

CON-2024-0512



TOWN OF CASTLE ROCK EQUIPMENT AND SERVICES ACQUISITION AGREEMENT (AI Hydrant Leak Detection – CRW)

DATE: 12/20/2024 | 1:33 PM MST

PARTIES: **TOWN OF CASTLE ROCK**, a Colorado municipal corporation, 100 N. Wilcox Street, Castle Rock, Colorado 80104 (“Town”).

DIGITAL WATER SOLUTIONS, INC., an Ontario corporation, 650 Woodlawn Road West, Block C, Unit 4, Guelph, Ontario, Canada N1K 1B8 (“Contractor”).

RECITALS:

I. The Town may authorize a Sole Source purchase if: (1) the product or service has been formally awarded to a vendor by the State of Colorado, MAPO, or other cooperative purchasing group and the product meets the needs of the Town; (2) the product or service is of a unique nature, or allows for standardization with existing equipment and will provide exceptional value to the Town; or (3) the Town currently has a contract in place with a vendor for like products or services.

II. The Town hereby engages Contractor pursuant to its Sole Source policy to provide the services and equipment more fully described in the following Agreement and Exhibits.

TERMS:

1. **Scope of Work.** Contractor shall perform all of the services and provide all materials, goods, products, equipment, and or deliverables as set forth on ***Exhibit 1*** (“Work”). Contractor shall deliver all materials, goods, products, equipment and or deliverables at the location specified by the Town, by the date mutually agreed upon by the Parties, but in no event no later than the expiration of the Term of the Agreement. Contractor shall complete the Work consistent with standards and practices of the profession.

2. **Payment.** The Town’s total obligation to Contractor under this Agreement for the Work shall not exceed **\$89,444.00**, including for transportation and or delivery expenses, unless authorized in writing by the Town. Contractor shall invoice Town for the Work rendered in accordance with the rate and fee schedule set forth in ***Exhibit 1***. Town may withhold payment in whole, or in part, for the Work found by the Town to be defective, untimely, unsatisfactory, or otherwise not conforming to this Agreement, not in conformance with all applicable federal, state, and local laws, ordinances, rules and regulations, or if Contractor is in default of the Inspection and Warranty Section herein, below. The Town shall not be required to pay for disputed Work until the dispute is resolved. Subject to the foregoing, Town shall remit payment to Contractor, whether in whole or in part within thirty (30) days of receipt of such invoice.

3. **Term.** Contractor understands time is of the essence in this Agreement. The term of this Agreement shall commence upon execution of this Agreement and expire on **June 30, 2025** (the “Term”). The Parties may mutually agree to extend the Term of this Agreement under the same terms and conditions by executing a written amendment to this Agreement prior to June 30, 2025. Nothing in this Section prohibits the Parties from amending the payment section and/or incorporating an updated rate and fee schedule should the Parties elect to extend the term of the Agreement. Contractor shall devote adequate resources to assure timely completion of the Work in accordance with the standards specified in this Agreement. Contractor shall perform the Work under this Agreement using a standard



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of care, skill and diligence ordinarily used by reputable professionals performing under circumstances similar to those required by this Agreement.

4. **Termination.** Town shall have the right to terminate this Agreement with or without cause at any time with ten (10) days' written notice to Contractor. The Town's only obligation in the event of termination shall be payment of fees and expenses incurred up to and including the effective date of termination. Upon termination, Contractor shall immediately turn over all work product, materials, and/or deliverables created up to the point of termination.

5. **Subcontractors.** Contractor may utilize subcontractors to assist with specialized services/work as necessary to complete the Work. Contractor will submit any proposed subcontractor and the description of subcontractor services/work to the Town for its prior approval.

6. **Inspection and Warranty.** Town reserves the right to inspect the Work provided under this Agreement at all reasonable times and places during the term of this Agreement. Alternatively, the Town may refuse the Work and cancel all or any part of this Agreement if Contractor fails to deliver all or any part of the Work in accordance with the terms and conditions of this Agreement. Failure by the Town to inspect and test the Work shall not relieve Contractor of such responsibility. Any acceptance by the Town shall not be deemed a waiver or settlement of any defect or nonconformity in such Work. If Town elects to accept nonconforming or defective Work, Town, in addition to its other remedies, shall be entitled to deduct a reasonable amount from the price thereof to compensate Town for the nonconformity or defect. Contractor expressly warrants that all materials, goods, products, and/or equipment furnished under this Agreement shall be free from defects in materials or workmanship, are installed properly and in accordance with the manufacturer recommendations or other industry standards, and will function in a failure-free manner for a period of one (1) year from the date of delivery or installation. Contractor shall, at its option, repair or replace any materials, goods, products, and/or equipment provided under this Agreement to the Town that fail to satisfy this warranty during the warranty period. Additionally, Contractor agrees to assign to the Town all written manufacturer warranties relating to the supplies, materials, goods, products, and/or equipment and to deliver such written warranties to the Town.

7. **Risk of Loss.** With respect to any materials, goods, products, and/or equipment provided under this Agreement, risk of loss shall not pass to the Town until such materials, goods, products, and/or equipment has been received and accepted by the Town, pursuant to the Inspection and Warranty Section herein, above, at the destination specified by the Town. Contractor assumes full responsibility for packing, crating, marking, transporting, and liability for loss or damage in transit, notwithstanding any agreement by the Town to pay freight, express or other transportation charges.

8. **Annual Appropriation.** The continuance of this Agreement is contingent upon the appropriation of funds to fulfill the requirements of the Agreement by the Town. If the Town fails to appropriate sufficient monies to provide for the continuance of the Agreement, the Agreement shall terminate on the final day preceding the date of the beginning of the first fiscal year for which funds are not appropriated. The Town's only obligation in the event of termination shall be payment of fees and expenses incurred up to and including the effective date of termination.

9. **Assignment.** This Agreement shall not be assigned by Contractor without the written consent of the Town.

10. **Notice.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed to have been sufficiently given for all purposes if sent by certified mail or registered mail, postage and fees prepaid, addressed to the Party to whom such notice is to be given at the address



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set forth on the first page of this Agreement, or at such other address as has been previously furnished in writing to the other Party or Parties. Such notice shall be deemed given when deposited in the United States mail.

11. **Insurance.**

A. **General Conditions:** Contractor agrees to secure, at or before the time of execution of this Agreement, the following insurance covering all operations, goods or services provided pursuant to this Agreement. Contractor shall keep the required insurance coverage in force at all times during the term of the Agreement, including any extension thereof, and during any warranty period. The required insurance shall be underwritten by an insurer licensed or authorized to do business in Colorado and rated by A.M. Best Company as "A-VII" or better. Each policy shall require notification to the Town in the event any of the required policies are cancelled or non-renewed before the expiration date thereof. Such written notice shall be sent to the Parties identified in the Notices section of this Agreement. Such notice shall reference the Town. Said notice shall be sent thirty (30) days prior to such cancellation or non-renewal unless due to non-payment of premiums for which notice shall be sent ten (10) days prior. If such written notice is unavailable from the insurer, Contractor shall provide written notice of cancellation, non-renewal and any reduction in coverage to the Town by certified mail, return receipt requested within three (3) business days of such notice by its insurer(s). Contractor shall be responsible for the payment of any deductible or self-insured retention. The insurance coverages specified in this Agreement are the minimum requirements, and these requirements do not lessen or limit the liability of the Contractor. The Contractor shall maintain, at its own expense, any additional kinds or amounts of insurance that it may deem necessary to cover its obligations and liabilities under this Agreement. All commercial and automobile liability policies shall have the following additional provisions:

- Severability of interests or separation of insureds provision;
- Provision that coverage is primary and non-contributory with other coverage maintained by the Town;
- The underlying Agreement is an "insured contract" under the policy;
- Defense costs shall be outside the policy limits for liability coverage.

B. **Proof of Insurance:** Contractor may not commence services or work relating to this Agreement prior to placement of coverages required under this Agreement. Contractor certifies that the certificate of insurance attached as ***Exhibit 2***, preferably an ACORD form, complies with all insurance requirements of this Agreement. The Town's acceptance of a certificate of insurance or other proof of insurance that does not comply with all insurance requirements set forth in this Agreement shall not act as a waiver of Contractor's breach of this Agreement or of any of the Town's rights or remedies under this Agreement. Each certificate shall identify the Project and shall provide that coverage afforded under the policies shall not be cancelled, terminated or materially changed until at least 30 days prior written notice has been given to the Town. If the words "endeavor to" appear in the portion of the certificate addressing cancellation, those words shall be stricken from the certificate by the agent(s) completing the certificate. The Town may require additional proof of insurance, including but not limited to policies and endorsements.

C. **Additional Insureds:** For Commercial General Liability and Automobile Liability, Contractor and subcontractor's insurer(s) shall include the Town, its elected and appointed officials, officers, employees, agents and volunteers acting within the course and scope of their duties for the Town as additional insured.



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D. **Waiver of Subrogation:** For all coverages required under this Agreement, Contractor's insurer shall waive subrogation rights against the Town, its elected and appointed officials, officers, employees, agents and volunteers acting within the course and scope of their duties for the Town.

E. **Subcontractors:** Contractor shall confirm and document that all subcontractors (including independent contractors, suppliers or other entities providing goods or services required by this Agreement) procure and maintain coverage as approved by the Contractor and appropriate to their respective primary business risks considering the nature and scope of Work provided.

F. **Workers' Compensation Insurance:** Contractor shall maintain Workplace Safety Insurance Board insurance for all of its employees/agents performing Work under this Agreement.

G. **Commercial General Liability:** Contractor shall maintain a Commercial General Liability insurance policy with minimum limits of \$1,000,000 for each occurrence and \$2,000,000 products and completed operations aggregate, and \$2,000,000 general aggregate (per project). The policy shall provide coverage for all claims for bodily injury, property damage (including loss of use), products and completed operations, and contractual liability.

H. **Automobile Liability:** Contractor shall maintain Automobile Liability with minimum limits of \$1,000,000 combined single limit applicable to all owned, hired and non-owned vehicles used in performing work under this Agreement.

I. **Technology Errors & Omissions:** Contractor shall maintain Technology Errors and Omissions insurance including network security, privacy liability and product failure coverage with minimum limits of \$1,000,000 per occurrence and \$1,000,000 policy aggregate. The policy shall be kept in force, or a Tail policy placed, for three (3) years.

12. **Colorado Governmental Immunity Act.** The Parties understand and agree that the Town is relying on, and does not waive or intend to waive by any provision of this contract, the monetary limitations or any other rights, immunities, and protections provided by the Colorado Governmental Immunity Act, §24-10-101, *et seq.*, C.R.S., as from time to time amended, or otherwise available to Town, its officers, or its employees.

13. **Indemnification.** Contractor expressly agrees to indemnify, defend and hold harmless Town or any of its officers, agents or employees from any and all claims, damages, liability, or court awards including attorney's fees that are or may be awarded as a result of any loss, injury or damage sustained or claimed to have been sustained by anyone, including, but not limited to, any person, firm, partnership, or corporation, to the extent caused by the negligent acts, errors or omissions of Contractor or any of their employees or agents in performing Work pursuant to this Agreement. In the event that any such suit or action is brought against Town, Town will give notice within ten (10) days thereof to Contractor. These defense and indemnification obligations shall survive the expiration or termination of this Agreement.

14. **Delays.** Any delays in or failure of performance by any Party of the obligations under this Agreement shall be excused if such delays or failure are a result of acts of God, fires, floods, strikes, labor disputes, accidents, regulations or orders of civil or military authorities, shortages of labor or materials, or other causes, similar or dissimilar, which are beyond the control of such Party.

15. **Additional Documents & Entire Agreement.** The Parties agree to execute any additional documents or take any additional action that is necessary to carry out this Agreement. Further, this Agreement represents the entire agreement between the Parties and there are no oral or



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collateral agreements or understandings. This Agreement may be amended only by an instrument in writing signed by the Parties. If any other provision of this Agreement is held invalid or unenforceable, no other provision shall be affected by such holding, and all of the remaining provisions of this Agreement shall continue in full force and effect.

16. **Time is of the Essence.** If any payment or any other condition, obligation, or duty is not timely made, tendered or performed by either Party, then this Agreement, at the option of the Party who is not in default, may be terminated by the non-defaulting Party, in which case, the non-defaulting Party may recover such damages as may be proper.

17. **Default and Remedies.** In the event either Party should default in performance of its obligations under this agreement, and such default shall remain uncured for more than ten (10) days after notice of default is given to the defaulting Party, the non-defaulting Party shall be entitled to pursue any and all legal remedies (subject to the following limitations on damages), and recover its reasonable attorney's fees and costs in such legal action. No Party will be entitled to lost profits or incidental, consequential, punitive or exemplary damages in the event of a default.

18. **Waiver.** A waiver by any Party to this Agreement of the breach of any term or provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either Party.

19. **Venue, Choice of Law and Disputes.** Venue for all legal actions shall lie in the District Court in and for the County of Douglas, State of Colorado, and shall be governed by the laws of the State of Colorado as well as the Charter and Municipal Code, rules, regulations, Executive Orders, and fiscal rules of the Town.

20. **Americans with Disabilities Act.** Contractor agrees to ensure that any deliverables, work, services, or equipment developed, designed, constructed or produced pursuant to this Agreement, to include website design services, will comply with all requirements of the Colorado Anti-Discrimination Act, Title II of the Americans with Disabilities Act and, where applicable, Section 504 of the Rehabilitation Act and the Architectural Barriers Act. To the extent any deliverables, work, services, or equipment developed, designed, constructed or produced pursuant to this Agreement fail to comply with the requirements of this Section, Contractor shall indemnify the Town in accordance with the terms of this Agreement and, at the Town's option, shall re-vise, re-construct, or similar, the non-compliant deliverable, work, service, or equipment, or reimburse the Town for the cost associated with bringing the non-compliant deliverable, work, service or equipment into compliance. These indemnification obligations shall survive the expiration or termination of this Agreement.

21. **No Discrimination in Employment.** The Town is a governmental agency and, therefore, in connection with the performance of Work or Services under this Agreement, Contractor shall not refuse to hire, discharge, promote or demote, or to discriminate in matters of compensation against any person otherwise qualified, solely because of race, color, religion, national origin, gender, age, military status, sexual orientation, gender identity or gender expression, marital status, or physical or mental disability, or any other protected class under Federal or State law; and Contractor shall insert the foregoing provision in any subcontracts hereunder.

22. **Title VI Compliance.** To the extent applicable, Contractor shall ensure its current and future compliance with Title VI of the Civil Rights Act of 1964, 42 U.S.C. § 2000d et seq., as amended, which prohibits the exclusion from participation, denial of the benefits of, or subjection to discrimination under programs and activities receiving federal financial assistance, of any person in the United States on the ground of race, color, or national origin.



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23. **Advertising and Public Disclosure.** Contractor shall not include any reference to this Agreement or goods or services provided pursuant to this Agreement in any of Contractor's advertising or public relations materials without first obtaining the written approval of the Town. Nothing herein, however, shall preclude the transmittal of any information to officials of the Town, including without limitation, the Town Attorney, Town Manager, and the Town Council.

24. **Ownership of Documents, Open Records, and Copyright.** Any work product, materials, and documents produced by the Contractor pursuant to this Agreement shall become property of the Town upon delivery and shall not be made subject to any copyright or made confidential or protected in any manner unless authorized by the Town. Other materials, methodology and proprietary work used or provided by the Contractor to the Town not specifically created and delivered pursuant to the Work outlined in this Agreement may be protected by a copyright held by the Contractor and the Contractor reserves all rights granted to it by any copyright. However, Contractor acknowledges and understands that the Town is subject to the Colorado Open Records Act, C.R.S. § 24-72-201, et seq. The Town shall not reproduce, sell, or otherwise make copies of any copyrighted, confidential or protected material, subject to the following exceptions: (1) for exclusive use internally by Town staff and/or employees; or (2) pursuant to a request under the Colorado Open Records Act, C.R.S. § 24-72-201, et seq., to the extent that such statute applies; or (3) pursuant to law, regulation, or court order. The Contractor waives any right to prevent its name from being used in connection with the Work.

Contractor warrants that all Services or Work performed under this Agreement shall comply with all applicable patent, trademark and copyright laws, rules, regulations and codes of the United States. Contractor shall not utilize any protected patent, trademark or copyright in performance of the Work or Services unless Contractor has obtained proper permission and all licenses, releases and other necessary documents. Contractor releases, defends, indemnifies and holds harmless the Town, its officers, agents, and employees from any and all claims, damages, suits, costs, expenses, liabilities, actions or proceedings of any kind or nature whatsoever, of or by anyone whomsoever, in any way resulting from, or arising out of, directly or indirectly, the performance of the Work or Services under this Agreement which infringes upon any patent, trademark or copyright protected by law. These defense and indemnification obligations shall survive the expiration or termination of this Agreement.

25. **Authority.** The individuals executing this Agreement represent that they are expressly authorized to enter into this Agreement on behalf of the Town and the Contractor and bind their respective entities. This Agreement is executed and made effective as provided above.

26. **Independent Contractor.** Nothing herein contained shall ever be construed as to constitute the Parties hereto as a partnership or joint venture. The Parties hereby represent that Contractor is acting in the capacity of an independent contractor with respect to the Town for all purposes under this Agreement. Contractor represents and warrants that Contractor is free from the Town's direction and control in the performance of Contractor's obligations under this Agreement and that Contractor has an independent business doing the specific type of work or services which are the subject of this Agreement. More specifically, Contractor represents and warrants that the Town does not control what work or services Contractor will perform or the manner in which such work or services will be performed. Contractor is not covered by any worker's compensation insurance or any other insurance maintained by the Town except as would apply to members of the general public. Contractor shall not create any indebtedness on behalf of the Town.

27. **No Third-Party Beneficiaries.** It is expressly understood and agreed that enforcement of the terms and conditions of this Agreement, and all rights of action relating to such enforcement, shall be strictly reserved to Town and Contractor, and nothing contained in this Agreement shall give or allow any such claim or right of action by any other third party on such Agreement. It is the express



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intention of the Parties that any person other than Town or Contractor receiving services or benefits under this Agreement shall be deemed to be an incidental beneficiary only.

28. **Counterparts & Electronic Signatures.** This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall be deemed to constitute one and the same instrument. Each of the Parties hereto shall be entitled to rely upon a counterpart of the instrument executed by the other Party and sent by electronic mail. Each Party agrees that this Agreement and any other documents to be delivered in connection herewith may be electronically signed, and that any electronic signatures appearing on this Agreement or such other documents are the same as handwritten signatures for the purposes of validity, enforceability, and admissibility.

29. **Licenses/Taxes.** Contractor affirms it is licensed to do business in the State of Colorado and is in good standing. Further, Contractor shall be solely responsible for paying all applicable taxes associated with or arising out of this Agreement.

30. **Confidentiality.** Contractor agrees that it shall treat as confidential all information provided by the Town regarding the Town's business and operations. All confidential information provided by the Town hereto shall be used by Contractor solely for the purposes of rendering Services or Work pursuant to this Agreement and, except as may be required in carrying out the terms of this Agreement, shall not be disclosed to any third party without the prior consent of the Town. The foregoing shall not be applicable to any information that is publicly available when provided or which thereafter becomes publicly available or which is required to be disclosed by any regulatory authority in the lawful and appropriate exercise of its jurisdiction over a Party, any auditor of the Parties hereto, by judicial or administrative process or otherwise by applicable law or regulation.

31. **Addendum A.** Addendum A Town of Castle Rock Data and Information Technology Security Requirements is attached hereto as ***Exhibit 3*** and incorporated herein. The Parties agree to comply with and abide by the requirements set forth therein.

32. **Priority of Provisions.** In the event that any terms of this Agreement and any Exhibit, attachment, or other referenced document are inconsistent, the following order of priority shall control: (1) this Agreement; (2) Exhibit containing Addendum A Town of Castle Rock Data and Information Technology Security Requirements; (3) Exhibit containing Certificate of Insurance; and (4) Exhibit containing the Scope of Work and Fee Schedule.

ATTACHED EXHIBITS:

EXHIBIT 1 – SCOPE OF WORK AND FEE SCHEDULE

EXHIBIT 2 – CONTRACTOR'S CERTIFICATE OF INSURANCE

EXHIBIT 3 - ADDENDUM A TOWN OF CASTLE ROCK DATA AND INFORMATION TECHNOLOGY SECURITY REQUIREMENTS

[SIGNATURE BLOCK TO FOLLOW]



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DS

ATTEST:

DocuSigned by:

Lisa Anderson

Lisa Anderson, Town Clerk



TOWN OF CASTLE ROCK

Signed by:

David L. Cortiss

David L. Cortiss, Town Manager

Approved as to form:

Signed by:

Kaitlin Parker

Kaitlin Parker, Assistant Town Attorney

Approved as to content:

Signed by:

Mark Marlowe

Mark Marlowe, Director, Castle Rock Water

CONTRACTOR: DIGITAL WATER SOLUTIONS, INC.

By:

[Signature]
(Signature)

Tim Sutherns

(Print Name)

Its:

President

(Title)



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EXHIBIT 1

SCOPE OF WORK AND FEE SCHEDULE



File: Town of Castle Rock, CO

Date: Aug 26, 2024

Town of Castle Rock, CO

100 N. Wilcox St.

Castle Rock, CO 80104

Attention: Matthew Hayes

RE: DIGITAL WATER SOLUTIONS INC. – INITIAL DEPLOYMNT SCOPE-OF-WORK/PILOT PROGRAM

Thank you for the opportunity to propose an initial Scope-of-Work/Pilot Program to **Town of Castle Rock, CO** (known as **TOCR**) using the hydrant.AI Device and Platform from **Digital Water Solutions (DWS)**. We are excited to work with you to conduct a study that demonstrates the value of our solution. The following sections detail the overall approach to the program.

Purpose:

The six-month Scope-of-Work/Pilot Program is an offering to all new **DWS** clients to educate utility personnel in the understanding of the **DWS** Device and Platform including the initial system set-up, dashboard navigation, data interpretation and discussions around future deployments.

TOCR permanently owns the units being deployed. **TOCR** will have continuous leak detection/pressure and transient monitoring as long as the annual fees are paid with the option of re-deploying to new areas of study, maintain the units in their current locations or add additional units. The cost of software per year is priced in line-item “hydrant.AI Plus (advanced software services)” of the quote submitted along with this Scope-of-Work/Pilot Program document (constituting the Proposal) reflecting current software/AI pricing. This would be quoted out upon renewal which would come due 365 days after the initial units are deployed, brought online and functioning.

For reference our initial commercialized device/units were deployed in 2018 and are still functioning. Furthermore, our initial prototype units deployed between 2011 and 2018 are also functioning today so **DWS** expects the life of the units to be at least ten years.

DWS intends to conduct this leak detection and pressure study/evaluation by deploying **pressure/acoustic sensor units** within the area identified by **TOCR**. This “pilot period” will span the first **six (6) months** post deployment. The idea being that the “pilot period” can provide data required for pressure studies, transient detection, leak detection and leak localization. This period also provides training and guidance to **TOCR** staff in the early stages of the deployment to gain confidence in the system and how the platform functions.



Leak Detection:

TOCR is seeking a cost-effective and cost-competitive technology for leak detection in the water network (mains and service lines). The “pilot period” will help to validate the effectiveness of the hydrant.AI Device and Platform to identify and isolate leaks in an urban area.

Successful outcome includes confirmation that technology can cover the larger distribution network and reduce manual leak detection efforts. This will show that **DWS** technology can effectively detect leaks within the network at significant distances and provide confirmation of the localization accuracy at these distances, reducing the need to complete manual sweeps which are only effective on the date at which they are undertaken.

During the program **TOCR** will have the *option* of creating simulated “leak events” that will test the parameters of the hydrant.AI Platform. These tests will be completed at varying flow rates from adjacent fire hydrants within the water distribution network. Flow tests will be conducted at the same time over a period of three (3) nights to demonstrate the ability of the solution to identify leaks that develop within the water network. These simulated “leak events” are important to demonstrate the capability of, and gain confidence in, the solution shortly after installation during the “pilot period”. The **DWS** platform will, of course, be monitoring for preexisting and newly forming leaks. The simulated leaks (as well as actual leaks) will also be used to determine localization capabilities of the **DWS** AI.

Pressure Monitoring & Transient Detection:

During the “pilot period” we will demonstrate the ability of the system to capture pressure, transient events, and water temperature readings to assist **TOCR** in observing additional points of value and to better understand pressures and make decisions on optimizing the water system operations.

Business Case/ROI:

The return will be based primarily on leak detection capabilities. Several parameters will be considered including the cost of water per cubic meter, the number of leaks identified by **DWS** (new and existing) and the estimate of duration of any leaks assumed to be potentially non-surfacing. Leak mitigation and extending infrastructure lifespan through pressure monitoring and actions taken as a result of the data is more difficult to quantify but there is an ROI built into such activities as pressure optimization, hydraulic model calibration, leak mitigation and reduced energy consumption.

The Business Case for non-revenue water is based on data from projects conducted with **DWS** clients.

As an example, one such municipality had a (non-surfacing) leak **DWS** identified which ran for more than 10 months. In this case, the assumptions they made regarding the flow rate and cost of water, indicated that they would have realized a savings opportunity in excess of \$75,000 had they reacted within 2-3 weeks of being notified of the developing leak via the hydrant.AI solution. When you consider that many municipalities potentially have multiple leaks of this nature running at any given time, you can see how the investment in the hydrant.AI solution quickly covers the cost of ownership.



[Long Running Leak Case Study](#)

Another example would be the **Regional Municipality of Waterloo (RMOW)** Case-Study cited below published in Trenchless Technology Magazine September 2023 edition. These were service line leaks running at an estimate of five gallon/minute. The data was based on the four leaks **DWS** identified running at a combined volume of 1,000,000 gallons/month. These leaks were estimated to have run for AT LEAST four months (4,000,000 gallons total). It would be impossible to estimate what **DWS** technology might find in any given deployment but even in the case of only a few small leaks it can add up to a tremendous amount of lost water. For example, if **DWS** finds a non-surfacing leak running at 100 gallon/minute then it's obviously 20x the value. At **RMOW** we have found an additional seven leaks and the count is growing. Those results were in the first 6 months of the study in this area. The deployment has been expanded since the initial units went into the field.

[Trenchless Technology RMOW Case Study](#)

Consideration should also be given to the cost savings to the municipalities based on the flexibility to schedule leak repairs during normal operational hours as opposed to emergency maintenance should a leak surface or develop into a full-on break. Main breaks can bring in another array of costs to the city such as damage settlements with the public, damage to other infrastructure (i.e. roads) and softer costs such effect on brand.

Prioritizing re-lining activities or main replacement projects based on the most problematic areas is also a method employed by our clients to dedicate resources to where they are needed the most.

Data & Data Control:

TOCR - and solely **TOCR** owns their data. **DWS** will provide **TOCR** with access to view and download their data through the web dashboard as covered under the software fees.

Requirements

TOCR in consultation with **DWS** will specify the target area for study to maximize effect of pressure data results on the actions the **TOCR** can employ and, if possible, choose an area that also maximizes the potential detection of actual leaks in a known problematic section of the system. **TOCR** has the *option* to conduct anonymous "simulated leaks" which **DWS** will be required to identify.

During the "pilot period" the following information is required, and the following meetings will be conducted. We expect that each meeting will be focused and 60 minutes in duration.

1. **Information Required:** Prior to the installation of the hydrant.AI Devices, **TOCR** will provide a proposed study area where they wish to conduct the program. The area identified will have fire hydrants that match the make/models that are currently supported by **DWS** and that have their traffic flange a minimum of 2-4" above grade. If a GIS map is available that includes the following information (pipe network, pipe diameter & material, and fire hydrant locations) this would facilitate the process of prescribing locations for unit deployment. Sharing GIS is **NOT** a requirement as we can work from a hydrant location PDF and doing a "Google Maps Walk".



2. **Meeting No. 1 – Pre-Installation:** Following receipt of the GIS/mapping information, a pre-installation meeting will be held to discuss the following items.
 - a. Confirmation of specific hydrants to install hydrant.AI Device units within
 - b. Review of installation requirements
 - c. Identification of “simulated leak” tests to be undertaken (optional)
 - d. Review of battery charging and swapping requirements
 - e. Review of H&S requirements associated with the program

3. **Meeting No. 2 – Post-Installation (month 1):** Meeting to review the following items.
 - a. User Interface & adjustable settings
 - b. Setup of pressure transient capture
 - c. Setup of alerts
 - d. Confirm “simulated leak” tests and timing (optional)
 - e. Review data collected to date

4. **Meeting No. 3 – 6 (months 2-5):** Monthly Project Meetings to review the following items.
 - a. Data
 - b. Events Identified during the previous month
 - c. Updates to any settings

5. **Meeting No. 7: Project Review Meeting & Next Steps (end of 6-month period)**
 - a. Program review
 - b. Expansion
 - c. New target areas
 - d. Redeployment

Results & Outcomes:

The expectation is that **DWS** with their hydrant.AI Platform will be able to continuously provide pressure data, identify transients, identify preexisting leaks, developing leaks and all simulated leaks (the latter initiated by the client).

Based on the outcomes during the “pilot period” we intend to summarize the findings in a final report that will include leaks identified, repair data, and general potential savings based on identification of leaks that are repaired before they surface and estimates of run time prior to repair.

We will also work with **TOCR** to identify next steps associated with rolling out the technology to other areas where the solution can provide ongoing benefit to the city.



Program Timeline:

The expected timeline would be a **six (6) month** duration following the unit deployment which would occur within 90 days of receipt of Purchase Order. Meeting No.1 can be conducted during the pre-installation phase. The expectation would be that the set-up meeting and monthly meetings (Meeting No. 2 through 6) would take approximately five months with the final Meeting No. 7 occurring at the end of the six-month "pilot period".

Costing:

Pricing on the initial deployment has been costed out as outlined in detail in the quote document(s) delivered along with this Scope-of-Work/Pilot Program document (the Proposal).



Town of Castle Rock, CO - Initial Deployment

Town of Castle Rock, CO

100 Wilcox Street
Castle Rock, CO 80104
United States

Matthew Hayes
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Reference: 20240826-141831078
Quote created: August 26, 2024
Quote expires: November 24, 2024
Quote created by: Kunle Koleolu
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(226) 899-8142

Comments from Kunle Koleolu

All hydrants into which the units are to be installed are to have been serviced in the last 4-6 weeks and be able to have the lower valve assembly removed and replaced with the new unit.

Hydrants are to have their flange located a minimum of 4" above grade to avoid water pooling at the electronics enclosure.

Products & Services

Item & Description	Quantity	Unit Price	Total
hydrant.AI Device Retrofit - Dry Barrel - hydrant.AI Hydrant Pressure & Acoustic Unit Model 2 - 3 Function Includes: Sensors: Temperature, Pressure & Hydrophone LTE-M Cellular Communication Module	8	\$9,300.00	\$74,400.00

Item & Description	Quantity	Unit Price	Total
<div>hydrant.AI Plus (advanced software services)</div> <div>hydrant.AI Plus Advanced Leak Detection capabilities (leak fingerprinting, finding pre-existing leaks, early leak detection, monitor leak growth) and Advanced Pressure Monitoring (pattern based anomaly detection with AI that adapts and learns from your network).</div> <div>hydrant.AI Plus also includes pressure measuring/monitoring, transient detection/measuring/monitoring, leak detection/autonomous leak detection AI, leak localization/autonomous leak localization AI.</div> <div>This fee also covers data management services per month, per unit. This fee includes cellular data plan charges and includes 25MB data limit, overages subject to additional charges (note that this is quoted on a monthly basis at \$99/unit and billed annually up front at \$1,188.00)</div>	8	\$1,188.00	\$9,504.00
<div>hydrant.AI Device Installation</div> <div>Note that in a single day you can typically install up to 5 units within a reasonable geographic area.</div> <div>This discounted pricing reflects the option to have Town of Castle Rock personnel conduct the installation under the guidance of the DWS Team Lead (on-site). This is a per-diem charge for travel, lodging and time requirements of the DWS staff member. Note that this represents a savings of \$5,600 on the cost of the installation process should a full DWS Deployment Team be required to come on-site (total price for DWS installation \$8,000)</div>	4	\$2,000.00	\$2,400.00 after \$5,600.00 discount
<div>Industrial Battery (20AH)</div> <div>Recommended one spare for every 5 units purchased.</div>	1	\$975.00	\$975.00
<div>Industrial Battery Charger</div> <div>Required for charging and rotating batteries</div>	1	\$250.00	\$250.00
<div>hydrant.AI Data Management Initial Setup</div> <div>One-time client setup fee.</div>	1	\$235.00	\$235.00
<div>Shipping</div> <div>Shipping includes shipping cost to customer location including crates, packaging, brokerage and duties.</div>	8	\$210.00	\$1,680.00

One-time subtotal

\$89,444.00

after \$5,600.00 discount

Total

\$89,444.00

Purchase terms

Shipping costs are INCLUDED in the quote (shipping, crates, packaging and brokerage)

Payment is 50% upon order and 50% net 30 days after installation.

Delivery is 60-90 days from receipt of the purchase order and is dependent on hydrant make/model ordered.

Town of Castle Rock to confirm make/model of hydrant for each unit to be manufactured. DWS has a number of standard hydrants for which we have designed and installed our solution. Should the hydrant be a nonstandard version that cannot be retrofitted we reserve the right to cancel the purchase order.

Warranty on parts is for 12 months (1 year) from the date of shipment of the units assuming normal wear and tear of the unit.

Data fees are calculated monthly and billed annually in advance. The first 12 months are included in the quote.

Questions? Contact me



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Cuelph, ON N1K 1B8
Canada

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EXHIBIT 2

CONTRACTOR'S CERTIFICATE OF INSURANCE

CERTIFICATE OF INSURANCE			Date : December 9, 2024		
AGENT/BROKER HUGH WOOD CANADA LTD. 25 King St. West, Suite 2300 Toronto, ON, M5L 2A1 Tel: (416) 229-6600 Fax: (416) 229-6800		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY, CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER, AND IMPOSES NO LIABILITY ON THE INSURER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.			
		COMPANIES AFFORDING COVERAGE			
		COMPANY A Victor Canada			
		Aviva Insurance Company of Canada 25.00%			
		Temple Insurance Company 20.00%			
		Everest Insurance Company of Canada 20.00%			
		Arch Insurance Canada Ltd. 17.50%			
		XL Reinsurance America Inc. 17.50%			
INSURED: DIGITAL WATER SOLUTIONS INC. 4-650 WOODLAWN RD W GUELPH ON N1K 1B8		COMPANY B Markel Canada Limited Certain Underwriters at Lloyd's 100%			
COVERAGES					
This is to certify that the policies of insurance listed below have been issued to the Insured named above for the policies period indicated notwithstanding any requirement, term or condition of any contract or other document with respect to which this certificate may be issued or may pertain. The insurance afforded by the policies described herein is subject to all terms, exclusions and conditions of such policies.					
CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EXPIRY DATE (MM/DD/YY)	LIMITS OF LIABILITY (in CAD)	
A	COMMERCIAL GENERAL LIABILITY <input checked="" type="checkbox"/> OCCURRENCE <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> PRODUCTS AND/OR COMPLETED OPERATIONS <input checked="" type="checkbox"/> EMPLOYERS LIABILITY (DOMICILED IN CANADA ONLY) <input checked="" type="checkbox"/> CROSS LIABILITY/ SEVERABILITY OF INTEREST <input checked="" type="checkbox"/> BLANKET CONTRACTUAL	TGL616145	05/05/2025	Each Occurrence Limit General Aggregate Limit Each Occurrence Limit – Products – Completed Operations Aggregate Limit – Products-Completed Operations Personal & Advertising Injury Limit Tenants' Legal Liability Medical Expense – Any one person Medical Expense – Each Accident	\$1,000,000. \$2,000,000. \$1,000,000. \$2,000,000. \$2,000,000. \$ 500,000. \$ 5,000. \$ 25,000.
A	<input checked="" type="checkbox"/> NON-OWNED AUTOMOBILE LIABILITY <i>*Additional Insured clauses are not applicable to any form of automobile insurance.</i>	TGL616145	05/05/2025	Inclusive Limits – Bodily Injury & Property Damage Combined – Per Occurrence	\$1,000,000.
B	PROFESSIONAL LIABILITY <input type="checkbox"/> OCCURRENCE <input checked="" type="checkbox"/> CLAIMS MADE	TIP616145	05/05/2025	Per Claim Limit Per Policy Period	\$1,000,000. \$1,000,000.
DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES: RE: AI Hydrant Leak Detection – CRW (CON-2024-0512)					
It is hereby understood and agreed that Town of Castle Rock, its elected and appointed officials, officers, employees, agents and volunteers acting within the course and scope of their duties for the Town are added as an *Additional Insured to the Commercial General Liability policy, but only for the vicarious liability arising from the operations of the Named Insured.					
In the event of any payment under this policy, the company waives its right of recovery against Town of Castle Rock, where such waiver has been included as part of a contractual undertaking by the Insured but, this waiver shall apply only in respect to the specific contract enter into prior to the date of loss existing between the Insured and such principal, and shall not be construed to be a waiver in respect to the other operations of such principal in which the Insured has no contractual interest.					
Commercial General Liability coverage is Primary and Non-Contributory as required by contract.					
CERTIFICATE HOLDER		CANCELLATION			
TOWN OF CASTLE ROCK 100 N. Wilcox Street, Castle Rock, Colorado 80104		Should any of the above described policies be cancelled before the expiration date thereof, the issuing company will endeavor to mail 30 days written notice to the certificate holder named herein, however, failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives.			
ALL LIMITS IN CANADIAN DOLLARS		HUGH WOOD CANADA LTD. PER: <i>Clara Riganelli</i> AUTHORIZED REPRESENTATIVE			



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EXHIBIT 3

ADDENDUM A TOWN OF CASTLE ROCK DATA AND INFORMATION TECHNOLOGY SECURITY REQUIREMENTS

All contractors and consultants doing business with the Town of Castle Rock, Colorado (the “Town”) must comply with applicable Town Data and Information Technology Security Requirements during the term of this Agreement.

Section 1. Personal Information Responsibilities. Contractor/Consultant shall implement and maintain reasonable security procedures and practices in accordance with State of Colorado and Federal privacy laws to protect paper or electronic documents that contain personal identifying information. Contractor/Consultant represents and warrants that it is compliant with applicable laws, which may differ depending on the product or service being provided pursuant to this Agreement.

Section 2. Purchasing Card Industry Compliance. A Contractor/Consultant executing payment processing services on behalf of the Town shall provide the Town with access to documentation of its Purchasing Card Industry Data Security Standard of Attestation of Compliance (PCI-DSS-AOC). Contractor/Consultant shall deliver to the Town, products or services that are explicitly compliant with the PCI-DSS-AOC such that the Town does not need to implement compensating controls to maintain the Town’s PCI-DSS-AOC.

Section 3. Criminal Justice Information Systems (CJIS). A Contractor/Consultant providing public safety-related information technology systems or services to the Town shall deliver products and services that explicitly comply with the Federal Bureau of Investigation’s Criminal Justice Information Services Security Policy.

Section 4. Health Insurance Portability and Accountability Act (HIPAA). A Contractor/Consultant that maintains paper or electronic documents that contain medical or health information shall implement and maintain security procedures and practices in accordance with the Health Insurance Portability and Accountability Act, including all additional provisions and related legislation.

Section 5. Children’s Online Privacy Protection Act (COPPA). A Contractor/Consultant that maintains electronic documents on behalf of the Town that contain information about children under the age of thirteen shall implement and maintain security, consent, and marketing procedures and practices in accordance with the Children’s Online Privacy Protection Act.

Section 6. Hosted Information Technology Services (Software, Data, or Infrastructure.) A Contractor/Consultant providing hosted information technology services for the Town represents and warrants that they employ reasonable security procedures. Upon request, Contractor/Consultant shall provide the Town with documentation regarding such security procedures, to include SOC 2 reports, as well as any industry specific documentation regarding reasonable security procedures. The Town may accept a SOC 2 report as documentation of reasonable security procedures.

Section 7. Confidentiality of Encryption Data. A Contractor/Consultant with access to Town owned encryption keys, certificates, or application program interface (API) keys or, or who generate keys, certificates, or API keys on behalf of the Town shall implement reasonable security practices to protect the confidentiality of such data. Exposure of such data shall be reported to the Town within three business days of the exposure.

Section 8. Data Protection. Contractor/Consultant shall protect, using the most appropriate secure technology and following commercial best practices, Town-provided data or consumer-provided data acquired in the course and scope of this Agreement, including but not limited to customer lists and customer credit card or consumer data, (collectively, the “Town of Castle Rock Data”). The following minimum requirements shall be met:

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- a. Contractor/Consultant shall collect and correlate security events from systems and sensors to identify information security incidents and cyber-attacks.
- b. Contractor/Consultant shall analyze security events to identify cyber-attacks and possible attack methods. Contractor/Consultant shall promptly investigate suspected and confirmed attacks and report same to the Town.
- c. Contractor/Consultant shall implement security monitoring to protect against data leakage, malicious intrusions, and prevent malicious software from being downloaded by users.
- d. Contractor/Consultant shall install and maintain malware protection software on end-user devices and servers to identify malware, malicious code, and unauthorized mobile code.
- e. Contractor/Consultant shall monitor for unauthorized personnel, connections, devices, and software.
- d. Contractor/Consultant shall conduct vulnerable scans against infrastructure and applications in accordance with their risk to the Town, to identify and remediate any security vulnerabilities and misconfiguration.
- f. Contractor/Consultant shall mitigate newly identified vulnerabilities. Any vulnerabilities that cannot be fixed and that could have an impact on the security of confidential information shall be reported to the Town immediately.
- g. Contractor/Consultant shall establish security detection processes that are tested and continuously improved, including clear roles and responsibilities for security monitoring and detection activities.
- h. Contractor/Consultant shall assess security events and suspected events against defined criteria and respond to events in accordance with its potential impact to the Town.

Section 9. Data Breach. If Contractor/Consultant suspects, becomes aware, or reasonably should be aware of any unauthorized access to any Town of Castle Rock Data or personal data by any unauthorized person or third party, or suspects, becomes aware, or reasonably should be aware of any security breach relating to personal data held or stored by Contractor/Consultant in connection with this Agreement (“Data Breach”), Contractor/Consultant shall immediately notify the Town in writing. Contractor/Consultant shall cooperate to the fullest extent with the Town, at Contractor’s/Consultant’s expense, to prevent or stop such Data Breach. In the event of a Data Breach, Contractor/Consultant shall immediately comply with applicable State of Colorado or Federal laws and regulations, and follow commercial best practices to promptly remedy such Data Breach.

Section 10. Indemnification. Contractor/Consultant expressly agrees to indemnify and hold harmless Town or any of its officers or employees from any and all claims, damages, liability, or court awards including attorney’s fees that are or may be awarded as a result of any loss, injury or damage sustained or claimed to have been sustained by anyone, including, but not limited to, any person, firm, partnership, or corporation, to the extent caused by the negligent acts, errors or omissions of Contractor/Consultant or any of their employees or agents arising from:

- a. its obligations under this Addendum;
- b. infringement, actual or alleged, direct or contributory, of any intellectual property rights, including but not limited to, patent, copyright, trademark, trade secret, right of publication, and proprietary information: (i) on or in any design, medium, matter, article, process, method, application, equipment, device, instrumentation, software, hardware, or firmware used by Contractor/Consultant or its sub-contractor/sub-consultant in performing work or services under this Agreement; or (ii) Town’s actual or intended use of any work product furnished by Contractor/Consultant, or its sub-contractor/sub-consultant, under this Agreement.

The rights and remedies of the Town provided in this Addendum are not exclusive and are in addition to any other rights and remedies provided by law or under this Agreement. This provision shall



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survive expiration or termination of this Agreement. In the event that any such suit or action is brought against Town, Town will give notice within ten (10) days thereof to Contractor/Consultant.

Section 11. **Personal Data.** All personal data to which the Contractor/Consultant has access to under this Agreement, will remain the property of the Town. The Town hereby consents to the use, processing and disclosure of personal data only for the purposes described herein and to the extent such use or processing is necessary for the Contractor/Consultant to carry out its duties and responsibilities under this Agreement or as required by law. Contractor/Consultant shall not transfer personal data to any third parties other than through its underlying network provider to perform its obligations under this Agreement. All personal data delivered to Contractor/Consultant shall be stored in the United States or other jurisdictions approved by the Town in writing and shall not be transferred to any other countries or jurisdictions without the prior written consent of the Town.

Section 12. **Data Safeguards.** Contractor/Consultant shall monitor and test its Data Safeguards from time to time in accordance with industry best practices, and further agrees to update its Data Safeguards from time to time in light of relevant circumstances or the results or any relevant testing or monitoring by itself, the Town, or third-parties.