services (\$572,483) – 12.2% increase.
Increases in liability insurance, and PVP Enterprise indirect costs/capital projects.

5. Commodities (\$1,515,619) – 8.7% increase.
Increased cost of water treatment chemicals.
6. Facilities Repair and Maintenance (\$749,716) – 2.0% increase.
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New analyzer at the PVP Sed Basin to detect gasoline spills in the Poudre River.
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Increase/(Decrease) from 2023 Budget	2.77%	3.34%	1.69%

Soldier Canyon Water Treatment Authority Creation Agreement - 2nd Amendment

**NWCWD Board Meeting
October 9, 2023**

Canyon Water Treatment Authority Creation Agreement and By-Laws Review

Soldier Canyon Water Treat Plant (SCWTP) – Governance Agreement Background

Soldier Canyon Treatment Plant Tri-Districts Intergovernmental Agreement, March 1990 (1990 IGA)

Soldier Canyon Treatment Plant Tri-Districts Amended Intergovernmental Agreement, March 1995 (1995 Amended IGA)

By-Laws of the Soldier Canyon Steering Committee (1996)

Soldier Canyon Treatment Plant Tri-Districts First and Second Amended Intergovernmental Agreements, 1998 and 2005 (1998 and 05 Amended IGAs)

Soldier Canyon Water Treatment Authority Creation Agreement, February 1, 2017 (Agreement)

Soldier Canyon Water Treatment Authority Creation Agreement , April 2017 By-Laws (By-Laws)

Soldier Canyon Water Treatment Authority Retreat Notes and Organizational Chart, October 20, 2017, By-Laws (Retreat)

Revised – 1st Amendment Soldier Canyon Water Treatment Authority Creation Agreement and By laws, April 2019

Canyon Water Treatment Authority Creation Agreement and By-Laws Review

Soldier Canyon Water Treatment Authority Creation Agreement, February 1, 2017

Created a Separate Legal Entity – Title 32

- a. Governed by Board of Directors
- b. Enter into Agreements
- c. Supply, Treat Water
- d. Managed by Authority Manager
- e. Issue Bonds
- f. District Assets were Transferred to the Authority
- g. Districts Own Capacity

Two Issues For NWCWD

- a. *By- Laws - Board Officers Could be Perpetual Appointments*
- b. *Unlimited financial Authority over the Districts, District were submissive to Authority*
 - a. *Maintenance and Future expansion*

Canyon Water Treatment Authority Creation Agreement and By-Laws Review

Soldier Canyon Water Treatment Authority Creation Agreement, Revised Amended April 16, 2019

Authority had financial control over the Districts, District were submissive to Authority financial commitments

Revised - The Board may by a simple majority approve Treatment Facility Improvements in an individual amount of not more than \$1,000,000.00. Any Treatment Plant Improvements in excess of \$1,000,000.00 must be approved by the Directors of all Parties to whom the costs of the Treatment Facility Improvements will be assessed.

By- Laws - Officers Positions Could be Perpetual

Revised – General Manager From Each District will Serve as Board Officer for Two Year Terms, Rotational Positions, President, Vice President and Treasurer

Canyon Water Treatment Authority Creation Agreement Proposed Amendment

Soldier Canyon Water Treatment Authority Creation Agreement, Proposed 2nd Amendment 2023

The 42-inch diameter raw water transmission line (constructed in 2021) from Northern Water’s 54-inch pipeline from Horsetooth Reservoir, up to the water filtration plant, such transmission line being located on real property owned by the United States Department of the Interior, Bureau of Reclamation, and licensed to the Parties by that certain “Grant of a permanent easement to construct, operate, and maintain a domestic water system”, dated September 30,

The Authority’s ownership share in the PVP Sedimentation Basin and Screen identified in the agreement “Agreement between the City of Fort Collins and the Soldier Canyon Water Treatment Authority regarding the Pleasant valley Pipeline Munroe Turnout Screen and Sedimentation Basin, dated *Month Day, 2023*. The percent ownership of these facilities, per District, is listed below:

Table 2: District Capacity in the PVP Sed Basin

Fort Collins	Capacity in the PVP Sed Basin – in %		
	ELCO	FCLWD	NWCWD
53%	10.67%	20.45%	15.88%

Table 3: District Capacity in the PVP Screen

Fort Collins	Capacity in the PVP Screen – in %		
	ELCO	FCLWD	NWCWD
50%	11.35%	21.76%	16.89%

**SOLDIER CANYON WATER TREATMENT AUTHORITY
CREATION AGREEMENT**

between

East Larimer County Water District

and

Fort Collins-Loveland Water District

and

North Weld County Water District

DATED October 20, 2016

EFFECTIVE DATE February 1, 2017

REVISED AND RESTATED EFFECTIVE April 16, 2019

REVISED AND RESTATED EFFECTIVE Month?? Day?? , 2023

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Table of Contents

I.	Definitions	2
A.	Act	2
B.	Agreement	2
C.	Amended IGA	2
D.	Authority	2
E.	Authority Obligations.....	2
F.	Board of Directors	2
G.	Debt Service Component.....	2
H.	Director.....	2
I.	ELCO.....	2
J.	Existing Party Debt	23
K.	Fort Collins-Loveland	3
L.	Governing Board	3
M.	Gross Revenues	3
N.	Gross Revenues Fund.....	3
O.	Net Revenues.....	3
P.	North Weld	3
Q.	Operation and Maintenance Expenses	3
R.	Operation and Maintenance Component.....	4
S.	Operation and Maintenance Fund	4
T.	Party or Parties	4
U.	Soldier Canyon Filter Plant	4
V.	Steering Committee.....	4
W.	System	4
X.	TABOR	4
Y.	Treated Water	4
Z.	Treatment Capacity	4
AA.	Treatment Capacity Share	4
BB.	Treatment Facility	5
	1. Raw Water Transmission Facilities	5
	2. Treated Water Transmission Facilities.....	65
CC.	Treatment Facility Expansion	65
DD.	Treatment Facility Capital Improvements.....	65
EE.	Treatment Facility Improvements	65
FF.	Valuation Date.....	76
GG.	Water Activity or Water Activities	76
HH.	Water Activity Enterprise.....	76
II.	Water Treatment Services	76
II.	Creation of the Authority.....	76
A.	Nature of the Authority	76
B.	Principal Place of Business	76

C.	Authority Purposes and Services.....	<u>76</u>
III.	Powers of Authority	<u>76</u>
A.	Supply Treated Water.....	<u>87</u>
B.	Treatment Facilities.....	<u>87</u>
C.	Property	<u>87</u>
D.	Sue.....	<u>87</u>
E.	Seal.....	<u>87</u>
F.	Adopt Bylaws, Rules and Regulations	<u>87</u>
G.	Essential Powers.....	<u>87</u>
H.	Employees, Agents and Contractors	<u>87</u>
I.	Site Rehabilitation	<u>87</u>
J.	Indemnification	<u>87</u>
K.	Exercise Parties' Powers to Provide Treated Water	<u>87</u>
L.	Receive Contributions	<u>98</u>
M.	Cooperate.....	<u>98</u>
N.	Contracts.....	<u>98</u>
IV.	Governance.....	<u>98</u>
A.	Board of Directors of the Authority	<u>98</u>
1.	Number.....	<u>98</u>
2.	Appointment.....	<u>98</u>
3.	Vacancies	<u>98</u>
4.	Compensation.....	<u>109</u>
5.	Decisions	<u>109</u>
B.	Meetings	<u>109</u>
1.	Attendance.....	<u>109</u>
2.	Regular Meetings	<u>109</u>
3.	Meeting Quorums.....	<u>109</u>
4.	Special Meetings	<u>109</u>
5.	Notice of Special Meetings	<u>109</u>
6.	Waiver of Notice	<u>114</u>
7.	Annual Meeting.....	<u>114</u>
C.	Duties of the Board.....	<u>114</u>
1.	Governance.....	<u>114</u>
2.	Powers	<u>114</u>
3.	Policy.....	<u>114</u>
4.	Funds	<u>114</u>
5.	Finances.....	<u>114</u>
6.	Records.....	<u>114</u>
7.	Bylaws.....	<u>114</u>
8.	Statutory Compliance.....	<u>114</u>
9.	Authority Manager	<u>121</u>
D.	Officers.....	<u>121</u>

1.	Appointments and Term of Office	1244
2.	Removal	1244
3.	Duties of Officers	1244
4.	Bonds of Officers	1342
E.	Execution of Contracts	1342
F.	Indemnification	1342
1.	Defense Costs	1342
2.	Settlement with Consent.....	1413
3.	Non-Exclusive Rights	1413
V.	Financial Powers and Obligations	1413
A.	Negotiable Instruments.....	1413
B.	Fix Fees, Rates and Charges	1413
C.	Financial Obligations	1413
1.	Debts and Obligations	1413
2.	Authority to Issue Bonds.....	1413
3.	Contract with Holders	1544
4.	Financial Obligations Not Obligations of the Parties	1544
5.	Party Authorization	1544
D.	Deposits	1645
1.	Gross Revenues Fund.....	1645
2.	Operation and Maintenance Fund	1645
3.	Debt Service Fund.....	1645
4.	Other Funds	1645
E.	Fiscal Years	1645
F.	Initial Payment	1645
VI.	TABOR Enterprise.....	1746
A.	Water Activity Enterprises Activities and Facilities	1746
B.	Multiple Enterprises	1746
C.	Governing Board	1746
D.	Powers	1746
E.	Taxes	1847
F.	Grants	1847
G.	Contracts.....	1847
H.	Revenue	1847
I.	Enterprise Fund	1847
J.	Miscellaneous	1847
VII.	Successor to the Soldier Canyon Filter Plant	1948
A.	Transfer and Deed of Treatment Facility Property	1948
B.	Personnel	1948
C.	Pension Funds.....	2049
VIII.	Obligation to Serve the Parties	2049

A.	Existing Treatment Facility Capacity.....	2019
B.	Treatment Capacity Share.....	2019
C.	Expansion, Improvement, or Additional Treated Water Supply.....	2120
D.	Modification of Treatment Capacity Share.....	2120
E.	Establishment of Rates, Fees, and Charges.....	2221
F.	Delivery at the Treatment Facility.....	2221
G.	Treated Water Only to the Parties.....	2221
H.	Large Customers.....	2221
I.	Raw Water Management and Coordination.....	2322
J.	Limitation on Treated Water Supplies.....	2322
K.	Water System Practices.....	2423
L.	Water Quality.....	2423
M.	Agreements for Supply and Transmission.....	2423
N.	Resolution of Dispute Regarding Obligation to Serve.....	2423
	1. Negotiation.....	2423
	2. Mediation.....	2524
	3. Binding Arbitration.....	2524
IX.	Prior Agreements.....	2524
	A. Terminated Agreements.....	2524
	B. Agreements Assigned to the Authority.....	2524
X.	Term, Termination and Withdrawal.....	2625
	A. Term.....	2625
	B. Termination.....	2625
	C. Withdrawal of Parties.....	2726
	D. Distribution upon Termination or Withdrawal.....	2726
	1. Termination.....	2726
	2. Withdrawal.....	2726
	E. Subject to Annual Appropriations.....	2827
	F. No Termination if Outstanding Financial Obligations.....	2827
	G. Consolidation with a Non-Party.....	2827
XI.	Miscellaneous.....	2928
	A. Additional Parties.....	2928
	B. Notices.....	2928
	C. No Third-Party Beneficiaries.....	2928
	D. Existing Agreements.....	2928
	E. Severability.....	2928
	F. Amendments.....	2928
	G. Duplicate Originals.....	2928
	H. Termination of Amended IGA.....	2928

**SOLDIER CANYON WATER TREATMENT AUTHORITY
CREATION AGREEMENT**

THIS SOLDIER CANYON WATER TREATMENT AUTHORITY CREATION AGREEMENT is made and entered into this 20th day of October, 2016, by and among EAST LARIMER COUNTY WATER DISTRICT, FORT COLLINS-LOVELAND WATER DISTRICT, and NORTH WELD COUNTY WATER DISTRICT, each of which are quasi-municipal corporations and political subdivisions of the State of Colorado, operating pursuant to Article 1, Title 32, C.R.S.

RECITALS

A. The Parties are each water districts located collectively within Larimer and Weld Counties, and authorized to supply and supplying water as authorized by statute for domestic and other public and private purposes by means of reservoirs, treatment works and facilities, equipment, and appurtenances incident thereto, and as typically provided by a water district.

B. Article XIV, Section 18(2)(a) of the Constitution of the State of Colorado and Part 2, Article 1, Title 29, C.R.S., encourage and authorize intergovernmental agreements for the joint and cooperative provision of public services.

C. Section 29-1-204.2, C.R.S., authorizes the Parties to establish, by contract, a separate governmental entity, to be known as a water authority, to be used by the Parties to effect the development of water resources, systems, or facilities in whole or in part for the benefit of the inhabitants of the Parties or others.

D. The Parties have previously entered into numerous contractual agreements and cooperative arrangements to jointly provide for the construction, operation, maintenance, and expansion of the Treatment Facility as defined below, and the creation of a separate legal entity pursuant to Section 29-1-203, C.R.S., named the Soldier Canyon Filter Plant, to manage the Treatment Facility, such agreements including but not limited to the Intergovernmental Agreement, dated March 29, 1990, the Amended Intergovernmental Agreement, dated December 1995, the First Addendum To Amended Intergovernmental Agreement, dated April 21, 1998, and the Second Addendum To Amended Intergovernmental Agreement, dated September 20, 2005.

E. The Parties, because of their long standing, effective, and efficient cooperative arrangements to jointly provide for water treatment, and the success of the Soldier Canyon Filter Plant in managing the Treatment Facility, wish to achieve the additional public benefits associated with the creation of a water authority to succeed to the role of the Soldier Canyon Filter Plant.

F. Because of necessary revisions to the Creation Agreement Effective February 1, 2017 (“Original Creation Agreement”), the Parties have Amended and

Restated the Original Creation Agreement effective April 16, 2019, and *Month Day* 2023 as set forth herein.

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NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties hereby agree as follows:

I. Definitions. As used in this Agreement, the following terms shall have the following meanings:

A. Act. Shall mean Article 45.1, Title 37, C.R.S.

B. Agreement. Shall mean this Soldier Canyon Water Treatment Authority Creation Agreement.

C. Amended IGA. Shall mean the Amended Intergovernmental Agreement, dated December 1995, between the Parties, as amended by the First Addendum to Amended Intergovernmental Agreement, dated April 21, 1998, and the Second Addendum to Amended Intergovernmental Agreement, dated September 20, 2005.

D. Authority. Shall mean the Soldier Canyon Water Treatment Authority created by this Agreement.

E. Authority Obligations. Shall mean revenue bonds, notes or other financial obligations issued by the Authority payable from its Net Revenues or from any other available funds of the Authority.

F. Board of Directors. Shall mean the Board of Directors of the Authority.

G. Debt Service Component. Shall mean that portion of rates and charges paid to the Authority by North Weld and ELCO for Treated Water necessary for payment of Authority Obligations. Revenues associated with the Debt Service Component are a portion of the Net Revenues of North Weld and ELCO, as such term is defined in resolutions of such parties relating to the issuance of revenue bonds. Any Debt Service Component shall not be an Operation and Maintenance Expense of North Weld or ELCO and such Debt Service Component shall be paid from the Net Revenues of North Weld and ELCO contemporaneously with their payment of Existing Party Debt.

H. Director. Shall mean a member of the Board of Directors of the Authority.

I. ELCO. Shall mean the East Larimer County Water District.

J. Existing Party Debt. Shall mean, with respect to ELCO, its Water Enterprise Revenue Bonds, Series 2009A and Water Revenue Refunding Bonds, Series

2009B, and with respect to North Weld, its Loan Agreement with the Colorado Water Resources and Power Development Authority, dated as of September 1, 2009, and its Water Enterprise Revenue Refunding Bonds, Series 2012, which obligations are existing at the time of the execution of this Agreement.

K. Fort Collins-Loveland. Shall mean the Fort Collins-Loveland Water District.

L. Governing Board. Shall mean the Board of Directors acting as the Governing Board of the Water Activity Enterprise.

M. Gross Revenues. Shall mean all fees (including, but not limited to, user fees and plant investment fees), charges, and revenues directly or indirectly derived by the Authority for the services furnished by, or use of, the Treatment Facility, or any part thereof, or from the sale or provision of Treated Water, including all income attributable to any future dispositions of property or rights related to contracts, settlements, or judgments held or obtained in connection with the System or its operations; provided however, that there shall be excluded from Gross Revenues: (i) moneys borrowed and used for providing Treatment Facility Capital Improvements; (ii) any money and securities, and investment income therefrom, in any refunding fund, escrow account, or similar account pledged to the payment of any bonds or other obligations for the purpose of defeasing the same; (iii) any moneys received as grants or appropriations from the United States, the State of Colorado, or other sources, the use of which is limited or restricted by the grantor or donor to the provision of Treatment Facility Capital Improvements or for other purposes resulting in the general unavailability thereof, except to the extent any such moneys shall be received as payments for the use of the Treatment Facility, services rendered thereby, the availability of any such service, or the disposal of any commodities therefrom; and (iv) any revenue received from North Weld or ELCO which constitutes the Debt Service Component.

N. Gross Revenues Fund. Shall have the meaning given to it in Section V.D.1. of this Agreement.

O. Net Revenues. Shall mean the Gross Revenues remaining after the payment of the Operation and Maintenance Expenses.

P. North Weld. Shall mean the North Weld County Water District.

Q. Operation and Maintenance Expenses. Shall mean all reasonable and necessary current expenses of the Authority, paid or accrued, for operating, maintaining, and repairing the Treatment Facility, including any Treatment Facility Improvements and any Treatment Facility Expansion, including without limitation legal and overhead expenses of the Authority directly related to the administration of the Treatment Facility, any Treatment Facility Improvements or Treatment Facility Expansion; provided however, that there shall be excluded from Operation and

Maintenance Expenses any allowance or transfers for depreciation, payments in lieu of taxes or franchise fees, legal liabilities not based on contract, expenses incurred in connection with Treatment Facility Capital Improvements, and charges for accumulation of reserves.

R. Operation and Maintenance Component. Shall mean that portion of rates and charges paid to the Authority by Parties for Treated Water necessary for payment of Operation and Maintenance Expenses. Revenues associated with the Operation and Maintenance Component are a portion of the Gross Revenues.

S. Operation and Maintenance Fund. Shall have the meaning given to it in Section V.D.2. of this Agreement.

T. Party or Parties. Shall mean ELCO, Fort Collins-Loveland, and North Weld, individually or collectively.

U. Soldier Canyon Filter Plant. Shall mean the separate legal entity established by the three (3) Parties pursuant to the provisions of C.R.S. §29-1-203 and the Amended IGA.

V. Steering Committee. Shall mean the governing body of the Soldier Canyon Filter Plant.

W. System. Shall mean the water distribution lines, improvements, facilities, and system of each Party. The System does not include the Treatment Facility, the Treatment Facility Expansion, or the Treatment Facility Improvements.

X. TABOR. Shall mean Article X Section 20 of the Colorado Constitution.

Y. Treated Water. Shall mean the potable water treated by the Treatment Facility or otherwise supplied by the Authority and intended primarily for domestic consumption.

Z. Treatment Capacity. Shall mean the total volume of water which may be treated by the Treatment Facility during a twenty-four (24) hour period of time for the benefit of all three (3) Parties during the usual and ordinary operation thereof. Treatment Capacity may vary, from time to time, based on a number of reasons including, but not limited to, changes in State or federal law, operational changes, and Treatment Facility Expansions.

AA. Treatment Capacity Share. Shall mean a Party's pro rata ownership of the Treatment Capacity based on its funding of the capital costs of the Treatment Facility, as provided in Sections VIII.B. and C.

BB. Treatment Facility. Shall mean the water filtration plant located at 4424 LaPorte Avenue, Fort Collins, Colorado 80521, together with the real property, easements, water distribution lines, master meters, improvements and other facilities, assets and property associated therewith, which are jointly owned and used by the Parties or the Soldier Canyon Filter Plant in the treatment and distribution of potable water to the respective Treated Water transmission and distribution systems of each Party, and which is being transferred to the Authority, pursuant to Section VII.A. of this Agreement. Existing assets include, but are not limited to, real property, personal property, improvements, buildings, furniture, appliances, supplies, plans, tools, vehicles, apparatus, mobile equipment, machinery, intangible personal property, cash, bank accounts, insurance policies, leases, accounts receivable, warranties, guarantees, indemnifications, licenses, permits, contracts, and agreements.

1. Raw Water Transmission Facilities. With respect to raw water transmission and intake facilities, the term “Treatment Facility” includes:

a. The 42-inch diameter raw water transmission line from the outlet at the Soldier Canyon Dam at Horsetooth Reservoir, up to the water filtration plant and including the meter thereon, such transmission line being located on real property owned by the United States Department of the Interior, Bureau of Reclamation, and licensed to the Parties by that certain “License for Installation of Raw Water Transmission Line Below Soldier Canyon Dam”, dated June 15, 1978; and

b. The 42-inch diameter raw water transmission line (constructed in 2021) from Northern Water’s 54-inch pipeline from Horsetooth Reservoir, up to the water filtration plant, such transmission line being located on real property owned by the United States Department of the Interior, Bureau of Reclamation, and licensed to the Parties by that certain “Grant of a permanent easement to construct, operate, and maintain a domestic water system”, dated September 30, 2020.

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c. The 42-inch diameter raw water transmission line that delivers raw water from the Pleasant Valley Pipeline from and including the valve located east of the Treatment Facility in the Pleasant Valley Pipeline right-of-way to the water filtration plant.

d. The Authority’s ownership share in the PVP, identified in the memorandum “FINAL - Memo - Creation Agreement Amendment for PVP-Basin and Screen in MGD - August 16, 2023”.

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e. The Authority’s ownership in the PVP Sedimentation Basin, and the PVP Screen identified in memorandum “FINAL - Memo - Creation Agreement Amendment for PVP-Basin and Screen in MGD - August 16, 2023”, and also in the agreement “Agreement between the City of Fort Collins and the Soldier Canyon

Water Treatment Authority regarding the Pleasant Valley Pipeline Munroe Turnout Screen and Sedimentation Basin”, dated *Month Day, 2023*. The percent ownership of these three facilities, per District, is listed below:

Table 1: District Capacity in the PVP

Capacity in the PVP – in % of 60 MGD		
ELCO	FCLWD	NWCWD
22.708%	43.512%	33.780%

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Table 2: District Capacity in the PVP Sed Basin

Fort Collins	Capacity in the PVP Sed Basin – in %		
	ELCO	FCLWD	NWCWD
53%	10.67%	20.45%	15.88%

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Table 3: District Capacity in the PVP Screen

Fort Collins	Capacity in the PVP Screen – in %		
	ELCO	FCLWD	NWCWD
50%	11.35%	21.76%	16.89%

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2. Treated Water Transmission Facilities. With respect to Treated Water discharge and transmission facilities, the term “Treatment Facility” includes all Treated Water transmission lines from the water filter plant to and including the first meters thereon, or the boundary of the water filter plant property, whichever comes first.

CC. Treatment Facility Expansion. Shall mean the improvement, enhancement or expansion of the Treatment Facility for the purpose of increasing the Treatment Capacity of the Treatment Facility, as determined by the Board of Directors.

DD. Treatment Facility Capital Improvements. Shall mean Treatment Facility Improvements and Treatment Facility Expansion, including the acquisition of land, easements, facilities, and equipment (other than ordinary repairs and replacements) which are incorporated into the Treatment Facility.

EE. Treatment Facility Improvements. Shall mean the improvement or enhancement of the Treatment Facility which does not increase Treatment Capacity but

which is intended to improve the efficiency of the Treatment Facility and/or quality of Treated Water from the Treatment Facility, as determined by the Board of Directors.

FF. Valuation Date. Shall mean the 120th day following the day written notice is given, pursuant to Section X.C. of this Agreement, of a Party's intent to withdraw from this Agreement.

GG. Water Activity or Water Activities. Shall have the meaning set forth in Section 37-45.1-102(3), C.R.S.

HH. Water Activity Enterprise. Shall mean the Water Activity Enterprise established by Article VI of this Agreement.

II. Water Treatment Services. Shall mean the services provided by the Authority, as set forth in Section II.C. of this Agreement.

II. Creation of the Authority. The Parties hereby create a separate legal entity known as the Soldier Canyon Water Treatment Authority.

A. Nature of the Authority. The Authority is a separate governmental entity, political subdivision and a public corporation of the state, separate from the Parties pursuant to Section 29-1-204.2(4), C.R.S. The Authority shall have the duties, privileges, immunities, rights, liabilities, and disabilities of a public body politic and corporate. Except as limited in this Agreement, the Authority shall have all the authorities of a water district, organized and operated pursuant to Article 1, Title 32, C.R.S., as restricted herein. In carrying out its purposes, the Authority will observe and comply with statutes and laws applicable to a water district. To the fullest extent possible, the Authority shall be deemed a TABOR enterprise jointly established and owned by the Parties.

B. Principal Place of Business. The principal place of business of the Authority shall be 4424 La Porte Avenue, Fort Collins, Colorado 80521, unless otherwise established by the Authority Board of Directors.

C. Authority Purposes and Services. The purpose of the Authority is to provide Water Treatment Services consisting of providing Treated Water to the Parties to be delivered at the site of the Treatment Facility, or by exchange or other transmission agreement, including agreements with one or more of the Parties and with other suppliers and distributors of Treated Water, utilizing all powers associated with a water district operating pursuant to Article 1, Title 32, C.R.S., necessary to provide such Treated Water.

III. Powers of Authority. To enable the Authority to carry out its functions and provide the services described hereinabove, the Authority shall have the following powers:

A. Supply Treated Water. To operate, maintain, and manage the Treatment Facility and provide Treated Water from the Treatment Facility and other sources to the Parties as provided herein.

B. Treatment Facilities. To acquire, construct, expand, manage, maintain, or operate water treatment facilities, works or improvements, or any interest therein for purposes of providing Treated Water to the Parties.

C. Property. To acquire, hold, lease, sell, or otherwise dispose of any real or personal property utilized for the purposes of water treatment, except that the Authority may not sell, lease or dispose of the Treatment Facility without unanimous written consent of the Parties. The exception contained in this Section is not intended to require the written consent of the Parties prior to the sale or disposition of components of the Treatment Facility that are no longer needed to provide Treated Water to the Parties because of the improvement, expansion, or upgrade of the Treatment Facility.

D. Sue. To sue and be sued in its own name.

E. Seal. To have and use a corporate seal.

F. Adopt Bylaws, Rules and Regulations. To adopt and amend, by resolution, and enforce bylaws and rules and regulations respecting the exercise of its powers and the carrying out of its purpose.

G. Essential Powers. To exercise any other powers which are essential to the provision Treated Water by the Authority to the Parties.

H. Employees, Agents and Contractors. To do and perform any acts and things authorized by Section 29-1-204.2, C.R.S., under, through, or by means of employees, agents, or contractors.

I. Site Rehabilitation. To provide for the rehabilitation of any surfaces adversely affected by the construction of water pipelines, facilities, or systems through the rehabilitation of plant cover, soil stability, and other measures appropriate to the subsequent beneficial use of such lands.

J. Indemnification. To justly indemnify property owners or others affected for any losses or damages incurred, including reasonable attorney fees, or that may subsequently be caused by or which result from actions of the Authority.

K. Exercise Parties' Powers to Provide Treated Water. To exercise any power lawfully authorized to each of the Parties for the provision of Treated Water by the Authority to the Parties, including all powers and authorities authorized by Sections 32-1-1001 and 32-1-1006, C.R.S., except as otherwise limited by this Agreement.

L. Receive Contributions. To receive contributions, gifts, bequests or other grants of cash, equipment or services for the Authority, the Parties or other entities, individuals, or political subdivisions.

M. Cooperate. To own, operate, and maintain real and personal property and facilities in common with others, and to conduct joint, partnership, or cooperative operations with others.

N. Contracts. To enter into, make, and perform contracts of every kind, as authorized by law with other local governmental entities, the State of Colorado or any political subdivision thereof, the United States, or any political subdivision thereof, and any individual, firm, association, partnership, corporation or any other organization of any kind.

IV. Governance.

A. Board of Directors of the Authority. The governing body of the Authority shall be the Board of Directors, in which all administrative and legislative power of the Authority is vested.

1. Number. The Board of Directors shall be comprised of six (6) Directors. Each Director shall be entitled to cast one vote on any matter that comes before the Board.

2. Appointment. The governing body of each Party shall appoint two (2) Directors to the Board of Directors and one or more alternate Directors. The Party's Chief Executive Officer, whether designated by the title Manager or otherwise, shall at all times be one of the two Directors appointed by each Party. Except for the Party's Chief Executive Officer, all Directors shall be a member of the governing body of that Party. An alternative Director appointed to serve in the absence of a Party's Chief Executive Officer may be another employee of the Party; otherwise, all alternative Directors shall be members of the governing body of the Party. Except for the Party's Chief Executive Officer, each Director and alternate Director appointed by a Party shall serve at the pleasure of the governing body of the Party by whom the Director or alternate Director is appointed, and need be a member of the governing body of the appointing Party. If the governing body of each Party fails to appoint either or both of its Directors or any alternate Directors, in order, the Chief Executive Officer, Chair, Vice-Chair, Secretary and Treasurer of the Party's governing body shall be deemed the appointed Directors and alternate Directors of that Party. Each Party shall provide to the Authority a written resolution designating the appointment of its Directors and alternates to the Authority Board of Directors.

3. Vacancies. A position of Director on the Board of Directors shall be deemed vacant upon the resignation, death, removal by the appointing governing

body, or disability of any such Director. A vacancy on the Board of Directors shall be filled in the same manner as appointment of a Director, as hereinabove provided.

4. Compensation. Directors shall receive as compensation for the Director's service to the Authority, the amount set by Section 32-1-902, C.R.S., as such statute may be amended from time to time. The Board of Directors shall also provide for reimbursement to the Directors of their actual and reasonable expenses incurred on behalf of the Authority.

5. Decisions. Decisions of the Board may be made only at regular or special meetings, called upon notice as required herein, at which a quorum is present. Except as otherwise expressly provided herein or required by law, decisions of the Board of Directors shall be made by a majority of the Directors in attendance at the regular or special meeting.

B. Meetings.

1. Attendance. Directors may attend any regular or special meeting in person, by telephone, or by video conference so long as all Directors in attendance can hear and be heard by all persons in attendance at the meeting.

2. Regular Meetings. Regular meetings of the Board of Directors shall be set and revised, from time to time, by the Board of Directors, and shall be conducted not less than quarterly, at the principal place of business of the Authority, which shall be identified in any notice of such meetings.

3. Meeting Quorums. A quorum for the conduct of business at meetings of the Board of Directors shall require the presence of at least one Director from each Party, and not less than a simple majority of the Directors.

4. Special Meetings. Special meetings of the Board of Directors may be called by the Chair or any two (2) Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given, as hereinafter provided. Special meetings of the Board of Directors shall be held at such time and place as shall be fixed by the Chair or Directors calling the meeting.

5. Notice of Special Meetings. Written notice of any special meeting of the Board of Directors shall be delivered to each Director not less than three (3) days before the date fixed for such meeting, either personally, by facsimile, by e-mail, or by mail, by or at the direction of the Secretary, or upon the Secretary's default, by the person calling the meeting. If mailed, such notice shall be deemed to be delivered three (3) days following deposit in the United States mail, addressed to the Director at the Director's address as it appears on the records of the Authority, with first-class postage thereon prepaid.

6. Waiver of Notice. Whenever any notice is required to be given to any Director under the provisions of law or this Agreement, a waiver thereof in writing by such Director, whether before or after the time stated therein, shall be equivalent to the giving of such notice. Attendance of a Director at any meeting of the Board of Directors shall constitute a waiver by such Director of notice of such meeting, except when such Director attends such meeting for the express purpose of objecting to the transaction of any business because the meeting is not properly convened.

7. Annual Meeting. Not less than once each year, the Board of Directors shall call a meeting of the Board of Directors and the governing bodies of all Parties to jointly discuss current and future operation and maintenance, capital and financial planning, Treatment Capacity, Treatment Facility Capital Improvements, raw water management, Treated Water transmission, and any other matter related to the business affairs of the Authority.

C. Duties of the Board. The duties of the Board of Directors shall be:

1. Governance. To govern the business and affairs of the Authority.
2. Powers. To exercise all powers of the Authority.
3. Policy. To set policy related to planning and future direction and expansion of the Authority.
4. Funds. To invest the funds of the Authority.
5. Finances. To govern the financial transactions of the Authority, including the receipt, custody, and disbursement of its funds, securities, and other assets.
6. Records. To keep records of the Authority's proceedings.
7. Bylaws. To adopt such bylaws as appropriate for the conduct of its business not in conflict herewith.
8. Statutory Compliance. To comply with laws applicable to a water district including, but not limited to, Articles 10.5 and 47 of Title 11, C.R.S., regarding public deposit protection; Parts 1, 5, and 6 of Article 1, Title 29, C.R.S., regarding budget preparation, accounting, and auditing; Part 4 of Article 6 and Part 2 of Article 72, and Article 10, Title 24, C.R.S., regarding open meetings, open records and governmental immunity; and TABOR; and where necessary or appropriate, to engage the services of employees, agents, and contractors to provide the services necessary for such statutory compliance.

9. Authority Manager. To hire, supervise, and if determined necessary, discipline and terminate the Authority Manager, who may be designated by an alternate title, and who shall oversee and manage all business and affairs of the Authority, pursuant to the terms of this Agreement. The Authority Manager shall have such powers and responsibilities to manage the business and affairs of the Authority, as may be expressly delegated by the Board of Directors, including managing all personnel of the Authority, including all aspects of hiring, supervising, compensating, and terminating Authority employees, entering into contracts, and expending funds.

D. Officers. The officers of the Authority shall be a Chair, Vice-Chair, Secretary, Treasurer, and such other officers and assistant officers as may be authorized by the Board of Directors, from time to time, to perform such duties as may be approved by the Board of Directors. The Chair, Vice-Chair and Treasurer shall be members of the Board of Directors, but the Secretary of the Authority need not be a member of the Board.

1. Appointments and Term of Office. The members of the Board of Directors shall appoint the officers who shall serve at the pleasure of the Board of Directors. Officers shall be appointed by the Board of Directors, as set forth in the Authority's Bylaws. Vacancies or appointment of new officers may be filled at any meeting of the Board of Directors.

2. Removal. Any officer or agent appointed by the Board of Directors may be removed by the Board of Directors, with or without cause, whenever in its judgment the best interests of the Authority will be served thereby.

3. Duties of Officers. In addition to duties designated by the Board of Directors, the duties of the officers shall include the following:

a. Chair. The Chair shall be a member of the Board of Directors and preside at all meetings of the Board of Directors and, except as otherwise delegated by the Board of Directors, shall execute all legal instruments of the Authority.

b. Vice-Chair. The Vice-Chair shall be a member of the Board of Directors and, in the absence of the Chair or in the event of his or her inability or refusal to act, shall perform the duties of the Chair and, when so acting, shall have all the powers of and be subject to all restrictions upon the Chair.

c. Secretary. The Secretary need not be a member of the Board of Directors and shall maintain the official records of the Authority, including this Agreement, bylaws, rules and regulations established by the Board of Directors, minutes of the meetings of the Board of Directors, and a register of the names and addresses of the Directors, alternates and officers, and shall issue notice of meetings, attest and affix the corporate seal to all documents of the Authority. A separate recording secretary and records custodian may be appointed by the Board of Directors for taking or assisting with

taking and preparing meeting minutes and keeping and maintaining the official records of the Authority.

d. Treasurer. The Treasurer shall be a member of the Board of Directors and shall keep or cause to be kept, strict and accurate accounts of all money received by and disbursed for and on behalf of the Authority. The accounting function shall be provided by Authority personnel, or an independent contractor under the supervision of the Manager and Treasurer, and shall be reviewed at least quarterly by the Board of Directors.

e. Miscellaneous. The duties and functions of the Secretary and the Treasurer may be performed by a single individual. If the person performing the duties of Secretary is not a member of the Board of Directors, such person shall receive such compensation as is deemed appropriate by the Board of Directors.

4. Bonds of Officers. The Treasurer and any other officer, employee, or agent of the Authority charged with the responsibility for the custody of any of its funds or property shall give a bond in such sum and with such surety, if any, as the Board of Directors shall determine. The Board of Directors, in its discretion, may also require any other officer, agent or employee of the Authority to give a bond in such amount and with such surety as shall be determined. The cost of such bond shall be an expense of the Authority.

E. Execution of Contracts. Except as otherwise provided by law, the Board of Directors may authorize any Director, officer, employee, or agent to enter into any contract, or execute and deliver any instrument in the name and on behalf of the Authority.

F. Indemnification. Without waiving the protections, limitations, and requirements of the Colorado Governmental Immunity Act, Article 10, Title 24, C.R.S.:

1. Defense Costs. Each Director, officer, agent, employee, and volunteer of the Authority, whether or not then in office, and his or her personal representatives shall be indemnified by the Authority against all costs and expenses actually and necessarily incurred by such person in connection with the defense of any allegation, action, suit, or proceeding arising out of an act or omission of such person during the performance of such person's duties and within the scope of such person's appointment or employment, unless:

a. Outside Scope of Duties. It is determined by a court that the act or omission in question did not arise during the performance of his or her duties and within the scope of his or her appointment or employment, or that the act or omission of such person was willful and wanton (and if it is so determined, such person will be required to reimburse the Authority for its reasonable costs and reasonable attorney fees incurred in the defense of such person); or

b. Settlement without Consent. The person in question compromises or settles the claim without the consent of the Authority.

2. Settlement with Consent. Such costs and expenses shall include amounts reasonably paid, with the consent of the Authority, in settlement for the purpose of curtailing the cost of litigation.

3. Non-Exclusive Rights. The foregoing right of indemnification shall not be exclusive of other rights to which such person may be entitled as a matter of law or by agreement.

V. Financial Powers and Obligations.

A. Negotiable Instruments. All checks, drafts or other orders for payment of money shall be issued in the name of the Authority, and in such manner as, from time to time, shall be determined by the Board of Directors, except that all notes, bonds, or other evidences of indebtedness shall be issued by resolution of the Board.

B. Fix Fees, Rates and Charges. The Authority is authorized to fix, maintain, and revise fees, rates, and charges for the provision of Treated Water to the Parties as set forth in Section VIII.E.

C. Financial Obligations.

1. Debts and Obligations. The Authority is authorized to incur debts, liabilities, or obligations payable solely from the revenues derived from the provision of Treated Water or from any other available funds of the Authority.

2. Authority to Issue Bonds. The Authority is authorized to issue Authority Obligations, subject to compliance by North Weld and ELCO with any requirements of Existing Party Debt for the issuance of additional parity obligations, as those requirements are set forth in the authorizing documents for the Existing Party Debt. The terms, conditions, and details of said Authority Obligations, which may be issued in the form of bonds, notes, and other obligations, the procedures related thereto, and the refunding thereof shall be set forth in the resolution authorizing said bonds, notes, or other obligations and, as nearly as may be practicable, shall be substantially the same as those provided in Part 4 of Article 35 of Title 31, C.R.S., relating to water and sewer revenue bonds; except that the purposes for which the same may be issued shall not be so limited and except that said bonds, notes, and other obligations may be sold at public or private sale. Bonds, notes, or other obligations issued under this subsection shall not constitute an indebtedness of the Authority or the Parties within the meaning of any constitutional or statutory limitations or other provision. Each bond, note, or other obligation issued under this subsection shall recite in substance that said bond, note, or other obligation, including the interest thereon, is payable solely from the Net Revenues and other available funds of the Authority pledged for the payment thereof and that said

bond, note, or other obligation does not constitute a debt of the Authority or the Parties within the meaning of any constitutional or statutory limitation or provision. Notwithstanding anything in this Section to the contrary, such bonds, notes, and other obligations may be issued to mature at such times not beyond forty years from their respective issue dates, shall bear interest at such rates, and shall be sold at, above, or below the principal amount thereof, all as shall be determined by the Board of Directors of the Authority.

Any Authority Obligations shall be payable from Net Revenues of the Authority. For so long as there remains outstanding any Existing Party Debt, the Authority shall distinguish within its fees and charges payable by North Weld and ELCO for Treated Water into separate components: the Operation and Maintenance Component, the Debt Service Component, and revenues to be attributed to any other funds. North Weld and ELCO shall pay its respective portions of the Operation and Maintenance Component from the gross revenues of each respective Party. North Weld and ELCO shall pay its respective Debt Service Component from Party revenue available after the payment of Operation and Maintenance Expenses of each respective Party, and on a parity with North Weld and ELCO's payment of its Existing Party Debt. So long as Existing Party Debt is outstanding, North Weld and ELCO may issue additional obligations of each respective Party on a parity with the Existing Party Debt, subject to the terms and conditions of resolutions of such Parties which have authorized such Existing Party Debt, as such resolutions have been and may be hereafter modified.

3. Contract with Holders. The resolution, trust indenture, or other security agreement, under which any bonds, notes, or other obligations are issued, shall constitute a contract with the holders thereof, and it may contain such provisions as shall be determined by the Board of Directors of the Authority to be appropriate and necessary in connection with the issuance thereof and to provide security for the payment thereof, including, without limitation, any mortgage or other security interest in any revenues, funds, rights, or properties of the Authority. The bonds, notes, and other obligations of the Authority and the income therefrom shall be exempt from taxation by this state, except inheritance, estate, and transfer taxes.

4. Financial Obligations Not Obligations of the Parties. The bonds, notes, and other obligations of the Authority shall not be the debts, liabilities, or obligations of the Parties.

5. Party Authorization. The Authority shall enter into an intergovernmental agreement in advance with any Party who will be responsible for paying to the Authority in excess of \$1,000,000.00 that will be relied upon by the Authority to pay the following: (a) any debt, including any refunding or restructuring debts, financial liabilities, or financial obligations incurred by the Authority; (b) costs and expenses not associated with Operations and Maintenance Expenses; and (c) accumulation by the Authority of depreciation, contingency, or reserve funds that is not accumulated through reoccurring rates, fees or charges for delivery of Treated Water. The

intergovernmental agreement shall set forth the Party's obligations for the payment to the Authority, the structure of the obligation being incurred by the Authority, and that the Party's payment obligation to the Authority is not a debt, liability, or obligation of the Party, unless otherwise agreed to by the Party.

D. Deposits. All funds of the Authority shall be deposited, from time to time, to the credit of the Authority, pursuant to law, in such bank or banks or other financial institutions as the Board of Directors may select. The Authority will maintain separate funds, as set forth below, into which all revenues shall be deposited. The Authority shall have the discretion to establish other funds in addition to the funds identified below, but shall at all times maintain the funds as set forth below.

1. Gross Revenues Fund. The Authority shall deposit all income and amounts received from the operation of its system into the Gross Revenues Fund.

2. Operation and Maintenance Fund. The Authority shall deposit, from time to time, into an Operation and Maintenance Fund, moneys from the Gross Revenues Fund in amounts sufficient to cover Operation and Maintenance Expenses of the Authority.

3. Debt Service Fund. After the Authority has deposited revenues from the Operation and Maintenance Component into the Operation and Maintenance Fund, it shall deposit the Debt Service Component into the Debt Service Fund.

4. Other Funds. After the Authority has deposited the Operation and Maintenance Component in the Operation and Maintenance Fund and the Debt Service Component in the Debt Service Fund, any remaining Net Revenues may be deposited in any other funds established by the Authority, from time to time.

E. Fiscal Years. The fiscal year of the Authority shall be January 1 through December 31.

F. Initial Payment. In exchange for the Authority assuming the responsibilities and obligations provided herein, each Party agrees to pay the Authority, upon February 1, 2017, an initial operating fee. The Parties' initial operating fees, together, shall be sufficient to cover the Authority's operations and maintenance costs for three (3) months, in the total amount of \$738,419. The amount of each Party's respective contribution shall be based upon its average monthly water usage over the last four (4) years. Each Party's initial operating fee shall be as follows: ELCO \$142,736 (19.33%); Fort Collins-Loveland \$300,854 (40.743%); and North Weld \$294,829 (39.927%).

VI. TABOR Enterprise.

A. Water Activity Enterprises Activities and Facilities. The Parties hereby establish the Authority as a Water Activity Enterprise, in conformance with the Act, in order to exclude the Water Activity Enterprise from the provisions of TABOR. All authorities and obligations of the Authority set forth in this Agreement shall be carried out through the Water Activity Enterprise. The Water Activity Enterprise itself shall be wholly owned by the Parties.

B. Multiple Enterprises. The Board of Directors may, from time to time, establish or restructure any Water Activity as a separate enterprise, or establish other water activity enterprises to carry out the purpose of this Agreement and the establishment of the Authority.

C. Governing Board. The Governing Board shall conduct the business of the Water Activity Enterprise in the same manner and follow the same procedures as the Board of Directors of the Authority. All public business of the Water Activity Enterprise shall be conducted only during regular or special meetings of the Board of Directors at which a quorum is present. The record of proceedings of the Governing Board may be incorporated into the minutes of the Board of Directors of the Authority. No additional oaths, bonds, or other qualifications shall be required of the Governing Board. All actions of the Board of Directors shall be considered as the actions and business of the Water Activity Enterprise undertaken by the Board of Directors acting as the Governing Board of the Water Activity Enterprise. All business of the Water Activity Enterprise and actions of the Governing Board shall be governed by and made subject to all requirements, privileges, immunities, protections, limitations, and other provisions of law.

D. Powers. The Governing Board of the Water Activity Enterprise may, without limitation, exercise the Authority's legal authority relating to Water Activities or otherwise available to any enterprise established pursuant to TABOR or to Sections 37-45.1-101, et seq., C.R.S., except as expressly provided herein. Such authority shall include all powers set forth in the Act, and those powers set forth in the Article 1, Title 32, C.R.S., which are consistent with the authorities of an enterprise under the provisions of TABOR and are necessary to operate the Water Activity Enterprise, including, but not limited to, the power to issue or reissue bonds, notes, or other obligations payable from revenues derived or to be derived from the provision of services, and to set rates, fees and charges for services provided by the Water Activity Enterprise. The powers and authorities specifically conferred by this Article VI shall not modify, limit, or restrict the powers conferred by this Agreement, except as expressly provided herein. The Water Activity Enterprise shall have no power which adversely affects the status of the Water Activity Enterprise for purposes of the application of TABOR.

E. Taxes. In no event shall the Water Activity Enterprise have the power to levy or assess any tax which is subject to TABOR or to direct the Authority or the Parties to exercise their taxing powers on behalf of the Water Activity Enterprise.

F. Grants. The Water Activity Enterprise shall not accept or receive any revenue in Grants (as defined in the Act) from the Parties, State or any local governments, unless expressly authorized by the Board of Directors of the Authority. The purpose of this provision is to prevent, without the Authority's knowledge and consent, any violation of the rules of TABOR applicable to enterprises.

G. Contracts. All contracts relating to Water Activities shall be with the Authority as the contracting party, and unless expressly delegated by the Governing Board to other persons, approved by the Governing Board and executed by the Authority officers. Any pre-existing contract relating to Water Activities shall be considered as having been approved by the Governing Board. All contracts relating to Water Activities shall be implemented and discharged by the Water Activity Enterprise, unless otherwise provided by the Board of Directors. For all purposes under the Act and TABOR, this Agreement shall, without further action, be considered as a contract for service between the Parties and the Water Activity Enterprise under which Water Activity services will be provided to the Parties by the Water Activity Enterprise, and the Parties will pay for such services in an amount not to exceed the costs of such services as determined, from time to time, by the Governing Board.

H. Revenue. All revenue for Water Activities provided by the Water Activity Enterprise, including rates, fees, tolls, charges, payments for services from the Authority, and all other income of the Water Activity Enterprise, shall be collected, used, and expended for Water Activity purposes, as determined by the Governing Board in accordance with and as set forth in the fiscal budget of the Water Activity Enterprise adopted pursuant to law. Rates for Water Activities provided by the Water Activity Enterprise shall be established by the Governing Board, and collected and enforced in accordance with State law. No revenue or spending of the Water Activity Enterprise shall be subject to TABOR.

I. Enterprise Fund. A Water Activity Enterprise Fund shall be established to separately account for all revenue and expenditures of the Water Activity Enterprise. The Water Activity Enterprise shall prepare an annual budget and perform an annual audit which may be included in the budget or audit of the Authority. All budgets, reports, audits, and financial operations of the Water Activity Enterprise shall conform to and be prepared in accordance with generally accepted accounting principles applicable to governmental (enterprise) units and other requirements of State law.

J. Miscellaneous. Nothing set forth in this Agreement shall be construed to limit the authority of the Governing Board or the Water Activity Enterprise to utilize other policies or procedures for operating or continuing the Water Activity Enterprise in conformance with the Act and TABOR, except as otherwise expressly

provided herein. It is the intent of the Parties to establish the Water Activity Enterprise in conformance with the provisions of the Act and TABOR according to the most reasonable interpretations thereof. If any term, section, or provision of this Article VI shall be determined to be invalid or in violation of the enterprise qualification provisions of TABOR or the Act, the invalidity or disqualification of such provision shall not affect any of the remaining provisions of this Article. This Agreement shall remain in effect, whether or not the Water Activity Enterprise currently qualifies as an enterprise pursuant to TABOR, until modified or repealed by the Parties.

VII. Successor to the Soldier Canyon Filter Plant. The Authority shall be the successor to the Soldier Canyon Filter Plant, and the Authority shall be entitled to all rights and privileges and shall assume all obligations and liabilities of the Soldier Canyon Filter Plant under existing contracts to which the Soldier Canyon Filter Plant is a party.

A. Transfer and Deed of Treatment Facility Property. Pursuant to the Amended IGA, each Party is the owner of an undivided one-third (1/3) interest in and to the Treatment Facility. In exchange for the mutual benefits provided by the terms of this Agreement, as of February 1, 2017, and without any additional consideration, the Parties and the Soldier Canyon Filter Plant have HEREBY REMISED, RELEASED, SOLD AND QUITCLAIMED, AND BY THESE PRESENTS DO REMISE, RELEASE, SELL AND QUITCLAIM unto the Authority, its successors and assigns, forever, all the right, title, interest, claim and demand which the Parties and the Soldier Canyon Filter Plant have in and to the Treatment Facility, situate, lying and being in the County of Larimer, State of Colorado, TO HAVE AND TO HOLD the same, together with all and singular the appurtenances and privileges thereunto belonging or in anywise thereunto appertaining, and all the estate, right, title, interest and claim whatsoever, of the Parties and the Soldier Canyon Filter Plant, either in law or equity, to the only proper use, benefit and behoof of the Authority and its successors and assigns forever. The Authority shall use the Treatment Facility for the provision of Treated Water to the Parties pursuant to this Agreement. The Parties and Soldier Canyon Filter Plant further agree to execute any and all additional instruments or documents reasonably necessary to evidence such conveyance of their interests in the Treatment Facility to the Authority. The Parties acknowledge that the assets assigned to the Authority may be modernized, modified, replaced, or disposed of by the Authority, and that any new assets acquired by the Authority shall be titled in the name of the Authority.

B. Personnel. As of February 1, 2017, all personnel previously employed by the Soldier Canyon Filter Plant shall be terminated by the Soldier Canyon Filter Plant and shall become employed by the Authority. Such employees shall initially be employed pursuant to the Soldier Canyon Filter Plant Personnel Guidelines and Procedures, and at the same compensation rates and with the same benefits as they received as employees of the Soldier Canyon Filter Plant just prior to termination. Thereafter, all personnel decisions, including compensation and benefits, shall be made by the Authority. All such personnel shall be credited for previous time employed with

the Soldier Canyon Filter Plant, such that they will be deemed to have had continuous employment for the entire period of their employment with Soldier Canyon Filter Plant and the Authority. The Authority shall provide all management, payroll, supervision and personnel and human resource related services and other services customarily provided by an employer to an employee.

C. Pension Funds. All pension funds and plans of the Soldier Canyon Filter Plant shall be transferred to the Authority, as successor to the Soldier Canyon Filter Plant, subject to the statutory requirements and the requirements, authorities, and obligations of the trust or pension agreements or other documents and agreements establishing and pertaining to such pension funds and plans.

VIII. Obligation to Serve the Parties. The Authority shall be obligated to meet the Parties’ reasonable demands for Treated Water to be delivered at the location of the Treatment Facility. Except as may be allowed pursuant to Section VIII.G., following the 2019-2020 Treatment Facility Expansion completion no Party is entitled to receive Treated Water from the Authority in excess of their Treatment Capacity Share at the time of delivery.

A. Existing Treatment Facility Capacity. The Treatment Facility is currently capable of treating and delivering approximately 45 million gallons per day of Treated Water, and such amount is the current Treatment Capacity. In each calendar year, Treatment Capacity will be allocated to the Parties proportionately based upon their Treatment Capacity Share. The Treatment Capacity shall be decreased based on reductions in the ability of the Treatment Facility to deliver Treated Water or reductions resulting from State or federal law. Treatment Capacity shall be increased by the ability of the Treatment Facility to deliver additional Treated Water, including increases resulting from operational modifications and Treatment Facility Expansions.

B. Treatment Capacity Share. Notwithstanding the equal one-third (1/3) ownership of the Treatment Facility under the Amended IGA, or the transfer of the Treatment Facility to the Authority pursuant to Section VII.A. of this Agreement, based on previous capital funding of the Treatment Facility by the Parties, each Party’s Treatment Capacity Share as of the date of this Agreement is as follows:

<u>Party</u>	<u>MGD</u>	<u>Treatment Capacity Share</u>
ELCO	12.719	28.264%
Fort Collins – Loveland	16.043	35.651%
<u>North Weld</u>	<u>16.238</u>	<u>36.084%</u>
TOTAL	45.000	99.999%

C. Expansion, Improvement, or Additional Treated Water Supply. The Authority will be obligated to expand or improve the Treatment Facility, or obtain additional Treated Water through contract with other Treated Water suppliers when reasonably necessary, to: (i) comply with applicable local, State and federal laws regarding water quality; and (ii) as necessary to maintain appropriate levels of Treated Water service to the customers of each Party, taking into account the requirements of all Parties. Circumstances that shall be deemed to create the necessity to expand or improve the Treatment Facility, or obtain additional Treated Water supplies to maintain appropriate levels of water service, include, but are not limited to, the Treatment Facility operating at eighty percent (80%) of maximum Treatment Capacity for ten (10) days during any forty-five (45) day period. The Board may by a simple majority approve Treatment Facility Improvements in an individual amount of not more than \$1,000,000.00. Any Treatment Plant Improvements in excess of \$1,000,000.00 must be approved by the Directors of all Parties to whom the costs of the Treatment Facility Improvements will be assessed. If the Authority is fined or penalized because of the failure of one or more Directors to approve Treatment Plant Improvements necessary to comply with applicable local, State and federal laws regarding water quality, the Party or Parties whose Director or Directors failed to approve the Treatment Plant Improvements shall be assessed the costs of such fines or penalties based on their Treatment Capacity Share compared to the cumulative Treatment Capacity Shares of all Parties whose Directors failed to approve the Treatment Plant Improvements.

D. Modification of Treatment Capacity Share. Unless otherwise approved by the Directors representing the Parties to be assessed the costs of Treatment Facility Improvements, each Party's share of the costs of Treatment Facility Improvements shall be based on its Treatment Capacity Share at the time the Treatment Facility Improvements are made. Any Party may choose to fund its share of the costs of Treatment Facility Improvements through a cash payment at the time the Treatment Facility Improvements are made as an alternative to service fees or charges imposed by the Authority to repay Authority Obligations, in which case such Party shall not be subject to such fees or charges. Treatment Facility Expansions shall be funded based on each Party's allocation of the Treatment Facility Expansion, as approved by the Board of Directors, and will result in associated modifications of their respective Treatment Capacity Share. The 2019-2020 Treatment Facility Expansion completion will result in the following adjustments:

<u>Party</u>	<u>Expansion Allocation</u>	<u>Expansion Share</u>	<u>Total Capacity Allocation</u>	<u>Treatment Capacity Share</u>
ELCO	1 mgd	6.67%	13.719 mgd	22.865%
Fort Collins – Loveland	7 mgd	46.67%	23.043 mgd	38.405%
<u>North Weld</u>	<u>7 mgd</u>	<u>46.67%</u>	<u>23.238 mgd</u>	<u>38.730%</u>
TOTAL	15 mgd	100.01%	60.000 mgd	100%

E. Establishment of Rates, Fees, and Charges. The Board of Directors shall establish rates, fees, and charges for delivery of Treated Water to the Parties, so as to provide for all of the costs associated with owning, operating, maintaining and improving the Treatment Facility and providing reasonable contingency and reserve funds. Any charge for Treatment Facility Expansions or Treatment Facility Improvements, including, but not limited to, any Debt Service Component within the fees and charges for Treated Water, will be imposed only on, and in proportion to the benefit received by, the Party or Parties benefitting from the associated cost.

F. Delivery at the Treatment Facility. The Authority’s obligation is to deliver Treated Water to the Parties at the location of the Treatment Facility. It will be the responsibility of each Party to provide transmission and distribution of Treated Water supplied by the Authority to such Party’s customers. The Authority shall have no obligation to develop transmission or distribution systems to supply water to the Parties, nor to supply Treated Water to points other than at the Treatment Facility.

G. Treated Water Only to the Parties. The Authority shall sell and provide Treated Water only to the Parties. The Authority shall not enter into any agreements or arrangements to provide Treated Water to any person or entity other than a Party without the written consent of the Parties. Unless agreed to by written consent of all the Parties, any person or entity wishing to receive Treated Water from the Authority must enter into an appropriate service agreement or similar arrangement with one of the Parties, and the Authority shall have no direct relationship or obligation to such person or entity. Any Party may lease to any other Party all or a portion of their Treatment Capacity Share that is in excess of its current needs. Such lease shall be a contractual arrangement between the lessor and lessee Parties only, and the Authority will have no direct responsibility to the lessee Party.

H. Large Customers. The Parties acknowledge that additional or expansion of a single customer or service area that, within a period of twelve (12) months, increases the demand for Treated Water in excess of five hundred thousand gallons (500,000) per day, may substantially impact the Treatment Facility and the ability

of the Authority to provide Treated Water to Parties. Any Party wishing to increase Treated Water service to a single existing or new customer or service area in such amount within such time period shall, to the extent reasonably possible, first provide not less than one hundred eighty (180) days written notice to the Authority. The Authority shall only be obligated to provide such service to the Party to the extent it has such service capacity, however, if such Treated Water demand should create an obligation for the Authority to serve pursuant to Article VIII. of this Agreement, the Authority shall proceed to improve or expand the Treatment Facility or obtain additional Treated Water from another supplier to meet such demand.

I. Raw Water Management and Coordination. The obligations to manage raw water supplies remain with the Parties. The Authority will coordinate with each Party, or its designee, to maximize the efficiencies of raw water deliveries from Horsetooth Reservoir, the Pleasant Valley Pipeline, and future sources to the Treatment Facility. The Parties' current designee for coordinating raw water supplies is the Parties' joint water resource staff.

J. Limitation on Treated Water Supplies. The Authority's obligation to provide Treated Water to any Party is dependent upon that Party having sufficient Treatment Capacity Share and providing adequate raw water for treatment by the Authority at the Treatment Facility. In the event the amount of Treated Water available from the Treatment Facility is limited due to inadequate amounts of raw water inventory, each Party shall be entitled to receive only that percentage of Treated Water, based upon their respective percentages of inventories, of raw water supplied to or for the benefit of the Treatment Facility. Any Party receiving inadequate volumes of Treated Water from the Treatment Facility due to inadequate raw water inventory of such Party shall secure such additional raw water inventory prior to receiving additional Treated Water. It is expressly agreed that such Party may not utilize the raw water inventory of any of the other Parties without the prior written consent of such other Parties. Upon expansion of the Treatment Capacity to 60 mgd as contemplated in Section VIII. D. of this Agreement, if in any calendar year within any seven (7) day period a Party exceeds its Treatment Capacity Share on a daily basis for three (3) or more days, it shall pay an annual fee of \$14,750 multiplied by the average usage above its Treatment Capacity Share for the three (3) highest usage days within such seven (7) day period. If a Party has multiple seven (7) day periods within a calendar year where it exceeds its Treatment Capacity Share for three (3) or more days, the annual fee shall be based on the seven (7) day period having the highest average usage for the three (3) highest usage days. Such payment shall be paid pro rata to the other Party or Parties with available Treatment Capacity Share, based on their pro rata unused Treatment Capacity Share on such day. Such payment shall be increased annually by the rate of inflation determined by the percentage change in the United States Bureau of Labor Statistics Consumer Price Index for Denver-Boulder-Greeley, all urban consumers, or its successor index.

K. Water System Practices. No Party shall voluntarily operate its System in such a manner as shall adversely impact the Treatment Facility, including, but not limited to, activities which shall: (i) unreasonably increase the cost of Treated Water; (ii) unnecessarily interfere with the operation of the Treatment Facility; and (iii) adversely impact the Treatment Capacity of the Treatment Facility. Each Party hereby covenants and agrees with the others to operate its System in such a manner as shall maximize and optimize the efficiency of the Treatment Facility and its Treatment Capacity. In the event that water Treatment Capacity of the Treatment Facility is limited or interrupted due to unexpectedly high usage of Treated Water or drought conditions or in the event that Treatment Capacity is limited or interrupted due to unforeseen and unexpected situations, including pressure failures, water line breaks, power failures, temporary repairs, facility breakdowns, health reasons, safety reasons, floods, fires, earthquakes, natural catastrophes, acts of God or other emergencies, unless otherwise agreed to, each Party shall only utilize its pro rata share of the then existing total Treatment Capacity.

L. Water Quality. The Authority shall ensure that all Treated Water delivered to the Parties meets all applicable local, State, and federal laws regarding water quality. The Board of Directors may determine to provide Treated Water of higher quality than required by law. If any Party wishes to receive Treated Water of higher quality than determined by the Board of Directors, the Authority shall provide water of such higher quality, so long as such Party pays any direct and indirect costs associated with meeting such higher quality standard, as determined by the Board of Directors.

M. Agreements for Supply and Transmission. Notwithstanding the foregoing, to meet its obligations to provide Treated Water to the Parties and, when deemed appropriate by the Board of Directors, to assist with the delivery of Treated Water to the Parties, the Authority may enter into agreements with other suppliers and distributors of the Treated Water including, but not limited to, any of the Parties and the City of Fort Collins. To facilitate delivery of Treated Water to the Parties, the Authority may enter into exchange, transmission, or supply agreements. The Authority shall also honor any existing or future exchange, transmission, or supply agreements entered into by any of the Parties with other suppliers and distributors of Treated Water, so long as the role of the Authority is limited to providing Treated Water for the benefit of a Party at the location of the Treatment Facility.

N. Resolution of Dispute Regarding Obligation to Serve.

1. Negotiation. If any Party believes that the Authority is not meeting its obligation to serve Treated Water to that Party, such Party shall have the right to request a meeting with the Authority regarding whether such obligation is not being met and if not, methods of meeting it. Such Party shall give written notice to the Authority, requesting a meeting within thirty (30) days thereafter to discuss the matter. Such Party and the Authority shall meet within said thirty (30) day period and negotiate in good faith relative to the obligation of the Authority to serve such Party.

2. Mediation. If the Authority and the Party are not able to reach an agreement regarding the Authority's obligation to serve that Party or Treatment Plant Improvements necessary to comply with applicable local, State and federal laws regarding water quality, such Party may submit the matter to mediation between the Authority and such Party. Unless otherwise agreed to by the Authority and the Party, the American Arbitration Association shall appoint one (1) or more mediators, and its rules and procedures shall apply to the mediation. In the event such mediation results in a settlement, the result shall be reduced to writing and approved by the Authority and the Party.

3. Binding Arbitration. In the event the Authority and the Party are unable to arrive at an agreement regarding the Authority's obligation to serve the Party within forty-five (45) days after the appointment of a mediator, then the Party shall have the right to require that the matter be submitted to binding arbitration. The Authority and the Party shall have thirty (30) days after receipt of written demand for binding arbitration within which to select the arbitrators. In the event the parties are unable to mutually agree upon the arbitrators and the rules and procedures, then the Authority and the Party shall each appoint a disinterested and impartial arbitrator and give written notice thereof to the other. The two (2) arbitrators so selected shall name a third arbitrator within fifteen (15) days thereafter. In the event the two (2) arbitrators are not able to agree upon a third arbitrator, then such third arbitrator shall be appointed by the presiding judge of the Eighth Judicial District. All arbitrators shall serve as neutral, independent, and impartial arbitrators. Except as otherwise provided herein or agreed to by the Authority and the Party, arbitration shall be in accordance with the Colorado Uniform Arbitration Act of 1975, §13-22-201, et seq., C.R.S. Unless otherwise agreed to, any arbitration hearing shall be held as soon as reasonably possible in the City of Fort Collins, Colorado, at such time as shall be established by the arbitrators, upon giving reasonable notice thereof to the Parties concerned. The Authority and the Party shall each bear its own arbitration costs, attorneys' fees and expenses. The costs of arbitrators shall also be shared equally. The decision of the arbitrators shall be made within fifteen (15) days after the conclusion of the hearing, and shall be binding on the Parties to the arbitration.

IX. Prior Agreements. The Parties have previously entered into certain agreements, supplemental agreements, and documents relating to the use, ownership, construction, operation, maintenance, and expansion of the Treatment Facility.

A. Terminated Agreements. The Parties entered into an Intergovernmental Agreement, dated March 29, 1990, which terminated and cancelled a number of such documents previously entered into between the Parties.

B. Agreements Assigned to the Authority. Agreements, supplemental agreements, deeds, easements, and other documents that were entered into by one or more of the Parties with other entities have not been terminated, and shall continue for the benefit of the Authority. All rights, duties and obligations of the Parties or the Soldier

Canyon Filter Plant with respect to these documents are hereby deeded, conveyed, or assigned to the Authority, unless expressly or impliedly prohibited by the terms of such documents. The Parties and the Soldier Canyon Filter Plant shall take such additional action and execute such additional documents as may be reasonably necessary to deed, convey, or assign all such interests under such documents to the Authority. Such agreements, supplemental agreements, deeds, easements, and other documents include, but are not limited to, the following:

1. Supplemental Agreement, dated February 15, 1962, entered into by and between the Colorado State Board of Agriculture and Fort Collins-Loveland
2. Memorandum of Agreement, dated April 26, 1962, entered into by and between the Colorado State Board of Agriculture and Fort Collins-Loveland;
3. Memorandum of Agreement, dated February 15, 1963, entered into by and between the Colorado State Board of Agriculture and Fort Collins-Loveland;
4. Bargain and Sale Deed, dated June 29, 1965, and recorded on June 30, 1965, in Book 1295 at Page 48 of the Larimer County, Colorado records;
5. Contract and Grant of Easement for Settling and Drawing Ponds near Horsetooth Reservoir, dated March 14, 1974, entered into by and between The United States of America, Fort Collins-Loveland, ELCO and North Weld;
6. Amendment to Operating Agreement of May 11, 1962, between the Northern Colorado Water Conservancy District and Fort Collins-Loveland;
7. Special Warranty Deed from Fort Collins-Loveland to Fort Collins-Loveland, ELCO and North Weld, dated January 16, 1985, and recorded March 26, 1985, at Reception No. 85013980 of the Larimer County, Colorado records; and
8. Assignment of Easement from Fort Collins-Loveland to Fort Collins-Loveland, ELCO and North Weld, dated January 16, 1985, and recorded March 26, 1985, at Reception No. 85013981 of the Larimer County, Colorado records.

X. Term, Termination and Withdrawal.

A. Term. This Agreement shall become effective February 1, 2017, following execution by all three (3) Parties. The term of this Agreement shall be unlimited, and shall extend until terminated as provided herein.

B. Termination. This Agreement may be terminated only by the unanimous consent of all Parties to the Agreement at the time of termination, except that if there are only two (2) member of the Authority, notice of withdrawal provided by

either Party, pursuant to the following subsection, shall effect a termination as of the end of the fiscal year.

C. Withdrawal of Parties. A Party may withdraw from this Agreement as of the end of any fiscal year by written notice authorized by the governing body of such Party, provided to the Board of Directors and each Party no later than one hundred eighty (180) days prior to the end of the fiscal year. A withdrawing Party shall remain liable for any and all financial obligations incurred by such Party until the effective date of the withdrawal. Withdrawal by any Party shall not cause termination of this Agreement, so long as there remains at least two (2) Parties that have not withdrawn. Dissolution of a Party shall be treated as a withdrawal.

D. Distribution upon Termination or Withdrawal. Upon termination or withdrawal, unless otherwise agreed to by all Parties, each terminating or withdrawing Party shall be paid for their interest in the Authority based on its Treatment Capacity Share as follows:

1. Termination. Upon termination of this Agreement, all assets and property of the Authority shall be liquidated and distributed to the terminating Parties based on their Treatment Capacity Share. Disposal of the assets and property of the Authority shall be in consideration of fair market value, as determined by appraisal by a qualified appraiser selected by the Authority. If there are only two (2) members of the Authority and termination is brought about by notice of withdrawal provided by either Party, in case of dispute regarding selection of an appraiser, the appraiser shall be selected as set forth in the following paragraph, except that each of the two (2) remaining Parties shall select one (1) appraiser instead of the Authority selecting an appraiser.

2. Withdrawal. Upon a Party withdrawing from the Authority, the withdrawing Party's interest in the Authority will be determined and distributed to it as follows:

a. Distribution by Agreement. The Withdrawing Party and the Authority may agree for the Authority to reimburse the Withdrawing Party for its interest in the Authority upon such terms and conditions as they shall mutually agree.

b. Distribution by Appraisal. If the Authority and the withdrawing Party are unable to agree on reimbursement for the withdrawing Party's interest in the Authority, the withdrawing Party shall be paid its Treatment Capacity Share of the fair market value of the Treatment Facility, less the same percentage of the amount of any unpaid financial obligation of the Authority associated with the Treatment facility times seventy-five percent (75%). The fair market value of the Treatment Facility shall be determined by a qualified appraiser selected by mutual agreement of the withdrawing Party and the Authority. The Treatment Facility shall be valued as of the Valuation Date. In the event the Parties are unable to mutually designate an acceptable appraiser, the withdrawing Party and the Authority shall each select one (1) MAI

appraiser and the two (2) appraisers so selected shall determine the fair market value of the Treatment Facility. In the event that such appraisers are unable to mutually agree within one hundred twenty (120) days after their appointment upon the fair market value of the Treatment Facility, then the two (2) appraisers so selected shall agree upon a disinterested third MAI appraiser, and a decision of the majority of the three (3) appraisers shall be final. All fees and expenses of all appraisers and any experts, and expenses incurred for other information necessary for their analyses in determining the fair market value of the Treatment Facility, shall be borne fifty percent (50%) by the withdrawing Party and fifty percent (50%) by the Authority. Unless otherwise agreed to by the non-withdrawing Parties, reimbursement for the withdrawing Party's interest in the Treatment Facility shall be payable by the Authority from existing funds and revenues or revenue financing which, together with an increase in rates, fees, or charges for Treated Water delivered by the Authority in an amount and for a period of time of not more than twenty percent (20%) and ten (10) years, are sufficient to pay all projected expenses of the Authority, including anticipated capital improvement expenses and such reimbursement, as determined in the reasonable discretion of the Authority. The Authority shall establish and collect such rates, fees, and charges for Treated Water, up to such amount, for no more than such period, and the Withdrawing Party's right to reimbursement for its interest in the Treatment Facility shall be further limited to such revenues and such time period.

c. Distribution When Financial Obligation Outstanding. Notwithstanding the previous subparagraphs a. and b. of this paragraph 2, the Authority shall have no obligation to reimburse a withdrawing Party for its interest in the Authority if the Party seeks to withdraw when the Authority has outstanding any multiple fiscal year financial obligation, multi-year financing, or lease purchase which may be extended for more than one year.

E. Subject to Annual Appropriations. Any obligation to make payments upon withdrawal or termination which arises, in any year in which the Authority does not qualify as a TABOR enterprise, is subject to annual appropriations by the Authority.

F. No Termination if Outstanding Financial Obligations. This Agreement may not be rescinded or terminated so long as the Authority has bonds, notes, or other obligations outstanding, unless provision for full payment of such obligations, by escrow or otherwise, has been made pursuant to the terms of such obligations.

G. Consolidation with a Non-Party. Consolidation by a Party with a non-party to form a single legal entity, unless agreed to by the non-consolidating Parties in their sole discretion, shall be deemed a withdrawal by the consolidating Party from this Agreement. Such withdrawal shall occur as of January 1 following any formal action to effect such consolidation or the date of such consolidation, whichever occurs first.

XI. Miscellaneous.

A. Additional Parties. Additional governmental or quasi-governmental entities authorized to provide Treated Water may be added to this Agreement as a party with unanimous written consent formally approved by the governing body of each Party. An entity added as a party shall be subject to such terms and conditions as the Board of Directors, in its sole discretion, may determine. A new party may be assessed a capital investment fee to cover its pro rata share of the costs of those capital assets previously purchased by the Authority or provided by the Parties for joint use by all Parties.

B. Notices. Any formal notice, demand, or request provided for in this Agreement shall be in writing and shall be deemed properly served, given, or made if delivered in person, by facsimile, or sent by registered or certified mail, postage prepaid, to the Parties at the addresses, as set forth on each signature page attached hereto, unless another address is certified to the Authority.

C. No Third-Party Beneficiaries. Nothing in this Agreement shall be deemed to create any third-party benefits or beneficiaries, or create a right or cause of action for the enforcement of its terms, in any entity or person not a party to this Agreement, including any employees, volunteers, officers, or agents of the Parties.

D. Existing Agreements. This Agreement shall not terminate any existing agreement between any Parties and any non-party, except as expressly noted in this Agreement.

E. Severability. In the event that any of the terms, covenants, or conditions of this Agreement, or their application, shall be held invalid as to any person, corporation, or circumstance by any court of competent jurisdiction, the remainder of this Agreement shall not be affected thereby, and such determination shall not affect or impair the validity or enforceability of any other provision, and the remaining provisions shall be interpreted and applied so far as possible to reflect the original intent and purpose of this Agreement.

F. Amendments. This Agreement may be amended only by written document approved by formal authority of the governing bodies of all of the Parties; provided, however, that such amendment will not affect other obligations outstanding of the Authority unless provision for full payment of such obligations, by escrow or otherwise, has been made pursuant to such obligations.

G. Duplicate Originals. This Agreement shall be executed in several counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

H. Termination of Amended IGA. This Agreement amends, supersedes, and replaces in its entirety the Amended IGA, however, the Steering

Committee shall continue to exist for purposes of winding up the affairs of the Soldier Canyon Filter Plant and transferring its assets and its real and personal property to the Authority, until terminated by Resolution of the Board of Directors, or July 1, 2017, whichever occurs first.

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as follows:

Executed this ___ day of _____, ~~2019~~2023, by the East Larimer County Water District.

East Larimer County Water District

By: _____
Loren R. Maxey, President/Chairman

Attest:

Mike Scheid, Secretary

Executed this ___ day of _____, ~~2019~~2023, by the Fort Collins-Loveland Water District.

Fort Collins-Loveland Water District

By: _____
James Borland, President/Chairman

Attest:

Chris ~~Matkins~~Pletcher, Secretary

Executed this ___ day of _____, ~~2019~~2023, by the North Weld County Water District.

North Weld County Water District

By: _____
~~Gene Stille~~Tad Stout, President/Chairman

Attest:

Scott Crockroft, Secretary

SOLDIER CANYON WATER TREATMENT AUTHORITY

To: Soldier Canyon Water Treatment Authority Board

From: Mark Kempton, P.E., CWP

Date: August 16, 2023

Re: Proposed amendment to the Authority Creation Agreement to include District ownership of the Pleasant Valley Pipeline (PVP), PVP Sed Basin, PVP Screen and Horsetooth facilities.

On July 1, 1998, the Soldier Canyon Filter Plant Committee fixed the Tri-District's percent ownership in the PVP and associated facilities as follows:

Table 1: July 1998 to December 2018 percent ownership in 60 MGD capacity in the PVP

ELCO	FCLWD	NWCWD
22.708%	43.512%	33.780%

The Table 1 percent ownerships are also reflected in monthly billing invoices from Soldier Canyon Filter Plant (SCFP) to the Districts up through December 2018. In 2019, District billing was modified to reflect the recommendations of the Raftelis rate study, and the Table 1 PVP percentages were seemingly abandoned.

The Table 1 percentages are subsequently reflected in the following two tables for the District ownership of the PVP, and the PVP Sedimentation Basin. An invoice for the construction of the PVP showing the same percentages as Table 1 is attached below for documentation purposes.

Table 2: District % ownership and capacity in the PVP (Source: Table 1)

Fort Collins (60 MGD)	Capacity in the PVP (60 MGD) - in % and MGD		
	ELCO	FCLWD	NWCWD
100%/60 MGD	22.708%/13.62 MGD	43.512%/26.11 MGD	33.780%/20.27 MGD

District percent ownership of the PVP Sedimentation Basin is shown in Table 3 with Table 1 values applied to the Tri-Districts \$807,538 share of the construction cost.

Table 3: District % ownership and costs in the PVP Sedimentation Basin – 60 MGD Capacity
(Source: Table 1 values)

Fort Collins	PVP Sedimentation Basin (47%)* – in %/\$ owed to Fort Collins		
	ELCO	FCLWD**	NWCWD
53%/\$895,554	10.67%/\$183,376	20.45%/\$351,375	15.88%/\$272,787

*Total project cost = \$1,703,092, Tri-Districts share (47%) = \$807,538.

**Paid \$150,000 to the City in 2015.

Note: One District paid the City in 2013 using Table 1 percentages, therefore Table 3 costs to the City were calculated using Table 1 percentages of \$807,538. Table 3 District ownership percentages were calculated using Table 1 percentage of 47%.

In February 2008, SCFP reimbursed the City of Fort Collins \$111,875, which is 50% of the total cost for the purchase and installation of the HydroDyne Flow Screen at the head of the PVP. This charge was billed by SCFP to the Districts using the then Capital Improvements percent allocation, which differed from the PVP percent allocation in Table 1. Documentation of the City’s Screen invoice and associated billing is attached below. For the sake of consistency, it was decided to apply Table 1 values to the PVP Screen ownership. The final District percentage ownership of the PVP Screen is shown in Table 4.

Table 4: Capacity in the PVP Screen (Source: 50% of Table 1 values)

Fort Collins	Capacity in the PVP Screen (50%) – in %		
	ELCO	FCLWD	NWCWD
50%	11.35%	21.76%	16.89%

Tables 1 through 4 were discussed and verified by Board members at the August 10th, 2023, Soldier Canyon Water Treatment Authority Board meeting.

Table 5: Current Authority Ownership* (Source: 2017 Authority Creation Agreement)

Authority Ownership - in %		
ELCO	FCLWD	NWCWD
22.865%	38.405%	38.73%

*Table 5 is for reference and comparison purposes only.

Tables 6 and 7 are for known existing executed agreements with the individual Districts and have been requested to be included in the Creation Agreement for reference only.

Table 6: Northern Water 57-inch Horsetooth Outlet Pipe Capacities (Source: 1977 Agreement/w individual Districts and Northern Water)

	Capacity in the HT Outlet Line - MGD		
	ELCO	FCLWD	NWCWD
	35 MGD	9.1 MGD	16.4 MGD

Table 7: Horsetooth Outlet Project Pump Station – 35.3 MGD maximum capacity (Source: April 2020 Agreement/w individual Districts and Fort Collins)

Fort Collins	Capacity in the HOP Pump Station – in % and MGD		
	ELCO	FCLWD	NWCWD
43.3%/15.3 MGD	8.5%/3 MGD	14.2%/5 MGD	34%/12 MGD

FILE
PUP

NORTHERN COLORADO WATER CONSERVANCY DISTRICT
AND
MUNICIPAL SUBDISTRICT,
NORTHERN COLORADO WATER CONSERVANCY DISTRICT

FAX: (970) 663-6907
Office: (970) 667-2437

Address: P.O. Box 679
Loveland, CO 80539

Date: February 28, 2003

Deliver to: Bob Reed

At: City of Fort Collins

FAX: 970-495-9845

From: Jeff Drager

Total pages (including cover sheet) 2

Comments:

Bob,

For your information, I've attached a copy of the invoice that I sent to Alan at North Weld. I would appreciate it if you could send me a copy of your breakdown of the cost between the three districts so our accounting people will recognize the amounts when they are wired into our account. My fax number is 669-1143 -or you can e-mail it to me at jdrager@ncwcd.org.

If you have any questions, please call me at 970-622-2333.

Thanks

Invoice

Invoice Number:
Date: February 28, 2003

Northern Colorado Water Conservancy
District
P O Box 679
Loveland, Colorado 80539
970/667-2437
Fax: 970/663-6907

Bob Reed
Soldier Canyon Filter Plant
4424 La Porte Avenue
Fort Collins, CO 80521-2170

(970) 482-3143

ORDER NO.	DATE SHIPPED	SHIPPED VIA	TERMS
N/A	N/A	N/A	DUE: March 3, 2003

DESCRIPTION	TOTAL
Pleasant Valley Pipeline Project	
Allottee's Construction Cost	\$11,338,908
4% Contingency Fund	\$453,556
TOTAL DUE \$11,792,464	

SOLDIER CANYON FILTER PLANT

4424 LA PORTE AVE
 FT COLLINS, CO 80521-2170

Invoice

DATE	INVOICE #
2/25/2003	1056

BILL TO
Pleasant Valley Pipeline

SHIP TO

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.	PROJECT
			2/25/2003			

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
	PVP-ELCO	Pleasant Valley Pipeline - 22.708%	2,677,832.73	2,677,832.73
	PVP-FCLWD	Pleasant Valley Pipeline - 43.512%	5,131,136.94	5,131,136.94
	PVP-NWCWD	Pleasant Valley Pipeline - 33.780%	3,983,494.33	3,983,494.33

Total	\$11,792,464.00
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City of Fort Collins

Water/Wastewater Utilities

Invoice

No. W996268

Soldier Canyon Water Treatment Facility
Attn: Bill Roberts
4424 LaPorte Ave.
Fort Collins, CO 80521

Remit to:
City of Fort Collins
Customer Service Division
330 S. College Ave.
P.O. Box 580
Fort Collins, CO 80522-0580

Cust No: 251296



Please detach and return upper portion with your remittance – cancelled check is your receipt.

DESCRIPTION	DATE	REFERENCE	CHARGES	CREDITS	BALANCE
	2/20/2008				
Soldier Canyon's portion of purchase of Dyne Dual Flow screen for Pleasant Valley Pipeline. Total Cost paid for by the City of Fort Collins was \$223,750.00.					PAYMENT APPROVAL
					TOTAL <u>111,875.00</u>
					ACCT # <u>226.00</u>
					ACCT # _____
					ACCT # _____
					ACCT # _____
					APPROVED <u>BR</u>
Soldier Canyon's share:			111,875.00		
TOTAL AMOUNT DUE:					\$111,875.00
Terms: This bill due and payable within 30 days of Invoice date.					

502-122001 C
50264105.529290.6
R

City of Fort Collins Utilities
P.O. Box 580
Fort Collins, CO 80522

No. W996268

Please direct any questions concerning this statement to the Fort Collins Utilities, 970-221-6216

<u>Capital Expenses - Other:</u>	<u>Amount</u>
Bernard Lyons Gaddis & Kahn - Brown Ditch-\$2481.09, Jackson Ditch-\$48.00, Application Fees-\$96.00	\$2,625.09
City of Ft. Collins - Pleasant Valley Pipeline Screen Project	\$111,875.00
Dana Kepner - Dewatering Bldg. Materials	\$132.00
ELCO - Dewatering Bldg. Materials	\$1,195.35
Fastenal - Dewatering Bldg. Materials	\$568.14
Fischer, Brown Bartlett & Gunn-General Matter	\$967.45
Hasler, Fonfara & Maxwell - Linder Transaction-\$1255.00, Trieber/Warson-\$390.00	\$1,145.00
HD Supply Waterworks - Dewatering Bldg. Materials	\$1,979.36
High Country Pipelines - Dewatering Bldg. Materials	\$900.00
North American Title - Earnest Money for Water Purchase	\$5,000.00
TZA Water Engineers-Attend Steering Committee Mtg., Raw Water Master Plan Update, Develop Future Sources of Supply	\$6,514.00

(Credit from)

TOTAL CAPITAL EXPENDITURES - Other \$132,901.39

<u>Districts' Cost Responsibilities: (12 mo. rolling Avg.)</u>		
	<u>Amount</u>	<u>Imp. %</u>
North Weld	\$48,157.06	36.235%
Fort Collins/Loveland	\$58,038.30	43.670%
ELCO	\$26,706.04	20.095%
<u>Anticipated Major Expenditures for -Nov 2004</u>		
a.	,	
b.	,	
c.	,	
d.	,	

Other:	<u>\$0.00</u>	
	_____	<u>Alloc %</u>
North Weld	0.000	33.333%
Ft. Collins/Loveland	\$0.00	33.333%
ELCO	\$0.00	33.333%

RESOLUTION NO. 20231009-01

**RESOLUTION
OF THE BOARD OF DIRECTORS OF THE
NORTH WELD COUNTY WATER DISTRICT**

ADOPTING A COMMERCIAL METER OVERUSE SURCHARGE POLICY

WHEREAS, the North Weld County Water District (the “District”) was organized pursuant to §§ 32-1-101 *et seq.*, C.R.S. (the “Special District Act”), as amended, and is a quasi-municipal corporation and political subdivision of the State of Colorado; and

WHEREAS, pursuant to § 32-1-1001(1)(h), C.R.S., the Board of Directors of the District (the “Board”) is empowered with the management, control, and supervision of all the business and affairs of the District; and

WHEREAS, pursuant to § 32-1-1001(1)(m), C.R.S., the Board is authorized to adopt, amend, and enforce bylaws and rules and regulations not in conflict with the constitution and laws of Colorado for carrying on the business, objects, and affairs of the Board and the District; and

WHEREAS, in order to preserve the health, safety, and welfare of the District’s water distribution system and water resources, the District has undertaken measures to reduce demand on the District’s water system including the implementation of water surcharges for exceeding water allocations; and

WHEREAS, in order to preserve the health, safety, and welfare of the District’s water distribution system and water resources, the District desires to take additional measures with respect to non-residential or wholesale customers (“Commercial Customers”) to further reduce demand on the District’s water distribution system and water resources; and

WHEREAS, the District has established a Commercial Customer as a customer with a water tap allocation of more than four (4) acre-feet of water per year as measured from a commercial water meter (“Commercial Meter”) and desires to impose an enhanced Commercial Meter overuse surcharge for Commercial Customers overusing water in excess of thresholds established by the Board; and

WHEREAS, the Board finds that the adoption of this Commercial Meter Overuse Surcharge Policy to be in the best interest of the public health, safety, and welfare within the District.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE DISTRICT AS FOLLOWS:

1. Adoption. The Board hereby adopts the Commercial Meter Overuse Surcharge Policy (the “Policy”), attached hereto and incorporated herein as **Exhibit A**.

2. Authorization. The Board hereby directs the District Manager, as may be necessary, to implement and otherwise oversee compliance with the policy set forth herein.

3. Amendments. The District expressly reserves the right to amend, revise, redact, and/or repeal this Resolution in whole or in part, from time to time, in order to further the purpose of carrying on the business, objects, and affairs of the District.

4. Conflict. If any part of the Regulation is in conflict or inconsistent with any other District policy, procedure, or practice currently in effect, this Regulation shall trump such other District policy, procedure or practice.

5. Severability. If any term or provision of the Regulation is found to be invalid or unenforceable by a court of competent jurisdiction or by operation of any applicable law, such invalid or unenforceable term or provision shall not affect the validity of the Regulation as a whole but shall be severed from the Regulation, leaving the remaining terms or provisions in full force and effect.

6. Effective Date. This Regulation shall be effective immediately and shall remain in full force and effect until such time as such policy is repealed by the Board.

[Remainder of the page intentionally left blank. Signature page follows.]

ADOPTED THIS 9th DAY OF OCTOBER, 2023.

NORTH WELD COUNTY WATER DISTRICT, a
quasi-municipal corporation and political
subdivision of the State of Colorado

President

ATTEST:

Secretary

APPROVED AS TO FORM:

WHITE BEAR ANKELE TANAKA & WALDRON
Attorneys at Law

General Counsel to the District

Signature page to Resolution Adopting a Commercial Meter Overuse Surcharge Policy

EXHIBIT A

NORTH WELD COUNTY WATER DISTRICT

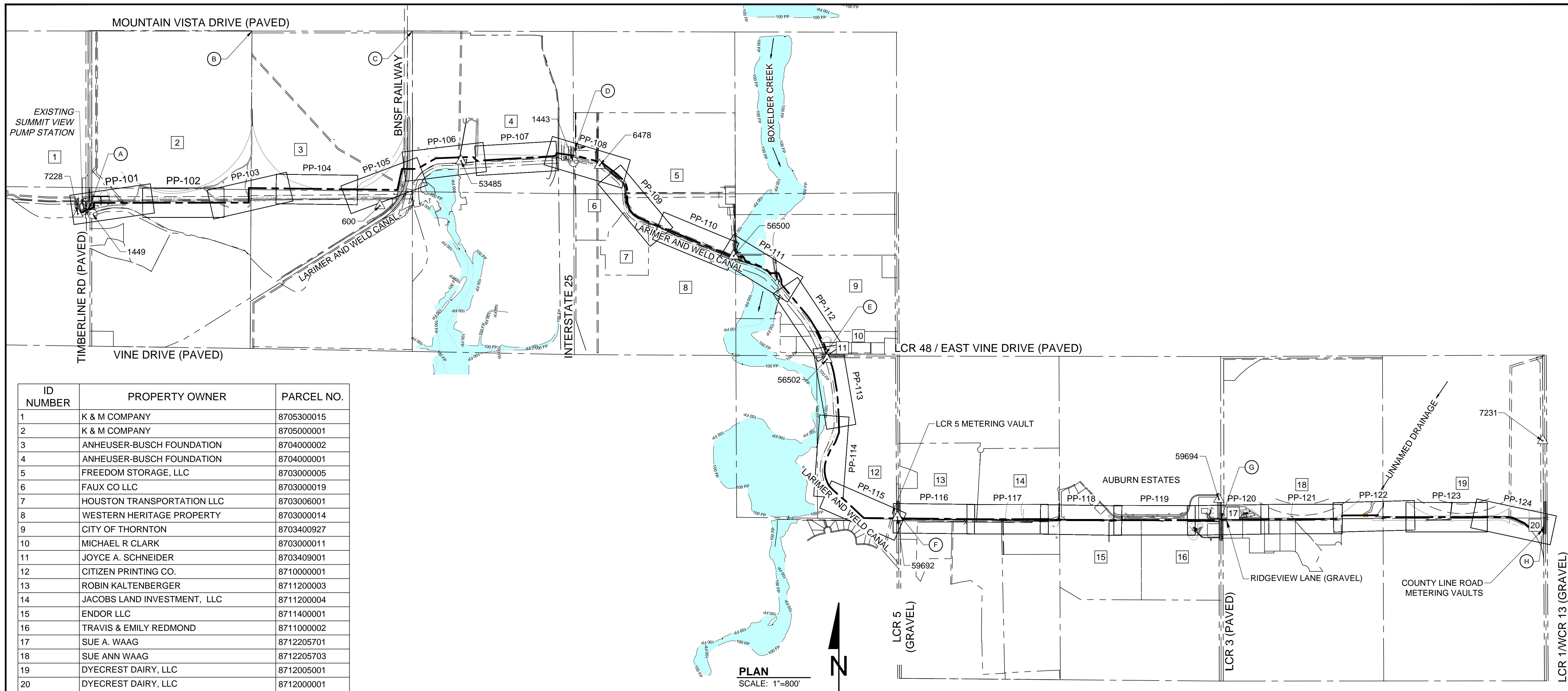
COMMERCIAL METER OVERUSE SURCHARGE POLICY

- 1. Commercial Meter Overuse Surcharge Policy:** The District hereby establishes that in order to reduce demand on the District's water distribution system and to deter water overuse by Commercial Customers, any customer with a Commercial Meter that exceeds their "Calculated Maximum Annual Volume" (defined below) shall be required to pay an enhanced surcharge in the amount of \$22.00 per thousand gallons, or as otherwise may be set forth on the District's Fee Schedule, as may be amended from time to time.

Calculated Maximum Annual Volume is calculated as the five (5) year average of the Commercial Customer's maximum annual usage, minus ten percent (10%).

In general, a Commercial Meter is classified as a water tap with an allocation of more than four (4) acre-feet of water.

- 2. Enforcement:** The Board hereby directs the District Manager, as may be necessary, to implement and oversee compliance with this Policy effective for the water year from November 2023 to October 2024, and from this year forward, in accordance with any rules and regulations of the District which may be in existence now or adopted in the future.



ID NUMBER	PROPERTY OWNER	PARCEL NO.
1	K & M COMPANY	8705300015
2	K & M COMPANY	8705000001
3	ANHEUSER-BUSCH FOUNDATION	8704000002
4	ANHEUSER-BUSCH FOUNDATION	8704000001
5	FREEDOM STORAGE, LLC	8703000005
6	FAUX CO LLC	8703000019
7	HOUSTON TRANSPORTATION LLC	8703006001
8	WESTERN HERITAGE PROPERTY	8703000014
9	CITY OF THORNTON	8703400927
10	MICHAEL R CLARK	8703000011
11	JOYCE A. SCHNEIDER	8703409001
12	CITIZEN PRINTING CO.	8710000001
13	ROBIN KALTENBERGER	8711200003
14	JACOBS LAND INVESTMENT, LLC	8711200004
15	ENDOR LLC	8711400001
16	TRAVIS & EMILY REDMOND	8711000002
17	SUE A. WAAG	8712205701
18	SUE ANN WAAG	8712205703
19	DYECREST DAIRY, LLC	8712005001
20	DYECREST DAIRY, LLC	8712000001

PNT#	POINT ID	NORTHING	EASTING	ELEVATION (FT)
600	CP-MOUND	1463033.52	3136249.09	4991.00
1443	CITY OF FT COLLINS BENCHMARK "39-01"	1463748.13	3139402.45	4984.80
1449	CITY OF FT COLLINS BENCHMARK "92-3"	1462898.21	3131569.26	4988.87
6478	CP-FARM	1463691.25	3139827.58	4981.08
7228	CP-H20	1462900.36	3131328.86	4983.12
7231	CP-ROOSTER	1459209.68	3155188.91	5051.24
53485	CP-OUTFALL	1463761.65	3137570.35	4983.54
56500	CP-RB1	1462217.10	3142011.65	4978.59
56502	CP-CROP	1460533.61	3143531.60	4977.42
59692	CP-OWL	1457962.79	3144678.55	4996.13
59694	CP-HAWK	1458255.39	3149915.30	5021.19

- LEGEND:**
- 100 YEAR FLOODPLAIN
 - PROPERTY LINE
 - PIPELINE
 - PROPERTY NUMBER
 - SITE ACCESS LOCATION NUMBER
 - SURVEY CONTROL POINT

PROVIDENCE INFRASTRUCTURE CONSULTANTS
 300 PLAZA DRIVE, SUITE 320
 HIGHLANDS RANCH, CO 80129
 (303) 997-5035
 www.providenceic.com



REVISION	DESCRIPTION OF ISSUE / REVISION	REVISED BY

**NEWT PIPELINE
 PROJECT PHASE 3
 WORK PACKAGE NO. 2**

DATE: Apr 15, 2023, 12:03pm
 DWG: S:\2023\projects\171016_131600_CAD\30%_design_newt\302-sheets\171016_13_0-01.dwg
 USER: marlenez

11. Executive Session: The Board reserves the right to enter into Executive Session for the following purposes: Receiving legal advice and discussing matters subject to negotiation and strategy pursuant to § 24-6-402(4)(b) & (e), C.R.S. related to Commercial Meter Overuse Surcharge Policy and NEWT III Acquisition and Construction Schedule



North Weld County Water District OCTOBER 2023 UPDATE



NEW RESIDENTIAL METER OVERUSE SURCHARGE POLICY

North Weld County Water District has adopted a new policy to manage water usage more effectively. We want to ensure there's enough water for everyone while protecting the water system. If residential customers use an additional 3 acre feet than their allocated amount of water, they'll be charged an extra \$22.00 per thousand gallons. This policy encourages responsible water usage and is a step towards conserving this vital resource. Let's all do our part to preserve our environment and water resources!

Read more about this policy at nwcwd.org/billing-rates/about-rates-charges



GET SMART WITH TRACKING YOUR WATER USAGE Track your water usage (and more) online

Using the WaterSmart customer portal, you can track your water use, set alerts for possible leaks, get water saving tips and set customer communication preferences. Enroll to utilize the water-saving features offered through the portal.

SET UP YOUR PORTAL IN 3 EASY STEPS

LOG ON: nwcwd.watersmart.com

REGISTER: Use your account number listed on your water bill and your zip code

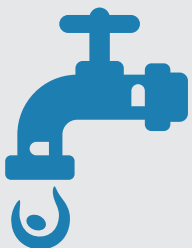
PERSONALIZE: Answer a simple profile survey to provide accurate comparisons to similar households



JOIN A NWCWD BOARD OF DIRECTORS MEETING

We welcome public comment, and we'd love to hear from you.

Our next meeting is **October 9 at 8:30 a.m.** Meetings are typically held on the second Monday of each month at the District Office, located at 32825 County Road 39, Lucerne (unless otherwise noted).



ANNUAL WATER QUALITY REPORT & 2022 FINANCIAL AUDIT DRAFT

The Annual Report provides detailed information about the source of the District's water and the results of annual water testing. View it online: nwcwd.org/water-quality/annual-water-quality-report

The 2022 Financial Audit Draft is available at nwcwd.org/annual-audit



NORTH WELD COUNTY WATER DISTRICT

32825 CR 39 • LUCERNE, CO 80646

P.O. BOX 56 • BUS: 970-356-3020 • FAX: 970-395-0997

WWW.NWCWD.ORG • EMAIL: WATER@NWCWD.ORG

North Weld County Water District
(970) 356-3020
water@nwcwd.org

Policy Change Related to Residential Meter Overuse Surcharge

Dear Customer,

We are writing to inform customers who have high residential meter usage, that on April 10, 2023 the North Weld County Water District Board of Directors, through Resolution No. 20230410-01 Adopted a Residential Meter Surcharge Policy.

The policy's intent is to deter water overuse by residential customers and reduce demand on the District's water distribution system. The policy provides the following:

Any customer with a residential water tap that exceeds their water usage allotment amount by three (3) acre-feet shall be required to pay an enhanced surcharge in the amount of \$22.00 per thousand gallons, or as otherwise set forth on the District's then current Fee Schedule, as may be amended from time to time. In general, a residential water tap is classified as a water tap with an allocation under four (4) acre-feet of water.

The board determined that based on the current cost of water and current cash in Lieu Fees, the Fee Schedule will be amended, and a surcharge of \$22.00 per thousand gallons will be applied for total water usage as stated above based on the current water year from November 2022 to October 2023 and from this year forward.

To find your water allocation, please refer to your regular monthly bill, or contact the District.



NORTH WELD COUNTY WATER DISTRICT

32825 CR 39 LUCERNE, CO 80646

P.O. BOX 56 BUS: 970-356-3020 FAX: 970-395-0997

WWW.NWCWD.ORG EMAIL: WATER@NWCWD.ORG

North Weld County Water District Cross-Connection Control Dept.

(970) 356-3020

WATER@NWCWD.ORG

Date: October 9, 2023

URGENT – FINAL NOTICE RE: Backflow Prevention

Dear Customer,

We are writing to remind you that you are required to install and test a reduced pressure zone device on your water system by **November 1, 2023**. This letter is your **FINAL NOTICE**. Failure to respond to this letter or take action toward compliance will result in water service shutoff on November 1, 2023.

If you are receiving this notice, **we have not received confirmation of at least one of the following 3 items listed below**. By November 1, 2023, you must contact the District or complete all of the following:

1. Install approved backflow protection
2. Have the backflow protection tested by a certified tester
3. Have the tester upload the passing test to BSIonline.com

This requirement is the result of a regulation (CDPHE REG. 11.39) issued by the Colorado Department of Public Health and Environment to help protect citizens' health and safety. The CDPHE requires NWCWD to shut off water supply to customers that do not comply with the requirement.

The device must be installed within 5 feet of your meter in order to prevent backflow and cross-connection contamination. Results verifying that the device is functioning properly must be submitted by a licensed tester to BSIOnline.com by **November 1, 2023**.

Contact the NWCWD office immediately if circumstances prevent you from meeting this deadline, or if you believe you have completed installation and testing.

We thank you for your cooperation in helping ensure that our community has safe drinking water. We are available to answer questions and offer guidance at any time. Please do not hesitate to contact our office at (970) 356-3020 or WATER@NWCWD.ORG

It's Everyone's Responsibility to Protect Our Water.