



STAFF REPORT

To: Honorable Mayor and Members of Town Council

Through: David L. Corliss, Town Manager

From: Mark Marlowe, P.E., Director of Castle Rock Water
Mark Henderson, P.E. Assistant Director of Castle Rock Water
Lauren Moore, Water Resources Manager

Title: **Resolution Approving the Amended and Restated Intergovernmental Agreement (IGA) for Water Service between the Dominion Water and Sanitation District, Acting in its Capacity as a Water Activity Enterprise, and the Town of Castle Rock, Acting Through the Town of Castle Rock Water Enterprise** *[Castle Rock Water's distribution and transmission system inside the Town of Castle Rock to connection on the Northwest side of Town at the edge of unincorporated Douglas County, Colorado]*

Executive Summary

Castle Rock Water (CRW) is seeking Town Council approval of a Resolution (***Attachment A***) amending and restating the 2016 Firming Service Water Service Intergovernmental Agreement (IGA) (see ***Exhibit 1***) between Castle Rock and Dominion Water and Sanitation District (Dominion). The purpose for amending and restating this agreement is to clarify the mechanics and accounting and billing aspects of the agreement, improve the understanding of the implementation of the agreement between the parties, clarify how the 2014 IGA and this amended and restated Firming Service IGA work together, update the agreement to reflect the final resources that are the subject of the agreement, and revise and simplify the approach for Dominion to replace their non-renewable water supply over time.

The key purpose of this Firming Service IGA is to provide Dominion with a water supply to firm the first 700 acre feet (AF) of their WISE subscription (WISE 700). In exchange for this service, Dominion has provided a non-renewable water resource, paid and continues to pay system development fees to CRW, contributed funding to capital assets for CRW, and committed to replace the non-renewable water resource over time with a renewable resource through funding to CRW.

Key aspects of the amended and restated IGA include:

- Creating consistency and clarity between the 2014 IGA and the Firming Service IGA in water accounting in accordance with an accounting spreadsheet that is an exhibit to the Firming Service IGA;
- Clarifying that billing and accounting will occur on a monthly basis and will be based on the WISE water year, with an annual reconciliation in July of each year;
- Formalizing the capacity limitations in the Firming Service IGA (0.685 million gallons per day capacity cap and 700 AF per year maximum firming);
- Restating the remaining system development fees to be paid by Dominion which account to \$753,500 and the timeframe for payment (5 years)'
- Clarifying the rates associated with each type of water supply in the 2014 and Firming Service IGAs; and
- Creating a revised and simplified approach to replacement of the non-renewable water supply Dominion dedicated to CRW and attaching that replacement to the percent usage annually of the total allowed withdrawal (also known as the total legal supply available) from the non-renewable wells Dominion originally provided. The replacement calculation is based on CRW's most current renewable Water Resources System Development Fee and includes a 25% surcharge.

The rate that Castle Rock will charge Dominion for Firming Service is \$6.17 per 1,000 gallons under the current year's rate. The calculation of the rate will continue to be updated on an annual basis. Dominion began taking deliveries under the 2014 IGA in May 2025 and utilized the Firming Service IGA in November 2025, when WISE was offline for annual maintenance activities.

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

On December 11, 2013, CRW Water Commission recommended approval of the 2014 Water Service IGA by Council.

On January 7, 2014, Town Council approved the 2014 Water Service IGA.

On August 24, 2016, CRW Water Commission recommended approval of the 2016 Firming Service IGA by Council.

On September 29, 2016, Town Council approved the 2016 Firming Service IGA.

On May 21, 2019 Town Council approved the First Amendment to the 2014 Water Service IGA.

On April 15, 2025, Town Council approved the Second Amendment to the 2014 Water Service IGA.

On July 23, 2025, CRW Water Commission recommended approval of the Amended and Restated Firming Service IGA by Council.

Discussion

CRW has two agreements related to moving water supplies through our distribution and transmission system for Dominion Water, the 2014 Water Service IGA and the 2016 Firming Service Agreement. The Firming Service IGA also provides actual firming water supplies to Dominion during times when WISE water may not be available. CRW is proposing an amended and restated Firming Service Agreement to clarify aspects of the 2016 version and ensure compatibility with the 2014 Water Service IGA. The 2014 Water Service IGA started to move water last year in May. Per the 2014 Dominion Wheeling IGA, Dominion will have the ability to move up to 4.0 million gallons per day (MGD) of their water through the Town's system and other facilities shared by the Town and Dominion up to a maximum annual total of 4,500 AF. The Firming Service IGA requires CRW to provide up to 0.685 MGD of additional water supply up to a maximum annual amount of 700 AF.

Under the Firming Service IGA, Dominion provided CRW with 400 AF of non-renewable groundwater supply with water banking provisions for an annual supply up to 700 AF. CRW has been able to utilize these supplies since they were dedicated in 2016 and added to CRW's combined well field water rights decree. In November 2025, CRW was able to use this supply for Dominion, securing deliveries to Dominion when WISE was offline for several weeks due to maintenance activities at Aurora's Binney WTP. Water delivered to Dominion through the 2014 Water Service IGA and the Firming Service IGA is supplied to Dominion at the Dominion connection point (located on the northwestern side of Town, near Atrium drive and Highway 85, which feeds into Dominion's Eastern Regional Pipeline). Dominion's water supplies are received through CRW's WISE connection, see **Attachment B**.

As part of the Dominion Firming Service IGA, Dominion was required to provide non-renewable water supply, system development fees and funding for CRW capital assets. The water supply was provided in 2016. Since signing of the IGA, Dominion has made the following payments as part of the IGA - \$5,834,642.50 total received.

- Initial Payment: \$3,000,000, paid 11/22/2017
- Wells Payment (Founders wells 226 and 227): \$1,937,192.89, paid 9/24/2019
- ASR Wells Payment (RW wells 232 and 233): \$897,449.61, paid 10/3/2022

Dominion has a remaining balance of \$753,500 in system development fees through the Firming Service IGA to be paid over the next five years. In exchange for the firming service CRW provides through this IGA, CRW gets the following additional benefits:

- Dominion pays for transmission of all water supplies through our system with a 5% loss provided to CRW;
- For any WISE 700 water retimed by Dominion in CRW's system, CRW receives a 10% provision of the renewable water supply for use and reuse to extinction at no cost; and
- Dominion pays for all firming supplies at a competitive retail rate which will provide revenues to CRW and better utilize capital assets.

All firming service water supplies must be replaced over time by Dominion, as used, by paying our renewable water resources fee plus a 25% surcharge.

Budget Impact

The Firming Service Agreement has positive impacts to the Water Resources budget by providing a number of revenue streams as noted in the Discussion section.

Staff Recommendation

Staff recommends Town Council approve the amended and restated Firming Service IGA.

Proposed Motion

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

Alternative Motions

"I move to approve the resolution as introduced by title, with the following conditions: (list conditions)."

"I move to continue this item to the Town Council meeting on _____ date to allow additional time to (list information needed)."

Attachments

Attachment A: Resolution
Exhibit 1: Amended and Restated IGA
Attachment B: Map of Dominion Connections