

MASSIVE WEALTH AND POWER TRANSFER FROM GREELEY CITIZENS TO
WINGFOOT/AKIN FAMILY/TALKOT CAPITAL

John G. Gauthiere, P.E.

The Greeley City Council is on the verge of a massive transfer of wealth and power from the Citizens of Greeley to Wingfoot, LLC. Wingfoot, LLC is acting as a corporate veil for the Akin family and its investment banking company, Talkot Capital, LLC. Depending on the value placed on an acre-foot of water, between \$34,000 and \$60,000 per acre-foot, the wealth transferred from Greeley Citizens to Wingfoot, Akin, Talkot (WAT) will be somewhere between \$412 million and \$727 million.

When Mayor John Gates signs the Terry Ranch/Wingfoot deal, WAT will gain ownership of 12,121 credits which represent 12,121 acre-feet of water which WAT can sell to real estate developers who will be allowed to use the credits to satisfy the City's water rights dedication requirements when development occurs. WAT will have the power to sell the credits to developers at whatever price they want.

WAT plans to provide water credits to developers through an arrangement in which the developer purchases a credit claimed to be worth one acre foot of water in the Terry Ranch aquifer. The developer would then deliver that credit to the City of Greeley for the right to develop land and create a water demand that the City of Greeley will be obligated to supply in perpetuity. Should the Terry Ranch aquifer fail to deliver safe, cost effective drinking water in the future, or any water at all, existing Greeley water customers will be left with the responsibility of delivering water from Greeley's existing water supply. In other words, Greeley's existing water supply is the collateral for this Terry Ranch/Wingfoot deal.

WAT will also be allowed to sell the credits to investors, thereby creating a speculative secondary market in Greeley's water.

WAT will have an exclusive and monopolistic power that up until now existed only with the City of Greeley. The City of Greeley has historically administered water rights acquisition from developers in a fair, benevolent, and responsible manner for the benefit of the developers and the needs of the citizens, as well as the protection of the existing and future water customers. Will WAT be as fair and benevolent? What course of action or appeal will the developers have if WAT's actions stray from the perception of fairness? Has WAT every been accused of an act of greed or inappropriate behavior? Judge for yourself.

On September 16, 2013, the United States Securities and Exchange Commission (SEC) issued Talkot Capital an “Order Instituting Cease-And-Desist Proceedings pursuant to Section 21C Of the Securities Exchange Act Of 1934, making findings, and imposing a Cease-and-Desist Order and Civil Penalty”¹. According to the New York Times, Talkot Capital was accused of stock market manipulation and obtaining “illicit profits”. Talkot Capital paid a settlement and avoided any omission of guilt. Talkot Capital was one of 22 hedge funds and investment banking firms accused in the 2013 SEC investigation.²

What will the City of Greeley get out the deal with WAT? The City of Greeley will get a water right (Case No. 11-CW-275) from Wingfoot which authorizes Greeley to withdraw and use the ground water from the nontributary Upper Laramie aquifer underlying the Terry Ranch in the Cheyenne Basin. At a 1% drawdown of the estimated store of water, Greeley will only be able to withdraw about 12,000 acre-feet in any one year. And it will not be possible to recharge the aquifer with the fast running Poudre River spring runoff, as the water cannot be treated and injected into the aquifer fast enough. For this, you would need a larger storage reservoir such as the enlarged Milton Seaman Reservoir. How ironic!

In order to make Terry Ranch ground water accessible, the citizens of Greeley will be burdened with hundreds of millions of dollars of debt to build the 40 miles of pipeline, wells, pump stations and the Terry Ranch Water Treatment Plant. This debt is based on a “conceptual level” (very preliminary) construction cost estimate which could range as high as \$430 million dollars. And later, the City will need to spend even more money to complete the aquifer recharge facilities bringing the total estimated cost, considering that the estimate was based on only “conceptual planning”, to as much as \$759 million.³

This is an enormous amount of money for a questionable and inferior water supply! The Terry Ranch aquifer is already contaminated with uranium exceeding the Safe Drinking Water Act limits and is subject to considerable risk of additional contamination from oil and mineral exploration and extraction. Azarga Uranium Mining Corporation has plans to conduct mining operations in the Cheyenne Basin. In fact, Azarga has acquired 100 percent of Powertech Uranium Mining mineral rights just South of Terry Ranch. Azarga’s mineral rights holdings amount to approximately 10 square miles near the Terry Ranch⁴.

¹ United States of America Before the Securities and Exchange Commission, Securities Exchange Act of 1934, Release No 70406 / September 16,2013, Administrative Proceeding File No. 3-15484, In the Matter of Talkot Capital LLC, Respondent

² The New York Times, Firms to Pay \$14 Million to Settle, By Alexandra Stevenson, September 17, 2013 2:29pm

³ Upper Range Cost Estimate from City Presentation dated December 16, 2020.

⁴ Azarga Website

Paraphrasing Water & Sewer Board Chairman Harold Evans' chapter in the recently published book, *Confluence* by Gregory Hobbs Jr. and Michael Welsh, Greeley's initial efforts to supply water to the town back in the late 1890's with shallow and deep groundwater wells proved to be "unreliable". In the 1980's, I personally witnessed one of the remaining early wells in the downtown area which was still flowing with bubbles of methane gas. The well water caught fire when a match was held near it.

By 1907, the wise people of Greeley looked to the high quality snowmelt in the Rocky Mountains for their future watersupply. The Cache la Poudre River proved to be a wise and successful investment that still has some remaining potential for development through the enlargement of Milton Seaman Reservoir (MSR).

Why is the Water Board, Council and staff so dead set on this Terry Ranch deal? Why is the City willing to involve Talkot Capital in the financing of our future water supply? The quality of the water they are offering is inferior to what we have and can obtain through an MSR enlargement. Why do we need a middleman (Wingfoot) to finance a water deal when the Colorado Water Conservation Board offers such low interest loans and is looking out for the public good?

Why is the City trying so hard to kill the MSR enlargement project, our best chance to keep the clean mountain water flowing to Greeley? Could it be that the conventional financing of an MSR enlargement does not offer the opportunity for the Akin Family and others to profit from monetizing the City of Greeley's water assets as does the most unusual financing scheme offered by WAT? According to Chairman Harold Evans "the Akin family is looking for a long term source of income". This will happen at the expense of the Greeley citizens and water customers.

The details of this financing scheme will be explored in future articles.