



Town of Castle Rock

Agenda Memorandum

Agenda Date: 7/7/2020

Item #: 14. **File #:** TMP 2020-447

To: Honorable Mayor and Members of Town Council

From: Mark Marlowe, P.E. Director of Castle Rock Water
Matt Benak, P.E., Water Resources Manager
Angie Brown, Water Resources Program Analyst

Resolution: Purchase of Additional Capacity in East Cherry Creek Valley Water and Sanitation District's Barr Lake Northern Pipeline

Executive Summary

The purpose of this memorandum is to seek Town Council approval of the attached resolution (**Attachment A**) for the purchase of 0.913 million gallons per day (MGD) of capacity in East Cherry Creek Valley Water and Sanitation District's (ECCV) Barr Lake Northern Pipeline for \$1,184,673.22.

On March 17, 2020, Town Council unanimously approved Resolution 2020-038 (**Attachment B**) which approved the purchase of 1.428 MGD for an amount of \$1,184,673. The actual cost will be \$1,184,673.22 for 0.913 MGD of capacity (**Attachment C**). This is being brought before Town Council a second time because of the difference in the capacity approved by Town Council on March 17, 2020 and the capacity available for purchase.

The Town currently owns 1.079 MGD and the purchase of this additional capacity would bring the Town's ownership to 1.992 MGD. Long-term, the Town of Castle Rock plans to convey 3 MGD of water from our northern water resources (the Box Elder project) located in close proximity to ECCV's Northern Pipeline and the opportunity to purchase this additional available capacity provides a cost-effective solution to the Town's northern supply conveyance needs.

Notification and Outreach Efforts

On May 10, 2005 Town Council unanimously approved Resolution 2005-048 approving the Town of Castle Rock's participation with the South Metro Water Supply Authority in the upsizing of the East Cherry Creek Valley Water and Sanitation District Barr Lake Northern Pipeline.

In 2011, staff was directed by Town Council to evaluate other potential water supply projects (Alternative Source of Water Supply Projects) to ensure that Castle Rock fully understood the options available in addition to WISE. The Town developed a Request for Proposals (RFP) process that could accomplish that in a public, transparent process.

Through various public meetings in 2012, Town Council considered the risks, benefits, and costs of all of the proposals submitted including a hybrid option that couples the WISE project with one of the other proposals. As a result of these meetings, Town Council directed staff to focus efforts on a scaled back (hybrid) renewable water project (2,000 - 4,000 acre-foot solution) and explore in more detail, the hybrid option.

On April 1, 2014, Town Council approved the 5-1/2 year option agreement for the Box Elder Creek Well Field and Farm. The Town paid \$350,000 to extend the option to October 1, 2016.

On August 19, 2014, Town Council approved the Rothe Water Rights Purchase for up to 770 AF of water rights to be used as augmentation water for the Box Elder Creek Well Field. This purchase closed on September 17, 2014 for a total cost of \$5,460,000.

On October 1, 2014, the Town paid its second option payment for the Box Elder Well Field of \$100,000. This payment extended the due diligence period to October 1, 2015.

On October 22, 2014, staff provided the Utilities Commission with an update of the Alternate Source of Supply Projects.

On December 16, 2014, staff provided an update to Town Council on the Alternate Source of Water Supply Projects.

On April 21, 2015, staff provided an update to Town Council on the Alternate Source of Water Supply Projects.

On June 24, 2015, staff provided the Utilities Commission with the details of the surface use lease agreement for the Rothe Property. Utilities Commission recommended moving forward and finalizing the lease agreement with the adjacent landowner, Sublette, Inc.

On August 18, 2015, Town Council approved a Surface Use Agreement with Sublette, Inc. to use the Rothe Property for recreation activities, while managing the property on the Town's behalf.

On December 9, 2015, staff updated the Utilities Commission on the status of the WISE and Box Elder projects, including the 1041 Permit process being considered by Weld County and associated with the Box Elder project.

On January 5, 2016, staff provided an update to Town Council on the Alternate Source of Supply Projects.

On May 25, 2016, the Utilities Commission unanimously recommended that Town Council enter into a Purchase and Sale Agreement with PV, LLC.

On July 27, 2016, the Utilities Commission unanimously recommended that Council enter into a Purchase and Sale Agreement with PV, LLC and Pioneer Metropolitan District No. 3/Town of Keenesburg for the purchase of water rights and pipeline capacity as both agreements were contractually connected.

On August 16, 2016, Town Council approved the Purchase and Sale Agreement with PV, LLC for the purchase of up to 1,100 AF of Lost Creek water and also approved the Contract for Purchase and Sale of Water Line Capacity in the Keenesburg Well Water Transmission Line.

On September 6, 2016, Town Council approved an amendment to the Box Elder Option Agreement extending the closing option date from October 1 to December 1.

On October 18, 2016 Town Council approved the \$300,000 payment, the next installment of the option on the Box Elder well field.

On October 26, 2016 the Utilities Commission recommended Town Council approve the closing on the Box Elder well field prior to December 1, 2016.

On November 15, 2016 Town Council approved the closing on the Box Elder well field property.

On March 31, 2017, the Town closed on 1,035.8 AF of Lost Creek water from PV, LLC.

Castle Rock Water staff presented an agreement to purchase an additional 455.7 AF of water from PV, LLC, Inc. to the Castle Rock Water Commission at their meeting held on January 22, 2020, and the Castle Rock Water Commission voted unanimously to recommend approval of the agreement by Town Council.

On February 4, 2020, Town Council approved the Contract for Purchase and Sale of Water Assets and Water Line Capacity. The contract sold the Town of Castle Rock's capacity ownership in the Keenesburg Pipeline, thereby releasing the Town from debt obligation payments after 2020, and secured for the Town an additional 455.7 acre-feet of renewable water and fully exportable water in the Lost Creek basin.

On February 26, 2020, Castle Rock Water Commission voted unanimously to recommend Town Council approval of the purchase of additional pipeline capacity.

On March 17, 2020, Town Council voted unanimously to approve Resolution 2020-038 for the purchase of additional pipeline capacity in East Cherry Creek Valley Water's Barr Lake Northern Pipeline.

Discussion

Over the last ten years, Castle Rock Water (CRW) has been developing the Box Elder Project, located north of Denver, to one day convey at least 2,500 acre-feet (AF) of fully renewable and reusable water supplies back to the Town. It has been the intention of CRW to convey these supplies to the Town through East Cherry Creek Water and Sanitation District's (ECCV) Barr Lake Northern Pipeline and through the Water Infrastructure and Supply Efficiency (WISE) Project Infrastructure. A map showing CRW's current assets in relation to infrastructure that will be utilized to convey the water to Town is provided in **Attachment D**.

In 2004, the Town of Castle Rock joined the South Metro Water Supply Authority (SMWSA) and subsequently, members of SMWSA began investigating opportunities for regional projects and partnerships which ultimately resulted in the development of the WISE Project. In the early days of the WISE Project, which sought to make efficient use of existing water rights and infrastructure, several alignments for the conveyance of WISE water were considered as viable options. One of these alignments utilized ECCV's Barr Lake Northern Pipeline (NPL). Subsequently through the ECCV-SMWSA Barr Lake Pipeline Enlargement Agreement (Agreement), several members of SMWSA purchased capacity in ECCV's NPL through SMWSA, including the Town of Castle Rock. The Town paid ECCV \$1,464,000.00 for reservation of 1.4 MGD of capacity in the NPL, and SMWSA including Town of Castle Rock agreed to pay ECCV additional costs for construction upon first use of the NPL. This additional payment was never made.

However, as the WISE Project progressed, it became clear that the WISE project should instead utilize Aurora's Prairie Waters Project infrastructure rather than ECCV's NPL infrastructure. Thus, SMWSA partners never utilized the NPL and therefore did not pay the additional costs due upon first use. Subsequently and per the agreement, ECCV advised SMWSA that they would reduce SMWSA's capacity in the NPL.

In February 2019, East Cherry Creek Valley Water and Sanitation District (ECCV) proposed a settlement cost of \$1,184,673.22 for SMWSA's remaining capacity to increase the membership's owned capacity from 3.065 MGD to the full 3.978 MGD (**Attachment E**), though it was not made clear in the letter what CRW's individual share of this cost would be.

In June of 2019, a draft table (**Attachment F**) was developed for discussions between SMWSA and ECCV which reduced SMWSA's owned capacity in the Northern Pipeline to 2.55 MGD, leaving 1.428 MGD available for purchase. Since this table was more recent than the letter provided by ECCV in February 2019, and because this table was the documentation Staff had regarding the true-up capacities, this is the data Staff used when presenting to Town Council on March 17, 2020.

However, the capacity available for purchase was updated and corrected subsequently to staff's presentation to Town Council. The First Amendment to the Agreement (**Attachment G**) provided the final settlement offer from ECCV, and SMWSA agreed to pay ECCV a total cost of up to \$1,184,673 by March 31, 2020 for the remaining 0.913 MGD of capacity in the NPL or forfeit their rights to it.

Due to local impacts of COVID-19, on March 30, 2020, ECCV and SMWSA signed the Second Amendment to the Agreement (**Attachment H**), which updated the deadline for payment to ECCV to June 30, 2020.

On June 19, 2020, SMWSA sent the invoice to Castle Rock Water requesting payment for 0.913 MGD of capacity in the ECCV Northern Pipeline (**Attachment C**). As this wire packet was being circulated for signature by Castle Rock Water under Resolution 2020-038, Staff realized that the capacity volume available for purchase (0.913 MGD) was different than what had been approved by Town Council (1.428 MGD) in the approved resolution. ECCV agreed to extend the deadline for SMWSA to pay for the capacity to July 31, 2020 to give Castle Rock Water time to bring this item back to Town Council for further consideration.

According to the letter SMWSA provided with the June 19 invoice (**Attachment C**), the Town currently owns 1.079 MGD. The Town has the opportunity to purchase an additional 0.913 MGD, for a total cost of \$1,184,673.22, bringing the Town's ownership in the NPL to 1.992 MGD, 66% of the capacity needed to convey our future northern water supplies. Alternatively, if the Town chooses to only take down our share of 0.4 MGD for a total ownership of 1.4 MGD or to not take down any additional capacity, there is no guarantee of what the Town will pay in the future to secure additional capacity in the NPL.

While additional capacity would still need to be purchased in both the NPL and eventually in ECCV's WTP and pump stations for conveyance of 3 MGD of northern water supplies, the opportunity to purchase 0.913 MGD in the NPL is a cost-effective and strategic solution for the Town's future conveyance needs. While not quite as good a deal as the original proposal brought to Town Council on March 17, 2020, staff still believes this is a good deal. The price per MGD of capacity is essentially the same as the original price. Building a new 60 mile pipeline with this capacity would cost Castle Rock as much as \$43 million.

Budget Impact

If approved, the Town would pay up to \$1,184,673.22 for the purchase of 0.913 MGD of capacity ownership in ECCV's NPL. This would be paid from the ECCV N-S Pipeline Capacity account <211-4375-443.75-46> WRCRDI, which currently has a balance of \$1,184,673.

Castle Rock Water originally budgeted \$2,880,000 in 2029 to firm remaining capacity in the NPL. This budget estimate was based on purchasing an additional 1.6 MGD which equates to \$1.8 million per MGD. The purchase of this capacity from ECCV will allow us to acquire capacity at a rate of \$1.3 million per MGD which is at a substantially lower rate than originally budgeted and a much lower cost than building a new pipeline.

Staff Recommendation

Staff recommends Town Council approval of the purchase of 0.913 MGD capacity in East Cherry Creek Valley Water and Sanitation District's Barr Lake Northern Pipeline.

Proposed Motion

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

Attachments

Attachment A: Resolution
Attachment B: Resolution No. 2020-038
Attachment C: SMWSA Letter and Invoice
Attachment D: Infrastructure Location Map
Attachment E: ECCV Letter to SMWSA
Attachment F: ECCV-SMWSA Capacity Status
Attachment G: First Amendment to ECCV-SMWSA Barr Lake Pipeline Enlargement Agreement

Item #: 14. **File #:** TMP 2020-447

Attachment H: Second Amendment to ECCV-SMWSA Barr Lake Pipeline Enlargement Agreement