

Town of Castle Rock



Agenda Memorandum

Agenda Date: 3/6/2018

Item #: 10. File #: TMP 2017-1691

To: Honorable Mayor and Members of Town Council

From: Mark Marlowe, Director of Castle Rock Water

Resolution Approving the Town of Castle Rock and Parker Water and Sanitation District Wheeling Agreement

Executive Summary

The purpose of this memorandum is to request Town Council approval of an Intergovernmental Agreement (IGA) with Parker Water and Sanitation District (PWSD) for the transmission or “wheeling” of our WISE water (and other treated water, such as water from our Box Elder project) through their system and into infrastructure owned by the Town of Castle Rock. This Agreement outlines how PWSD will charge for the costs of maintenance, repair, replacement and operation of delivering our water through their system. The resolution approving the agreement is provided in **Attachment A**.

One of the key pieces of the Town’s long-term water supply strategy is the incorporation of new, renewable imported supplies. Water from the WISE project will help us meet this goal. The initial infrastructure for the WISE project will be complete by April 2018, and Castle Rock Water will start to take deliveries of water at that time. To date, Castle Rock Water has invested approximately \$40 million in the WISE infrastructure.

Now that capital infrastructure will be complete, the WISE members need to ensure operational agreements are in place to delineate how operational costs are allocated for the various pieces and parts of the infrastructure.

This is one of the last operational agreements that needs to be put in place. The portions of the WISE system to which this agreement applies are shown in **Attachment B**. One final agreement that needs to be completed is with Dominion Water and Sanitation District (Dominion) for the operations of the Outer Marker Road pipeline (see **Attachment B** for location).

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The key terms of the agreement are:

- PWSD will transport and meter the Town's water through their infrastructure (and infrastructure within which we own capacity, e.g. the Ridgeway line and Canyons line).
- PWSD will operate and maintain the Wheeling infrastructure in good working order and cover the cost of all future capital replacements.
- The agreement is in effect indefinitely.
- PWSD will charge the Town for its volume of water delivered through the infrastructure. The costs of wheeling is divided into asset recovery and variable costs. For 2018, the Wheeling Cost rate is \$0.61 per 1,000 gallons of water wheeled with a single Asset Recovery rate of \$237,551 that will be collected on a per 1,000 gallon basis of \$0.68 for the first 1,000 acre-feet of water.

There is a pipeline restriction or 'bottleneck' in PWSD's system that is addressed in the Agreement as well. This bottleneck is a 24-inch waterline within which PWSD does not require all the capacity now for its customers. PWSD is granting the Town a five year, non-exclusive license for capacity in this line (also known as the Midsection Infrastructure, as depicted on Exhibit A-1 of the Agreement). In order to ensure we have pipeline capacity in the midsection after the 5-year license expires, the Town, Dominion and PWSD will soon begin discussions on designing and building a parallel pipeline section that will have adequate capacity to convey much of our future flows.

History of Past Town Council, Boards & Commissions, or Other Discussions

On June 17, 2014, Town Council approved the execution of the Western Pipeline Purchase Agreement by the South Metro WISE Authority.

On September 16, 2014, Town Council approved the execution of the Modifications Agreement, key terms of the Operations Agreement, key terms of the Joint Use Agreement, and associated costs for other key WISE Project components which included design of the Ridgeway Infrastructure.

On October 22, 2014, staff provided the Castle Rock Water Commission with an update of the Alternate Source of Supply Projects which included an update regarding the Ridgeway infrastructure.

On November 18, 2014, Town Council approved Resolution 2014-92: Execution of the Ridgeway Line and Rueter-Hess WISE Infrastructure Design Intergovernmental Agreement

On February 13, 2015, Town Council approved the First Amendment to the IGA regarding the Ridgeway Line and Rueter-Hess WISE Infrastructure Design Intergovernmental Agreement dated November 19, 2014, which reduced Castle Rock's cost by \$169,580 due to the design contract being substantially less than originally estimated.

On January 5, 2016, staff provided Town Council an update regarding the Alternate Source of Supply Projects which included an update regarding the progress on the Ridgeway infrastructure design.

Item #: 10. File #: TMP 2017-1691

On April 19, 2016, Town Council approved the execution of an Intergovernmental Water Infrastructure Cost Sharing, Construction and Capacity Allocation Agreement between the Town of Castle Rock and Parker Water and Sanitation District for the Ridgeway Line portion of the WISE infrastructure.

On July 27, 2016, the Castle Rock Water Commission recommended approval of the agreement as presented.

On August 16, 2016, Town Council approved the execution of an Intergovernmental Water Infrastructure Cost Sharing, Design, Construction and Capacity Allocation Agreement for the Canyons Pipeline design-build portion of the WISE infrastructure.

On June 6, 2017, Town Council approved the execution of the revised Intergovernmental Water Infrastructure Cost Sharing, Design, Construction and Capacity Allocation Agreement for the Canyons Pipeline design-build portion of the WISE infrastructure.

On February 28, 2018, the Castle Rock Water Commission _____ approval of the agreement as presented.

Discussion

The purpose of this memorandum is to request Town Council approval of an Intergovernmental Agreement (IGA) with Parker Water and Sanitation District (PWSD) for the transmission or “wheeling” of our WISE water (and other treated water, such as water from our Box Elder project) through their system and into infrastructure owned by the Town of Castle Rock.

The WISE Western Pipeline Purchase Agreement closed on October 21, 2014. Soon thereafter, the WISE Authority selected Western Summit as the design-builder for the modifications to the Western Pipeline. These modifications included a 2 million gallon storage tank, a chloramination disinfection facility, a greensand filtration system in a new water treatment plant, a pump station by-pass and supervisory control and data acquisition system (SCADA) improvements. Substantial completion of the WISE modification work occurred in December 2016 with final completion in mid-2017.

To be able to physically receive WISE water deliveries, infrastructure from the Western Pipeline had to also be constructed. In addition to the Ridgeway Line project, which was described to Council on April 19, 2016, the new 36-inch, 3.4-mile Canyons pipeline was also constructed. In addition to this pipeline, a booster pump station is also being built (however, the pump station will not be initially required for delivery of WISE water to the Town). PWSD is converting their system from a free chlorine system to a chloraminated system.

The infrastructure used to transport the Town’s water will need to be maintained and occasionally repaired. Also, there will be operational costs associated with transport of the Town’s water and monies that will need to go towards future infrastructure replacement. With that, PWSD developed the Wheeling Agreement to describe how the Town will be charged for this. The agreement also discusses a bottleneck in PWSD’s system that will need to be coordinated with the design and construction of a parallel pipeline section to be funded by PWSD, Dominion and the Town. This

Item #: 10. **File #:** TMP 2017-1691

parallel section will need to be built by 2023.

Budget Impact

The Wheeling Agreement will impact the Town's budget. We have budgeted \$526,772 in 211-4340-443.30-70 Water Resources, Engineering - Other Professional Services, Project Code WRPWWF for WISE operating expenses in 2018. Assuming we take our "take or pay" water for 2017 and half of our 'WISE Water Year obligation' for 2018, total operational costs are estimated at \$884,338 with this agreement accounting for approximately 18 percent of that cost, or \$160,000. Staff will monitor this account closely and process a budget transfer or request a budget amendment later in 2018.

Recommendations

Staff and Castle Rock Water Commission recommend that Town Council approve the Agreement as presented in Exhibit 1.

Proposed Motion

"I move to approve the resolution as introduced by title."

Attachments

Attachment A: Resolution
Exhibit B: Agreement
Attachment B: Map of operational agreement

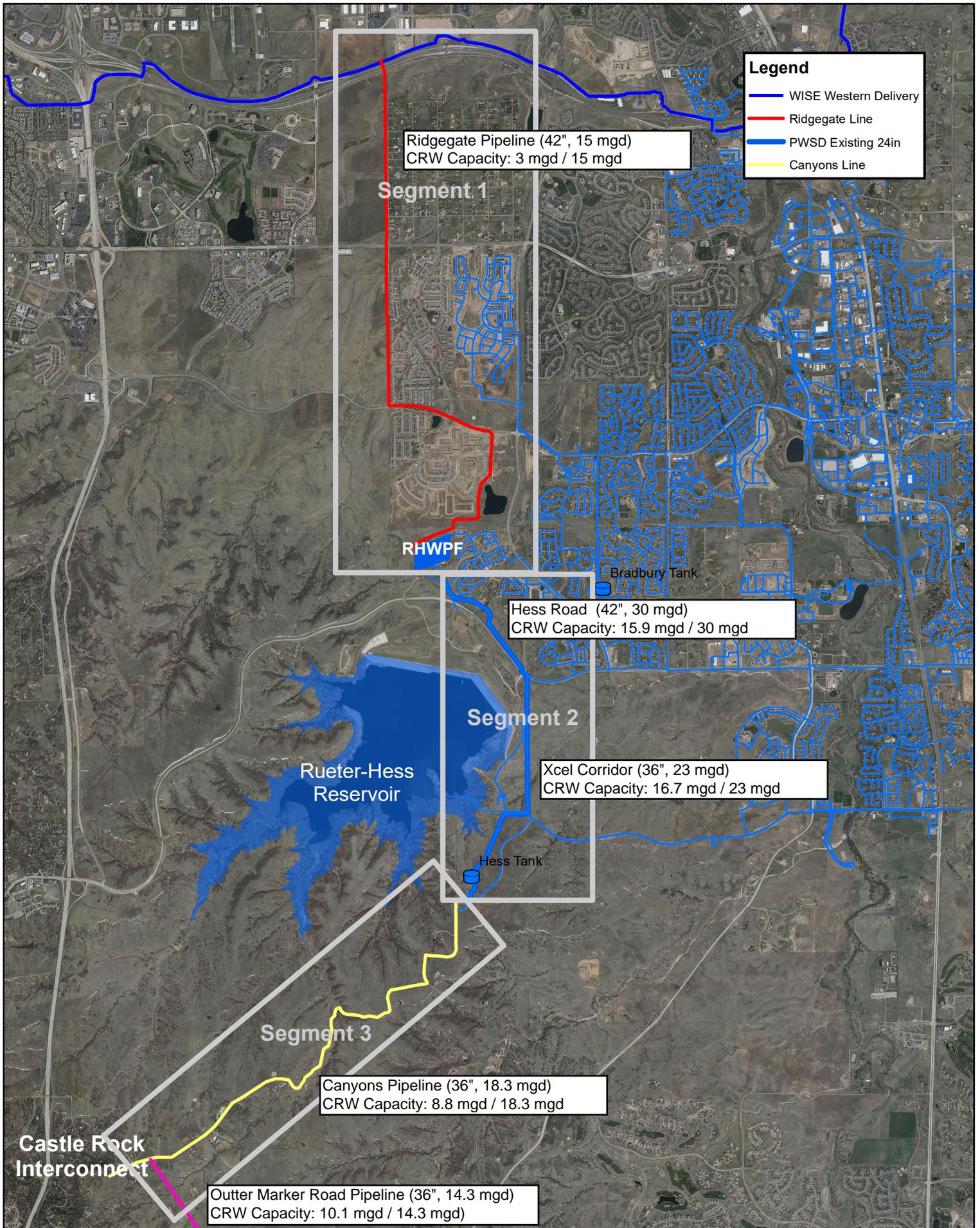


Exhibit 1

