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MEMORANDUM

CWS File #10-110

To: Kevin Reidy, CWCB

From: Kim Frick, P.G.
Steve Nguyen, P.E.

cc: Dean Moyer, Michelle Booren, Webb Jones

Date: March 25, 2010

Subject: 50% Progress Report for Town of Windsor Rate Study

Clear Water Solutions has been working with the Town of Windsor to develop a rate study. The Town completed an informal rate analysis in 2009, which established their current rates. The Town is evaluating actual water use and projected expenditures to establish rates based on cost of service. The Town recently completed a Potable Water Master Plan which identifies that a portion of Windsor's future water demand will be met through water conservation. Windsor will consider water conservation when setting new rates and potentially restructuring their tiers.

One meeting has been completed to date to solicit information and staff input regarding cost-of-service rates, recoverable costs, billing practices, customer data, capital needs, and rate design. Another meeting will be scheduled in early April to discuss philosophical items such as:

- Will the Town charge itself for irrigation of Town-owned property?
- Should the Town recover anticipated non-potable expenditures through rate revenue?
- What portion of water and storage acquisition will be recovered through rates?

In addition to these philosophical questions, we will be finalizing anticipated revenue and expenditures for the next three to five years.

Based upon input provided by Town staff, a rate model has been customized for the Town of Windsor. The model includes actual and budgeted expenditures for 2010 through 2012, except for the information we still need. Additionally, fixed costs charged by the three wholesale water providers for Windsor: North Weld County Water District, Fort Collins-Loveland Water District and City of Greeley, were considered. Water use for each customer category has been determined and incorporated into the rate model as well.

Once we finalize approach, capital improvement and other expenditures, and sources of additional revenue, we will use this rate model to determine the cost of service that will

be recovered through rate revenue. We will develop a few alternatives to achieve the rate revenues needed and present those to the Water and Sewer Board. After presenting to the Water and Sewer Board, we will present the alternative rate structures to the Town Board at a work session. We will educate the Town Board on rate design and discuss the background and analysis that we used to determine the alternative rate structures.

We are on schedule to produce a 75% progress report by April 23, 2010. Preliminarily, we are anticipating a draft report will be completed for staff review by May 14, 2010, and we will present the draft rate study to the Town Board on June 7, 2010.