

COST ALLOCATION AGREEMENT FOR WSSC SYSTEM MODIFICATIONS

This Cost Allocation Agreement for WSSC System Modifications (“Agreement”) is made effective this _____ day of _____ 2026, by and among the City of Thornton (“Thornton”), the City of Greeley (“Greeley”), the City of Fort Collins (“Fort Collins”), East Larimer County Water District (“ELCO”), Fort Collins-Loveland Water District (“FCLWD”), and North Weld County Water District (“North Weld”) (each a “Municipal Entity” or “Party” and collectively the “Municipal Entities” or the “Parties”).

RECITALS

WHEREAS, the Water Supply and Storage Company (“WSSC”) is a Colorado non-profit mutual ditch company that owns and operates a water storage and delivery system including various ditches, canals, and reservoirs for delivery of water from the Cache la Poudre River via the Larimer County Canal (“LCC”) to lands in Larimer and Weld counties (“LCC System”); and

WHEREAS, WSSC also delivers water from the LCC to lateral ditches not owned or operated by WSSC (“Laterals”); and

WHEREAS, as of the time of execution of this Agreement, each of the Municipal Entities owns shares in WSSC as described in paragraph 2 below and in the amounts set forth on Exhibit A (“Municipal Shares”); and

WHEREAS, the Municipal Entities have obtained or are in the process of obtaining approval from the Water Court for the use of all or a portion of the water rights represented by their WSSC shares for municipal and other beneficial uses (“Changed Uses”); and

WHEREAS, pursuant to their respective agreements with WSSC, use of Municipal Shares by the Municipal Entities for Changed Uses is conditioned on the ability of WSSC to continue delivering water to its other shareholders, including to laterals that receive water from the LCC. In order to facilitate that continued delivery to other WSSC shareholders, the Parties must fund certain System Modifications in the LCC System; and

WHEREAS, the Parties agree that it is impractical to precisely attribute which System Modifications are necessary based on the Municipal Shares owned by the individual Parties and therefore, a general allocation of the costs for all System Modifications based on each Municipal Entities’ pro rata ownership of Municipal Shares is appropriate and equitable for all Parties; and

WHEREAS, simultaneously with the execution of this Agreement, the Municipal Entities have entered into the Agreement Between the Water Supply and Storage Company and Municipal Entity Stockholders (the “System Modifications Agreement”) with WSSC, setting forth the terms and conditions for designing, constructing, operating, repairing, maintaining and replacing certain System Modifications (as defined therein) to the LCC System; and

WHEREAS, the Municipal Entities desire to define the terms under which they will allocate their respective portions of the design, engineering, construction, maintenance, repair, and replacement costs for the necessary System Modifications in the LCC System; and

WHEREAS, in order to apportion the costs of the System Modifications, the Parties desire to create a committee to, in concert with WSSC, guide the planning, constructing, and allocation of costs among the Parties for System Modifications.

NOW THEREFORE, in consideration of the foregoing and the mutual promises and covenants of the Parties set forth below, the Parties agree as follows.

AGREEMENT

1. Incorporation of Recitals. The above Recitals are incorporated into and made a part of this Agreement as though fully restated.

2. The Committee. The Parties hereby establish the Municipal Entities Committee (the “Committee”) for the purposes of administering this Agreement and performing the obligations identified in the System Modifications Agreement (attached hereto as **Exhibit B**).

3.1 Purpose. The Committee’s primary purpose shall be to allocate the Annual System Modification Assessments and Special System Modification Assessments (as such terms are defined in the System Modifications Agreement) among the Parties based on the terms of this agreement and provide notice to WSSC of such allocation pursuant to this Agreement and the System Modifications Agreement. The Committee shall also review and comment on design and engineering specifications for the System Modifications, communicate with WSSC regarding costs, amend exhibits to this Agreement as appropriate, take any other action as required of the Committee herein or in the System Modifications Agreement, and maintain financial records of the cost allocations.

3.2 Members. The Committee shall consist of one (1) representative or one (1) alternate from each of the Municipal Entities. Municipal Entities may replace their representatives and alternates at any time by providing written notice to the other members of the Committee.

3.3 Meeting Schedule and Notices. The Committee shall meet at such frequency and times deemed necessary by the Committee members. Notice of Committee meetings shall be circulated by email or other written notice to all Committee members.

3.4 Committee Governance. All decisions or actions of any kind to be made by the Committee shall be made by the express unanimous consent of the Committee members.

3. **Municipal Shares Ownership.** The first table set forth on **Exhibit A** lists the total number of Municipal Shares, both changed and unchanged, that are owned by each of the Municipal Entities as of the effective date of this Agreement (“Municipal Shares Ownership”) and the percentage of the total Municipal Shares owned by each of the Municipal Entities as of the effective date of this Agreement (“Percentage Municipal Share Ownership”). The Percentage Municipal Share Ownership may change based upon the acquisition or divestiture of WSSC Shares or the addition of any new Municipal Entity during the term of this Agreement as described in paragraph 5 below. Any Municipal Entity that acquires or divests any Municipal Shares after the effective date of this Agreement shall notify the Committee no later than the last day of the month in which WSSC formally approves the transfer of such shares. The Municipal Shares Ownership and Percentage Municipal Share Ownership Tables on **Exhibit A** shall be updated accordingly and may be revised by the express unanimous vote of the Committee members without formally amending this Agreement. Upon approval by Committee vote of any revisions to **Exhibit A**, the revised Exhibit shall be circulated by the Committee to all Parties.

4. **Allocation of System Modification Costs.** System Modification costs, as identified in the System Modifications Agreement, are to be allocated among the Municipal Entities in accordance with each Municipal Entity’s Percentage Municipal Share Ownership, as described in paragraph 3 above and shown on **Exhibit A**, as the same may be updated. Cost allocations shall be determined based on the most recently approved **Exhibit A** at the time any notice of Annual System Modification Assessment or Special System Modification Assessment is issued by WSSC to the Committee, pursuant to paragraphs 6.2.1 and 6.2.2 of the System Modifications Agreement.

4.1 **Allocation of Costs.** Pursuant to the System Modifications Agreement, WSSC is to provide the total Annual System Modification Assessment to the Committee for the anticipated and accrued System Modification costs, including loan payment amounts and schedules by approximately January 31st of each year. WSSC may also provide an estimate of a total Special System Modification Assessment to cover any costs not covered by Annual System Modification Assessments approximately ninety (90) days before such special assessment is to be issued. By approximately March 31st for Annual System Modification Assessments or within approximately sixty (60) days after the Committee receives an estimate of a total Special System Modification Assessment, the Committee shall determine the portion of the total relevant Assessment that each Party is responsible for and provide an Assessment Allocation Summary to WSSC. The Assessment Allocation Summary shall indicate with particularity the portion of the total amount each Municipal Entity is responsible for, which portions when summed shall equal the total amount of the Assessment provided by WSSC.

4.2 **Credit to Thornton for Costs Expended.** The Parties acknowledge that Thornton has expended and/or anticipates expending approximately Six Million Dollars (\$6,000,000.00) toward System Modification costs, exclusive of any Assessments. Thornton shall confirm the total amount of such expenditures and provide supporting documentation to the Committee. Based on the confirmed amount, Thornton shall be entitled to a credit toward future Assessments for System Modifications in the amount of the other Municipal Entities’ pro rata portions of such Thornton expenditures (“Thornton’s Credit”). Thornton shall remain responsible for its own pro rata share portion of such

Thornton expenditures and shall not receive a credit for that portion. By way of example, if Thornton's total expenditures are \$6,000,000.00 and Thornton owns 66% of the total shares owned by Municipal Entities, then the other Municipal Entities would own 34% of the total shares owned by Municipal Entities, resulting in a Thornton Credit of \$2,040,000.00.

4.3 Commencing January 1, 2028, and continuing until Thornton's Credit is exhausted, the other Municipal Entities shall pay Thornton's portion of Assessments for System Modifications, in addition to their own respective shares. The other Municipal Entities responsibility for such payments shall be allocated in accordance with the second table set forth on **Exhibit A**. Such table shall be updated to reflect any changes in share ownership in the same manner as described in paragraph 3 above.

4.4 The Parties acknowledge that any Municipal Entity may elect to prepay its proportional share of Thornton's Credit by submitting such payment to WSSC in advance of the assessment schedule, with corresponding notice provided to Thornton and the Committee. The prepaying Municipal Entity shall identify in writing to WSSC that the payment is for and to the Thornton Reimbursement Fund. The Committee shall account for all such advance payments when determining future Assessment allocations, ensuring that the prepaying Municipal Entity's pro rata obligations for subsequent Thornton-owed System Modification Assessments are reduced in proportion to the amount prepaid toward Thornton's Credit. The Committee, at Thornton's direction, shall instruct WSSC to disburse funds from the Thornton Reimbursement Fund to satisfy any System Modification Assessment, or portion thereof, owed by Thornton.

4.5 In the event any Municipal Entity expends funds toward System Modifications exclusive of Assessments, the Municipal Entity shall be entitled to reimbursement from the other Municipal Entities in the same manner as Thornton is entitled to reimbursement as set forth paragraphs 4.2 through 4.4, above. The commencement date of payments for a Municipal Entity's credit shall be determined by mutual agreement of the Parties.

5. Incorporation of Additional Municipal Entities or Increases in Municipal Entity Shares. Pursuant to the System Modifications Agreement, in the event any entity that is not a Party to this Agreement enters into an agreement with WSSC whereby the use of that entity's WSSC shares is conditioned on WSSC's ability to continue to deliver water to other shareholders from the LCC, including laterals receiving water from the LCC, and upon that entity's use of its shares not increasing expenses for WSSC or its other shareholders, WSSC will include a term and condition in such agreement that the subject entity become a party to both this Agreement and the System Modifications Agreement. In order to integrate additional Parties into this Agreement and account for increases in Municipal Entity Shares, the Committee shall maintain a running total of all expenditures paid by the Municipal Entities towards System Modifications, including all Assessments-both Annual and Special System Modification Assessments-as well as Thornton's expended funds described in Paragraph 4.2 above. Upon any entity being added as a Party to this Agreement or any current Party increasing its shares in WSSC, such Party shall be obligated to pay its proportional share of the then-current running total of expenditures. For example, if a new

Party owns or current Party acquires 10 shares when 500 shares are owned by the Municipal Entities collectively (including the new shares) and a total of \$10 million has been paid for System Modifications by the Parties, that Party shall be obligated to pay the next \$200,000 in total amounts in System Modification Assessments owed to WSSC, with each existing Party's obligation reduced on a pro rata basis.

6. Remedies. The remedies available under this Agreement shall be limited to those provided by Colorado law, and shall expressly exclude any claim for consequential, punitive or exemplary damages.

7. No Waiver of Governmental Immunity. Nothing in this Agreement is intended or shall be construed as a waiver by any of the Municipal Entities of the monetary limitations or any other rights, immunities, and protections to which they are entitled as public entities under applicable law, including, without limitation, under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101, et seq., as exists now or is hereafter amended.

8. No General Fiscal Obligation or Indebtedness by Municipal Entities. Notwithstanding any provision of this Agreement to the contrary, the obligations of any Municipal Entity in fiscal years after the fiscal year in which this Agreement is executed shall be expressly contingent on the appropriation by that Municipal Entity of funds sufficient and intended for such purpose in the fiscal year in which the obligation is incurred. Nothing in this Agreement is intended or shall be construed to constitute a general obligation or other indebtedness of that Municipal Entity, or a multiple fiscal year direct or indirect debt or other financial obligation of that Municipal Entity, whether under the Constitution and laws of the State of Colorado or the respective charters and ordinances of the Municipal Entities. The determination of whether funds have been appropriated in sufficient amounts and intended for the purposes of this Agreement by any Municipal Entity shall be made in the sole discretion of that Municipal Entity.

9. Notices. Any notices allowed or required by this Agreement must be in writing and provided by email, with electronic confirmation the email has been delivered and read by the recipient with service deemed completed upon the electronic confirmation of delivery. Such notices shall be sent to the email addresses below. The Parties shall update their respective email addresses as necessary. General communications shall be directed to:

Thornton: Water Resources Division, Infrastructure Department
Water@Thorntonwater.com

With copy to: City Attorney, Legal Department
attorney@thorntonco.gov

Greeley: City of Greeley Water & Sewer Department, Water Resources
Division
wsadmin@greeleygov

With copy to: City Attorney's Office, Environmental and Water
Resources

cityattorney@greeleygov.com

Fort Collins: Fort Collins Utilities, Water Resources Division
jdial@fcgov.com

With copy to: City Attorney's Office
epotyondy@fcgov.com

ELCO: Mike Scheid, General Manager
Mikes@elcowater.org

With copy to:
Bradley C. Grasmick, Esq., Lawrence Custer Grasmick Jones &
Donovan, LLP
Brad@lcwaterlaw.com

North Weld: Eric Reckentine, General Manager
ericr@nwcwd.org

With copy to: Scott E. Holwick, Esq., Lyons Gaddis, P.C.
holwick@lyonsgaddis.com

FCLWD: Chris Pletcher, General Manager
cletcher@fclwd.com

With copy to: Scott E. Holwick, Esq., Lyons Gaddis, P.C.
holwick@lyonsgaddis.com

10. Term. The term of this Agreement is perpetual, unless terminated or modified by a duly authorized and executed amendment by all Parties.

11. Amendment and Waiver. Except for the modification of Exhibit A as provided herein, this Agreement may only be amended in a writing duly authorized and executed by the Parties. Any waiver of a term, condition, or potential breach of this Agreement must be made in a writing duly authorized and executed by the waiving party or parties. Updates to Exhibit A shall be voted on by Committee members, and upon approval, circulated to all Committee Members.

12. Restriction on Assignment. The Municipal Entities shall not assign, delegate, or transfer their respective rights or obligations under this Agreement without the prior written consent of all other Parties. Such consent may be given or withheld in the sole discretion of the other Parties.

13. No Third-Party Beneficiaries. This Agreement is entered into among the Parties for the purposes set forth herein. It is the intent of the Parties that they are the only beneficiaries

of this Agreement and the Parties are only benefitted to the extent provided under the express terms and conditions of this Agreement. Any other person or entity that realizes a benefit pursuant to this Agreement shall be deemed an incidental beneficiary only.

14. Successors and Assigns. The provisions of this Agreement are binding on the Parties and their respective successors and permitted assigns.

15. Governing Law. This Agreement is governed by and shall be construed in accordance with Colorado law, with proper venue in the District Court of the county in which the primary office of the defendant is located.

16. Severability. The invalidity or unenforceability of any provision of this Agreement, if found by a court of competent jurisdiction, shall not affect the validity or enforceability of any other provision of this Agreement unless the exclusion of such provision would frustrate the purpose of this Agreement.

17. Cumulative Remedies. The rights, remedies, powers, and privileges provided in this Agreement shall not exclude any other rights, remedies, powers, and privileges to which any party may be entitled by law or in equity.

18. Entire Agreement. This Agreement constitutes the entire agreement among the Parties.

19. Headings. The headings in this Agreement are intended by the Parties for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

20. Counterparts and Electronic Signatures. This Agreement may be executed in counterparts, which when combined shall constitute one and the same agreement. The Parties agree to be bound by electronic signatures.

21. Signatory Authority. The Parties represent that the individuals executing this Agreement below have the authority to bind the party they are signing on behalf of to this Agreement.

22. Recording. This Agreement and all exhibits shall be recorded in the real property records of the Larimer and Weld Counties, Colorado Clerk and Recorder's office at Thornton's expense. Thornton will provide a copy of the recorded Agreement to each of the other Parties.

IN WITNESS WHEREOF, the Parties have executed this Cost Allocation Agreement for WSSC System Modifications to the Water Supply and Storage Company Delivery System, effective as of the date first set forth above.

[signature page to follow]

CITY OF THORNTON

Tansy Hayward, City Manager

ATTEST:

Kristen N. Rosenbaum, City Clerk

APPROVED AS TO FORM:

Tami Yellico, City Attorney

CITY OF FORT COLLINS

By: _____
Kelly DiMartino, City Manager

Date:

ATTEST:

By: _____
City Clerk

APPROVED AS TO LEGAL FORM:

By: _____
Eric Potyondy
Senior Assistant City Attorney

NORTH WELD COUNTY WATER DISTRICT

By: _____

CITY OF GREELEY

By: _____
City Manager

As to Availability of Funds:

By: _____
Director of Finance

As to Legal Form:

By: _____
City Attorney's Office

EAST LARIMER COUNTY WATER DISTRICT

By: _____

FORT COLLINS-LOVELAND WATER DISTRICT

By: _____

EXHIBIT A

COST-SHARING AGREEMENT FOR MODIFICATIONS
TO THE WATER SUPPLY AND STORAGE COMPANY DELIVERY SYSTEM

Municipal Shares Ownership and Percentage Municipal Share Ownership Table

| Municipal Entities | Number of Municipal Shares | Percentage (%) |
|-----------------------------------|-----------------------------------|-----------------------|
| Thornton | 289.1045 | 66.57 |
| Greeley | 47.417 | 10.92 |
| Fort Collins | 26.667 | 6.14 |
| ELCO | 41.825 | 9.63 |
| North Weld | 18.0 | 4.14 |
| FCLWD | 11.25 | 2.59 |
| Total Shares (Municipal Entities) | 434.2635 | 100 |

Municipal Shares Ownership and Percentage Municipal Share Ownership Table
(Credit to Thornton for Costs Previously Expended – Paragraph 4.2)

| Entities | Number of Shares | Percentage (%) |
|-----------------|-------------------------|-----------------------|
| Greeley | 47.417 | 32.67 |
| Fort Collins | 26.667 | 18.37 |
| ELCO | 41.825 | 28.81 |
| North Weld | 18.0 | 12.40 |
| FCLWD | 11.25 | 7.75 |
| Total Shares | 145.159 | 100 |

EXHIBIT B

SYSTEM MODIFICATIONS AGREEMENT

(Exhibit A to Resolution 2026-001)