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ARAPAHOE COUNTY
Oil & Gas Transportation Impact Study

MEMORANDUM

TO: Bryan Weimer and Chuck Haskins

FROM: Elliot Sulsky

DATE: 10/9/20

SUBJECT: Oil and Gas Transportation Impact Fee Study, FHU Reference No. 118280-01
Response to COGA 10/7/20 Email Comments

The purpose of this memorandum is to provide my response to Ryan Seastrom's October 7 email providing further comments on the County's proposed oil and gas transportation impact fee. I would like to note that my responses are provided from my perspective as the manager of the technical impact fee study. Part of the COGA comments relates to legal interpretation of impact fee statutes to which the County Attorneys are best suited to respond.

The COGA letter quotes the impact fee statute as requiring fees be established "at a level no greater than necessary to defray such impacts directly related to the proposed development". That is precisely how the fee has been calculated - to assess the average cost to defray impacts of truck traffic associated with pads and wells in different parts of the County.

Furthermore, the fees have been modified in several ways to reduce the levels substantially below the defensible fee levels originally calculated in the summer of 2019. The fee schedule presented in the August 2019 draft report lists (page viii and page 30) ways in which comments by the industry were taken into consideration, with some of the changes resulting in significant reduction of the fees presented in that report.

In addition, guidance from the BOCC provided at study sessions earlier in the year resulted in a change in the treatment of roto-paved roads that resulted in a more than 40% reduction in the fees currently being proposed compared with the August 2019 report levels.

The COGA letter states an opinion that the calculated fees are unequitable and unreasonable and offers two reasons for this conclusion: First, that the study assumes all roads in the County would be used by oil and gas traffic and, second, that the study includes an unreasonable level of development in the next ten years.

With respect to the first: the study did not assume that all County roads would be used. Rather, the origins and destinations for trips to and from each pad location were evaluated based on assumptions of water sources, equipment sources, water disposal, product shipment, etc. Each of these trips was assigned to roads based on the most efficient route between the pad site and the origin or destination. The use of this methodology is intended to provide assumptions about routing of trips to provide a reasonable average of impacts on the County's road system for wells in different parts of the County.

With respect to the second: The study is not predicting that there will be 128 well-pads in the next ten years. Rather, this was developed as a test scenario designed to calculate a reasonable average of impact ***per pad*** and ***per well*** throughout the County. A high number of pads and wells were included in this test scenario in order to have robust data from which to develop averages for each of the three zones in the County. Most importantly, the fees are measuring the cost to defray impacts of the ***average*** well and pad.

If, for example, half of the 128 well-pads in the test scenario were assumed, the total system costs would have been approximately half as great, and the costs would have been spread among half of the well-pads, resulting in approximately the same average per well and per pad.

In summary, we feel that the study did in fact follow a methodology that provides reasonable estimates of the average cost to defray impact impacts of each pad and well on the County road system. In addition, several adjustments have been made in consultation with industry representatives that have the effect of substantially reducing the proposed fees below the maximum defensible levels.

Please let me know if you would like additional information to respond to COGA comments.