

July 1, 2014

WATER UTILITY ENTERPRISE BOARD

A meeting of the Water Utility Enterprise was held on Tuesday, July 1, 2014, at 9:39 p.m. in the Council Chambers of the City of Fort Collins City Hall. Roll Call was answered by the following Boardmembers: Campana, Cunniff, Horak, Overbeck, Poppaw, Troxell, and Weitkunat.

Staff Members Present: Atteberry, Nelson, Roy.

Resolution No. 010

Authorizing the President of the Water Enterprise Board to Execute the First Amendment to the Amended and Restated Intergovernmental Agreement with the Fort Collins-Loveland Water District, the Fort Collins-Loveland Water District Enterprise and the City of Fort Collins for the Delivery of Potable Water, Adopted

The following is the staff memorandum for this item.

“EXECUTIVE SUMMARY

The purpose of this item is to authorize the President of the Water Enterprise Board to execute the First Amendment to the amended and restated intergovernmental agreement (IGA) with the Fort Collins-Loveland Water District, the Fort Collins-Loveland Water District Enterprise, and the City of Fort Collins Water Utility Enterprise for the delivery of potable water. The item will require the party that exceeds the allotment of water allowed for exchange to provide raw water reimbursement in addition to the charges for treatment.

BACKGROUND / DISCUSSION

The original Amended and Restated Intergovernmental Agreement was approved on September 13, 2013 to be effective with the new “Water Year” on November 1, 2013. Upon operationalizing the terms of the Agreement it was discovered that the transfer of raw water along with payment for any water transfer “overages” was not included in the IGA as intended. The terms of the agreement are mutual so that the same settlement terms apply to any imbalance owed to Fort Collins Utilities or the Fort Collins-Loveland Water District.

FINANCIAL / ECONOMIC IMPACTS

Approval of this Amendment allows the party providing excess water in any given month to recover the raw water component associated with producing that potable water.

ENVIRONMENTAL IMPACTS

This ongoing Agreement makes for more efficient use of existing infrastructure thereby delaying any expansion of the Soldier Canyon Filter Plant owned and operated by the Tri-Districts, or the

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construction of a new water treatment facility.

BOARD / COMMISSION RECOMMENDATION

The objectives of amending this Agreement was presented to the Water Board on June 20, 2013. The Water Board voted unanimously to recommend approval of amending the Intergovernmental Agreement for the Delivery of Potable Water with Fort Collins Loveland Water District and the future amendment to the similar Intergovernmental Agreement with the North Weld County Water District.”

Jon Haukaas, Water Engineering Field Operations Manager, provided a brief background of the IGAs between Fort Collins Utilities and neighboring water districts.

Vice-President Horak made a motion, seconded by Boardmember Overbeck, to adopt Resolution No. 010.

Boardmembers Cunniff and Troxell commended the agreement.

The vote on the motion was as follows: Yeas: Horak, Weitkumat, Campana, Troxell, Poppaw, Overbeck and Cunniff. Nays: none.

THE MOTION CARRIED.

Resolution No. 011

Authorizing the President of the Water Enterprise Board to Execute an Amended and Restated Intergovernmental Agreement with the North Weld County Water District, the North Weld County Water District Enterprise and the City of Fort Collins for the Delivery of Potable Water, Adopted

The following is the staff memorandum for this item.

“EXECUTIVE SUMMARY

The purpose of this item is to authorize the President of the Water Enterprise Board to execute an amended and restated intergovernmental agreement (IGA) with the North Weld County Water District (NWCWD), the North Weld County Water District Enterprise, and the City of Fort Collins Water Utility Enterprise for the delivery of potable water. The amendment makes adjustments to the costs associated with exchanging water between the City and the NWCWD to reflect actual expenses, adjusts the requirement to balance accounts from annually to monthly, adjusts the allocation of water that is allowed to be exchanged, and provides for the transfer of associated raw water for any imbalance in excess of the allocation.

BACKGROUND / DISCUSSION

In 1999, a Joint Transmission Study was completed by Fort Collins Utilities and the Tri-Districts to determine the need for additional transmission capacity throughout the community. An outcome of that study was the determination that the City's existing infrastructure had sufficient capacity to provide potable water to the North Weld County Water District (NWCWD) on an on-demand, as available basis to meet day-to-day demands for the delivery of potable water to customers and avoid expensive duplication of transmission facilities.

The current water sharing agreement between the City and NWCWD has been in effect since 2000 for that purpose. Two delivery points into the NWCWD distribution system were specified in the agreement, as were two points of entry into the Fort Collins Utilities transmission system from the Soldier Canyon Filter Plant (SCFP) on behalf of NWCWD. The intention of the water sharing agreement was to allow for an annual balancing between how much water was conveyed through the Fort Collins Utilities transmission system from SCFP and how much water was taken from the Fort Collins Utilities transmission system by NWCWD. No changes are being proposed to the leasing terms and associated transmission charges.

Many of the terms of the agreement concerning the balancing and settlement of imbalances are outdated, however, including the amount of water being shared, the points of delivery for any shared water as discussed above and the settlement price of any resulting annual imbalance. In an effort to address these inconsistencies, Fort Collins Utilities and NWCWD have negotiated new terms for the agreement over the past year.

Ongoing development within the NWCWD service area has decreased the need for daily flows of water through the Fort Collins Utilities transmission system into the NWCWD distribution system. The amended agreement being proposed herein will decrease the daily flow limit from 12 to 9 MGD. (Please note that Fort Collins Utilities amended the existing water sharing agreement with Fort Collins-Loveland Water District to increase the maximum daily flow of that agreement from 9 MGD to 12 MGD in October 2013, hence there is no change in the combined treatment capacity obligation by Fort Collins Utilities for these agreements.)

The current water sharing agreement allows for an annual settlement of any imbalance at \$0.36 per thousand gallons with no raw water being provided. This settlement price is well below the current direct cost of treatment and much less the current total cost of treatment. As such, the fixed price of settlement, along with no raw water being provided in the settlement, is no longer acceptable to Fort Collins Utilities. To date, all annual imbalances have fallen within the specified 5% limit, which allows the imbalance to be carried forward into the next water year. However, in the foreseeable future, this may not be the case. To make it possible to not require annual settlements in the past, it has been necessary for NWCWD to push significant amounts of water to Fort Collins Utilities during shoulder months (February - April and September - October) in order to offset the significant imbalance that occurs during the irrigation season (May - August). In effect, Fort Collins Utilities has provided NWCWD with treatment capacity to meet their peak demand without compensation in the past. The proposed amendment will

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address these issues by allowing for annual adjustments in the settlement price, requiring raw water is transferred between parties and requiring monthly settlement of any imbalance in excess of 9 million gallons. The proposed settlement price (the "Overage" charge) for 2014 of \$1.6920 per thousand gallons inclusive of the payment in-lieu of taxes plus transmission charges as outlined in the current agreement. The Overage charge for future years shall reflect all costs to produce treated water at the City's Treatment Plant and shall be determined by the City's Cost of Service Study. This rate for overage charges shall be adjusted annually on a calendar year basis at a rate consistent with the overall rate increase to the entire customer base of the City.

The terms of the agreement are mutual so that the same settlement terms apply to any imbalance owed to Fort Collins Utilities or NWCWD. Because Fort Collins Utilities has excess treatment capacity and the agreement outlines the right of refusal by either party of water through daily communication, it is not anticipated that Fort Collins Utilities will have a need to take sufficient water from NWCWD to result in a monthly imbalance requiring settlement under normal operating conditions. Lastly, on the water sharing agreement, both parties are agreeable to making the proposed amendments effective beginning with the 2013-14 water year which began on November 1, 2013.

FINANCIAL / ECONOMIC IMPACTS

The financial impact of the proposed amendment affecting the sharing of water between the two parties is difficult to quantify as it depends greatly on the annual variability in water demand. Monthly imbalances requiring settlement are likely in the irrigation season (May - August) when NWCWD has historically taken more water than it has returned to Fort Collins Utilities. Thus, amending the agreement to have monthly rather than annual settlements may increase the cost of water for NWCWD customers as it will no longer allow NWCWD to effectively use this agreement to meet its summer peak demand through the use of treatment capacity it has not invested in creating. Correspondingly, it may offset some of the indirect treatment costs currently paid by Fort Collins Utilities customers through the monthly settlement of any imbalance.

ENVIRONMENTAL IMPACTS

This ongoing Agreement makes for more efficient use of existing infrastructure thereby delaying any expansion of the SCFP or the construction of a new water treatment facility. The potential environmental impacts of either of those solutions to meet NWCWD's growing demand for treated water would at a minimum be deferred by several years by continuing with this cooperative arrangement.

BOARD / COMMISSION RECOMMENDATION

This ongoing Agreement makes for more efficient use of existing infrastructure thereby delaying any expansion of the SCFP or the construction of a new water treatment facility. The potential environmental impacts of either of those solutions to meet NWCWD's growing demand for

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treated water would at a minimum be deferred by several years by continuing with this cooperative arrangement."

Vice-President Horak made a motion, seconded by Boardmember Overbeck, to adopt Resolution No. 011. Yeas: Horak, Weitkunat, Campana, Troxell, Poppaw, Overbeck and Cunniff. Nays: none.

THE MOTION CARRIED.

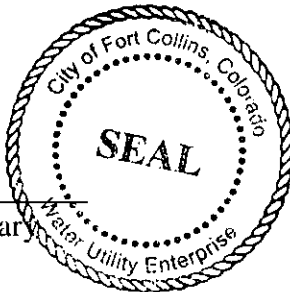
Adjournment

The meeting adjourned at 9:46 p.m.

ATTEST:

Wanda Nelson

City Clerk, Ex Officio Secretary



Karen Weitkunat
Mayor, Ex Officio President