

Utilities Committee
November 5, 1997

Fifteen persons were present at the Utility Committee meeting of the City Council on Wednesday, November 5, 1997.

They were:

Terry Franklin, Trenton Prall, Reford Theobald, Earl Payne, Jack Scott, Mike Sutherland, Mark Achen, Greg Trainor, Dan Wilson, Rod Whiting, John Whiting, Ray Schuster, Ron Lappi, Chris Barker (Daily Sentinel), and Gary Campbell.

The meeting lasted from 8-9:40 AM.

After discussion of development in the Kannah Creek area in general and Mr. Whiting's proposal in specific, the key points of discussion were:

1. What is the potential level of growth in the Kannah Creek area.

John Whiting- 600 acres; Dale Cole-600 acres; Rod Whiting-800 acres; Steve Bonnell-250 acres. These are ones that were discussed. There are other lands belonging to stockholders of the Purdy Mesa Livestock Water Company which are also potentially developable.

2. Is this growth inevitable with or without City water.

3. How much supply capacity does the City have and how much is it willing to provide to outside city users

The November 5th staff report touched on this. However, Whiting/Cole ambitions of 100 homes during a peak day equals .8% of the capacity of the Purdy Mesa Flowline. You can develop a rough estimate of each 100 homes being equal to 1% of the pipeline capacity. Further engineering would have to be done to come up with a number that would be available on a safe basis.

4. Do the developers have water rights of their own.

The Whiting brothers are majority shareholders in the Grand Mesa Reservoir Company. Their decreed irrigation water in GMRC, Deep Creek and Chambers reservoir is 1,325 acre feet. This water is currently decreed for irrigation uses and would have to be changed. Winter storage is a component of a year-around supply that would also have to be developed.

5. If yes, should they use their water first, then come to City.

6. The need for storage and change of use is essential if the developers use their water rights.

7. How much are the developers willing to spend to use their own water.

The use of the City's water system is currently their least cost alternative. With a raw water supply from the City, some on-site storage and treatment, it would cost the developer \$200,000. This does not include their distribution system. Supply from Clifton would run \$440,000 excluding distribution systems.

8. What is the level of development Mesa County is willing to allow: 5 ac or 35 ac.

One of the reasons Dale Cole's development plan was rejected by the Mesa County Planning Commission was that it violated the County's master plan for this area of one unit per 35 acres. However, there is development occurring near Whitewater Creek and on Blair Road at one unit per 5 acres.

9. Should the City control not only supply, but also treatment and distribution

10. Should the City control density in exchange for raw water supply.

11. Is agreement to provide water to Whiting also a commitment to provide water to all of KC area.

12. Are "entanglements" of any kind good or bad for the City.

13. What is potential of creation of a municipal-type incorporation or special water district that would challenge the City in management or control of its water resources.

Legal counsel, Dan Wilson, reported that this is an unknown, but with the potential certainly there.

Alternatives discussed requiring more detailed refinement by the Utility Committee:

1. How much water does the City have available and how much is the maximum amount the City would ever be willing to sell to out of City users. Price.

2. "Do nothing" alternative.

3. Sell water to Whiting/ Cole as requested. Potential of other related requests. Price.

4. City "wheels" Whiting water through its reservoirs and pipeline(s). Potential of other related requests. Price

5. City "temporarily" allows Whiting use of City water until Whiting either develops own means of supply(storage and change of use) or "wheels" Whiting water through City facilities. Potential of other related requests. Price.

6. City builds or purchases package plant to serve all potential development in KC area. Return on Investment to City water users of City water assets.

October 31, 1997

AGREEMENTS WITH WHITING

Attached are excerpts from four documents relating to rates and use of City water by John Whiting and his predecessors.

A --- CROSSWHITE AGREEMENT. September 29, 1955
Easement agreement for Purdy Mesa flowline. City paid \$50.00 for easement. City allowed Crosswhite to use Purdy Mesa flowline should occasion arise, but did not provide Mr. Crosswhite an irrevocable right to tap onto line.

Reference is made to an existing contract with Crosswhite for use of Kannah Creek flowline. No contract has been found.

It could be assumed that if there were favorable terms and rates in a contract for use of the Kannah Creek line, those terms and rates would also have been included in Crosswhite agreement. They were not.

B,C,D CROSS-BAR-CROSS AGREEMENT, July 1990
Because of claims by John Whiting that City agreed to favorable terms and conditions for water, the City allowed Mr. Whiting a six month period to locate any documentation that would substantiate his claim. No documentation was provided.

STAFF REPORT to City Council and Utility Committee

Greg Trainor

November 5, 1997

JOHN WHITING REQUEST FOR WATER

of May 19, 1997

I. INTRODUCTION

This report is divided into five parts: Introduction, Request, History and Background, Issues, and Alternatives. Utility Staff is prepared to provide additional information at the Utility Committee meeting on November 5.

II. REQUEST

John Whiting and a representative for Dale Cole met with the City Council on May 19, 1997 and requested the City to provide untreated water to serve approximately 100 homes on Reeder Mesa (see attached map). This ground is currently undeveloped. Treatment and distribution services would be provided by John Whiting.

Mr. Cole's request was for 50 5-acre sites and Mr. Whiting's "plans were for sometime in the near future."

Dale Cole presented a preliminary development plan (Land End Estates) to Mesa County Planning Commission on October 16, 1997. It was denied in part because there was not a commitment from a water provider for water service.

III. HISTORY AND BACKGROUND

The City of Grand Junction provides, on a limited basis, untreated water to three water companies and twenty-five (25) individuals along the City's two flowlines in the Kannah Creek area.

These water supplies are the result of various conditions and agreements dating from the earliest periods of the City's water supply history. The most recent historical context dates from 1977 and involves City contract requirements to treat raw water.

Despite years of informal arrangements to providing untreated water to various individuals along the City's two flowlines, the City, in 1977, formalized agreements with numerous water companies, associations, and individuals for untreated water. This was precipitated by the severe drought of 1976-1977. The 1977 agreements were to run for 10 years and would insure that water be used only for livestock watering, lawns, and fire protection. By 1987 many of the homeowners served by the Purdy Mesa, Reeder Mesa,

and the Cross-Bar-Cross (Whiting) Livestock Water Companies were using the water for drinking purposes. Faced with the prospect of disconnecting these unauthorized water uses, the City Council chose, rather, to bring users into compliance by requiring that the water be treated. New contracts for untreated water were signed between 1987 and 1991. In 1972 the Safe Drinking Water Act was passed by Congress which required that surface water supplies be filtered and disinfected. The City's concern in 1987, after finding out that surface water, meant for livestock, was being used as drinking water, was that someone could become sick from drinking untreated water that routinely carried bacteria, E-coli, and other parasites. The 1987 agreements required that these water companies treat their water and take full responsibility as public water systems for meeting the statutory requirements under the Safe Drinking Water Act.

In 1994, the PMLWC completed work on a treatment plant for their customers. Reeder Mesa Company in 1996 installed point-of-entry filtration systems on each of their customers. Cross-Bar-Cross Company (Whiting) has not complied with its contract requirement to treat its water. The individual users along the flowlines installed point-of-entry filtration devices.

All customers discussed above are charged 1.72 times the in-City rate for untreated water. This rate was established in the 1987-1991 agreements. The In-City commodity rate for 3-10,000 gallons is \$2 per 1000 gallons. The flowline customer rate is \$3.44 per 1000 gallons.

The current agreement between the City and the Cross-Bar-Cross Company allows for a maximum of seven (7) service connections and 250,000 gallons of water per month. Additional quantities of water could be requested by the Company.

IV. ISSUES

The following are issues to consider when evaluating the current Whiting/Cole request:

- A. Existing agreements with Whiting and other users which limit water usage, number of taps, rates, and treatment.

If a decision is reached to amend the Cross-Bar-Cross agreement, we would expect others to request similar treatment. This should not be a restraint in reaching a decision, but only a consideration.

<u>Contract Users</u>	<u>Taps</u>	<u>Max Amts/Mo</u>	<u>Max Amts/Day</u>
Cross-Bar-Cross	7	250,000	
Reeder Mesa	33	---	20,000
<u>*Non-Contract Users</u>			
PMLWC	75	---	35,000

*No current contract with PMLWC. Operates under Rules and Regulations adopted December 18, 1996.

B. Is the water available from City flowline for current requested amounts?

There is water and capacity available. Whiting and Cole anticipate 5-acre tracts on 1200 acres. Estimating 40% of 1200 acres not developed:

Maximum Development

1200 acres x .60 = 720 acres /5 acres = 144 homes
 144 homes x 280 gal/day = 40,320 gal/day which is .58% of pipeline capacity

Minimum Development

Mr. Cole's October 1997 Development Plan anticipated 50 home sites. Assuming an additional 50 sites for Whiting. . .

100 homes x 280 gal/day = 28,000 gal/day = .40% of pipeline capacity

ADDITIONAL RELATED REQUESTS:

The PMLWC has, on previous occasions, requested 25 additional taps. No additional requests have been received from the Reeder Mesa Livestock Water Company.

	Existing Taps	Existing Average Demand/Day	Additional Taps	Additional Average Demand/Day	Total Average Demand/Day	Peak Demand/Day
Cross-Bar-Cross	7	1,960	100	28,000	29,960	
Purdy Mesa LWC	75	21,000	25	7,000	<u>28,000</u>	
					57,960gal	115,920gal

This 115,920gal/day represents .97% of pipeline capacity.

C. Wholesale Water Rate

1. City Rate - Contract Customers

	1.72 x In-City Rate	
0 - 3,000 gallons	\$8.50 x 1.72	\$14.62
3 - 10,000 gallons	\$2.00 x 1.72	\$ 3.44/k
10 - 20,000 gallons	\$1.93 x 1.72	\$ 3.32/k
20,000+ gallons	\$1.87 x 1.72	\$ 3.22/k

2. Clifton Rate - Out-of-District Customers

	1.50 x In-District Rate	
0 - 3,000 gallons	\$7.00 x 1.50	\$10.50/mo
3,000+ gallons	\$1.50 x 1.50	\$ 2.25/k

3. By Comparison, 8400 gallons/mo:
 City Wholesale Rate: \$33.25/mo
 Clifton Wholesale Rate: \$22.65/mo

JOHN WHITING’S CLIFTON OPTION:

Technically, the Whiting/Cole Development could be served by Clifton Water. However, the proposed development is above Clifton’s maximum elevation for service of 4800’ and is 2.5 miles from Clifton’s nearest water line west of Highway 50.

Thus, to be served by Clifton, the Whiting/Cole Development would have to install a pump station and pay Clifton Water the following fees in advance of construction.

1.	Construction Administration	\$ 1,500.00
2.	100 Taps x \$3,750.00/tap	\$375,000.00
3.	\$6.00/lineal foot of line	
	10,560 (2.5 miles) x \$6.00	<u>\$ 63,360.00</u>
		\$439,860.00

Clifton, most probably, would not allow water to be extended to the Whiting/Cole Development via Mr. Whiting’s Hidden Valley Water Company line in Blair Road.

In addition, the Clifton Board would seriously consider the merits and costs of extending service, itself, to such an area.

D. Can a revised wholesale rate be devised that could apply to all users?

Resource costs including various options for replacement of water supply infrastructure range from .58/1000 gallons to .78/1000 gallons.

Current City wholesale rates to flowline customers are \$3.55/1000 gallons
 PMLWC retail rates are \$5.00/1000 gallons

E. Does providing more water to Whiting/Cole help or hinder the City’s objectives towards its watershed?

Development and growth in the Kannah Creek area will make it more difficult for the City to manage its water supply system as more and more people use existing irrigation ditch systems, are physically closer to the watershed, access the City’s terminal reservoirs and feeder canals, and settle near/on City rights-of-ways.

F. Long-term considerations

There is presently one treatment plant in the Kannah Creek area operated by the PMLWC. The Whiting/Cole treatment plant should be positioned so that it can eventually serve the Reeder Mesa area residents who are on point-of-entry filtration devices. The concern still exists about the short- and long-term viability of numerous private treatment plants and distribution systems in this area. There will be difficulty in operating a low capitalized treatment plants and systems and maintaining the standards set by the EPA and the State of Colorado for drinking water.

There is also concern that the Reeder Mesa system, once the point-of-entry systems age, may look to a central treatment system or its own.

V. ALTERNATIVES

- A. Provide no additional water or taps, leaving Whiting/Cole with an expensive alternative from Clifton, assuming Clifton would agree to serve. This alternative would allow Mesa County some time to deal with growth issues in Kannah Creek.
- B. Provide the additional raw water and taps as requested, being prepared to provide additional water, favorable rates, and taps to other users in the Kannah Creek area. In essence, become the raw water supplier for all the growth in Kannah Creek. This growth would be dictated by available water, and would be mitigated somewhat by County growth plans.

The City could attach restrictive covenants to those developments wanting untreated City water.

- C. If the City reached the decision in B above, that growth was going to occur, and impacts would be felt on City operations, the long-term considerations outlined in the Issues Section could be mitigated by the City building, owning, operating, and controlling water supply, treatment, and distribution in the Kannah Creek area.

As already outlined, assuming no treated supply from Clifton and a decision by the City to be the raw water supplier, there is the likelihood of three package water treatment plants in the Kannah Creek area. This is analogous to the proliferation of sewage package plants in the mid to late 70's, all of which were consolidated by the City's Persigo system.

As these systems age and under-capitalized owners seek to get out of the business, or plants fail to meet drinking water standards, there will be pressure for some public agency to take over these systems without, however, the capacity to charge additional plant investment fees for replacement.

