

**FIRST AMENDMENT TO THE
INTERGOVERNMENTAL AGREEMENT
FOR WATER SERVICE BETWEEN 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 ENTERPRISES**

THIS FIRST AMENDMENT TO THE INTERGOVERNMENTAL AGREEMENT (“First Amendment”) is executed this ___ day of ___, 2019, by and between Dominion Water and Sanitation District, acting in its capacity as a Water Activity Enterprise (“Dominion”), and the Town of Castle Rock, a Colorado home rule municipal corporation by and on behalf of the Town of Castle Rock Water Enterprise (the “Town”) (jointly “Parties”).

RECITALS:

- A. **WHEREAS**, the Town and Dominion are parties to the Intergovernmental Agreement for Water Service between 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 dated January 7, 2014 (“IGA”); and
- B. **WHEREAS**, the Town and Dominion are parties to various mutually beneficial intergovernmental agreements under which they share capacity in water treatment and delivery facilities; and
- C. **WHEREAS**, the Parties have determined that it is appropriate to amend the IGA to clarify the Delivery Infrastructure, the method for reimbursing future capital costs associated with the infrastructure, the water transmission rate, and the Notice provision set forth in the IGA.

NOW, THEREFORE, the Parties agree and covenant as follows:

Section 1. Amendment.

- A. The following Sections are amended to update Exhibit references as follows:

First Recital reference to *Exhibit 1* – No Amendment

Section 4: References to *Exhibits 2* and *3* as initial sources of Dominion Water are replaced in their entirety with *Exhibit 2* (Ground Water Supply), *Exhibit 3* (Deliveries of Firming Service Commitment Water) and *Exhibit 4* (WISE Project Water) attached hereto.

Section 4: Reference to *Exhibit 5* – setback areas – No Amendment

Section 6: A new *Exhibit 6* showing the location of the Dominion Delivery Point is hereby added.

Section 8: The rate methodology previously referenced as *Exhibit 4* is hereby re-labeled as *Exhibit 7*.

B. Sections 6 and 15 of the IGA are amended in their entirety to read as follows:

6. Delivery Infrastructure. The planned Inflow Points are identified in *Exhibits 2 and 3*. The WISE Project Inflow Point (see Exhibit 3) has been completed per the Canyons IGA dated November 7, 2017. The Dominion Delivery Point shown on *Exhibit 6* has been determined by the Town based on available infrastructure capacity and operational requirements, and shall be located near the intersection of Promenade Parkway and State Highway 85 (“Initial Dominion Delivery Point”). Additional Inflow Points or Delivery Points may be identified by mutual agreement by revising or supplementing the exhibits to this Agreement. The Parties shall determine in each case which Party will contract to design and construct each Inflow and Delivery Point infrastructure (each, a “System Connection”). All connections, meters and related facilities of a System Connection shall be constructed to Town specifications, including connection to the Town’s SCADA system. The Town shall operate and maintain each Inflow Point, starting at the meter, and each Delivery Point, ending at the meter. The meters shall be calibrated annually. Dominion shall have access to the meters and SCADA readouts.

Per the terms of the Water Infrastructure Design and Construction Cost Sharing Intergovernmental Agreement (‘Cost Sharing Agreement’ dated May 15, 2018), Dominion is designing and constructing the Initial Dominion Delivery Point, and as such, will bear all design and construction costs for the Initial Dominion Delivery Point, without financial participation by the Town. The Town shall grant to Dominion such licenses or easements as may be necessary or desirable to allow construction of the Initial Dominion Delivery Point by Dominion and its contractors. If easements are required from third parties, such easements shall be obtained at Dominion’s expense.

The Parties will share capacity in the WISE Project Inflow Point (see *Exhibit 4*), and potentially in other future Inflow Points. In that case, the Parties’ respective shares of capacity and costs will be determined in a separate agreement based upon relative use and benefit of such Inflow Point.

Future capital expenditures associated with the Outter Marker Road pipeline and appurtenances that are used to transmit Dominion’s WISE flows into the Town’s distribution system will need to be paid for on a pro-rata basis by Dominion. Future capital expenditures for this pipeline are not included in calculating the transmission rate. Per the terms of the Intergovernmental Water Infrastructure Cost Sharing and Capacity Allocation Agreement [Outter Marker Road Waterline] dated June 6, 2017, the Town’s capacity is 10.1 MGD (or 70.63%) and Dominion’s capacity is 4.2 MGD (or 29.37%). Generally, capital expenditures are over \$5,000 and contribute to adding years of useful life to an existing capital asset. Operation and maintenance costs associated with the Outter Marker Road pipeline and appurtenances are included in the transmission rate delineated in *Exhibit 7*. The Town will make all reasonable

efforts to provide notice to Dominion at least 12 months in advance of planned capital expenditures associated with the Outter Marker Road pipeline system.

Dominion recognizes that the Town receives both its and Dominion's WISE flows through infrastructure owned, either partially or wholly, by Parker Water and Sanitation District (PWSD). As such, the Town may decide, at its sole discretion, to retreat this water at its Ray Waterman Water Treatment Facility. The Town will notify Dominion as soon as practical of changes to treatment. Charges for treatment of the WISE water are detailed in *Exhibit 4*.

15. **Notice.** For purposes of notice pursuant to this IGA, the Parties' representatives shall be:

For the Town:
Castle Rock Water
Attn: Mark Marlowe, Director of Castle Rock Water
175 Kellogg Court
Castle Rock, CO 80109

With a copy to:
Town Attorney
Attn: Bob Slentz
Town of Castle Rock
100 Wilcox Street
Castle Rock, CO 80104

For Dominion:
Dominion Water & Sanitation District
Attn: Mary Kay Provaznik
8390 E. Crescent Parkway, Suite 500
Greenwood Village, CO 80111

With a copy to:
McGeady Becher P.C.
Attn: Paula Williams
450 East 17th Avenue, Suite 400
Denver, CO 80203

Section 2. Ratification. Except to the extent expressly modified by this First Amendment, the IGA is in full force and effect. To the extent of any inconsistency between this First Amendment and the IGA, the terms and conditions of this First Amendment shall control.

IN WITNESS WHEREOF, the parties hereby executed the Agreement on the date first written above.

TOWN OF CASTLE ROCK

Jason Gray, Mayor

ATTEST:

Lisa Anderson, Town Clerk

Approved as to form:

Robert J. Slentz, Town Attorney

Approved as to content:

Mark Marlowe, Director of Castle Rock Water

**DOMINION WATER &
SANITATION DISTRICT**

President

ATTEST:

Secretary

EXHIBIT 2
GROUND WATER SUPPLY

Description of Ground Water Supply: Nontributary Denver Basin ground water rights decreed in Case No. 03CW116 underlying the "Hier Ranch"

EXHIBIT 3
DELIVERIES OF FIRING SERVICE COMMITMENT WATER

Town Inflow Point: Well 226 and Well 227 into Founders Water Treatment Plant

1) Water Quality - treated water to Town Standards

2) Rate: As defined in Section 2 of the Intergovernmental Agreement for Water Service between 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, dated November 22, 2016, also known as the “Firming Service Commitment” or “FSC”.

3) Delivery: See Firming Service Commitment.

Future Potential Inflow Points (with terms above to be determined for each connection point):

- To be evaluated between the Parties.

EXHIBIT 4
WISE PROJECT WATER

Description of Supply: Dominion, as a member of the South Metro WISE Authority, has subscribed for 1,325 acre feet per year of WISE Project water, under and subject to the terms of the “WISE Partnership – Water Delivery Agreement between Denver Water, the City of Aurora, acting by and through its Utility Enterprise, and the South Metro WISE Authority” (“WISE Project WDA”). The WISE Project WDA is recorded at Reception No. 2011023364, Douglas County Clerk & Recorder. Dominion’s rights to WISE Project water will become part of the Town Water. Deliveries of WISE Project water may vary as provided in WISE Project WDA. WISE Project water will be accepted as “potable water”, however, the Town may elect to retreat WISE water prior to conveying this water into its distribution system. The parties shall share the costs of shared infrastructure to deliver WISE Project water to the Town, sized to deliver both the Town’s and Dominion’s subscriptions, pursuant to a separate agreement or agreements regarding shared facilities and costs. Dominion remains responsible for all its financial and other obligations to the South Metro WISE Authority and under the WISE Project WDA.

Town Inflow Point: WISE Connection Infrastructure shall consist of the Outter Marker Road Waterline (36-inch waterline from Canyons Tank to Ray Waterman Regional Water Treatment Plant).

1) Water Quality – as delivered per WISE agreements

2) Rate:

\$0.40/kgal for Transmission

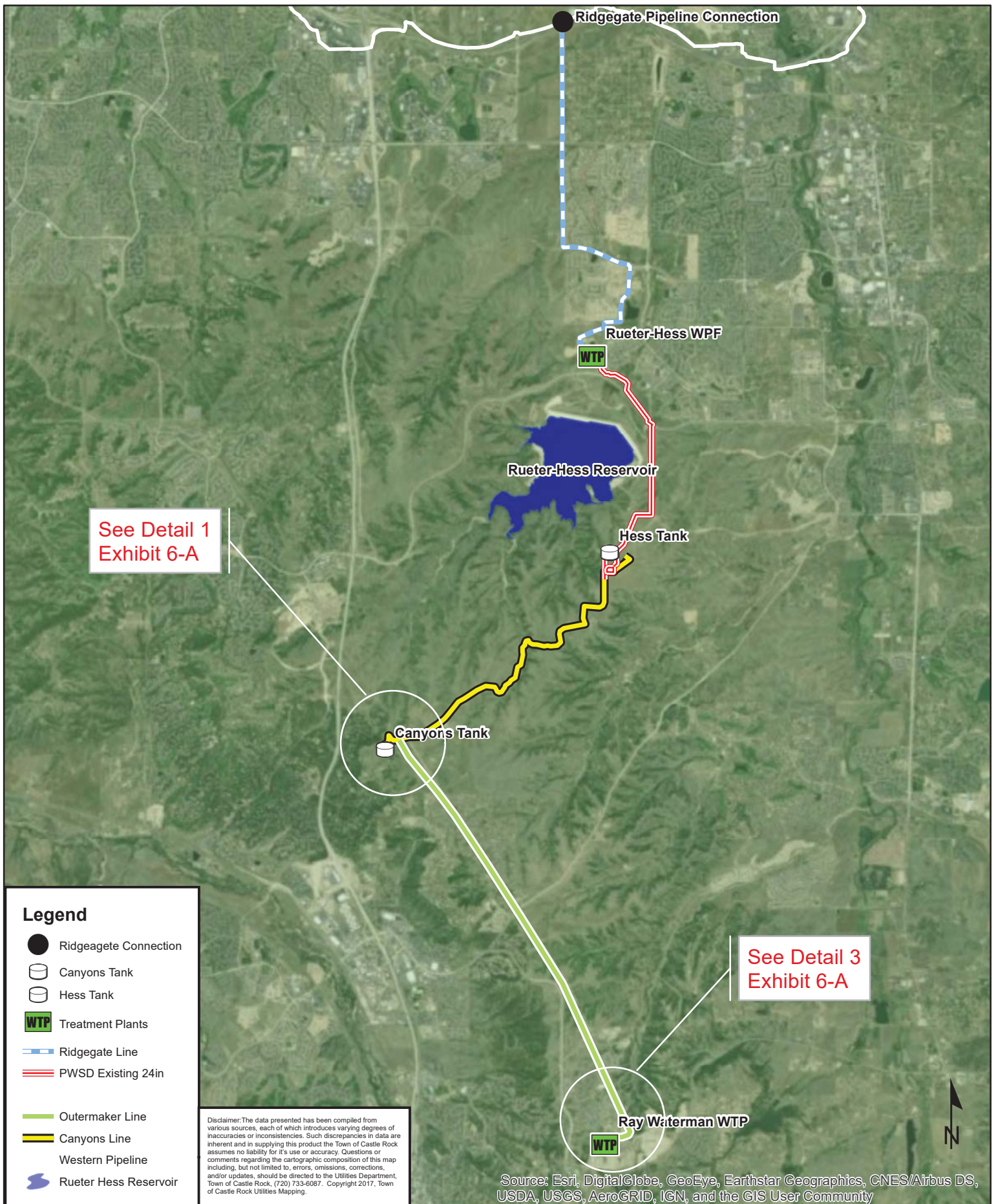
\$0.76/kgal for Treatment

\$0.001428/kgal – Fixed charge for 4 mgd











3) Delivery Cap: 4,500 acre feet per year (assuming Dominion has adequate water supply), 4.2 mgd maximum (The Town’s treatment capacity at Ray Waterman Regional Water Treatment Plant may be limited during periods of high demand).

4) Daily Treatment Limit: If WISE water requires retreatment at Ray Waterman Regional Water Treatment Plant as determined solely by Castle Rock Water, then during high demand periods, available treatment capacity for the WISE water may be limited to 2.3 MGD. This capacity would be allocated pro-rata between the Town and Dominion based on WISE water subscriptions, Dominion at 1,325 AF and Town at 2,000 AF. To clarify, Dominion may be limited to 0.9 MGD during these periods.

EXHIBIT 6
INFRASTRUCTURE AND DELIVERY POINT MAP



Legend

-  Ridgegate Connection
-  Canyons Tank
-  Hess Tank
-  Treatment Plants
-  Ridgegate Line
-  PWSD Existing 24in
-  Outermaker Line
-  Canyons Line
-  Western Pipeline
-  Rueter Hess Reservoir

Disclaimer: The data presented has been compiled from various sources, each of which introduces varying degrees of inaccuracies or inconsistencies. Such discrepancies in data are inherent and in supplying this product the Town of Castle Rock assumes no liability for it's use or accuracy. Questions or comments regarding the cartographic composition of this map including, but not limited to, errors, omissions, corrections, and/or updates, should be directed to the Utilities Department, Town of Castle Rock, (720) 733-6067. Copyright 2017, Town of Castle Rock Utilities Mapping.

Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community



Exhibit 6
Infrastructure and Delivery Point Map

Exhibit 6-A

Rev.	Date	By	Check	Description
0	11/27/16	CW	KH	ISSUED FOR CONSTRUCTION
1	11/24/17	CW	ML	ISSUED PER RFI #015
2	1/26/18	CW	KH	CONFORMING TO CONSTRUCTION RECORDS

CONFORMING TO CONSTRUCTION RECORDS

CONFORMING TO CONSTRUCTION RECORDS

BURNS MEDONNELL

DESIGNED: DECEMBER, 2016
 DESIGNED BY: C. WILSON
 CHECKED: P. HUNTZINGER
 CHECKED BY: K. HENSKE

TOWN OF CASTLE ROCK
 WISE LOCAL INFRASTRUCTURE

PROJECT: 87595
 DRAWING: PD001

DATE: _____
 THESE CONSTRUCTION DRAWINGS HAVE BEEN REVIEWED AND APPROVED BY THE ENGINEERING DIVISION OF CASTLE ROCK FOR CONSTRUCTION PURPOSES ONLY.

ENGINEERING DIVISION ACCEPTANCE BLOCK

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Drawing	PD001	Rev.	2
Sheet	36	of	80
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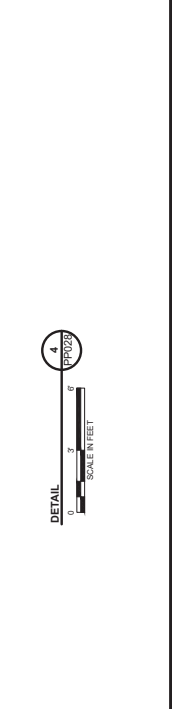
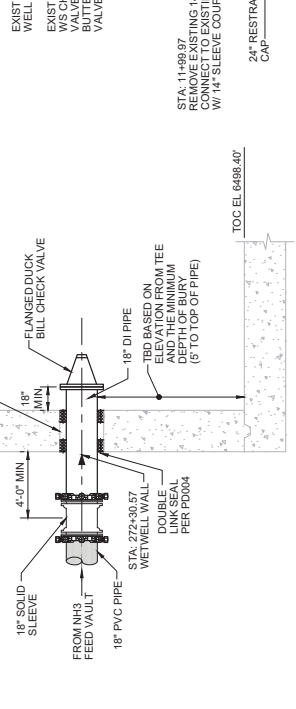
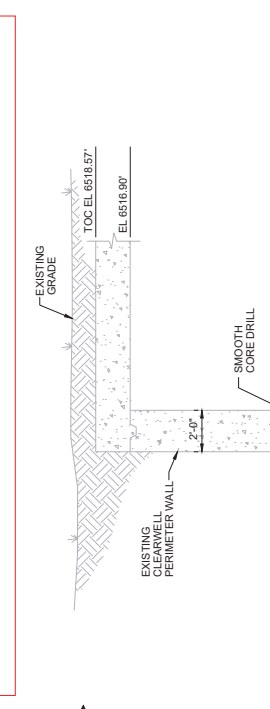
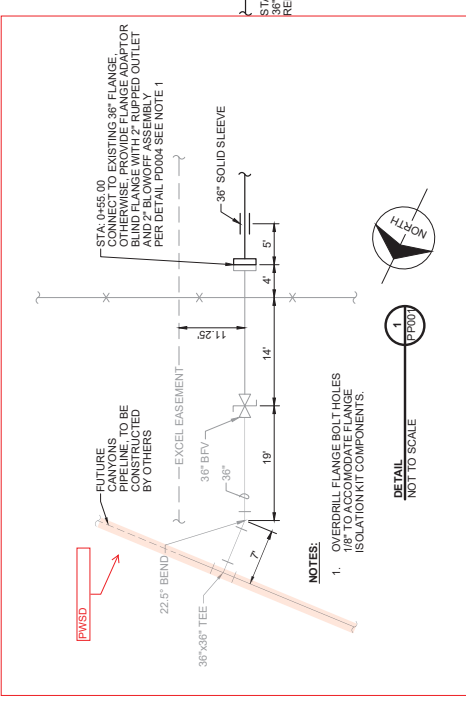
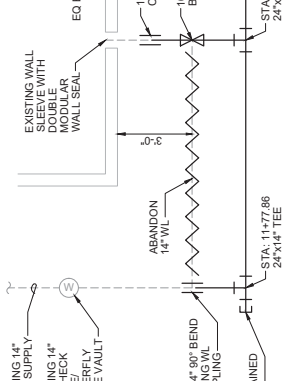
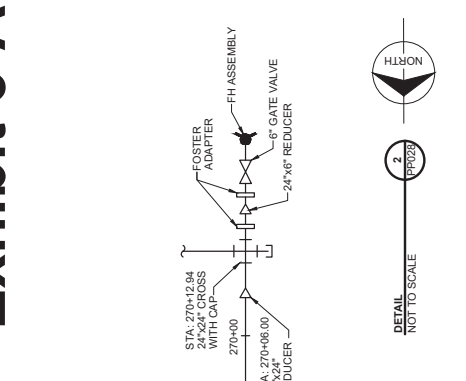
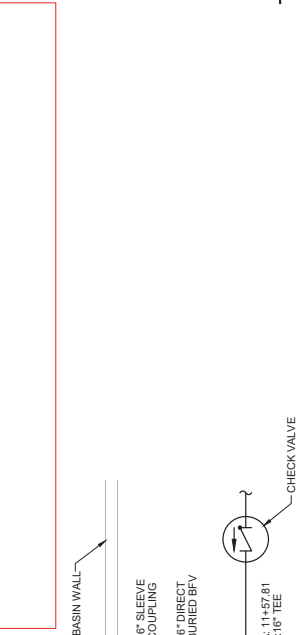
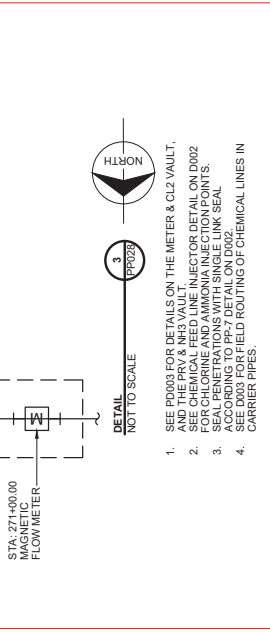
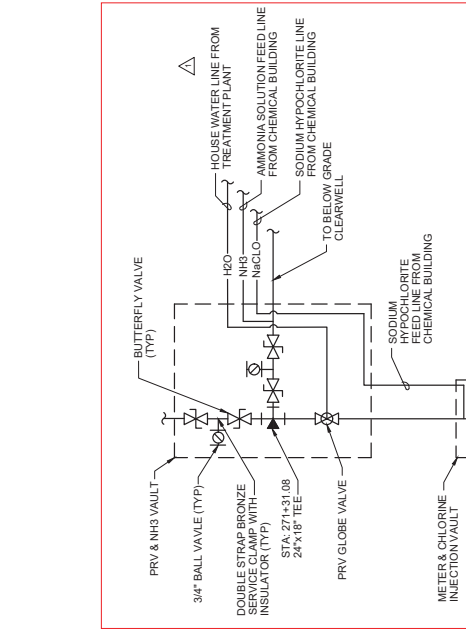


EXHIBIT 7
RATEMAKING METHODOLOGY FOR WISE WATER DELIVERY

To:	Mark Marlowe, Director Castle Rock Water	From:	Carol Malesky
Cc:	Anne Glassman Matt Benak	Date:	June 8, 2018

Reference: Wheeling Rate Analysis Revised for 2018

Castle Rock Water (CRW) engaged in a wheeling agreement with Dominion Water and Sanitation District (Dominion) in January 2014. The parties agreed to a rate for service commitment based on CRW's cost-of-service methodology and model calculations. The 2017 Rates and Fees Study updated costs and customer characteristics for CRW's rates effective in 2018. Wheeling rates are assessed by CRW for the conveyance of WISE water through Parker Water and Sanitation District's infrastructure to the agreed-on delivery point(s). Wheeling rates are based on annual operation and maintenance (O&M) and capital costs incurred by CRW's system components used to convey the water, primarily transmission. At times, the WISE water may require retreatment at CRW's Ray Waterman Water Treatment Plant (RWWTP). Additional costs may be assessed to Dominion related to treatment expenses.

WHEELING RATE METHODOLOGY

Wheeling service is described by the American Water Works Association (AWWA) in its Manual of Water Supply Practices (Principles of Water Rates, Fees, and Charges (Manual M1) as the conveyance of raw and/or finished water by the owner utility for the utility who owns water resources but does not have the transmission capacity to convey the water. For the agreement between CRW and Dominion, CRW is providing its transmission facilities and (at times) its treatment system to convey water to Dominion's service area. The wheeling rates to be assessed by CRW are based on cost-of-service (COS) principles. CRW updates its COS model annually, which is used in the calculations of wheeling rates.

Cost of operating, maintaining, and investment in facilities related to Transmission, Treatment, Meters and Services, and Customer and Accounts were included in this analysis. The 2017 Rates and Fees Study COS model assumptions did not include CRW's recent investment in the Outer Marker Road pipeline. O&M costs associated with this asset are estimated to be approximately one percent of the asset's value. The incremental O&M costs expected are included in the analysis. Dominion has directly paid for its share of capacity in that pipeline; therefore the capital costs associated with this investment are not included in the wheeling rate analysis.

Costs of metering, billing, and other customer service-related items are calculated based on the expected water meter size required by Dominion's connection to CRW's system. Costs are scaled based on relative water meter sizes and reflect CRW's costs for administering the wheeling arrangement with Dominion. While typically a monthly base charge for CRW's retail customers, these costs are determined per thousand gallons (kgal) based on Dominion's anticipated maximum water demands of 4 million gallons per day (MGD).

WHEELING RATE FOR 2018

Using the 2017 COS analysis, the costs and wheeling rate are updated for fiscal year (FY) 2018. The tables below present the calculations assuming Dominion will pay its proportional share of Transmission, Treatment, meters & services, and customer & accounts costs. The Treatment component is identified separately as it may not be assessed to all water conveyed by CRW. The calculated unit rate is the average cost of service per kgal of water conveyed and treated by CRW.

Reference: Wheeling Rate Analysis Revised for 2018

Key assumptions in the calculations are:

- annual revenue requirements (O&M and capital) allocated to the Transmission and Treatment functions
- total water sold in CRW's service area
- assumed meter size and annual demand for Dominion

Table 1. Wheeling Rate Calculation per Kgal - FY2018

Description	O&M	Capital	Total
Transmission Costs	\$689,023	\$319,964	\$1,008,987
Treatment Costs	966,032	953,059	1,919,091
Total Water Sold - kgal (FY2017)*			2,423,514
Proposed Wheeling Rates (FY2018)			
Transmission per kgal			\$0.40
Treatment per kgal			\$0.76

*actual total 2017 billed usage

Table 2. Customer Meter & Account Charge per Kgal - FY2018

Description	Total	Units
COS 6-inch meter monthly fixed charge	\$173.76	
Billable months in a year	12	Months
Annual Meters & Services / Customer & Accounts costs	\$2,085	
4 MGD annualized (4 MGD x 365 days)	1,460,000	kgals
Fixed charge for 4 MGD	\$0.001428	per kgal

The wheeling agreement allows for annual adjustments in the water rate based on changes in CRW's rate making policies and cost-of-service model. The annual rates and fees update conducted by CRW will include an assessment and update of the wheeling rate assumptions and calculations.

Carol Malesky
 Principal Financial Consultant

Phone: 330-271-9125

carol.malesky@stantec.com