INTERGOVERNMENTAL AGREEMENT RE PLATTE VALLEY WATER PARTNERSHIP

(Town of Castle Rock and Parker Water and Sanitation District)

This INTERGOVERNMENTAL AGREEMENT RE PLATTE VALLEY	WATER
PARTNERSHIP ("the Agreement") is made and entered into this	day of
2024 (the "Effective Date"), by and between the PARKER WATE	ER AND
SANITATION DISTRICT, a quasi-municipal special district organized and existing pur	rsuant to
the provisions of Title 32 of the Colorado Revised Statutes ("PWSD") and the TO	WN OF
CASTLE ROCK, a Colorado home rule municipality ("CR") (the parties hereto ref	ferred to
individually as a "Party" and collectively as the "Parties").	

RECITALS

- A. WHEREAS, C.R.S. § 29-1-203 authorizes the Parties to cooperate and contract with one another regarding functions, services and facilities each is authorized to provide;
- B. WHEREAS, the Parties are authorized to operate water delivery systems to provide water service and/or augmentation water to their service areas;
- C. WHEREAS, PWSD is a party to an agreement with the Lower South Platte Water Conservancy District ("LSP") entitled, "Lower South Platte Water Conservancy District and Parker Water and Sanitation District Platte Valley Water Partnership Intergovernmental Agreement," dated September 9, 2021 (the "PVWP Agreement");
- D. WHEREAS, LSP and PWSD intend to develop a water storage and conveyance project, commonly referred to as the Platte Valley Water Partnership (the "Project"), to store and convey certain water rights owned by LSP and/or PWSD and other water rights LSP and PWSD are seeking to confirm, including but not limited to those in Case No. 19CW3253, District Court, Water Division No. 1 (the "LSP Water Rights" or the "PWSD Water Rights" respectively and "LSP/PWSD Water Rights" collectively);
- E. WHEREAS, the Project is contemplated to consist of major physical facilities that will serve LSP and PWSD, including without limitation diversion structures, storage facilities, pumping stations, pipelines, treatment facilities, and other related facilities (collectively, the "Project Infrastructure");
- F. WHEREAS, CR desires to participate in the Project to store and convey certain water rights owned by CR and other water rights CR is seeking to obtain, including but not limited to those in Case No. 21CW3185, District Court, Water Division No. 1 (collectively, the "CR Water Rights") to meet the water needs of CR's service area;
- G. WHEREAS, the Parties desire to oversize the Project Infrastructure to divert, convey, store and treat the LSP/PWSD Water Rights and CR Water Rights (collectively "Collective Project Water Rights") in a manner that allows the Project Participants to fully utilize the Collective Project Water Rights and wish to cooperate with LSP ("Oversized Project Infrastructure");

- H. WHEREAS, the Parties acknowledge that the Project is intended to provide additional reliable water supplies for LSP's, PWSD's and CR's ("Project Participants") service needs in a manner that preserves and supports agricultural uses in the South Platte River Basin by capturing South Platte River water that would otherwise leave the State of Colorado without being put to a beneficial use ("Project Purposes");
- I. WHEREAS, CR acknowledges that, for all CR Water Rights stored or conveyed via the Oversized Project Infrastructure, CR intends to comply with the restrictions set forth in this Agreement, which are designed to further the Project Purposes;
- J. WHEREAS, the Parties believe that CR's participation in the Project and use of the Oversized Project Infrastructure can occur without interfering in any way with the ability of the Project Participants to achieve the Project Purposes;
- K. WHEREAS, the Parties desire to cooperate in the preconstruction phase of the Project to determine the most effective manner in which CR may participate in the Project and use the Oversized Project Infrastructure;
- L. WHEREAS, this preconstruction Project phase is anticipated to include design, engineering, permitting, land acquisition, financial planning, and other activities necessary to seek construction bids and commence construction of the Project;
- M. WHEREAS, the Parties acknowledge that the Project is in the planning stage and various elements of the Project Infrastructure, Oversized Project Infrastructure and any other infrastructure contemplated are subject to modification;
- N. WHEREAS, the Parties desire to cooperate and maintain flexibility to address issues as they arise so that the Parties can best fulfill the Project Purposes;
- O. WHEREAS, CR's participation in the Project will contribute to economies of scale and benefit LSP and PWSD by contributing substantial additional financial resources towards the Project costs; and
- P. WHEREAS, for the reasons outlined in these Recitals, the Parties determine that it is in their best interests to enter into this Agreement.

NOW THEREFORE, the Parties, in and for the consideration of the performance of the mutual promises set forth herein, the adequacy of which is hereby acknowledged, for themselves and their successors, do hereby agree as follows

1. Preconstruction Cooperation and Coordination.

a. LSP and PWSD intend to design, construct, and operate the Project Infrastructure in such a manner that PWSD and LSP are able to fully develop divert, store, treat, and convey the

LSP/PWSD Water Rights to fullest extent permissible. The Parties shall coordinate and cooperate in the preconstruction phase of the Project, which shall include without limitation, all activities up to bidding on construction of the Project such as engineering studies to support the Collective Project Water Rights, design, engineering, permitting, land acquisition, environmental assessments, financial planning, and other matters necessary to obtain all of the necessary Project permits and approvals and then to seek construction bids and commence construction of the Oversized Project Infrastructure. The intent of these activities is to allow the Project Participants to plan for the conveyance, storage, and treatment infrastructure needed for each entity to best carry, store, deliver and utilize the Collective Project Water Rights in the Oversized Project Infrastructure will involve oversizing of the Project Infrastructure to convey, store and treat CR Water Rights in a manner that allows the Project Participants to fully utilize the Collective Project Water Rights subject to paragraph 1.d below.

- b. PWSD and CR shall share specific plans and guidelines for the timing, design, permitting, land or land use acquisition and construction of Oversized Project Infrastructure, including without limitation, the estimated cost allocations. The Parties shall make reasonable efforts to coordinate and cooperate to modify or to add to such plans and guidelines any infrastructure needed for diverting, storing, and conveying the CR Water Rights. The Parties shall cooperate and coordinate with each other to estimate the costs of completing the Oversized Project Infrastructure.
- Ownership, operation, maintenance, repair, and replacement of the Oversized Project Infrastructure will be determined at a later date. Nothing set forth herein shall obligate CR or PWSD to construct any Oversized Project Infrastructure or complete the Project. During, or upon completion of, the design of the Oversized Project Infrastructure, the Parties shall cooperate, including cooperation with LSP, to determine the appropriate capacity rights in the Oversized Project Infrastructure to be allocated to the Project Participants. Nothing set forth herein shall limit the ability of the Project Participants to include parties other than the Project Participants in the Project or to allow such other parties to use the Oversized Project Infrastructure; provided that additional uses of Oversized Project Infrastructure by such other parties shall not interfere with use of the Oversized Project Infrastructure by the Project Participants or the exercise of LSP's Water Rights, PWSD's Water Rights, or CR's Water Rights as part of operation of the Project. The Parties intend that allocation of any capacity in the Oversized Project Infrastructure among the Project Participants and any such other parties shall be in a manner that allows and does not interfere in any way with the ability of Project Participants to fully realize their individual water rights. The specific procedures and requirements for including such other parties in the Project and for allowing such other parties to use Oversized Project Infrastructure shall be determined at a later date, which the Parties anticipate will be prior to commencement of construction of the Project Infrastructure but which could be after construction.
 - d. Nothing set forth herein shall be deemed to grant to CR any rights:
 - a. To share or use any of the LSP/PWSD Water Rights;
 - b. To interfere with or diminish PWSD's or LSP's ability to use Project

Infrastructure;

- c. To interfere with or diminish PWSD's or LSP's ability to develop, divert, store, treat, and convey the LSP/PWSD Water Rights to the fullest extent permissible by law;
- d. To, or that will interfere with or diminish PWSD's PWSD or LSP's rights with respect to operation and governance of the Project.
- **2. Permitted Water Rights.** CR acknowledges the Project Purposes. To support the Project Purposes, the Oversized Project Infrastructure shall not be used by CR to store, convey, or treat any CR Water Rights that results in the permanent dry up of irrigated agricultural land ("Buy and Dry") except as specifically provided for in subsections (a) to (c) below.
- a. As of the Effective Date, the sole approved sources of CR Water Rights to be stored, conveyed, or treated via the Project Infrastructure shall be as follows:
- i. those water rights described in Case No. 21CW3185 as of the date of this Agreement;
- ii. new appropriations of water rights, the applications for which were filed after December 1, 2019;
- iii. existing irrigation water rights located in Morgan, Washington, Logan, and Sedgwick Counties senior to December 1, 2019, if changed from irrigation uses ("changed water") only if:
- 1. a) all changed water is used for non-irrigation purposes for a maximum of three out of every ten years; or b) a maximum of thirty percent in any given year if the changed water is used for non-irrigation purposes on a rotational basis; and
- 2. the changed water continues to be used to irrigate the historically irrigated parcels when it is not used for the changed purposes.
- iv. existing irrigation water rights located outside Morgan, Washington, Logan, and Sedgwick Counties senior to December 1, 2019 and changed from irrigation uses ("changed water"), only if:
- the changed water was purchased for non-irrigation purposes prior to December 1, 2019; or
- 2. the changed water was purchased after December 1, 2019, for non-irrigation purposes and: a) all changed water is used for non-irrigation purposes for a maximum of three out of every ten years; or b) a maximum of thirty percent in any given year if the changed water is used for non-irrigation purposes on a rotational basis; and
- 3. the changed water continues to be used to irrigate the historically irrigated parcels when it is not used for the changed purposes.

- b. Notwithstanding the restrictions in paragraph 2(a), if CR desires to use Oversized Project Infrastructure to divert, store, convey, or treat any sources of water other than the CR Water rights, it shall request PWSD's approval and LSP's approval in writing. LSP and PWSD each may, at their sole discretion, approve or disapprove additional sources of water CR may divert, store, convey and/or treat through the Oversized Project Infrastructure. Both LSP's and PWSD's written approval must be secured for CR to divert, store, convey, or treat any such other water.
- c. Pursuant to paragraph 2.b., PWSD and LSP, by the acknowledgement and consent described in paragraph 10 and **EXHIBIT A**, approves, approve the following additional sources of water CR may store, convey and/or treat through the Oversized Project Infrastructure, subject to paragraph 1.d..

Designated Ground Water from the Lost Creek Basin. Case No. 99CV97, District Court, Adams County, quantified the historical consumptive use of and changed the uses of the Lost Creek ground water associated with Well Permit Nos. 8533-FP, 8534-FP, 8535-FP, and 31542-FP. The changed uses included municipal, replacement of depletions, recharge of the aquifer and for augmentation or replacement purposes.

Amended Final Well Permit Nos.	Q40	Q160	Section	Appropriation Dates	Flow Rates (gpm)	Average Annual Volumetric Limits (af)	Maximum Banking Reserve (af)
8533-RFP	SW	NW	29	8/15/1951	950	84.0	588.0
8534-RFP	SW	SW	29	3/1/1952	600	81.5	355.5
8535-RFP	SW	NW	29	5/1/1954	1,100	96.9	669.3
31542-FP	NE	NE	27	7/29/1964	1,000	193.3	1,094.1
TOTAL						455.7	2,706.9

Case No. 98CV1727, District Court, Adams County, approved the export of ground water associated with Well Permit Nos. 8533-FP, 8534-FP, 8535-FP, and 31542-FP from the Lost Creek Basin to the South Platte River Basin.

3. Participation Payments.

- a. <u>Initial Participation Payment</u>. CR acknowledges that PWSD has incurred costs associated with pursuing the Project. Upon execution of this Agreement, CR shall pay to PWSD an initial participation payment of Two Hundred Eighty Thousand dollars (\$(\$280,000.00) as compensation for costs already incurred by PWSD as of the Effective Date in pursuing the Project, except for any real property rights acquired by PWSD ("Initial Participation Payment"). PWSD shall determine with LSP how to allocate the Initial Participation Payment to the Project or between PWSD and LSP.
- b. <u>Continuing Participation Payments</u>. PWSD agrees that it shall be responsible for incurring costs associated with pursuing the Project. After the Initial Payment, at periodic intervals to be determined by the Parties, but no less frequently than annually, CR shall pay PWSD a continuing participation payment equal to a percentage of total preconstruction costs for design, engineering, permitting, land acquisition, financial planning, and other activities necessary to seek

construction bids and commence construction of the Project ("Preconstruction Costs") incurred by PWSD since the last payment ("Continuing Participation Payment"). Unless the Project Participants agree otherwise in writing, any real property rights acquired by PWSD for the Project will be excluded from the Continuing Participation Payment costs. As of the Effective Date, the CR Participation Percentage shall be 25% of PWSD's Preconstruction Costs, which the Parties may adjust in good faith based upon future economic and financial analysis reflecting the percent of the Oversized Project Infrastructure the Project Participants are projected to utilize to fully realize their anticipated yields and due to a variety of factors including without limitation participation of additional parties in the Project, the resizing of the Project, and allocation of use or ownership of Oversized Project Infrastructure as between Project Participants. PWSD shall adjust CR's Continuing Participation Payments to reflect the then-current CR Participation Percentage. PWSD shall not reimburse CR for prior payments based on a higher CR Participation Percentage. If LSP so agrees, PWSD may include LSP's Preconstruction Costs in these calculations for purposes of this Agreement. The Parties acknowledge that the PVWP Agreement grants LSP a 50% undivided interest in the Project Water Rights and a 50% voting right with respect to certain decisions related to Project construction and operation. Nothing herein shall change or dilute LSP's interest in Project Water Rights or Project Infrastructure, or LSP's rights, including voting rights, with respect to construction and operation of the Project pursuant to the PVWP Agreement.

- 4. **Right of First Refusal to Purchase Real Property PWSD.** In consideration for the mutual promises contained in this Agreement, PWSD hereby grants CR a right of first refusal to purchase any land or interests in land acquired solely by PWSD for the Project ("PWSD Land"). If PWSD elects to sell any or all of its interest in the PWSD Land during the term of this Right of First Refusal, PWSD and CR shall comply with the following procedure.
- a. CR acknowledges that LSP has a right of first refusal to purchase the PWSD Land that is senior to CR's right of first refusal. .
- b. If and/when PWSD completes the process described in paragraph 4.a., PWSD shall give written notice to CR of PWSD's election to sell and of the proposed purchase terms (the "Notice"). CR shall have 28 days after receipt of Notice to deliver a written offer to purchase the PWSD Real Property on certain terms and conditions (the "CR Offer").
- i. If CR submits the CR Offer within the 28-day period, PWSD shall have 7 days to either accept the CR Offer or submit a counteroffer for CR's consideration (the "PWSD Counteroffer"). CR shall have 7 days to accept in writing the PWSD Counteroffer.
- ii. If CR fails to submit the CR Offer within the 28-day period or if CR rejects the PWSD Counteroffer, this Right of First Refusal shall terminate as to the portion of PWSD Real Property covered by the Notice, and PWSD shall be free to sell said portion of the PWSD Real Property to a *bona fide* purchaser at the terms of the Notice. However, if PWSD does not consummate the sale to a *bona fide* purchaser on the terms communicated to CR in the Notice, this Right of First Refusal shall remain in full force and effect with regard to PWSD's subsequent decision(s) to sell all or any portion of the PWSD Real Property.

- c. The Right of First Refusal hereby shall terminate on the 20th anniversary of the Effective Date of this Agreement unless terminated earlier or extended by subsequent agreement.
- d. CR shall have the right to record a memorandum of this Right of First Refusal in any county in which PWSD Real Property is located.
- e. This provision shall survive the termination of this Agreement, as to any PWSD Real Property owned by PWSD as of the date of the termination.
- f. For purposes of this right of refusal, PWSD Land shall not include any water rights owned or acquired by PWSD. PWSD Land shall be limited to raw unimproved land. If any Project Infrastructure or Oversized Project Infrastructure is constructed on raw unimproved land owned or controlled by PWSD, the right of first refusal set forth in this paragraph 4 shall not apply to such Project Infrastructure or Oversized Project Infrastructure or the land upon which it is constructed. Any CR rights to real property upon which Oversized Project Infrastructure is being or has been constructed shall be set forth in a separate agreement, which the Parties anticipate will be executed prior to construction of any Oversized Project Infrastructure.
- 5. Right of First Refusal to Purchase Real Property CR. In consideration for the mutual promises contained in this Agreement, CR hereby grants PWSD right of first refusal to purchase any real property acquired by CR for the Project ("CR Real Property"). If CR elects to sell any or all of its interest in the CR Real Property during the term of this Right of First Refusal, PWSD and CR shall comply with the following procedure.
- a. CR shall give written notice to PWSD of CR's election to sell and of the proposed purchase terms (the "Notice"). PWSD shall have 28 days after receipt of Notice to deliver a written offer to purchase the CR Real Property on certain terms and conditions (the "CR Offer").
- i. If PWSD submits the PWSD Offer within the 28-day period, CR shall have 7 days to either accept the PWSD Offer or submit a counteroffer for PWSD's consideration (the "CR Counteroffer"). PWSD shall have 7 days to accept in writing the CR Counteroffer.
- ii. If PWSD fails to submit the PWSD Offer within the 28-day period or if PWSD rejects the CR Counteroffer, this Right of First Refusal shall terminate as to the portion of CR Real Property covered by the Notice However, if CR does not consummate the sale to a *bona fide* purchaser on the terms communicated to PWSD, in the Notice, this Right of First Refusal shall remain in full force and effect with regard to CR's subsequent decision(s) to sell all or any portion of the CR Real Property.
- b. The Right of First Refusal hereby shall terminate on the 20th anniversary of the Effective Date of this Agreement unless terminated earlier or extended by subsequent agreement.
- c. PWSD shall have the right to record a memorandum of this Right of First Refusal in any county in which CR Real Property is located.

- d. This provision shall survive the termination of this Agreement, as to any CR Real Property owned by CR as of the date of the termination.
- e. For purposes of this right of refusal, CR Real Property shall not include any water rights owned or acquired by CR. CR Real Property shall be limited to raw unimproved land. If any Project Infrastructure or Oversized Project Infrastructure is constructed on raw unimproved land owned or controlled by CR, the right of first refusal set forth in this paragraph 5 shall not apply to such real property. Any CR rights to CR Real Property upon which Oversized Project Infrastructure is being or has been constructed shall be set forth in a separate agreement, which the Parties anticipate will be executed prior to construction of any Oversized Project Infrastructure.
- 6. <u>Joint Ownership of Project Information</u>. The Project Participants shall each have an undivided ownership in all information in all formats used by or generated by one or more of the Project Participants or any contractors hired by one or more of the Project Participants in furtherance of the Project ("Project Information"). Such Project Information includes but not limited to reports, analyses, drawings, estimates, assessments, studies, engineering, and plans and specifications associated with the design, engineering, permitting, land acquisition, environmental assessments, financial planning, and other matters necessary to obtain all of the necessary project permits and approvals and then to seek construction bids and commence construction of the Project as outlined in this Agreement. Such Project Information also includes but is not limited to any information that is the subject of the Initial Participation Payment or a Continuing Participation Payment. This provision shall survive the termination of this Agreement, as to any Project Information existing as of the date of the termination.
- 7. <u>Joint Ownership of Permits and Approvals</u>. To the extent permissible under the terms and conditions of the permits and approvals, the Project Participants shall each have an undivided ownership in permits and approvals ("Project Permits/Approvals") obtained by one or more of the Project Participants or any contractors hired by one or more of the Project Participants in furtherance of the Oversized Project Infrastructure as outlined in this Agreement. This provision shall survive the termination of this Agreement, as to any Project Permits/Approvals existing as of the date of the termination.
- 8. <u>Term and Termination</u>. This Agreement shall be perpetual, unless terminated by either Party upon written notice to the other Party. Upon termination, CR shall pay PWSD for any outstanding expenses incurred by PWSD but not yet reimbursed by CR in a Continuing Participation Payment. PWSD shall reimburse CR for any funds advanced to PWSD by CR that were not for expenses incurred on or before the date of termination.
- 9. <u>LSP Approvals</u>. CR acknowledges that PWSD and LSP have obligations to one another, which are set forth in the PVWP Agreement. Nothing set forth herein shall supersede PWSD's obligations to LSP set forth in the PVWP Agreement or change, dilute, or increase any rights or obligations of LSP pursuant to the PVWP Agreement. Any time approval by LSP is required pursuant to the PVWP Agreement, PWSD's obligations to CR under this Agreement shall be subject to such approval.

10. LSP's Acknowledgement and Consent. By the resolution of the Board of LSP attached hereto as **EXHIBIT A**, LSP has acknowledged the benefit of CR's participation in the Project, has consented to and only to CR's participation in the Project, and has consented to the sources of CR Water described in paragraph 2(a) to (c) above subject to the requirements and limitations described herein.

10. **Miscellaneous.**

- a. <u>Assignment</u>. Except as set forth herein, neither this Agreement, nor any of a Party's rights, obligations, duties or authority hereunder, may be assigned in whole or in part without the prior written consent of the other Party and the consent of LSP, which consent may be withheld in such Party's sole discretion regardless of the qualifications, capabilities, or virtues or any proposed assignee. Any attempted assignment without approval of the other Party or without the consent of LSP shall be deemed void and of no force and effect. Consent to one assignment shall not be deemed to be consent to any subsequent assignment, nor the waiver of any right to withhold consent to any subsequent assignment.
- b. <u>Relationship of Parties</u>. This Agreement does not and shall not be construed as creating a relationship of joint ventures or partners between the Parties. None of the Parties shall have any right or authority to act on behalf of or bind the other Party.
- c. <u>Modification</u>. This Agreement may be modified, amended, changed or terminated, in whole or in part, only by an agreement in writing duly authorized and executed by the Parties.
- d. <u>Waiver</u>. The waiver of a breach of any of the provisions of this Agreement by a Party shall not constitute a continuing waiver or a waiver of any subsequent breach of the same or another provision of this Agreement.
- e. <u>Integration</u>. This Agreement contains the entire agreement between the Parties and no statement, promise or inducement made by any Party or the agent of any Party that is not contained in this Agreement shall be valid or binding.
- f. <u>Severability</u>. Invalidation of any of the provisions of this Agreement or of any section, sentence, clause, phrase or work herein, or the application thereof in any given circumstance, shall not affect the validity of any other provision of this Agreement.
- g. <u>No third-party beneficiaries</u>. There are no third-party beneficiaries of this Agreement, except LSP as described herein.
- h. <u>Governing Law and Venue</u>. This Agreement shall be governed by the laws of the State of Colorado, and any legal action concerning the provisions hereof shall be brought in Douglas County, Colorado.
- i. <u>Counterparts</u>. This Agreement may be executed in one or more counterparts, each of which shall be an original, but all of which when taken together shall constitute one

Agreement. In addition, the Parties agree to recognize signatures of this Agreement transmitted by telecopy or email as if they were original signatures.

- j. Remedies. In addition to all remedies allowed at law or equity and those set forth in this Agreement, this Agreement may be terminated for a material breach by either Party. In the event a Party alleges a breach or default of this Agreement, the non-defaulting Party shall first notify the defaulting Party in writing of such default and specify the exact nature of the alleged default in such notice. The defaulting Party shall have 28 days from receipt of such notice within which to cure such default before the non-defaulting Party may exercise any of its remedies hereunder, provided that: (i) such default is capable of being cured, (ii) the defaulting Party has commenced such cure within said 28-day period, and (iii) the defaulting Party diligently prosecutes such cure to completion. If such default is not of a nature that can be cured in such 28-day period, corrective action must be commenced within such period by the defaulting Party and thereafter diligently pursued.
- k. <u>No Waiver of Governmental Immunity</u>. The Parties, their directors, officers, agents and employees are relying upon and do not waive or abrogate or intend to waive or abrogate by any provision of this Agreement the monetary limitations or any other rights immunities or protections afforded by the Colorado Governmental Immunity Act, C.R.S. § 24-10-101, *et seq.*, as the same may be amended.
- l. <u>Multi-year Financial Obligation</u>. All financial obligations of the Parties under this Agreement are expressly made subject to annual appropriation and budgeting by their governing bodies.

IN WITNESS WHEREOF, the Parties have entered into this Agreement effective as of the date set forth herein as evidenced by signature of each of the Parties.

[Remainder of Page Intentionally Blank – Signatures on Following Page]

PARKER WATER & SANITATION DISTRICT

A Colorado special district and political subdivision

D _{vr} .				
	By: Merlin Klotz, Chair			
ATTEST:				
Title:				
	TOWN:			
ATTEST:	TOWN OF CASTLE ROCK, acting by and through the Town of Castle Rock Water Enterprise			
Lisa Anderson, Town Clerk	Jason Gray, Mayor			
Approved as to form:	Approved as to content:			
Michael J. Hyman, Town Attorney	Mark Marlowe, Director of Castle Rock Water			