

**DATE:** March 20, 2012  
**STAFF:** Susan Smolnik  
Beth Molenaar

**AGENDA ITEM SUMMARY**  
FORT COLLINS CITY COUNCIL

**7**

**SUBJECT**

Second Reading of Ordinance No. 018, 2012, Establishing Rental Rates and Delivery Charges for the City's Raw Water for the 2012 Irrigation Season.

**EXECUTIVE SUMMARY**

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This Ordinance, unanimously adopted on First Reading on March 6, 2012, approves rates for the rental and delivery of the City's raw water supplies. The Water Utility uses these rates to assess charges for agricultural use, for various contractual raw water obligations and for raw water deliveries to other City departments. The proposed rate for each type of water is based on several factors including market conditions and assessments charged by irrigation companies.

**STAFF RECOMMENDATION**

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Staff recommends adoption of the Ordinance on Second Reading.

**ATTACHMENTS**

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1. Copy of First Reading Agenda Item Summary - March 6, 2012  
(w/o attachments)

**DATE:** March 6, 2012  
**STAFF:** Susan Smolnik  
Beth Molenaar

**AGENDA ITEM SUMMARY**  
FORT COLLINS CITY COUNCIL

**10**

**SUBJECT**

First Reading of Ordinance No. 018, 2012, Establishing Rental Rates and Delivery Charges for the City's Raw Water for the 2012 Irrigation Season.

**EXECUTIVE SUMMARY**

This Ordinance approves rates for the rental and delivery of the City's raw water supplies. The Water Utility uses these rates to assess charges for agricultural use, for various contractual raw water obligations and for raw water deliveries to other City departments. The proposed rate for each type of water is based on several factors including market conditions and assessments charged by irrigation companies.

**BACKGROUND / DISCUSSION**

The City is a shareholder in several local irrigation companies. Most years there is water in excess of that needed to meet City uses. To the extent there is surplus raw water, it can be rented to others for their use. Each year prior to the irrigation season and after the irrigation companies have established their annual assessments for water shares, the City Council approves rental rates and delivery charges for the use of the City's raw water. Staff uses these annual raw water rates and delivery charges for the purpose of charging for various uses of Utilities' raw water. These uses include rental to agricultural users, meeting certain raw water delivery obligations, and uses by other City departments. The attached tables show the assessment rates as set by the irrigation companies and the raw water rates charged by the City for 2009 through 2011 as well as proposed rates for 2012.

Currently, the snowpack is near average in the Poudre Basin this winter. However, last year's abundant snowpack provided steady streamflows that allowed storage reservoirs to fill. In addition, Utilities carried over water from the 2011 water year for use in 2012. To ensure that adequate supplies are maintained, staff will continue to closely monitor Utilities water supplies when making surplus raw water available for rental. The first priority will be to insure that adequate supplies will be carried over into 2013. In 2011, Utilities rented approximately 15,500 acre-feet of surplus water for just under \$500,000.

Staff is proposing two categories for raw water rates and delivery charges. The first category includes only those sources for which an active rental market exists. The second category includes sources delivered under raw water agreements and used to irrigate greenbelts and City facilities (parks, golf courses, etc.).

Staff is also proposing an option rate for the rental of collateral water by Windy Gap project participants. This rate allows Colorado Big Thompson Project (CBT) water to be held in reserve for a participant in the event that it is needed.

**Surplus Water Rental Market**

Those systems with active water rental markets include the CBT, North Poudre Irrigation Company (NPIC), and Water Supply and Storage Company (WSSC). For these sources the proposed rates are based on expected rental market conditions.

Fort Collins will likely have some CBT water available for rent this year. Staff recommends that agricultural rentals of CBT water be made at a price of \$30 per acre foot. This is the same price that was charged last year. Staff further proposes that CBT water rented for municipal or industrial (M&I) purposes also remain at the same price of \$49 per acre foot in 2012. CBT water for municipal or industrial uses is typically rented at a higher rate than for agricultural purposes reflecting the higher assessments charged to M&I water users.

Utilities also expects to have surplus NPIC water that can be made available for rent. Each share of North Poudre Irrigation Company has an "agricultural" component and a "multiple use" component. Due to legal constraints, the "ag"

component can only be used for agricultural purposes on land served by the NPIC system and is rented to shareholders under the system. The multiple use portion of each NPIC share is available for Utilities' use and is largely comprised of NPIC-owned CBT water. When users under the NPIC system rent either "ag" or "multiple use" water, it is run through the North Poudre system in the same way. Therefore, it is proposed that both the "ag" water and excess "multiple use" water be rented at \$30 per acre foot. This is the same price as last year. In some years there is a special class of NPIC water available for agricultural users for a very limited time early in the irrigation season. If this "early ag" water is available in 2012, staff proposes a rental rate of \$12 per acre foot to reflect its very limited use.

The decreed use of Utilities-owned Water Supply and Storage Company shares remains agricultural at this time and is rented to shareholders under that system. This has historically been a very active rental market and the rental price of WSSC water is expected to be about \$3,300 per share this year. In addition, it is anticipated that WSSC's reusable return flow rental program will generate revenues of approximately \$1,400 per share.

Utilities occasionally has rental demand for reusable sources to satisfy state requirements for substitute supply and augmentation plans. Utilities' primary reusable sources are Joe Wright Reservoir water and reusable effluent from Utilities' water reclamation facilities. It is proposed that the rental price for these sources be \$500 per acre-foot in 2012.

### **Raw Water Delivery Charges**

This category covers sources that are used primarily on City facilities, such as parks and golf courses, or by other entities that have turned over raw water or otherwise met Utilities' raw water requirements. These other non-City entities with raw water agreements are mostly HOAs and the Poudre School District. Sources in this category include the Pleasant Valley and Lake Canal Company (PV&L) shares and other "Southside Ditches" shares. It is proposed that the charges be set at a rate that is 10% above the assessments charged by the various irrigation companies. This is to help offset Utilities' administrative costs. For example, the assessment rate for PV&L water has been set at \$175 per share. Based on this method, the raw water delivery charges would be set at  $\$175 \times 1.1$  (110%) = \$192.50 per share.

Utilities has delivery obligations for reusable water where Utilities' raw water requirement has been met. In this situation it is proposed that a fee of \$100 per acre-foot be charged to help offset operation and administrative costs.

### **Option Rate**

This year, staff is proposing an option rate of \$3 per acre-foot to hold CBT water in reserve for use by Windy Gap participants. Windy Gap participants use the CBT system to deliver their Windy Gap water across the continental divide. Last year, all of the Windy Gap water that was previously pumped into the CBT system spilled due to the plentiful snow pack and the resulting high flows. This year, the Windy Gap system may not pump any water. In the event this happens, participants will need to rent CBT water. By paying the option rate, a participant can have Utilities-owned CBT water held in reserve until it can be determined whether the Windy Gap system will pump sufficient supplies. If the system does not pump enough Windy Gap water then option-paying participants will have the right to rent CBT water at the Council-set water rental price. If the Windy Gap system does pump sufficient supplies then these participants will not need to rent additional CBT water and Utilities can rent this water to other water users.

### **Natural Areas- Owned Water**

The City's Natural Areas Program owns some shares in the Boxelder irrigation system. Occasionally Natural Areas desires to rent these shares to other water users in this system. In the event that Natural Areas chooses to rent these shares in 2012, the rental price proposed is the same as the share assessment due to the very limited market for these shares. This Ordinance authorizes Utilities Executive Director to carry out the rental of these shares at the request of Natural Areas at that rate.

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## **FINANCIAL / ECONOMIC IMPACTS**

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The revenue from the City's rental and delivery of raw water is expected to be approximately \$500,000 for 2012. The revenues generated by the rentals helps to off-set costs incurred by the City.

**ENVIRONMENTAL IMPACTS**

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The City's raw water rental program assists farmers in Northern Colorado and indirectly supports an open space agricultural landscape.

**STAFF RECOMMENDATION**

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Staff recommends adoption of the Ordinance on First Reading.

**BOARD / COMMISSION RECOMMENDATION**

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At its February 16, 2012 meeting, the Water Board discussed the proposed rates and charges and unanimously voted to recommend adoption of the proposed rates and charges.

**ATTACHMENTS**

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1. Proposed rental rates for 2012
2. Water assessment rates as set by the irrigation companies
3. Raw water rental rates and delivery set by the City from 2009 through 2011 and proposed 2012 rates and charges
4. Water Board minutes, February 16, 2012

ORDINANCE NO. 018, 2012  
 OF THE COUNCIL OF THE CITY OF FORT COLLINS  
 ESTABLISHING RENTAL RATES AND DELIVERY CHARGES FOR THE  
 CITY'S RAW WATER FOR THE 2012 IRRIGATION SEASON

WHEREAS, each year prior to the irrigation season, the City staff and the Water Board make a recommendation to the City Council regarding rental rates and delivery charges for the use of the City's raw water; and

WHEREAS, the Water Utility uses these rates to assess charges for agricultural rental water, for various contractual raw water obligations and for raw water deliveries to and for other City departments; and

WHEREAS, on February 16, 2012, the Water Board discussed the rental program and the use of raw water and recommended the following rates for the 2012 irrigation season:

<b>Type of Water</b>	<b>Proposed 2012 Rental Rates/Charges*</b>
<i><b>Surplus Rental Rates</b></i>	
NCWCD Water (CBT) - Ag	\$ 30.00 /ac-ft
NCWCD Water (CBT) – M&I	\$ 49.00 /ac-ft
North Poudre Irrigation Co. – Early Ag Use	\$ 12.00 /ac-ft
North Poudre Irrigation Co. - Ag Use	\$ 30.00 /ac-ft
North Poudre Irrigation Co. – Multiple Use	\$ 30.00 /ac-ft
Water Supply and Storage Co.	\$ 3300.00 /share
Reusable Sources	\$ 500.00/ ac-ft
<i><b>Raw Water Delivery Charges</b></i>	
NCWCD Water (CBT) – Ag	\$ 30.00 /share
Arthur Irrigation Co.	\$ 27.50 /share
Larimer County Canal No. 2	\$ 550.00 /share
New Mercer Ditch Co.	\$ 990.00 /share
Pleasant Valley & Lake Canal Co.	\$ 192.50 /share
Warren Lake Reservoir Co.	\$ 330.00 /share
Sherwood Res. Co.	\$ 8.80 /share
Sherwood Irrigation Co.	\$ 660.00 /share
Reusable Sources	\$ 100.00 /ac-ft
<i><b>Natural Area Program Rental Rates</b></i>	
Boxelder Irrigation Company	\$ 700.00 /share
<i><b>Option Rates</b></i>	
Option for Collateral Water	\$ 3.00 /ac-ft

\*Note:

- (1) Rental rates may be adjusted to reflect the remaining yield or the prevalent market price of the water stock being rented.
- (2) Charges for those who have satisfied the City's raw water requirements are set at approximately 110% of the assessments charged by that company.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS that the rental rates and charges as set forth above are hereby approved as the City's raw water rates for 2012 and the Utilities Executive Director is authorized to rent or deliver such raw water at said rates.

Introduced, considered favorably on first reading, and ordered published this 6th day of March, A.D. 2012, and to be presented for final passage on the 20th day of March, A.D. 2012.

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Mayor

ATTEST:

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Interim City Clerk

Passed and adopted on final reading on the 20th day of March, A.D. 2012.

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Mayor

ATTEST:

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Interim City Clerk