

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE NORTH WELD COUNTY WATER DISTRICT

Held: Monday, the 11<sup>th</sup> day of September, 2023, at 8:30 A.M.

*The meeting was conducted via teleconference.*

**ATTENDANCE**

The meeting was held in accordance with the laws of the State of Colorado. The following directors were in attendance:

Tad Stout, President  
Scott Cockroft, Secretary  
Nels Nelson, Treasurer  
Anne Hennen, Assistant Secretary

Director Pettinger was absent and excused.

Also present were Eric Reckentine, General Manager of the District; Zachary P. White, Esq., WHITE BEAR ANKELE TANAKA & WALDRON, District general counsel; Scott Holwick, Lyons Gaddis, District special counsel; Jamie Cotter, SpencerFane, District special counsel; George Oamek, Headwaters Corp., Richard Reins and Jan Sitterson, Water Resources; Nick Wharton, Town of Severance; Angela Thompson, Slate Communications; and Paul Wiess, Williams & Wiess Consulting.

**ADMINISTRATIVE MATTERS**

Call to Order

The meeting was called to order at 8:30 A.M.

Declaration of Quorum and Confirmation of Director Qualifications

Mr. Stout noted that a quorum for the Board was present and that the directors had confirmed their qualification to serve.

Reaffirmation of Disclosures of Potential or Existing Conflicts of Interest

Mr. White advised the Board that, pursuant to Colorado law, certain disclosures might be required prior to taking official action at the meeting. Mr. White reported that disclosures for those directors that provided WHITE BEAR ANKELE TANAKA & WALDRON with notice of potential or existing conflicts of interest, if any, were filed with the Secretary of State's Office and the Board at least 72 hours prior to the meeting, in accordance with Colorado law, and those disclosures were acknowledged by the Board. Mr. White inquired into whether members of the Board had any additional disclosures of potential or existing conflicts of interest about any matters scheduled for discussion at the meeting. All directors reviewed the agenda for the meeting and confirmed

that they have no additional conflicts of interest in connection with any of the matters listed on the agenda.

Approval of Agenda

Mr. Reckentine presented the Board with the agenda for the meeting. Upon motion of Mr. Nelson, seconded by Ms. Hennen, the Board unanimously approved the agenda.

**PUBLIC COMMENT**

No members of the public addressed the Board.

**CONSENT AGENDA MATTERS**

Mr. Reckentine presented the Board with the consent agenda items.

Upon motion of Mr. Nelsen, seconded by Ms. Hennen, the Board approved the following:

- a. Minutes from August 14, 2023, and August 28, 2023, Meetings
- b. Invoices through September 11, 2023
- c. Easement Agreements
  - i. Faux – NEWT III
  - ii. City of Thornton - NEWT III
  - iii. Redmond – NEWT III
- iv. WAPA Access Agreements – NEWT III
- v. Nelson Easement Agreement – Woods Lake Line Replacement
- d. Water Efficiency Plan Update Scope
- e. Greeley- NW interconnect Change Order
- f. Rental of C-BT Carryover Capacity from CSU
- g. Supplemental Agreement with Larimer County Canal No. 2 for the headgate rehabilitation project
- h. BAE LLC water allocation divestment to district

Honey Creek Resources Revised Cost of Service and Fees Study

Mr. Oamek presented to the Board regarding the revised Cost of Service and Fee Study attached hereto as **Attachment 1**.

The Board discussed the study and findings presented.

No action was taken.

North Weld County Water District Preliminary Draft 2024 Budget

Mr. Reckentine presented the Board with a preliminary 2024 budget. Following discussion and input from the Board, Mr. Reckentine will revise the proposed budget.

Master Plan, Drought Plan and Proposed Revisions to Water Service Agreements

Mr. White discussed with the Board several updates to the form water service agreements with developers, wholesale customers, and commercial customers.

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 Master Planning and Water Service Agreements

Upon motion of Mr. Pettinger, seconded by Ms. Hennen, and upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 10:24 A.M. for the purpose of receiving legal advice pursuant to §24-6-402(4)(b), C.R.S.; determining positions relative to matters that may be subject to negotiations, developing strategy for negotiations, and instructing negotiators pursuant to § 24-6-402(4)(e), C.R.S.

Pursuant to § 24-6-402(2)(d.5)(II)(B), C.R.S., no record will be kept of the portion of this executive session that, in the opinion of the District's/Districts' attorney, constitutes privileged attorney-client communication pursuant to § 24-6-402(4)(b), C.R.S.

Also pursuant to § 24-6-402(4), C.R.S., the Board did not adopt any proposed policy, position, resolution, rule, regulation or take formal action during execution session.

The Board reconvened in regular session at 11:32 A.M.

The Board directed staff and consultants to update water service agreements for review by the Board.

**DISTRICT MANAGER'S REPORT**

Tap Sales

Mr. Reckentine reported that 110 taps have been sold to date and that the District is on track to meet its budget for the year.

Subpeona to Produce Documents – Mr. Kerr vs. Diversified Oilfield

Mr. Reckentine reported that the District received a request to produce documents and will work with the insurance company and counsel to provide required documents.

Tri-Districts Annual Dinner 5:30 on October 5, 2023, at the Mill in Windsor

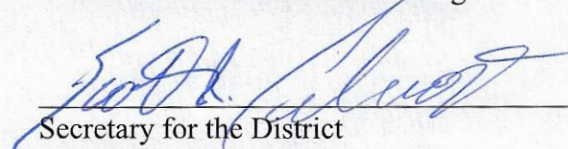
Mr. Reckentine reported re scheduling of Tri-District annual dinner.

**OTHER BUSINESS**

**ADJOURNMENT**

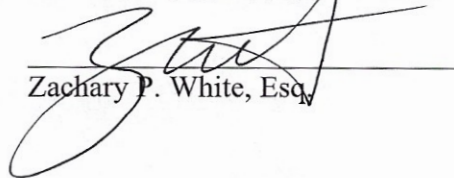
There being no further business to be conducted, the meeting was adjourned.

The foregoing constitutes a true and correct copy of the minutes of the above-referenced meeting

  
Secretary for the District

**ATTORNEY STATEMENT  
REGARDING PRIVILEGED ATTORNEY-CLIENT COMMUNICATION**

Pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S., I attest that, in my capacity as the attorney representing North Weld County Water District, I attended the executive session meeting of the North Weld County Water District convened at 10:24 A.M. on September 11, 2023 for the sole purpose of receiving legal advice and discussing matters subject to negotiation and strategy related to Master Planning and Water Service Agreement Negotiations as authorized by § 24-6-402(4)(b) & (e), C.R.S. I further attest it is my opinion that a portion of the executive session discussion constituted a privileged attorney-client communication as provided by Section 24-6-402(4)(b), C.R.S. and, based on that opinion, no further record, written or electronic, was kept or required to be kept pursuant to Section 24-6-402(2)(b), C.R.S. or Section 24-6-402(2)(d.5)(II)(B), C.R.S.

  
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Zachary P. White, Esq.

Attachment 1

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.

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

GEORGE OAMEK, HONEY CREEK RESOURCES, INC.

SEPTEMBER 11, 2023



# 2023 COST OF STUDY UPDATE

- THE 2021-22 COS STUDY WAS APPROVED BY THE BOARD BUT NOT YET IMPLEMENTED IN ITS ENTIRETY
- A NEED FOR UPDATING STEMS FROM UPCOMING WSA NEGOTIATIONS WITH TOWNS, COMMERCIAL USAGE ISSUES, ALLOCATION OF CAPACITY TO HANDLE GROWTH, AND OTHER ISSUES
- RESULTS ARE PRELIMINARY PENDING BOARD AND STAFF REVIEW
  - MODIFICATIONS WILL DEPEND ON THEIR INPUT AND THE FINAL MASTER PLAN

# COST OF SERVICE

- NWCWD HAS HISTORICALLY USED COS TO SET RATES, BUT AT A DISTRICT-WIDE LEVEL
  - “DISCOUNTS” GIVEN TO TOWNS AREN’T REALLY DISCOUNTS BUT RECOGNITION THAT TOWNS ARE LESS EXPENSIVE TO SERVE ON A 1,000 GALLON BASIS
- AS THE DISTRICT HAS EVOLVED, SO HAS A NEED TO DISTINGUISH AMONG TYPES OF CUSTOMERS AND THE DEMANDS THEY PUT ON THE SYSTEM, BOTH USAGE AND CAPACITY
- THE 2022 ANALYSIS (AND CURRENT UPDATE) USES THE BASE-EXTRA CAPACITY METHOD TO ALLOCATE DISTRICT COSTS AMONG CUSTOMER CLASSES
- ALLOWS FOR UNIQUE RATES FOR EACH CUSTOMER CLASS BASED ON THEIR USAGE CHARACTERISTICS
- THE BASE-EXTRA CAPACITY METHOD IS AWWA STANDARD PRACTICE (AWWA M1 MANUAL, 7<sup>TH</sup> ED)



# IMPACTS OF COST OF SERVICE RATES ACROSS CUSTOMER CLASSES

- RESIDENTIAL USERS WILL HAVE THE HIGHEST VOLUME CHARGE, \$1,000 GAL, BECAUSE OF SUMMER LANDSCAPE IRRIGATION (HIGH MAX DAY AND MAX HOUR DEMAND PEAKING FACTORS)
- COMMERCIAL USERS WILL HAVE A LOWER VOLUME CHARGE DUE TO MORE STEADY, CONSTANT DEMAND, RESULTING IN SMALLER PEAKS
- VOLUME CHARGES FOR TOWNS WILL INCORPORATE THEIR MAX DAY DEMAND AND USAGE. HOWEVER THE TOWNS DO NOT PAY FOR RAW WATER, PEAK HOUR STORAGE, OR THE LOCAL DISTRIBUTION SYSTEM
  - TOWNS' VOLUME CHARGES CAN BE HANDLED INDIVIDUALLY OR COLLECTIVELY

# CALCULATED COST OF SERVICE RATES

	Current water charges	Baseline cost-of-service water rates, 2022	Baseline cost-of-service water rates, 2023 update
Residential customers	\$4.44/1,000 gal	\$6.15/1,000 gal	\$6.50/1,000 gal
Commercial and industrial	\$4.44/1,000 gal	\$4.45/1,000 gal	\$4.30/1,000 gal
Towns (average)	\$3.33/1,000 gal	\$3.72/1,000 gal average	\$4.40/1,000 gal average
Plant Investment fee	\$20,250/tap District \$15,100/tap Town	\$20,250/tap District-wide	\$22,650/tap District \$16,700/tap Town

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

Town of Windsor	\$	4.03
Town of Eaton	\$	4.57
Town of Severance	\$	4.30
Town of Ault	\$	4.70
Town of Pierce	\$	4.03
N. Colo Water Assoc #A-2110	\$	4.57
Town of Nunn	\$	4.57
Simple average	\$	4.39

# ADDITIONAL CONSIDERATIONS

- CHANGES IN CALCULATED VOLUME CHARGES BETWEEN 2022 AND 2023 ARE DUE TO REVISED ASSUMPTIONS ABOUT WATER USAGE AND THE PACE OF NEW TAPS
- NEAR-TERM WATER AND PI SURCHARGE REVENUES ARE NEAR BUDGETED AMOUNTS, BUT ARE ASSUMED TO DECLINE OVER TIME TO 10% OF THEIR CURRENT LEVEL BY 2032
- WATER AND PI SURCHARGE LEVELS ARE NOW ASSUMED TO BE SPLIT EVENLY BETWEEN REDUCING CUSTOMER RATES AND FUTURE CAPITAL IMPROVEMENTS. THIS IS ULTIMATELY A POLICY DECISION BY THE BOARD
- 2023 PRELIMINARY PLANT INVESTMENT FEE REQUIRES MORE CONSIDERATION ABOUT REMAINING SYSTEM CAPACITY AFTER 2032

	NWCWD current	NWCWD, baseline COS scenario	East Larimer County WD	Fort Collins-Loveland WD (residential, outside Fort Collins)	Town of Wellington	City of Loveland (inside City)	City of Greeley (not on Water Budget)	City of Fort Collins
<b>Monthly service charge</b>	\$26.64, includes first 6,000 gallons	Residential \$36.96; Comm/Indus \$26.70 Both include first 6,000 gallons	\$14.35	\$17.01	\$49.71	\$19.31	\$17.50	\$19.02
<b>Volume charge (\$/1,000 gallons)</b>	All users: \$4.44  Wholesale service to Towns: \$3.33	Residential: \$6.50 Comm/Indus: \$4.30 Wholesale service to Towns: \$4.40	Residential: \$4.35 Commercial \$3.72	Residential: \$1.98 (<8,000 gal) \$2.81 <15,000 gal	\$0.00 (<3,000 gal) \$11.70 (3,000 to 7000 gal; \$15.20 up to 20,000 gal)	Residential: \$3.95  Commercial: \$4.70	Residential: \$5.64  Commercial: \$5.60  Industrial: \$4.52	\$2.94 (<7,000 gal) \$3.39 (<13,000 gal)
<b>Excess usage charge (\$/1,000 gallons)</b>	\$6.00 plus volume charge for usage greater than allocation	\$6.00 plus volume charge for usage greater than allocation	\$4.99 plus volume charge for usage greater than allocation	\$3.77 for usage greater than 15,000 gal/mo	\$21.64 (>20,000 gal)	\$1.68 plus volume charge, only for commercial customers	No specific penalty published for non-budget customers.	\$3.90 (>13,000 gal)
<b>Monthly average residential bill (0.32 af)</b>	\$38.59	\$56.49	\$52.16	\$34.22	\$122.21	\$53.64	\$66.52	\$45.33
<b>Monthly average residential bill (0.64 af)</b>	\$77.17	\$112.98	\$90.11	\$60.54	\$254.32	\$87.97	\$115.53	\$110.57

# ADDITIONAL CONSIDERATIONS

- RESIDENTIAL CUSTOMERS
  - ABOUT \$2.00/1,000 OF THE \$6.50/1,000 CHARGE IS FOR RAW WATER TO REPLENISH DROUGHT RESERVES
- COMMERCIAL CUSTOMERS
  - IT IS ASSUMED THAT CURRENT OVER USAGE IS ABOUT 2,000 ACRE-FEET, BUT DECLINES OVER TIME
  - FUTURE SURCHARGE REVENUES ARE BASED ON CURRENT SURCHARGE LEVELS
- TOWNS
  - FOR NOW, TOWNS ARE ASSUMED TO STAY WITH THE DISTRICT AT LEAST THROUGH 2032
  - FUTURE UNCERTAINTIES MUST BE CONSIDERED
  - A RATE OF RETURN ON DISTRICT ASSETS FROM WHICH THE TOWNS BENEFIT BUT DO NOT PAY FOR HAS BEEN CALCULATED OUTSIDE OF THIS ANALYSIS. THIS COULD POTENTIALLY INCREASE TOWNS' VOLUME CHARGE BY \$0.60/1,000 IF PURSUED BY THE DISTRICT.
  - SHOULD WATER AND PI SURCHARGE REVENUES CONTINUE TO BE SHARED WITH THE TOWNS?



# THE IMPACT OF TOWNS ON DISTRICT FINANCES

- THE TOWNS ACCOUNT FOR ABOUT 37% OF TOTAL DISTRICT WATER USAGE AND ABOUT 30% OF DISTRICT REVENUE, NOT INCLUDING SURCHARGE REVENUES
- IF SEVERANCE, EATON, AND WINDSOR ABRUPTLY LEFT THE SYSTEM:
  - VOLUME CHARGES WOULD HAVE TO INCREASE BY A NET OF \$1.75 TO \$2.50 PER 1,000 GALLONS TO MAKE-UP THE DIFFERENCE
  - FUTURE CAPITAL EXPENDITURES WOULD HAVE TO BE ADJUSTED OR RE-TIMED AND PI FEES REEVALUATED
- ALTERNATIVELY, IF SEVERANCE, EATON, AND WINDSOR MAINTAIN THEIR COMMITMENT AT 2028 LEVELS
  - VOLUME CHARGES WOULD HAVE TO INCREASE BY \$0.20 TO \$0.30 PER 1,000 GALLONS DURING 2029-32 TO MAKE-UP THE DIFFERENCE
  - FUTURE CAPITAL EXPENDITURES WOULD HAVE TO BE ADJUSTED OR RE-TIMED AND PI FEES REEVALUATED

# REMAINING TASKS

- INCORPORATE STAFF AND BOARD COMMENTS INTO THE ANALYSIS
- INCORPORATE MASTER PLAN INFORMATION RE. REMAINING CAPACITY INTO THE REVISED PI FEES
- WATER AND PI SURCHARGES:
  - UPDATE WATER AND PI SURCHARGES; DOCUMENT THE BASIS FOR THE PI SURCHARGE
  - PROPORTION OF SURCHARGE REVENUES TO BE USED FOR RATE RELIEF OR PI FEE REDUCTIONS
- TOWNS:
  - POTENTIAL SCENARIOS RE. FUTURE DEMANDS AND RELATIONSHIP WITH DISTRICT
  - WHETHER TO OFFSET TOWN RATE WITH SURCHARGE REVENUES

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**QUESTIONS?**