



Office of the County Manager

TO: Board of County Commissioners
FROM: Doug DeBord
DATE: February 2, 2012
ITEM: **Water West Update**

On December 15, 2011 a worksession was held to discuss the Water West “Northern Colorado Water Project” draft MOU (attached). Commissioners Hilbert and Boand asked Lance Ingalls to review the draft MOU; for a worksession to be scheduled in January to discuss water issues and the role of the county; that Tim Murrell provide more information around the modeling for the WISE project; and a high level update from Tim Murrell on the Applegate study by the end of January including assembling some base information for recently proposed projects.

Staff met with Water West representatives on February 1, 2012 and shared comments on the draft MOU. Staff committed to not acting as “gate-keepers”, but did offer our perspective on experiences related to similar projects such as the CWRPCD and WISE projects (attached).

Staff has another meeting planned with Water West and will forward their request to the Board in the near future.

MEMORANDUM of UNDERSTANDING
BETWEEN
Douglas County and WaterWest LLC

SUBJECT: Northern Colorado Water Project

1. **Purpose.** The purpose of this MOU is to establish the basic framework of cooperation and understanding between the parties on the purchase and transfer of water rights from the Cache la Poudre watershed to the Denver Metro area.
2. **Reference.** Douglas County is looking for renewable water supplies at a reasonable cost. WaterWest (WW) is in the process of purchasing properties, developing the engineering and legal framework for the transfer of water rights from agricultural to municipal use and the conveyance of water via a pipeline.
3. **Problem.** The need for renewable water sources will grow for the foreseeable future. The cost of developing these resources is difficult for any single entity, municipality or special district. Private funds can be used in the early stages of such a project to help develop these resources in a timely and efficient manner. However, because of economic and legal constraints, end-users must be defined and committed as customers for the use of the water rights.
4. **Scope.**
 - A. WaterWest shall
 - Secure water rights up to 25,000 acre-feet for use by Douglas County
 - Develop a pipeline to deliver water to existing ECCV or Prairie Water projects
 - Pay all legal, engineering and other development fees
 - Provide delivered water in the range of 100-150 ppm TDS
 - B. Douglas County shall
 - Work with WaterWest for the next 12 months in substantiating the need for such water rights and the amounts needed by Douglas County and communities it wishes to serve and/or have participate as a partner in the project
 - Provide demand information
 - Provide ability to finance information
 - Share planning documents for integration of the project into other utility projects.
5. **Good Faith Effort.** All partners will make a good faith effort to provide staff and professional services in a timely fashion. All parties will not share any confidential or proprietary information with others not bound by this agreement. Douglas County will not circumvent WW in its efforts to secure the water resources in the Poudre River watershed. All costs for the development and purchase of water rights will be borne by WaterWest.

6. **Duration.** This MOU will be in effect for 12 months and will be replaced with a more binding Letter of Intent that will have more specific terms for each party.

7. **Cost of Water to Users.** WaterWest has worked diligently with potential sources of Poudre River water and has estimated costs associated with acquisition, legal change of use, engineering fees, financing charges and other development costs associated with making the resource useable by Douglas County. All costs are not fully known and there will be unanticipated costs in a project of this magnitude. It is expected that WaterWest can contract to provide the legally changed source water for somewhere in the range of \$14,000 to \$16,000 per acre-foot of consumptive use water (2011 dollars). The source water charge plus delivery charges will make this water competitive with other water sources that could be inserted in either the Prairie Waters or ECCV pipeline.

8. **Cost of Distribution Elements to Users.** The distribution elements are better defined and will be shared with Douglas County on a consistent basis. WaterWest will apply a flat fee for the management, development and execution of the construction of the facilities needed to deliver the water. Douglas County will appoint an oversight committee to review the costs and project development. Capital costs for the delivery system are estimated to be in the \$8,000 to \$10,000 per acre-foot range. If Thornton participates in the pipeline, delivery costs should be in the \$5,000 to \$6,000 range.

7. **Earnest Monies.** WW is asking for earnest money of \$50,000 to indicate Douglas County's willingness to pursue such a project. Should WW fail in its efforts to acquire water by the end of 2012, all reports and data will be given to Douglas County.

8. **Termination.** If WaterWest fails to get cooperation from existing water rights owners and/or cannot secure sufficient funds to carry out the project, Douglas County shall not be bound by the terms of this MOU. WW will provide 60 notice of these circumstances. Should Douglas County sign an agreement with any other water developers that would obviate the need for the supply of water anticipated in this MOU, WW shall be given 60 days written notice by Douglas County.

9. **Effective date.** _____ 2011 is the effective date of this Memorandum of Understanding.

SIGNATURE BLOCK
XXXXXXXX, XXXX
XXXXXXXX, XXXXXX

(Date)

Tommy D. Raye
Manager
WaterWest, LLC

(Date)

Doug Debord

From: Timothy Murrell
Sent: Wednesday, February 01, 2012 3:13 PM
To: Tommy Raye
Cc: Doug Debord; Terence T. Quinn
Subject: RE: Resolution
Attachments: CWRPCD_May_10.pdf; Resolution WISE Project.pdf

Follow Up Flag: FollowUp
Flag Status: Flagged

Thanks Tommy,

Here are two resolutions that we have made recently on water supply. Please note that the County's contribution to CWRPCD was to be specifically utilized for an appraisal study and not towards an option in the project.

Let me know if you should need anything further.

Tim

From: Tommy Raye [mailto:tommy@waterwest.us]
Sent: Wednesday, February 01, 2012 2:47 PM
To: Timothy Murrell
Cc: stephan@waterwest.us
Subject: Resolution

Tim,

Thanks to you, Doug, and Terence for meeting with us today. It was most helpful. We will work on revising the wording in the MOU. Please send us the Parker Water Resolution that the Commissioner issued on that project. We would like to see if there is language we should include in our MOU.

Tommy D. Raye
tommy@waterwest.us
303-526-7730

