



Dominion Water & Sanitation District
9250 E. Costilla Ave, Suite 400
Greenwood Village, CO 80112

E-85 WASTEWATER INTERGOVERNMENTAL AGREEMENT

THE TOWN OF CASTLE ROCK ACTING THROUGH ITS WATER ENTERPRISE AND DOMINION WATER & SANITATION DISTRICT ACTING THROUGH ITS STERLING RANCH WATER AND WASTEWATER ACTIVITY ENTERPRISE

April 19, 2023

Mark Marlowe
Director, Castle Rock Water

Dear Mark:

This Term Sheet is intended to highlight and summarize the major deal points that would form the basis of a more definitive E-85 Wastewater Intergovernmental Agreement ("E-85 Wastewater IGA") between Dominion Water & Sanitation District ("Dominion") and the Town of Castle Rock acting through its Water Enterprise ("Castle Rock") (collectively, the ("Parties").

The E-85 Wastewater IGA would detail how Dominion and Castle Rock would partner to make 0.2 MGD (average daily flow or annual average flow) of wastewater conveyance and treatment capacity available to Castle Rock and Douglas County for existing and future service along the E-85 corridor. The E-85 Wastewater IGA will provide design and construction of 0.2 MGD (average daily flow or annual average flow) of wastewater conveyance infrastructure to Dominion's system and capacity in Dominion's and the Sterling Ranch Community Authority Board's (the "CAB") collection system, along with the construction of a new mutually beneficial wastewater treatment plant (the "Chatfield Basin Reclamation Facility/CBWRP") (collectively, the "Project"). At no time will peaking capacity associated with the reserved County Capacity exceed 0.2 MGD which is the total available peaking capacity in the Roxborough South Platte Renew (SPR) system until such time necessary infrastructure has been designed and constructed to allow for the full 0.2 MGD of average daily flow including peaking requirements. All facility capacities referenced in this document are average daily flow / annual average flow and will be designed in accordance with appropriate maximum month flow, peak hour flow and peak instantaneous flow or other parameters as required in the Water Quality Control Division design criteria. The lift station(s), force main(s), and Plant (as defined below) will be designed to accommodate potential future expansion by Dominion or Castle Rock.

The Parties mutually agree that there is benefit to Castle Rock and Dominion in entering into this Term Sheet and subsequent E-85 Wastewater IGA. Castle Rock, will be reserving 0.2 MGD capacity (average daily flow or annual average flow) (the "County Capacity") in the Project for those existing residents on the E-85 corridor (Service Area see Exhibit A), defined as fully developed property as of January 1, 2023, new development in the Service

Area and redevelopment in the Service Area.

Castle Rock will have the right to purchase return flows from the communities of Louviers (if not previously acquired by Castle Rock), Sedalia and have the right of first option to purchase additional return flows from Dominion if Dominion ever elects to sell return flows (for the avoidance of doubt, Dominion using return flows for service of Dominion customers shall not constitute selling return flows). In addition, Castle Rock and Dominion will mutually own and operate a pumping facility to be located on the CBWRF, based on design and site layout constraints, for use to discharge return flows to Castle Rock Reservoir Numbers 1 and/or 2 (the “CRR1”, “CRR2”) to the Larry Moore Water Treatment Plant (the “Moore WTP”) or a future location. The pumping facility will be designed and constructed such that it can be expanded in the future for use by both Dominion and Castle Rock for flows from the S. Platte River to include surface water rights, return flows, and storage rights in Chatfield Reservoir. Dominion will own, operate and maintain the CBWRF which will be jointly designed and constructed to allow for expansion to the full build out capacity to be determined by Dominion with input from Castle Rock.

The following intends to describe the Project and key components that will be used to form the E-85 Wastewater IGA. A general depiction of this Project is attached to this term sheet as Exhibit “B”. The Parties agree that components of the Project may extend beyond the December 31, 2026 timeline, however all American Rescue Plan Act (“ARPA”) funds will be expended in accordance with the deadlines required by the Federal government as interpreted by Douglas County.

Louviers Lift Station and Force Main:

1. Castle Rock will acquire easements, design, and construct a 0.2 MGD lift station, expandable to 1.0 MGD, and accompanying forcemain (the “Louviers Lift Station and forcemain”). The lift station will be located at or near the existing Louviers sewer lagoon and the forcemain will connect to the CAB collection system at the Moore and Waterton Road intersection. All plans and design will conform to the Water Quality Control Division’s, Castle Rock Water’s and Dominion’s adopted Engineering Standards and Rules and Regulations, and Dominion will have review and approval rights over the design and construction plans, which approval will not be unreasonably withheld. The lift station will be owned and operated by Castle Rock. The forcemain to include easements, will be owned and operated by Dominion.
2. The Louviers Lift Station and force main will initially tie into an 8” gravity sewer line located at Waterton Road and Moore Road that is owned by the CAB.
3. The CAB will make available to Castle Rock and Douglas County the County Capacity within its gravity sewer collection system and any needed upgrades to get to the 0.2 MGD average day flow capacity at no cost (except for potential inclusion into future system development fees as noted below) with a tie in location at the Moore and Waterton Road and continuing to the existing Titan Road Lift Station, owned by Dominion. The total

amount of available average day flow capacity and peak day capacity in this CAB line will be identified early in engineering and County Capacity will be limited to those values until upgrades are completed for additional capacity using system development fees from new development or redevelopment or ARPA funds as they are available. A future alignment for a forcemain along Moore Road to tie directly into the Titan Road Lift Station will be designed as funding allows to provide for additional capacity, see subsequent sections. At no time will wastewater flows in exceedance of the capacity CAB makes available and which is verified in the early engineering in the CAB line be exceeded.

**Titan Road Lift Station,
12” Forcemain and O-
Line:**

1. Dominion will make available the County Capacity in its Titan Road Lift Station, 12” forcemain located between the Titan Road Lift Station and the Roxborough Water & Sanitation District (“Roxborough”) O-Line connection point, and the O-Line gravity sewer at no cost (except for potential inclusion into future system development fees as noted below) to those using the County Capacity. The total amount of available average day flow capacity and peak day capacity in the pumps in the Titan Road Lift Station will be identified early in engineering and County Capacity will be limited to those values until upgrades are completed for additional capacity using system development fees from new development or redevelopment or ARPA funds as they are available. The 12” forcemain and O-Line gravity sewer have adequate capacity to provide for the 0.2 MGD of average day flow including any peaks. Additional capacity at the Titan Road Lift Station, the forcemain, and the O-Line gravity sewer may be purchased by Castle Rock for future users along the corridor in accordance with Dominion’s Rules and Regulations. Dominion will provide planning level estimates of what this additional capacity may cost.

**Dominion Wastewater
Treatment Plant:**

1. The Parties agree that if the rules of the ARPA funding allow, an alternative delivery approach will be considered to deliver the CBWRF construction project. Castle Rock and Dominion will jointly contract for the design of the CBWRF using Carollo. If an alternative delivery approach is allowed under the ARPA funding, design will be advanced to a sufficient level, to be mutually agreed upon by the Parties, to then bring on a Construction Manager at Risk (“CMAR”) to be contracted and managed by Castle Rock. Funding for the CBWRF construction may be from a combination of ARPA funds, in-kind contributions from Dominion and funds from Dominion’s

Sterling Ranch Wastewater Enterprise Fund. The share of funding will be based on the percentage of the County Capacity and the final capacity of the CBWRF to be recommended by Carollo and mutually agreed upon by the Parties. The CBWRF will be designed to be expandable such that Dominion can continue to operate the plant and construct the plant for full build out in the future.

2. The CBWRF will be able to use Dominion's existing discharge point with a new CDPHE Discharge permit and a proportionate share of the 2,000 lbs. of phosphorous allocation in Chatfield Reservoir.
3. The Parties will work collaboratively and provide reasonable review and approval rights as the design advances. No Party will unreasonably withhold approval to advance the design of the CBWRF.
4. Dominion will be provided reasonable review and approval rights for the CMAR.
5. Dominion will process the applicable CDPHE permits for the new Plant under Dominion's name with Castle Rock's participation and cooperation. A permitting strategy will be mutually agreed on by the parties. Castle Rock will maintain sole discretion over when and whether treated effluent can be discharged to CRR1/CRR2 once a permit has been received for this discharge. This is to protect in case our advanced treatment plant is down or some other issue arises where Castle Rock does not want the reuse water in our drinking water reservoirs. This means the discharge to the South Platte or to Roxborough's lift station and force main must be in place before the system can start receiving wastewater. Castle Rock will pay the design and permitting costs as part of its ARPA funding. Discharge permitting for the Plant is a priority. Dominion and Castle Rock will work together towards getting both permits as quickly as possible so as to provide at least one discharge point for the plant in the shortest possible timeframe. The Parties will mutually agree on a strategy for permitting and potential additional costs for treatment due to anticipated more stringent discharge parameters due to CDPHE regulations, associated with discharging water to CRR2 and/or CRR1. In the interim, Dominion will maintain adequate capacity in the current Roxborough discharge lift station to South Platte Renew ("SPR") to allow for the wastewater system to proceed to construction and connect customers. For the avoidance of doubt, Dominion will make available capacity to near-term users along the E-85 corridor including Louviers Water and Sanitation District, the Range, and CORE until the plant is completed in Dominion's

capacity to deliver wastewater to SPR that is managed based on peaking. If the plant completion is delayed or the peaking capacity exceeds Dominion's capacity within the delivery system to SPR, the parties will meet to discuss and identify solutions such that any capacity along the E-85 corridor does not impair Dominion's service to CAB. Dominion has sole authority to determine if that capacity is exceeded and Dominion would be in breach of said contracts.

6. There will be at least two discharge points, for the intention of capturing return flows, incorporated into the design including one to the S. Platte River and one to CRR1/CRR2.
7. A pump station will be required at the CBWRF to move effluent to the delivery point at CRR2/CRR1, the Moore WTP, or future location to be owned by Dominion, to effectively capture all return flows that can be delivered and used for reuse water by the Parties. The pump station will be jointly owned and operated by the Parties. Dominion will provide a site for the pump station based on the design and site layout for the full build out of the CBWRF. The pump station will be designed and constructed such that future expansion for use by Dominion and Castle Rock can be accomplished cost effectively. Future capacity will include S. Platte River water rights, return flows and storage rights in Chatfield Reservoir.
8. Dominion will have the right to use the full capacity of the CBWRF unless and until the County Capacity is on-line and wastewater flows are being conveyed to the CBWRF. In no event, will Castle Rock give Dominion less than 12 months' notice to anticipate cessation of using the County's capacity for new development or redevelopment based upon realized flows. Existing customers (fully developed property as of January 1, 2023) will be able to access the County Capacity when they are connected with seven days' notice to allow for Dominion to complete any operational modifications to allow for effective conveyance of wastewater flows to the CBWRF. This notice is not intended to prohibit connection and said connection will not be denied by Dominion.
9. After construction of the CBWRF, title and ownership of the CBWRF will be conveyed to Dominion. The County Capacity will be reserved and administered by Castle Rock
10. Dominion will determine the wastewater rates for the Plant operations and the rates that will be charged to Castle Rock. These rates will be in addition to Castle Rock's rates and fees, to include extra-territorial charges, for County users along the E-85 Corridor. All rates and fees will be based upon a rate study which will include a cost of service analysis. Castle Rock and

Dominion agree to pursue a transition period for rates to serve existing development as of January 1, 2023 versus new development along the corridor with an appropriate transition period for existing development. Dominion and Castle Rock agree that rates and fees will be updated on an annual basis in accordance with a rate study which will include a cost of service analysis, with notice of any increase in rates and fees provided to all of Dominion's wholesale customers, to include Castle Rock and CAB. Notice of the annual rate setting process will be provided by Dominion when the process is initiated.

New users that exceed the County Capacity may request service from Castle Rock who may agree to serve, existing development, new development or redevelopment subject to: 1. Satisfaction of Dominion's and Castle Rock's Rules and Regulations, 2. Satisfaction of Dominion's and Castle Rock's Terms of Service, 3. Payment of any system development fees identified by Castle Rock and Dominion as necessary for service, 4. Completion of any Necessary Improvements identified by Castle Rock and Dominion where those improvements impact Dominion's infrastructure 5. Any new development's or redevelopment's source of water is renewable water as determined by the Parties (which for the avoidance of doubt, re-used effluent with an influent groundwater source will not be considered renewable water), 6. Capacity can be made available in all aspects of the wastewater infrastructure including meeting regulatory limits and providing for phosphorus allocations, 7. These provisions can be updated at any time subject only to agreement of both Parties. In the event that Castle Rock and Dominion can serve new development or redevelopment beyond the County Capacity, along the corridor, rates and fees shall be determined by the Parties using the same basic methods as for existing customers using the system.. Initial estimated sewer treatment costs will be co-developed by Dominion and Castle Rock during construction of the plant. These estimated treatment costs will be shared with Douglas County during the construction of the CBWRF.

In addition, Dominion and CAB will provide an analysis of the existing system capacity that has been contributed in their respective systems for the purposes of determining the in-kind contribution towards the E-85 wastewater project. Said in-kind contribution may be charged to new development as part of Castle Rock's system development fees as determined by the Parties. Additional costs to design and construct additional capacity in the CBWRF may be paid through Dominion's Sterling Ranch Wastewater Enterprise Fund based on identification of the additional cost beyond the construction of the CBWRF and County Capacity. The determination to agree and fund those costs are solely in the discretion of the Dominion Board.

11. Dominion will maintain adequate capacity in the Roxborough lift station and SPR to use this system for emergency conditions, and the discharge, handling and treatment of solids generated at the CBWRF. Said capacity within this system is based on peak flows, in no circumstance should flows exceed peak capacity within the system. Should in the future regulations change and SPR no longer agrees to take, handle and treat solids in a financially acceptable manner Dominion will advance plans for future solids handling and treatment at the CBWRF in cooperation with Castle Rock.

**Wastewater System
Development Fees:**

In return for the ARPA funding, Castle Rock and the County will have pre-purchased system development fees (tap fees) for the County Capacity. The parties agree to use the system, and such usage will be subject to Castle Rock's and Dominion's Rules and Regulations regarding operation of the system, but all system development fees for the County Capacity will have been already deemed paid for by the ARPA funding. Castle Rock will set the system development fees for the County Capacity for new development and redevelopment in the Service Area based off of the cost of the system developed for the County Capacity which may include some portion of the in-kind contribution by CAB and Dominion in their system as determined by the Parties. Castle Rock will not charge system development fees for the County Capacity for development existing in the Service Area as of January 1, 2023. For development existing in the Service Area as of January 1, 2023 which connects after the County Capacity has been used, Castle Rock and Dominion will set system development fees based on the availability of capacity and a rate study which will include a cost of service analysis. Dominion will rely on its Rules and Regulations for development of system development fees in Dominion infrastructure for customers in the corridor over and beyond the initial County Capacity. Dominion will provide Castle Rock with planning level estimates of these system development fees. Castle Rock will use Dominion's system development fees as part of an overall system development fee for customers in the service area that request and are approved by the Parties for service. Castle Rock will develop system development fees for assets not owned by Dominion and add an extraterritorial surcharge and create an overall fee. The Parties understand that the County and the parties will waive system development fees for the County Capacity for existing fully developed property as of January 1, 2023. For new development or redevelopment, the parties understand that the County will support the parties charging system development fees to support improvements and expansions of infrastructure and to payback

existing investments in the infrastructure by the Parties. The Parties will agree to serve new development or redevelopment and allow them to connect to the system where the developer agrees to pay the full system development fees and make any improvements to infrastructure that Castle Rock identifies, in collaboration with Dominion should connection impact Dominion's existing facilities or ability to effectively convey or treat wastewater in the future, as required for connection for the County Capacity. The parties understand and agree that system development fees for new development or redevelopment connected under the County Capacity may be different than system development fees for new development or redevelopment beyond the initial County Capacity. In addition, for new development and redevelopment tying on after the County Capacity said development will be required to have renewable water supply as determined by the Parties.

Return Flows:

In the event Dominion is the wholesale water provider to a District / Provider along the E-85 Corridor, Dominion shall own and retain all return flows for its use. If Dominion is not the provider of water services, Castle Rock shall retain the return flows as a condition of service to County users. Dominion will agree to sell Castle Rock at a price negotiated by the parties for the return flows from Sedalia and Louviers (if not already purchased by Castle Rock) if Dominion provides water services to those retail providers. Dominion will give Castle Rock a Right of First Offer if Dominion ever elects to sell its return flows to other retail water providers (for the avoidance of doubt, Dominion using return flows to provide service to retail users does not constitute selling return flows).

Until Dominion builds its South Platte Diversion, and as capacity in Castle Rock's system is available, and in Castle Rock's sole discretion, Castle Rock will be willing to provide treated reuse water back to Dominion at a cost to be developed based on a reasonable cost of service plus extraterritorial charges.

Castle Rock will provide Dominion with the opportunity to purchase capacity in the Ravenna line that will be used to convey return flows for reuse within Douglas County to CRR2/CRR1. If Dominion purchases capacity in the Ravenna line, Castle Rock will work with Dominion to identify a future connection point to the Ravenna line that works from an engineering standpoint that will take Dominion's reuse water to the Moore WTP or other future location determined by Dominion, said infrastructure beyond the connection point to be owned by Dominion. Castle Rock will maintain ownership of the Ravenna line and will also use capacity to convey return flows to CRR2 and/or CRR1.

ARPA Funding:

This term sheet is conditioned upon the Board of County Commissioners of the County allocating a minimum of \$26.8 million of ARPA funding towards a wastewater solution along the E-85 Corridor. The \$26.8 million will fund the Project as outlined in this Term Sheet and to be codified in the E-85 Wastewater IGA between the Parties. Castle Rock will control the funds and fund invoices for the project, prepare a budget, and Dominion will have the right to review and approve the project budget which approval shall not be unreasonably withheld. Dominion may agree to pay Castle Rock to increase the size of the CBWRF in Dominion's sole discretion. These payments will be based on the project budget and projected spend for the CBWRF and the capacity ratios between the parties in the CBWRF's first phase.

Plant Operations:

Dominion will apply for a permit from CDPHE to discharge treated effluent to the South Platte River. Dominion will operate the system such that water can be delivered to CRR1 and/or CRR2. The Parties will design the plant with the design engineer to meet the effluent standards imposed by CDPHE. Dominion will operate the Plant to meet those permitted requirements. Dominion will consider contracting plant operations to Plum Creek Water Reclamation Authority or Castle Rock Water.

South Platte Diversion:

Castle Rock will support Dominion's permitting process for a diversion structure on the South Platte River. Castle Rock will be given the opportunity but is in no way required to fully partner with Dominion in the design, construction and capacity of the diversion. In the future and if Castle Rock does not partner with Dominion in the diversion, Dominion will have the option, in its sole discretion, to deliver Castle Rock's portion of the effluent either directly from the Plant or off of Dominion's South Platte Diversion.

Additional Components of the Project to be completed as funding allows:

System Development Fees from new development and redevelopment that are paid for as part of the County Capacity will be used to help fund construction of the following project components in order of priority:

1. Design and construction of a minimum of 0.4 MGD of reuse water pump station if not already constructed with the ARPA funding.
2. If it is estimated at any point that actual wastewater flows may approach or exceed the actual capacities that Dominion has provided in the CAB gravity sewer line or the Titan Road Lift Station, then

additional capacity up to the full 0.2 MGD of average daily flow (including the associated peaking needs) will be designed and constructed as the next priority after the water pump station in 1.

3. Design and easement acquisition for the gravity sewer main running south past Sedalia as approximately shown in the original Diamondback studies.
4. Construction of the gravity sewer main running south past Sedalia as approximately shown in the original Diamondback studies.
5. Expansion in capacity in the CBWRF.
6. Preliminary design for future construction, if warranted, to connect the Louviers lift station force main directly to the Titan Road lift station. Easements will also be acquired for this forcemain alignment along Moore Road. If this line is the answer used to address capacity issues in the CAB gravity line to get to the full 0.2 MGD of average day flow capacity, then this item would move to item 2.
7. Preliminary design of an expansion to the Titan Road Lift Station to be constructed in the future as warranted. If this item is needed to get to 0.2 MGD of average day flow (to include associated peaking) for the County Capacity, then this item will move to item number two.

**Order of Priority for
ARPA Funding:**

The parties agree that the order of priority for funding for the ARPA funds will be as follows: design and construction of Louviers Lift Station 0.2 MGD capacity, design and construction of force main from Louviers Lift Station to CAB collection system, design and construction of the site improvements (demolition, grading, major piping, electrical to allow full build out of the plant) for up to 0.8 MGD of the CBWRF, design of up to 0.8 MGD of full treatment capacity in the CBWRF, construction of 0.4 MGD of full treatment capacity (with final sizing dependent on availability of phasing of capacity, value of in kind contributions from Dominion and availability of funds), design and construction of a minimum of 0.4 MGD of reuse water pump station, design and construction of peaking treatment and conveyance capacity associated with the County Capacity in the CAB gravity sewer and the Titan Road Lift Station, design of the gravity collection system south of Louviers, easement acquisition for the gravity collection system south of Louviers, design of a force main extension along Moore Road, procurement of easements for the force main along Moore Road, and design of an expansion to the Titan Road lift station. It is agreed between the parties that the first priority of the sizing of the plant components must be to allow us to complete a working 0.4 MGD

system within the ARPA funding that does not prevent the cost-effective expansion of the plant to full buildout.

Non-Binding:

This Term Sheet summarizes the major deal points that would form the basis of a more definitive E-85 Wastewater IGA. Each party acknowledges that these terms and any final E-85 Wastewater IGA would be subject to the final review and approval of their board or council.

If this Term Sheet is acceptable, please execute and return a copy to my attention. Once Castle Rock and Dominion have approved and signed Dominion will provide a draft of the E-85 Wastewater IGA and circulate a draft to Castle Rock and CAB for their review. We look forward to working with you to bring wastewater service to the E-85 corridor.

Sincerely,

DocuSigned by:

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Andrea Cole

General Manager, Dominion Water & Sanitation District

AGREED:

Mark Marlowe
Director of Castle Rock Water

Date: _____