

**WISE Partnership - Water Delivery Agreement between
Denver Water, the City of Aurora, acting by and through its Utility Enterprise, and the
South Metro Water Supply Authority**

This Water Delivery Agreement (“Agreement”) is entered into by the City and County of Denver, acting by and through its Board of Water Commissioners (“Denver Water”), the City of Aurora acting by and through its Utility Enterprise (“Aurora”), and the South Metro Water Supply Authority (“Authority”) (individually, a “Party” and collectively, the “Parties”) and shall be effective as of this _____ day of _____, 2011.

Recitals

A. Denver Water owns and operates a municipal water supply system that provides water to the inhabitants of the City and County of Denver and by contract to certain areas outside the boundaries of the City and County of Denver.

B. Aurora owns and operates a municipal water supply system that provides water for inhabitants of the City of Aurora and by contract to certain areas outside the City of Aurora.

C. The Authority is comprised of fifteen governmental or quasi-governmental water providers seeking to develop through cooperation between its members new surface water supplies that will decrease reliance on nontributary groundwater supplies.

D. Denver Water and the Authority entered into an agreement in 1999 to investigate the feasibility of potential future cooperative water operations between the Board and the Authority.

E. Denver Water and Aurora entered into an Intergovernmental Agreement dated April 12, 2006, committing to explore opportunities for mutually beneficial arrangements that could include shared use of water resources and water facilities.

F. Denver Water and the Authority entered into the Pilot Project Agreement dated February 14, 2007, committing to investigate the feasibility of potential future cooperative water operations, water efficiency, and delivery of excess water to the Authority.

G. The Parties previously executed a Memorandum of Understanding (MOU) dated November 20, 2008, to implement a cooperative study to identify water resources, including infrastructure, that might be available for a joint water supply project to facilitate efficient and cost-effective delivery of water.

H. The Parties entered into an Intergovernmental Agreement dated May 13, 2009, regarding the joint acquisition of water rights and infrastructure to be used within a regional water supply project (Joint Acquisition IGA) and forming the Water, Infrastructure and Supply Efficiency (“WISE”) Partnership.

I. These combined investigations have shown the potential for regional water resource operations that may significantly benefit all members of the Partnership .

J. These combined investigations have identified both periodic excess capacity in Aurora's existing Prairie Waters Project (PWP) and periodic excess water supplies that can be utilized by the Authority and Denver Water.

K. Denver Water and Aurora entered into an Intergovernmental Agreement dated _____, 2011 that governs their operations under the WISE Project.

L. Denver Water's participation in this Agreement includes providing water from reusable return flows, which originate on the West Slope. To resolve longstanding disputes with the West Slope, Denver Water has entered into the Colorado River Cooperative Agreement (CRCA), which authorizes use of Denver Water's reusable return flows in the WISE Partnership under certain terms and conditions.

M. The Authority and several of its members have entered into agreements defining the members' participation in the WISE Project (Participation Agreement).

N. Colorado law, C.R.S. § 29-1-201 et seq., authorizes and encourages local governments to contract with one another to provide any function, service, or facility, including the sharing of costs . Governments are specifically authorized by C.R.S. § 31-35-402(1)(h) to enter into agreements for planning, construction and operation of water facilities. All the Parties to this Agreement are political subdivisions of the State of Colorado, and each is authorized to acquire infrastructure and to operate water facilities.

O. The Parties now wish to enter into an Agreement for water deliveries pursuant to the WISE Partnership.

NOW, THEREFORE, Denver Water, Aurora, and the Authority agree as follows:

Article 1
Intent of the WISE Partnership

1.1 The Parties have been engaged in the development of a regional water supply project, now known as the WISE Partnership (WISE). A fundamental concept of WISE is to reduce the reliance of Authority members on nonrenewable groundwater and to create a dependable, albeit interruptible, surface water supply for Authority members. WISE would accomplish these goals by utilizing the periodic unused or underused capacity in Aurora's PWP, the pipeline assets currently owned by East Cherry Creek Valley Water and Sanitation District (ECCV), and the construction of additional infrastructure, combined with the beneficial use by the Authority of water supplies to be made available by Aurora and Denver Water which are at times excess to their immediate needs. Engineering studies conducted by the Parties have demonstrated a potential for a dependable supply of water for the Authority utilizing such periodic unused capacity and available water supplies.

1.2 The Parties have determined that the joint use of infrastructure, the delivery of water, and the financial arrangements in this Agreement will benefit the health, safety and welfare of their respective citizens and customers, enhancing water supplies while minimizing costs.

1.3 Denver Water and Aurora acknowledge that the members of the Authority will depend upon the water deliveries provided under this Agreement to partially meet their future long-term water demands. The members of the Authority participating in WISE acknowledge that they cannot rely upon WISE deliveries as their sole source of water supply. The water supply being made available to the Authority by Aurora and Denver Water is permanent, but variable and interruptible under the conditions described in this Agreement. The Authority agrees to require the Participants to acknowledge in the Participation Agreement: the need to maintain existing water supplies, develop new water supplies, or have adequate storage available to meet their demands when WISE deliveries are interrupted under the terms of this Agreement.

1.4 The volume of water that may be delivered by WISE in excess of the amount provided under Article 3 depends, in part, on the amount of additional infrastructure developed in the future. Engineering studies, based on historic hydrology, suggest that WISE deliveries may reach as high as an annual average of 60,000 AF with the addition of significant infrastructure and additional return flows resulting from increased demands by Denver Water's and Aurora's customers. While changes in future hydrology, demands, or water administration will affect the actual volume of future deliveries, the Parties agree to work to increase WISE deliveries and to cooperate with each other on the construction of the infrastructure necessary to do so.

Article 2 **Definitions**

“Abstention Provisions” shall mean those restrictions on the acquisition of new supplies of water from the Colorado River Basin by the Authority and its Members as set forth in the Colorado River Cooperative Agreement, as may be amended from time to time.

“AF” means acre-feet.

“Authority Service Area” means the aggregate water delivery service area of the Members within Douglas County and Arapahoe County to which the Participants are authorized to provide water service; as such area may be modified through contract in the future.

“American Water Works Association (AWWA) cost of service utility rate” shall mean the industrial standard methodology or Rate Model for establishing the Delivery Water Rate as set forth in Attachment C.

“Binney Plant” shall mean the Binney Water Purification Facility located north of the Aurora Reservoir.

“Colorado River Cooperative Agreement” or “CRCA” shall have the meaning set forth in Recital L of this Agreement.

“Delivery Location” shall have the meaning set forth in Paragraph 4.1.1.

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“Delivery Obligation” shall mean a minimum delivery of 100,000 AF of water over each 10-year Block.

“Delivery Flow Rate” shall mean the flow rate of water deliveries at the Delivery Location in accordance with Paragraph 3.4.4.

“Delivery Year” means each 12-month period beginning June 1 and ending the following May 31.

“DIA Connection” means that interconnection between Denver Water’s treated distribution system near the Denver International Airport and Aurora’s PWP as described in Attachment B.

“ECCV” means the East Cherry Creek Valley Water and Sanitation District.

“Interconnect” shall refer to the connection between the Aurora treated distribution system and the SLB Pipeline as described in section 3.2 and Attachment A.

“Interconnect Payment” means the payment made by the Authority to Aurora pursuant to paragraph 3.2.1.

“Joint Acquisition IGA” is the Intergovernmental Agreement executed by the Parties on May 13, 2009 and referenced as set forth in Recital H of this Agreement.

“Joint Advisory Committee” shall mean that certain advisory committee formed by the Parties pursuant to Paragraph [5.1].

“Master Meter” shall refer to the Delivery Location as set forth in paragraph 4.1.1.

“MGD” means million gallons per day.

“Participation Agreement” means the agreements between the Authority and its members that have elected to participate in the WISE Project.

“Participant” means a member of the Authority that has elected to participate in the WISE Project. At the time of execution of this Agreement, the Participants are as follows: ____

“Phase In Period” means the gradual increase in Delivery Water to the Authority between 2013 and 2020.

“Prairie Waters Project” or “PWP” means the water collection, conveyance and purification and treatment system owned and operated by Aurora.

“SLB Pipeline” means the pipeline from E-470 to the State Land Board property generally along Arapahoe and Smoky Hill Roads as shown in Exhibit B.

“Subscription Fee” means the payment of \$15,871,344, in equal installments over 8 years, as described in paragraph 3.3.1.

“TDS” means “Total Dissolved Solids” as set forth in Paragraph 3.6.2.

“Ten-Year Block” means successive ten-year periods, starting with the 10-year period of June 1, 2020 through May 31, 2030, and continuing for subsequent consecutive ten year periods.

“Total Actual Cost” means the total cost of the land acquisition, design, permitting, construction, and related expenses of the infrastructure as referenced in this Agreement.

“Water Infrastructure and Supply Efficiency Partnership” or “WISE Partnership” or “WISE”, as identified under Article 1, refers to the cooperative water supply effort by Aurora, Denver Water, and the Authority to develop efficient and cost effective water supplies through conjunctive use, use of excess infrastructure capacities and excess water supplies.

“Westem Pipeline” means the pipeline from University Boulevard to Smoky Hill Rd along E-470/C-470 as shown on Exhibit B.

“West Slope Charge Agreement” shall mean an agreement between Denver Water and the Authority and its Members, the purpose of which is set forth in Paragraph 4.3.1.

Article 3 **Water Supply**

3.1 Volume of Water. Aurora and Denver Water agree to make available for delivery to the Authority a minimum amount of 100,000 acre-feet (AF) of water over each 10-year Block, an average of 10,000 AF per year (Delivery Obligation). Delivery of the full 10,000 AF on an annual average will be phased in over seven years, from June 1, 2013 to May 31, 2020, as described in paragraph 3.4. Water deliveries in a particular Delivery Year will be governed by the parameters in paragraph 3.4.

3.2 Infrastructure Necessary to Commence Deliveries. In order for any water to be delivered from the PWP to the Authority, Aurora will need to construct an Interconnect between Aurora’s distribution system and the SLB Pipeline, which will, in turn, deliver water into the Westem Pipeline. The use of the SLB Pipeline is governed by a lease with ECCV. If the Parties fail to reach a timely agreement with ECCV for the purchase or lease of the Western Pipeline and the SLB Pipeline, the Parties agree to either adjust the dates in Paragraphs 3.2.1, 3.2.2, 3.2.3, 3.3.1, 3.3.2, 3.4.1, and 3.5.3(a) as appropriate or, in the event no agreement is reached on the Westem Pipeline, the Parties agree to cooperate on the construction of a new pipeline to take the place of the Westem Pipeline.

3.2.1 Interconnect Payment to Aurora. The Authority shall make a non-refundable payment to Aurora by February 1, 2012 in the sum of \$412,000 (Interconnect Payment), which represents the estimated project costs of completing construction of the Interconnect, which is described in Attachment A.

3.2.2 Reconciliation of Interconnect Payment. Should the Actual Total Cost of the Interconnect be greater than the Interconnect Payment, the Authority shall pay the remainder due on or before July 1, 2013. Should the actual costs be less than the Interconnect Payment, the Authority shall be provided a credit on the 2013 water delivery costs or any future delivery costs

until the credit is fully reimbursed. In any event, the Authority shall be provided copies of all invoices associated with the Attachment A construction and any calculations performed by Aurora in determining the respective balances or credits due.

3.2.3 Construction of Interconnect. Aurora agrees to construct the Interconnect with a completion date no later than June 1, 2013. Upon completion, Aurora shall own, operate and control the Interconnect, meter, vault, associated SCADA controls, and pipe to the downstream flange of the isolation valve (downstream of the meter vault), with any associated maintenance or replacement costs to be borne by Aurora.

3.2.4 Authority Infrastructure. Any infrastructure necessary for Authority members to take delivery of water from the Western Pipeline is the responsibility of the Authority.

3.3 Infrastructure Necessary to Deliver Full Amount to the Master Meter. In order for Denver Water and Aurora to begin delivery of the full annual average of 10,000 AF, the infrastructure described in Attachment B will be required. Denver Water and Aurora agree to complete construction of the Attachment B infrastructure on or before May 31, 2020, unless the Parties mutually agree to a different date. Aurora and Denver Water shall provide to the Authority updates on construction progress on an annual basis.

3.3.1 Payment of Subscription Fee. Denver Water and Aurora ordinarily charge a system development charge or tap fee in conjunction with long term water delivery. However, given the unique nature of deliveries in this Agreement, the Authority will instead pay to Aurora, the Subscription Fee described below. Denver Water and Aurora shall be responsible for allocation of the Subscription Fee between themselves. In addition to the payment under paragraph 3.2.1, the Authority agrees to pay towards the cost of the infrastructure described in Attachment B a Subscription Fee in accordance with the following payment schedule

Date Due	Payment Due
1/15/2013	\$1,983,918
1/15/2014	\$1,983,918
1/15/2015	\$1,983,918
1/15/2016	\$1,983,918
1/15/2017	\$1,983,918
1/15/2018	\$1,983,918
1/15/2019	\$1,983,918
1/15/2020	\$1,983,918

These Subscription Fee payments are based on the current estimated cost of constructing the interconnect from DIA to the Prairie Waters Pipeline (DIA connection) and of accelerating the construction of the remaining infrastructure described in Attachment B, along with interest. The infrastructure costs include all design, engineering, permitting, land acquisition, and related expenses. In the event of termination of this Agreement due to a default by the Authority, there shall be no return of any Subscription Fee payments made prior to such default.

3.3.2 Reconciliation of Costs and Subscription Fee Payments. The Subscription Fee payments identified in paragraph 3.3.1 represents the Authority's share of the estimated cost of the DIA connection and the estimated cost of reimbursing Aurora for accelerating the construction of the remaining infrastructure identified in Attachment B. Should the Total Actual Cost of construction of the DIA connection and the acceleration of the remaining infrastructure be greater than the Subscription Fee, the Authority shall pay the remainder due on or before July 1, 2020. Should the Total Actual Costs be less than the Subscription Fee, the Authority shall be provided a credit on the 2020 water delivery costs or any future delivery costs until the credit is fully reimbursed. In any event, the Authority shall be provided copies of all invoices associated with the Attachment B construction and any calculations performed by Denver Water and/or Aurora in determining the respective balances or credits due. If Aurora determines that its infrastructure in Attachment B is no longer required, then the costs upon which the subscription fee was based shall be adjusted contemporaneously.

3.3.3 Permits, Easements and Approvals. The Parties agree to cooperate to obtain such easements, approvals and permits as are necessary for: (i) the construction of the infrastructure described in Attachment B, (ii) any other infrastructure reasonably necessary to fulfill the terms of this Agreement, and (iii) the storage of WISE water in Rueter-Hess Reservoir. If, as of December 31, 2012 and with regard to the water identified in this Agreement, the Corps has taken no action on the request to permit storage in Rueter-Hess Reservoir, denies storage in Rueter-Hess Reservoir, or attaches unacceptable terms and conditions to storage in Rueter-Hess Reservoir, the parties agree to terminate or renegotiate the Agreement.

3.3.4 Future Connection to the Binney Plant. The Authority is responsible for the construction by May 31, 2020, of any infrastructure necessary to convey and use water delivered from the master meter at the Binney Plant to the Western Pipeline ("Binney Plant Connection"). Use of this Binney Plant Connection for water deliveries to the Authority is governed by this Agreement. When water deliveries are interrupted due to Denver Water's need to make use of its supplies, Denver Water will need to use the Binney Plant Connection. On such occasions, and subject to all delivery terms in this agreement, Denver Water will have the first use of the Binney Plant Connection, and will compensate the Authority for its costs, including O&M and a capital recovery charge, based upon AWWA cost-of-service principles.

3.4 Water Deliveries.

3.4.1 2013 – 2020 Delivery Phase-in. From June 1, 2013 until May 31, 2020, Aurora and Denver Water will make available 5,000 AF annually as a guaranteed minimum delivery. Deliveries in excess of the 5,000 AF will be offered on an as available basis. The Authority, subject to the take-or-pay provisions of paragraph 3.5.3., will determine, at its sole discretion, whether to take such deliveries.

3.4.2 Post May 31, 2020 Deliveries. Beginning June 1, 2020, Aurora and Denver Water will offer for delivery to the Authority 100,000 AF of water over a 10-year Block.

3.4.3 Maximum and Minimum Deliveries. In any particular year, delivery volumes will depend on hydrology and infrastructure constraints. However, the delivery volumes shall

not be less than the minimums in paragraph 3.4.3b. The maximum and minimum delivery volume obligations of Denver Water and Aurora are as follows.

3.4.3a Maximum Deliveries. Beginning June 1, 2020, the maximum amount of water made available that will count toward the Delivery Obligation shall be as follows:

- no more than 25,000 AF of water in any single year,
- no more than 45,000 AF of water in any two year period,
- no more than 60,000 AF in any three year period,
- no more than 75,000 AF in any four year period, and
- no more than 90,000 AF in any five year period.

3.4.3b Minimum Deliveries. Subject to the provisions of paragraph 3.4.2, beginning June 1, 2020, the minimum amount of water to be made available to the Authority will be as follows, without regard to 10-year Blocks (i.e. within or between 10-year blocks):

- no minimum delivery for any single year,
- no less than 2,500 AF in any three-year period,
- no less than 5,000 AF in any four-year period,
- no less than 10,000 AF in any five-year period.

3.4.4 Delivery Flow Rate. Aurora will determine the flow rate of deliveries in coordination with Denver Water and the Authority. Absent agreement by the Authority, the maximum delivery rate during the phase in period from June 1, 2013 to May 31, 2020 will be 15 million gallons per day (MGD). Thereafter the maximum delivery rate will be 30 MGD. Absent agreement by the Authority, Aurora may change the delivery rate by no more than 10 MGD (5 MGD during the phase in period) and no more often than once per 24 hours. Aurora shall provide 24 hour notice to the Authority for any delivery rate change, unless the change is caused by a power outage or other unforeseen operational upset, in which case Aurora will notify the Authority as soon as possible.

3.4.5 Excess Deliveries. Deliveries in excess of the Maximum Deliveries in paragraph 3.4.3a, or the Delivery Obligation of 100,000 AF in a 10-year Block, or in excess of 30 MGD will be offered on an as available basis. The Authority will determine, at its sole discretion, whether to take such deliveries.

3.4.6 Modifications of Delivery Amounts. The above minimum and maximum delivery obligations of Denver Water and Aurora may be modified upon agreement, in writing, of all the Parties based upon future hydrologic determinations, infrastructure decisions, or other pertinent factors, without the need to modify the remainder of this Agreement or execute a new agreement.

3.4.7 Distribution of Deliveries Over the Delivery Year. Aurora will determine the monthly timing, volume, and flow rate of deliveries in coordination with Denver Water and the Authority. Subject to the provisions of this Agreement, Aurora Water shall maintain water deliveries in any given year within the parameters of the table below, with the actual volume of deliveries based on water availability, subject to the minimum deliveries in paragraph 3.4.3b.

The Parties acknowledge that storage developed by the Authority, either surface or sub-surface, can be utilized to manage the variability of seasonal and annual distributions.

a. Phase-In Distribution. During the period from June 1, 2013 to May 31, 2020 the distribution of annual deliveries will be made within the following parameters (unless otherwise agreed to by all Parties):

	Jun-Sep	Oct-Jan	Feb-May
Maximum	50.0%	65.0%	65.0%
Minimum	10.0%	25.0%	25.0%

b. Distribution Above 10,000 AF. For deliveries commencing on June 1, 2020, in years where the annual delivery is at or above 10,000 AF, the distribution of annual deliveries will be made within the following parameters (unless otherwise agreed to by all parties):

	Jun-Sep	Oct-Jan	Feb-May
Maximum	75.0%	60.0%	50.0%
Minimum	10.0%	10.0%	5.0%

c. Distribution Below 10,000 AF. For deliveries commencing on June 1, 2020, in years where the annual delivery is determined to be less than 10,000 AF, the maximum amount of delivery in any seasonal period is as follows (unless agreed to by all Parties):

	Jun-Sep	Oct-Jan	Feb-May
Maximum	7,500 AF	6,000 AF	5,000 AF

3.4.8 Good Faith. Though the bullets in 3.4.2 and 3.4.3 and the charts in paragraph 3.4.7 represent the minimum and maximum allowable distribution of deliveries, the Parties acknowledge that hydrologic conditions and infrastructure capacity will dictate the amount of water actually made available within the identified range of possible annual deliveries, subject to the minimums in paragraph 3.4.3b. Denver Water and Aurora agree to act in good faith to make water available to the Authority on a schedule which accommodates their needs subject to such constraints. The Parties further acknowledge that storage developed by the Authority, either surface or sub-surface, can be utilized to manage seasonal distributions in a more beneficial manner.

3.5 Charges for Water.

3.5.1 Basis for Charges. Pricing for water provided under this Article 3 shall be based upon AWWA cost-of-service utility rate setting principles for a perpetual, interruptible water supply. This methodology takes into account the value of water and infrastructure contributed by each Party and the actual cost of system operation. The estimated rate for 2013, using the 2011 raw water rate and operating costs, would be \$5.38 per thousand gallons of water delivered to the master meter. The 2013 actual rate will be determined using the then current raw water

rate and operating costs. Attachment C describes the rate model and assumptions that will be used in future rate calculations. The raw water component of the rate includes the West Slope Charge.

3.5.2 Modification of Charges. Charges may be increased annually based on an increase in the raw water rate and/or on an update to the cost of service model, incorporating actual capital and operational costs. Aurora shall provide notice to the Authority of any proposed rate adjustment prior to October 1, and the Authority shall have the opportunity to comment on the proposal prior to the effective date of the rate on January 1 of the following year.

3.5.3 Minimum Payment. In recognition that Aurora and Denver Water will reserve for the Authority the volumes of water described in this Article 3, the Authority, in addition to all other payments specified herein, agrees to pay annually, on a take-or-pay basis, the then-current rate for water as follows:

- (a) Phase-in Deliveries. Beginning in 2013 and each year thereafter until 2020, the Authority agrees to make a take-or-pay payment to Denver Water and Aurora equal to the then-current cost per 1000 gallons according to the following schedule:

<u>Delivery Year</u>	<u>Take or Pay Amount (AF/yr)</u>
6/1/2013-5/31/2014	0
6/1/2014-5/31/2015	1,000
6/1/2015-5/31/2016	2,000
6/1/2016-5/31/2017	2,500
6/1/2017-5/31/2018	3,000
6/1/2018-5/31/2019	4,000
6/1/2019-5/31/2020	5,000

- (b) Full Deliveries. Beginning on June 1, 2020 and each Delivery Year thereafter, the Authority agrees to make a take or pay payment to Denver Water and Aurora equal to the then-current cost per 1000 gallons of 10,000 AF of water, or the amount offered by Denver Water and Aurora in that year, whichever is less. Once the Authority has paid for 100,000 AF during any 10-year Block, no further minimum take-or-pay payment will be required for that 10-year Block.

- (c) Exceptions to Minimum Payment. The Authority shall be excused from the obligation to make a minimum take-or-pay payment (i) for any amount of the water made available during an outage of infrastructure necessary to deliver or use the water, if such outage is caused by a factor outside the reasonable control of the Authority; (ii) for any water proposed to be delivered at a flow rate in excess of those defined in paragraph 3.4.4 that is declined by the Authority; and (iii) for any water containing total dissolved solids (TDS) levels higher than 500 mg/l that is declined by the Authority, unless the Authority has chosen to receive unblended water under paragraph 4.1.

3.6 Water Quality.

3.6.1 Compliance with Drinking Water Standards. Aurora will supply to the Authority at the master meter water that meets all state and federal safe drinking water regulatory requirements as such may exist now or in the future, subject to the qualification on TDS provided in paragraph 3.6.2. The Authority is solely responsible for maintaining compliance with drinking water standards beyond the master meter and requiring the Participants to ensure that water delivered under this Agreement is compatible with the other water supplied by the Participants.

3.6.2 Total Dissolved Solids. Primary drinking water standards have not been established for TDS; the current secondary standard is 500 mg/l. Unless the Authority agrees otherwise, for the period from June 1, 2013 through May 31, 2030, Aurora will provide to the Authority water that has a TDS level no greater than that provided to Aurora's own customers from the Binney Plant (TDS Commitment). If the TDS level at the master meter exceeds the secondary standard of 500 mg/l, Aurora will notify the Authority and the Authority may decline deliveries. Until May 31, 2030, any declined water above 500 mg/l TDS will not count toward the Delivery Obligation described in paragraph 3.1. There is no guarantee of a maximum TDS concentration beyond May 31, 2030, regardless of whether a primary TDS drinking water standard has been established, and accordingly, the TDS Commitment expires on May 31, 2030.

3.6.3 Disinfection. Currently, the water to be supplied to the Authority is disinfected with Chloramines. Aurora agrees to consult with the other Parties prior to a change in the disinfection method. The Authority is solely responsible for making this water compatible with the other water supplies of its Participants.

3.6.4 Future TDS Management. The Parties acknowledge that at some point in the future, currently estimated to be 2030, Denver Water and Aurora's own demands for more capacity and more blend water will result in an inability to offer deliveries at the TDS concentrations in paragraph 3.6.2, once the TDS Commitment has expired. The resolution to this TDS issue could involve: (a) reverse osmosis (RO) or other equivalent treatment technologies; (b) the development of additional blending water supplies; or (c) acceptance of deliveries of unblended, higher TDS water. In an attempt to maintain TDS levels at the limits set in paragraph 3.6.2, and to increase deliveries in future phases, the Parties agree to evaluate the resolution of this TDS issue at the bi-annual delivery meetings established in paragraph 5.1.6, beginning in 2022. Unless the Authority chooses to receive unblended water once the aforementioned capacities are reached and the TDS Commitment has expired, the Authority shall develop and implement a schedule for the timely construction of any facilities and/or acquisition of any blend water supplies determined to be necessary in order to maintain the TDS levels in paragraph 3.6.2, for the 10,000 AF average annual deliveries or for any expanded deliveries beyond that amount that may be available.

3.6.5 Implementation of TDS Management Solution. The details governing the implementation of the agreed upon TDS management solution will be the subject of a separate supplemental agreement. Absent the execution of such a supplemental agreement, the provisions of paragraph 3.6.2 and 3.5.3c(iii) will no longer be effective and unblended water will be provided under Article 3.

Article 4 **Operations**

4.1 Deliveries to the Authority.

4.1.1 Delivery Location. The initial point of delivery to the Authority for purposes of delivery under Paragraph 3.4.1 will be through a meter to be installed at the Interconnect between Aurora's treated distribution pipeline and the SLB Pipeline ("Delivery Location"), as depicted in Attachment A. Commencing June 1, 2020, the point of delivery to the Authority will be through a meter at Aurora's Binney Plant. Alternative points of delivery may be used with the mutual consent of the Parties. The Parties acknowledge that, due to geographic considerations, Participant Rangeview Metropolitan District may receive water deliveries at an alternate location at or near the Binney Plant, and that, due to geographic considerations and the timing of infrastructure construction, Participant Dominion Water & Sanitation District may temporarily receive water deliveries at an alternate location mutually acceptable to Dominion, Aurora and Denver Water.

4.1.2 Use of Third Party Infrastructure. Water supplies owned by Denver Water and Aurora will not be delivered to the Authority through any third party infrastructure located upstream of the Master Meter absent mutual agreement by the Parties.

4.1.3 Joint Acquisition IGA Water. Any water acquired by the Authority under the 2009 Joint Acquisition IGA shall be considered WISE project water and conveyed through the PWP upon the request of the Authority, provided that Aurora determines in its sole discretion that: (i) excess capacity is available in its PWP system; (ii) such water is available at PWP collection points and is compatible, including water quality conditions, with the PWP system; (iii) there exists an appropriate plan for augmentation for IGA water owned by the Authority, (iv) blend water is available to deliver WISE project water at the TDS limits set in paragraph 3.6.2; and (v) no Denver Water or Aurora reusable water is available for delivery. The charge for such deliveries shall be determined in accordance with paragraph 3.5, with a deduction for the raw water component of the rate.

4.1.4 Other Water Owned by the Authority. Upon written request from the Authority, Aurora may, at its sole discretion, agree to collect, transport, and treat other water owned by the Authority or its Participants, based on the terms of a separate agreement.

4.1.5 Reusable Return Flows. Denver Water and Aurora intend to provide potable water from reusable supplies. In the event that Denver Water or Aurora provides any single-use water due to an adverse judicial or administrative determination, the Parties agree to negotiate a mutually agreeable solution to the Authorities use of non-reusable supplies.

4.1.6 Delivery Year Schedule. The Parties will meet no later than May 1st of each year to discuss the tentative volumes that may be available in the upcoming Delivery Year, and to schedule estimated deliveries June through August, and meet in August to discuss the tentative schedule for September through May estimated deliveries, with additional meetings on an as

needed basis. The Authority may provide a desired delivery schedule in advance of any such meetings for consideration and discussion.

4.2 Deliveries to Authority Participants. The Authority is responsible for deliveries to individual Participants beyond the Delivery Location, including the construction of any additional infrastructure, as necessary. Participants are responsible to develop whatever individual infrastructure and connections are necessary to take delivery from the master meter, and are responsible for maintenance of such individual infrastructure. It will be the sole obligation of the Authority to identify and respond to the individual water demands of the Participants. The Authority will determine in its sole discretion the allocation of water delivered by Denver Water and Aurora to any identified master meter point of delivery. The Authority will provide annual accounting to Aurora and Denver Water of water deliveries to the Participants.

4.3 Use and Reuse of Water. The Authority and the Participants shall be entitled to use and reuse to extinction the return flows from reusable supplies; provided, however, that should the Authority or the Participants be unable to reuse such supplies or voluntarily choose not to do so, the Authority or the Participants may contract for other Participants to do so. Nothing herein shall preclude the ability of Denver Water or Aurora to lawfully recapture and reuse water not reused and recaptured by the Authority or the Participants. The Authority will make best efforts to notify Denver Water and Aurora in a timely manner when unused return flows from WISE deliveries are available. As a condition of using Denver Water's reusable water, the Authority and the Participants receiving water must comply with the following provisions in the CRCA.

4.3.1 West Slope Charge. Authority recipients shall enter into a West Slope Charge Agreement containing the provisions described in Attachment D. The West Slope Charge is included in the rates described in paragraph 3.5.1.

4.3.2 Restriction on Seeking New Supplies from the Colorado River Basin. Participants must comply with the Abstention Provisions defined in Article VIII of the CRCA.

(a) Abstain permanently from pursuing or participating in any project that would result in any new depletion from the Colorado River and its tributaries above the confluence with the Gunnison River, including without limitation the Eagle River (with the exception of the Eagle River MOU for Aurora and the Upper Colorado Cooperative Project). Pursuing or participating in a project means seeking formal approval of any aspect of a project in a regulatory or judicial forum, but does not include conducting various planning activities such as feasibility studies.

(b) Abstain from pursuing or participating in any project that would result in diversions from the Colorado River Basin within Water Divisions Nos. 4 and 6, or downstream from the confluence of the Gunnison and Colorado Rivers in Water Division No. 5 for a period of 25 years. Pursuing or participating in a project means seeking formal approval of any aspect of a project in a regulatory or judicial forum, but does not include conducting various planning activities such as feasibility studies. This abstention period would be reduced to 15 years if, within the first 10 years following execution of this agreement, the NEPA permitting process for the Upper Colorado Cooperative Project

has not been initiated. If construction of a cooperative project commences within 20 years from the date of this agreement, then the abstention period under this paragraph would be extended for an additional 10 years (a total of 35 years).

4.3.3 Conservation Plan. Authority recipients must adopt and implement a conservation plan that would achieve results similar or proportionately the same as Denver Water's.

4.4 Use of Water. Water delivered to the Authority under this Agreement shall be decreed for municipal use. The Authority agrees to use the water delivered in a manner consistent with Denver Water's and Aurora's water right decrees. Denver and Aurora represent that they have no knowledge of any restrictions on any of their water rights decrees that would prohibit or limit the use of the water delivered for municipal uses. Deliveries from Denver Water and Aurora may not be used for agricultural uses.

4.5 Location of Use. Use of water provided to the Authority pursuant to this Agreement shall be limited to the area depicted in the Authority Service Area (see Exhibit A). Use of the water supplied under this Agreement outside of the Authority Service Area is prohibited.

4.6 Billing and Payment. Aurora shall bill the Authority each month for any water delivered under this Agreement during the preceding month, and the Authority shall pay such invoices within forty-five (45) days of receipt. All late payments shall be subject to a late fee of 5% of the amount due per month, up to a maximum of 25%. Aurora will compensate Denver Water for its share of the water delivered during the preceding month within thirty (30) days of receipt of payment by the Authority.

4.7 Operating Representatives. For purposes of this Agreement the Parties' representatives shall be:

For the Board: Director of Planning
 Denver Water Department
 1600 W. 12th Ave.
 Denver, CO 80204-3412

For Aurora: Deputy Director, Water Resources
 Aurora Water
 15151 E. Alameda Parkway, #3600
 Aurora, CO 80012

For the Authority: Executive Director
 South Metro Water Supply Authority
 8400 East Prentice Avenue, Suite 1500
 Greenwood Village, CO 80111

Article 5
General Provisions

5.1 **Joint Advisory Committee.** Each Party shall appoint one or two members to a Joint Advisory Committee, which shall meet as often as determined necessary, but no less than two times a year, in order to discuss any issues or concerns arising in the implementation of this Agreement.

5.2 **No Assignment.** No right hereunder shall be assigned by any of the Parties, other than is provided for under the Participation Agreement.

5.3 **No Operating Obligation.** Nothing in this Agreement shall be deemed or construed as creating any obligation on Aurora or Denver Water to operate its facilities in any particular manner, so long as Aurora and Denver Water comply with the express terms of this Agreement.

5.4 **Indemnity.** To the extent it lawfully may, the Authority shall defend, indemnify, and hold harmless, Aurora and Denver Water, their officers, agents, and employees against any liability, loss, damage, demand, action, or cause of action of third party which may occur as a result of the physical delivery of water, commencing at the Delivery Location, by Aurora and Denver Water under this Agreement, except as to any portion of negligence judicially determined to be caused by Aurora or Denver Water. This includes but is not limited to, any damages which may result from the transportation of water under this Agreement by means of any water carriage facilities after the Delivery Location. No provision of this Agreement shall be construed as a waiver or release of the immunities, limitations, or defenses afforded to the Authority, Aurora or Denver Water under the Colorado Governmental Immunity Act.

5.5 **Amendments.** Amendments to this Agreement shall only be effective if entered into with the same formality as this Agreement and approved by all Parties.

5.6 **Denver Charter.** This Agreement is made under and conformable to the provisions of Article X of the Charter of the City and County of Denver, which controls the operation of the Denver Municipal Water System. This Agreement involves the use of water outside the territorial limits of the City and County of Denver. The Denver Charter provides that “the Board shall have power to lease water and water rights for use outside the territorial limits of the City and County of Denver, but such leases shall provide for limitation of delivery of water to whatever extent may be necessary to enable the Board to provide an adequate supply of water to the people of Denver...” The extent to which limitation of water delivery outside Denver may be necessary to enable the Board to provide an adequate supply of water to the people of Denver is a fact to be determined by the Denver Water Board in the exercise of its reasonable discretion. The Board has determined that the interruptible nature of the water deliveries under this Agreement and the other terms and conditions of this Agreement is sufficient to ensure an adequate supply of water inside Denver. This Agreement shall not be construed or implemented in such a way as to impair Denver Water’s obligations to provide water within its Combined Service Area.

5.7 **Sole Obligation of Aurora Utility Enterprise.** The obligations of Aurora under this Agreement are the sole obligations of the City of Aurora acting by and through its Utility

Enterprise and, as such, shall not constitute a general obligation or other indebtedness of the City of Aurora or a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the City of Aurora within the meaning of any constitutional, statutory, or charter limitation. In the event of default by Aurora or failure to meet any of its obligations under the terms of this Agreement, the other Parties hereto shall have no recourse to any revenues of the City of Aurora except for the net revenues of the water utility system available therefore in the City of Aurora Utility Enterprise water fund, or any successor enterprise fund, and remaining after payment of all expenses relating to the operation and maintenance and periodic payments on bonds, loans and other obligations of the City acting by and through its Utility Enterprise. Notwithstanding anything herein to the contrary, nothing in this Agreement shall be construed as creating a lien upon any revenues of the Utility Enterprise or the City. The Parties hereby acknowledge and agree that any deliveries required to be made to the Utility Enterprise of the City of Aurora hereunder, or under future agreements contemplated herein, may, at Aurora's request, be modified to provide to for delivery directly to and in the name of the City of Aurora.

5.8 Joint and Several Obligations. The obligations by Denver Water and Aurora under this Agreement shall be joint and several.

5.9 No Remedy Against non-Parties. The Parties to this Agreement may seek remedies under this Agreement only against each other, and not against third parties.

5.10 Venue and Governing Law. This Agreement shall be deemed performable in the City and County of Denver, notwithstanding that the Parties may find it necessary to take action in compliance with the Agreement outside the City and County. The forum for resolution of any dispute resulting in litigation shall be the District Court for the City and County of Denver. This Agreement shall be governed by and construed under the laws of the State of Colorado.

5.11 Waiver of Rights. The failure of any Party to exercise any right under this Agreement shall not be deemed a waiver of such Party's right and shall not affect the right of such Party to exercise at some future time the right or rights or any other right it may have under this Agreement.

5.12 Captions. The captions in this Agreement are for convenience of reference only, are not part of this Agreement and shall not define or limit any of its terms or provisions.

5.13 Failure to Perform Due to Force Majeure. No Party to this Agreement shall be liable for any delay or failure to perform due solely to conditions or events of force majeure, as that term is defined in this paragraph; provided that: (i) the non-performing Party gives each other Party prompt written notice describing the particulars of the force majeure; (ii) the suspension of performance is of no greater scope and of no longer duration than required by the force majeure event or condition; and (iii) the non-performing Party proceeds with reasonable diligence to remedy its inability to perform and provides weekly progress reports to the other Parties describing the remedial actions taken. As used in this paragraph, force majeure shall mean any delay or failure of a Party to perform its obligations under this Agreement caused by events beyond the Party's reasonable control and without the fault or negligence of the Party, including, without limitation (a) acts of God, (b) sudden actions of the elements such as floods, earthquakes, hurricanes, or tornadoes, (c) sabotage, (d) vandalism beyond that which can be

reasonably prevented by the Party, (e) terrorism, (f) war, (g) riots, (h) fire, (i) explosion, (j) blockades, (k) insurrection, (l) strike, slow down or labor disruptions (even if such difficulties could be resolved by conceding to the demands of a labor group).

5.13.1 Subordination Clause. In the event of a force majeure event or condition as described above in paragraph 5.13, until the event or condition is resolved, this Agreement shall be made expressly subordinate to any present or future use of water supply for municipal purposes within the service territories of Aurora or Denver Water or to meet contracted water delivery obligations of Aurora or Denver Water existing prior to the execution of this Agreement.

5.13.2 Cooperation under Force Majeure. Should there be evidence of force majeure that may affect, or has affected, the ability of any of the Parties to meet its obligations under this Agreement, the Parties agree to meet and negotiate in good faith any modifications to this Agreement to ensure a reasonable and coordinated response to such force majeure with the goal of forestalling the need for a force majeure declaration.

5.14 Hydrologic Analysis. The Parties acknowledge that the WISE Project, and deliveries under this Agreement, are based on water supplies that are at times excess to Denver Water and Aurora's needs. The Parties have undertaken engineering studies based on observed historical hydrology that suggest these excess supplies will continue, and may increase in the future. Should future hydrology change such that there are demonstrably and significantly less water supplies available than expected at the time of the execution of this Agreement, the Parties agree to cooperate in the identification and development of additional supplies designed to assist Aurora and Denver Water in meeting the delivery obligations identified in this Agreement. Demonstration of changing hydrology may include persistent water use restrictions imposed on customers of Denver Water and Aurora or a Colorado River compact call or water management efforts to mitigate a Colorado River compact call. Provided, however, that nothing in this 5.14 shall relieve Denver Water or Aurora from meeting the Delivery Obligation then in effect, nor shall it modify the "basis for charges" relative to the cost of such deliveries as identified in 3.5.1.

5.15 Enforcement. Subject to the provisions of paragraphs 5.16 and 5.17, this Agreement may be enforced in law or equity, damages, or such other legal and equitable relief as may be available to a Party. Should Denver Water or Aurora fail to treat or deliver water in accordance with the terms of this Agreement, the Authority shall have recourse against either or both of these parties based upon the factual cause of the default.

5.16 Remedies for Non-Payment of Amounts Due.

5.16.1 If the Authority does not make payments as required under paragraph 4.6, Aurora may give the Authority a notice of default. If the Authority does not cure the default by making full payment within seven (7) working days from receipt of the default notice, Denver Water and/or Aurora, in addition to pursuing any other remedies available to them, may suspend deliveries of water to the Authority.

5.16.2 If the Authority fails to cure the default within 180 days from receipt of the default notice, then Denver Water and/or Aurora may terminate this Agreement.

5.17 Remedies for Other Defaults.

5.17.1 If any Party alleges breach or default of this Agreement, the non-defaulting Party shall first notify the defaulting Party and the other Party in writing of such default, specifying the exact nature of the default. The defaulting Party shall have thirty (30) days from receipt of such notice (Cure Period) within which to cure the noticed default before the non-defaulting Party may exercise any of its remedies hereunder, provided that:

- (i) such default is capable of being cured,
- (ii) the defaulting Party has commenced activities to cure the default within the Cure Period, and
- (iii) the defaulting Party diligently prosecutes such cure to completion.

If the noticed default is not of a nature that can be cured within the Cure Period, the defaulting party must commence corrective action within the Cure period and thereafter diligently pursue the action.

5.17.2 If the Authority remains in breach of this Agreement following the Cure Period, Denver Water and/or Aurora may, in their discretion, suspend deliveries of water to the Authority.

5.17.3 The non-breaching Party may file suit to recover amounts due and seek damages for breach of this Agreement by any other Party.

5.18 Defense against Third Parties. In the event of litigation by any third party concerning this Agreement, and to the extent permitted by law, the Parties agree to jointly defend any such third party action.

5.19 No Third Party Beneficiaries. Except for the Authority Members, there are no third party beneficiaries of this Agreement. No third party has any right to enforce this Agreement.

5.20 Water Rights Peace Pact.

5.20.1 Diligence Proceedings. As stated in paragraph 1.4, the Parties agree to work to increase WISE deliveries. With regard to all conditional water rights presently owned by the Parties to this Agreement, the Parties agree to withdraw any statements of opposition in each other's pending diligence filings and not to oppose each other's pending or future diligence applications, including applications to make the conditional rights absolute. However, the Parties may file statements of opposition in such proceedings for the limited purpose of ensuring compliance with the obligations of this Agreement.

5.20.2 Other Proceedings. The Parties also agree to negotiate in good faith the stipulated resolution of any pending or future water right and administrative or judicial proceedings that may be necessary for Denver Water and Aurora to meet their delivery obligation for the

provision of re-useable water supplies under this Agreement. To that end, the Parties shall timely share all relevant factual information concerning the existence or absence of injury to the respective decreed water rights of each party as a consequence of the administrative or judicial approvals being sought.

5.20.3 Participation Agreement. The Authority shall include in the Participation Agreement an obligation to comply with the provisions of this paragraph 5.20. Failure of a Participant to comply with this paragraph shall constitute a breach of this Agreement.

5.21 Infrastructure Ownership. Nothing in this Agreement shall constitute or be interpreted as constituting the transfer of any ownership interests in the infrastructure assets of the Parties. Each Party shall remain individually responsible for the operation, maintenance, repair and replacement of their infrastructure absent express written agreement to the contrary.

5.22 Additional Agreements. Except as set forth herein, Aurora and Denver Water agree not to enter into any additional water supply agreements with any individual Authority member or group of Authority members during the term of this Agreement, absent the written consent of all three Parties. Notwithstanding the foregoing, the Parties acknowledge that Roxborough Metropolitan District negotiated a water supply agreement with Aurora as executed on December 20, 2010.

5.23 New Participating Members of Authority. The Parties acknowledge that at times additional entities may request to join the Authority and become a Participant in the WISE Deliveries. Acceptance of such members and Participants and the nature of their financial obligations, if any, to the Authority, shall be within the sole discretion of the Authority; provided, however, that such change in the membership of the Authority or Participants in the WISE Deliveries shall not in any manner affect the obligations of Denver Water and Aurora under this Agreement nor modify the terms of any existing agreement between either Denver Water or Aurora and any current or future members of the Authority or Participants. New Participants shall be bound by the terms of this Agreement and shall enjoy such benefits as determined at the discretion of the Authority.

5.24 Authority of the Parties. The Parties each affirm and represent that they have the full power and authority to execute this Agreement and thereafter perform all of the terms and conditions set forth herein.

5.25 No Agency Created. This Agreement is not intended and shall not be construed to create any joint venture, agency relationship or partnership between the Parties. None of the Parties shall have any right or authority to act on behalf of or bind any other Party.

5.26 Dispute Resolution. If a dispute relating to this Agreement arises among the Parties, the Parties shall first consider any proposed resolution of the matter. If the matter is not resolved, the Parties shall promptly convene a meeting to be attended by persons with decision-making authority regarding the subject matter of the dispute. The meeting attendees shall attempt in good faith to negotiate a resolution of the dispute. If the dispute is still not resolved within 20 days after the meeting, the Parties shall be free to pursue any other legal remedy.

9/16/2011

5.26.1 In the event of legal proceedings, the Parties agree to seek a prompt resolution, and that each Party shall pay its own costs and expenses, including attorney fees.

5.27 Effect on Prior Agreements. This Agreement supersedes the Pilot Project Agreement between Denver Water and the Authority dated February 14, 2007. All other agreements between any of the Parties shall remain in full force and effect. In the event of a conflict between the terms of a prior agreement between any of the Parties and this Agreement, the terms of this Agreement shall prevail.

5.28 Counterparts and Facsimiles. This Agreement may be executed in counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument. Facsimile signatures bind the parties hereto.

IN WITNESS WHEREOF, Denver Water, the Authority and Aurora have executed this Agreement.

ATTEST:

CITY AND COUNTY OF DENVER
acting by and through its
BOARD OF WATER COMMISSIONERS

By: _____
Secretary

By: _____
President

Date: _____

APPROVED:

REGISTERED AND COUNTERSIGNED:
Dennis Gallagher, Auditor
CITY AND COUNTY OF DENVER

By: _____
Planning Division

By: _____

Date: _____

9/16/2011

APPROVED AS TO FORM:

By: _____
Legal Division

South Metro Water Supply Authority

By: _____
Executive Director

Date: _____

9/16/2011

CITY OF AURORA, COLORADO,
ACTING BY AND THROUGH ITS
UTILITY ENTERPRISE

Edward J. Tauer, Mayor

Date

ATTEST:

Janice Napper, Interim City Clerk

Date

APPROVED AS TO FORM FOR AURORA:

Christine McKenney, Assistant City Attorney

Date

ACS#

STATE OF COLORADO)
) ss
COUNTY OF ARAPAHOE)

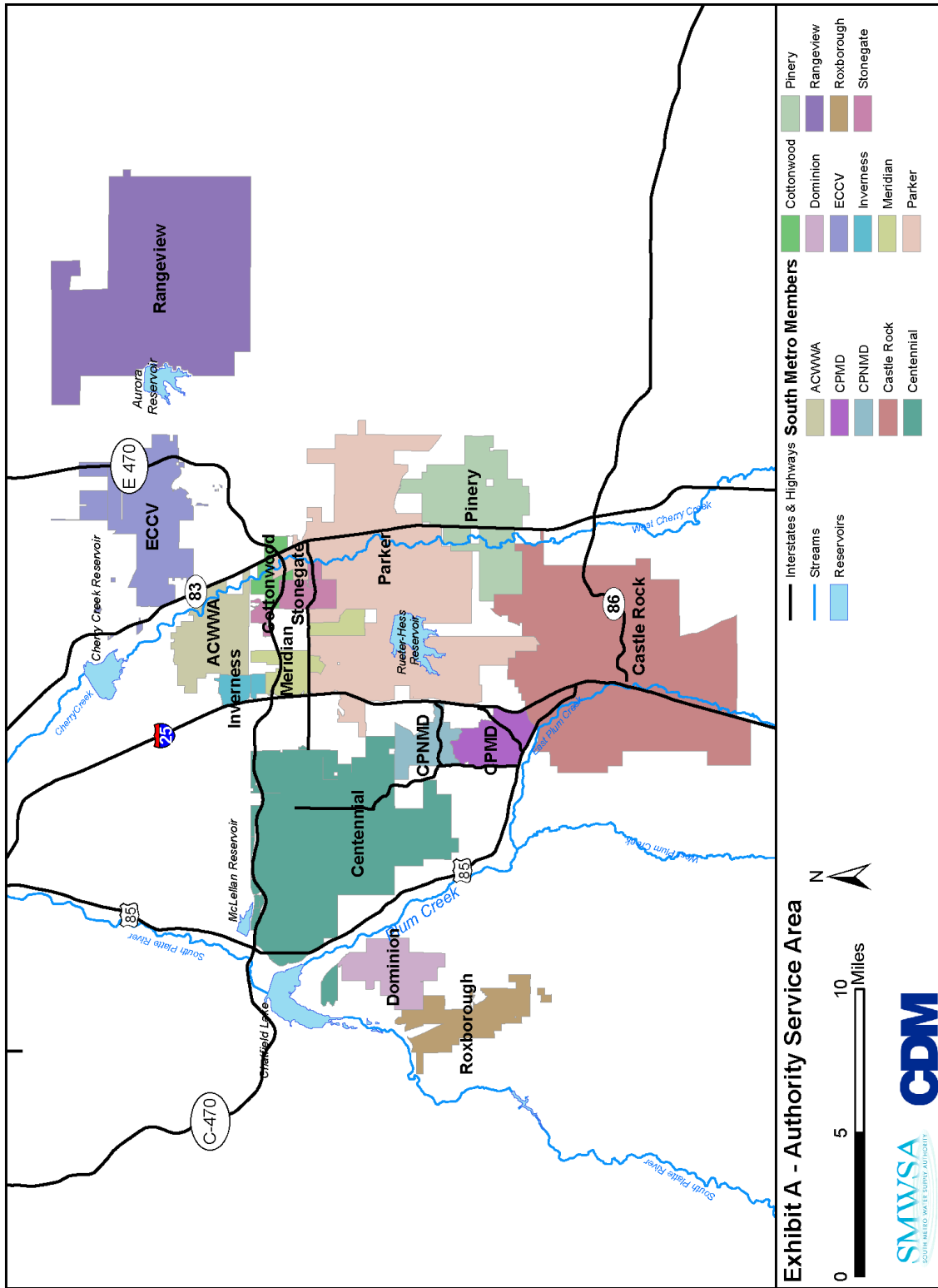
The foregoing instrument was acknowledged before me this _____ day of _____, 2011, by Edward J. Tauer, Mayor, acting on behalf of the Utility Enterprise of the City of Aurora, Colorado.

Witness my hand and official seal. _____
Notary Public

My commission expires: _____

(SEAL)

EXHIBIT A – AUTHORITY SERVICE AREA



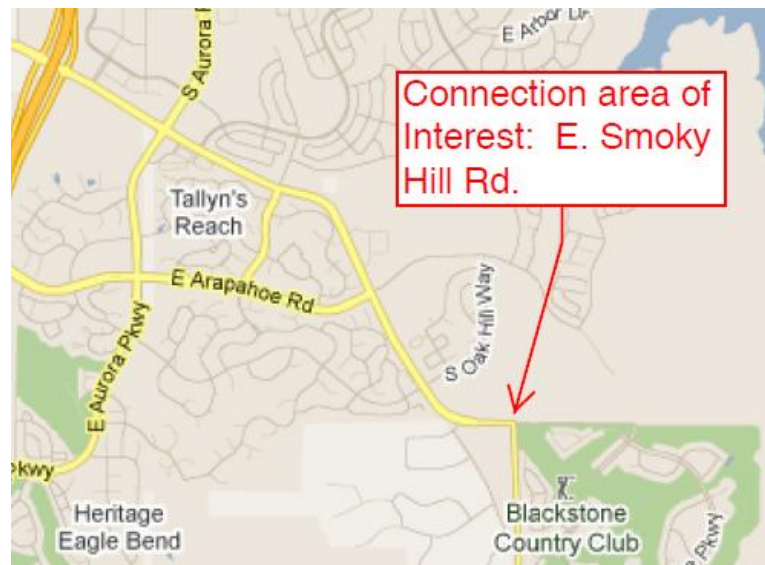
ATTACHMENT A

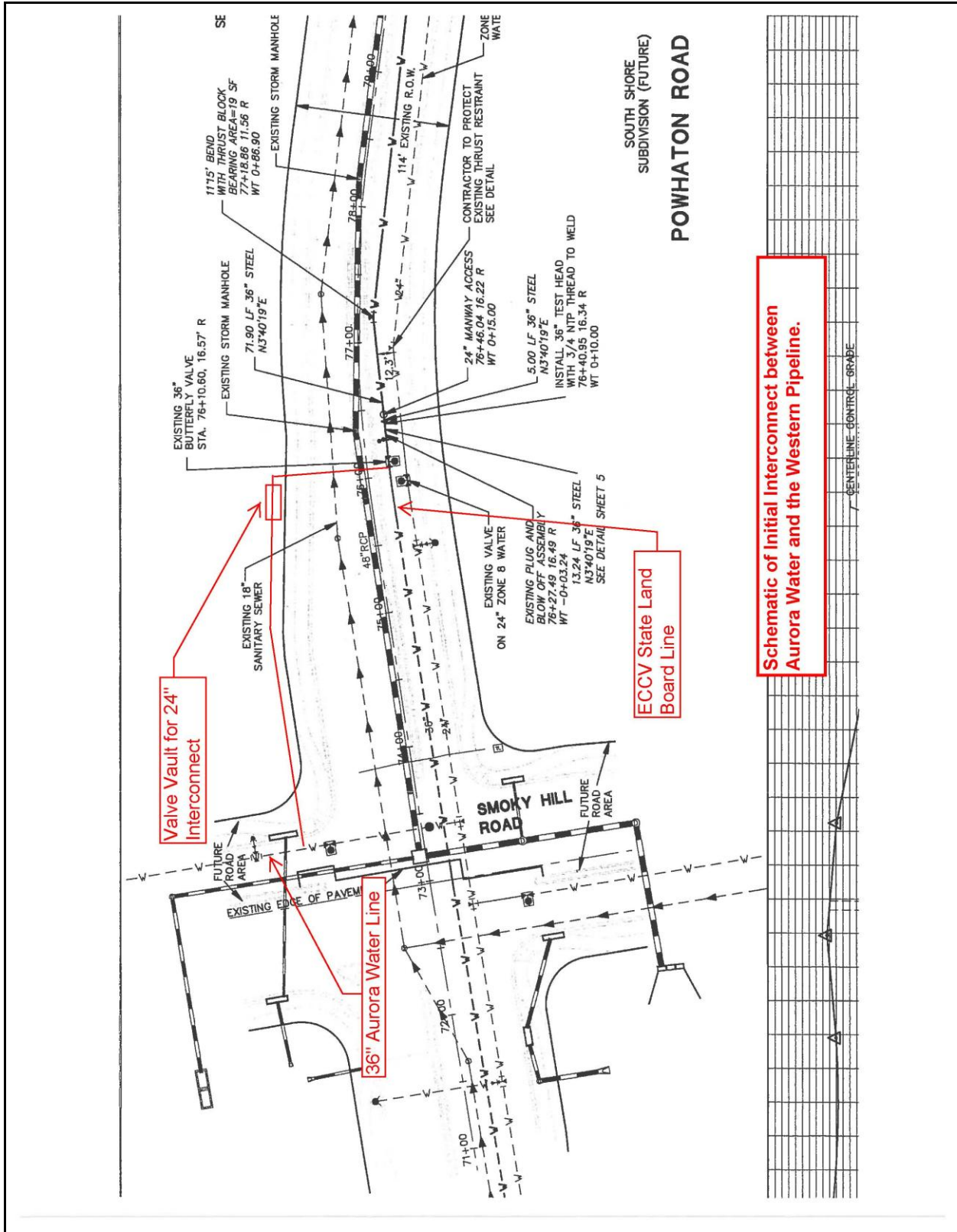
INITIAL INTERCONNECT BETWEEN AURORA WATER AND THE SLB PIPELINE

Location: To provide raw water to the WISE project prior to 2020, Aurora Water will construct an interconnect between their existing Zone 7 distribution system and the State Land Board (SLB) line at the intersection of Powhatan and Smoky Hill in Aurora, Colorado. See map below and schematic on the following page.

Capital Improvements Necessary to Make Interconnect: The interconnect will consist of approximately 300' of 24-inch steel pipe, a meter and backflow preventer assembly vault(s), and SCADA equipment.

Cost: Estimated cost for this effort, including design, construction management, permitting, and any necessary easements, is \$412,000. See attached estimate.





Bid Item	Item	Units	Quantity	Unit Cost	Extended Amount	Comments
Distribution Piping						
1	24" x 36" connection tees	EA	2	\$13,000	\$26,000	Waterworks cost (x2 for installation)
2	24" Isolation butterfly valve - direct bury	EA	4	\$12,000	\$48,000	Waterworks cost (x2 for installation)
3	24" - 45 bend	EA	2	\$3,800	\$7,600	Waterworks cost (doubled for installation)
4	24" Pipe, fittings, installation, testing & disinfection	LF	300	\$160	\$48,000	Assumed class 200 PVC, waterworks cost (x2 for installation)
5	24" Megalug restrained joints	EA	28	\$1,300	\$36,400	Waterworks cost (x2 for installation)
6	Concrete pavement replacement	SY	50	\$100	\$5,000	From CDOT - 8" thick
7	Curb and gutter repair	LF	60	\$15	\$900	From CDOT
8	Traffic control	LS	1	\$22,000	\$22,000	From DCOT
Vault(s)						
9	Crane for vault	HRS	8	\$350	\$2,800	Rounded up initial cost
10	7'x16'x6' Vault with two manhole (24") access lids	EA	2	\$12,000	\$24,000	Rounded up initial cost
11	16" Mag meter (badger turbo 6600)	EA	1	\$16,000	\$16,000	Waiting for cost from NPJ
12	24" x 16" Reducer	EA	2	\$3,200	\$6,400	Waterworks cost (x2 for installation)
13	8" Bypass (around meter assembly)	LF	18	\$80	\$1,440	Waterworks cost (x2 for installation)
14	Electrical (1 light, mag meter, SCADA)	LS	1	\$5,000	\$5,000	WAG
15	24" x 48" Manhole Risers for Access	EA	4	\$500	\$2,000	
16	24" Check valve	EA	1	\$36,000	\$36,000	Waterworks cost (x2 for installation)
17	SCADA/radio/cabinet/pole/micrologix	LS	1	\$6,500	\$6,500	
General						
20	Mob/Demob				\$15,000	Approx. 5% of total cost
21	Stormwater/Erosion control				\$3,000	Approx. 1% of total cost
22	Site Restoration				\$9,000	Approx. 3% of total cost
23	Permits				\$3,000	Approx. 1% of total cost
24	Easements				\$1,800	Based on \$44,000/acre for 1,800 sq. ft.
Construction Subtotal					\$326,000	
Engineering (20%)					\$66,000	
Project Management (6%)					\$20,000	
Project TOTAL					\$412,000	
Contingency (30%)					\$98,000	Assuming conceptual level design
Total w/ Contingency					\$510,000	

9/7/2011

ATTACHMENT B

SUBSCRIPTION FEE INFRASTRUCTURE

1. Connection from Denver Water's distribution system at DIA to Aurora Water's Pumps Station #2

The connection from DIA to Aurora's PWP will provide blend water for South Metro WISE deliveries. The current estimate for design, permitting, construction and all other costs for the DIA connection is \$8.7 million. South Metro will pay 85% of the total costs, based on estimated usage of the connection. South Metro's 85% of the \$8.7 million total estimated cost is included in the subscription fee.

1.1 Description: A 24" pipeline, approximately 6 miles in length, from the north end of DIA at East 114th Avenue & Newbem Street to the PWP Pump Station #2 near 96th Avenue and E-470, and meters at a location to be determined.

2. Accelerating Aurora's Infrastructure. As described in Section 3.3 of the Agreement, Aurora water will be accelerating a number of Prairie Waters capital projects by approximately 5 years in order to initiate average deliveries of 10,000 AF in 2020. The following table lists this infrastructure.

Project	Original Year	Accelerated Year	Estimated Cost (2011 dollars)	Estimated Cost at Time of Construction (2.5% annual increase)
Wellfield expansion from Max. capacity of 20 MGD to a Max. capacity of 24 MGD	2021	2016	\$ 3,247,000	\$ 3,673,682
Wellfield expansion from Max. capacity of 24 MGD to a Max. capacity of 25 MGD	2023	2018	\$ 1,579,000	\$ 1,876,935
Wellfield expansion from Max. capacity of 25 MGD to a Max. capacity of 30 MGD	2024	2019	\$ 3,407,000	\$ 4,151,099
Aquifer Recharge and Recovery capacity from 20 to 30 MGD	2024	2019	\$ 39,723,200	\$ 48,398,862
1 additional Pump in each of 3 pump station	2024	2019	\$ 4,070,000	\$ 4,958,900
10 MGD of additional filter capacity at Binney	2024	2019	\$ 2,200,000	\$ 2,680,486
Total			\$ 54,226,200	\$ 65,739,964

The cost to accelerate the construction of these capital projects is a present value (PV) of \$6,674,529. This PV was calculated using a rate of return of 6.1% and inflation of 2.5%. By dividing this PV into eight annual payments of \$941,163, the total paid by the Authority over

eight years is \$7,529,302. This total payment of \$7,529,302 is not a capital contribution and does not decrease the cost to Aurora Water; it rather recovers the cost of accelerating Aurora's capital projects listed. Therefore, this portion of the subscription fee will not decrease the rate charged for water as described in Attachment C.

2.1 Reconciliation. The reconciliation of this portion of the subscription fee as discussed in Section 3.3.2 of the Agreement shall be calculated as follows:

- Total estimated project cost at time of construction is \$65,739,964
- Through the subscription fee, the Authority is paying \$7,529,302 or 11.5%
- If the total cost for design, engineering, permitting, land acquisition, and related expenses (when incurred) is less than \$65,739,964, then Aurora shall reimburse the Authority 11.5% of the difference per Section 3.3.2 of the Agreement.
- If the total cost for design, engineering, permitting, land acquisition, and related expenses (when incurred) is greater than \$65,739,964, then the Authority shall owe Aurora 11.5% of the difference per Section 3.3.2 of the Agreement.
- Reconciliation shall be calculated on total expenses. There shall be no adjustment to the reconciliation amount for inflation or rate of return.

9/7/2011

ATTACHMENT C

WATER DELIVERY PRICING

1. **General.** Pricing for water deliveries to the Authority is intended to be based on the principles of cost-of-service utility rate setting. However, it is understood by the Parties that specific circumstances defined under this Agreement require advanced understanding and application of those principles and that the Parties have adapted in some cases an application of rate setting principles that are particular to this Agreement, the characteristics of the services provided, and the purpose and intent of the Parties themselves. In cases where generally accepted principles of utility rate setting may appear to differ from the pricing of water deliveries under this Agreement, the terms defined in this section of the Agreement will prevail.
2. **Overall Principles.** Pricing of water delivered under the Agreement is intended to meet the following overarching principles:
 - 2.1. **Appropriate Return on Investment.** The proper pricing framework should allow those who own Facilities to receive appropriate return on historical and new investments in the Facilities as defined in this Attachment.
 - 2.2. **Consistent with Owners' Internal Ratemaking and Financial Practices.** Pricing for water delivered under this Agreement should be generally consistent with the owner(s)' own financial requirements and internal ratemaking practices.
 - 2.3. **Consistent with Legal Requirements.** The pricing framework needs to work within those legal requirements to include City Charters, contractual obligations, State and Federal regulations, local policies, and others.
 - 2.4. **Equitable and Transparent Allocation of Costs.** The costs incurred to provide deliveries under the Agreement include the operating and maintenance costs in addition to various capital components. Equitable pricing means that these costs will be allocated to those receiving water deliveries from the project each in accordance with their particular demand characteristics and their contractually defined delivery requirements. Transparency exists when the process for such an allocation can occur within a framework that is visible, understood by all the Parties, and repeatable over time with consistent and predictable results.
3. **Facilities.** The pricing of water deliveries includes the operating & maintenance, and capital costs of the WISE Facilities. The WISE Facilities include all tangible assets, and intangible real property rights (e.g. water rights), that are used and useful in providing the water deliveries under the Agreement. A listing of the Facilities is included in Table 1. The listing of Facilities may change from time to time. All Facilities, present and future, include the following overall characteristics:

- 3.1. **Facilities are Used.** To be considered a Facility, the asset should be physically used with measurable flows of water occurring on a regular and recurring basis. Any Facility included in the basis for pricing is either: a) currently used with measurable flows, or b) will be used in the imminent future as part of the normal operations of the Facilities.
- 3.2. **Facilities are Useful.** A Facility must provide a specific function that enables the delivery of water as described in the Agreement. Facilities, or parts of Facilities, that do not enable the deliveries under the Agreement should be excluded from the pricing analysis. Facilities that are only used by the Facilities' owners are not included in the basis for pricing.
- 3.3. **Exceptions.** Additional facilities will be required in the future to maintain current deliveries and provide increased deliveries to the Authority in excess of an average of 100,000 acre feet in a 10-year period, or 10,000 acre feet per year on average. In some cases, those facilities may need to be constructed ahead of the Owners' planned schedules. Exceptions to sections 3.1 and 3.2 may be required to indemnify the Owners for the additional costs incurred in accelerating construction of planned facilities. Facilities may be added to the pricing analysis in anticipation of future construction under the following conditions:
 - 3.3.1. **Conditions for Exception:**
 - 3.3.1.1. **Acceleration of planned Facilities.** The Owners need to accelerate planned infrastructure to maintain the current delivery commitment.
 - 3.3.1.2. **Increased Delivery Requested.** The Authority has requested increased delivery from a previous commitment level, and the Owners are willing and able to meet the requested deliveries.
 - 3.3.1.3. **Additional Facilities Required.** The Owners cannot meet the requested increased delivery without additional facilities. The facilities required are either newly identified and were not part of the Owners' prior plans, or must be constructed ahead of the Owners' plans.
 - 3.3.1.4. **Owner Investment Required.** The Owners pay for the additional facilities and incur an Owner Investment consistent with section 5.2.1 below.
 - 3.3.2. **Allowances in Pricing.** If the conditions in section 3.3.1 are met, then the pricing for the immediately following year will include the reasonably estimated costs for the identified facilities.
 - 3.3.2.1. **Capital Costs.** The capital costs calculated under this provision will include a return to the owners as described in section 5.2 based on the reasonably estimated construction cost of the facilities in question. The pricing

will not include any depreciation expense as described in section 5.1 or working capital as described in section 5.2.1.3, however, until the facilities are constructed and placed into service. All other provisions of Section 5.2 will apply.

3.3.2.2. **Operating Costs.** Operating and maintenance expenses as described in section 6, below, will not be included in the pricing analysis until such time as actual operating and maintenance expenses are incurred for the facilities included in this provision.

4. **Ownership.** Each of the Facilities has at least one owner. The owner(s) should be identified for each of the Facilities by name and by percentage of ownership.
5. **Capital Costs.** Capital costs include the depreciation expense on the Facilities, plus a return to the owner(s) of the Facilities.

5.1. **Depreciation Expense.** Depreciation expense has the same meaning as is normally applied by the Government Accounting Standards Board. All depreciation is to be determined using the Straight-Line method. Determination of salvage value, if any, is at the discretion of the Facility owner(s).

5.2. **Return.** Owner(s) will be compensated for their investment in the Facilities at a rate equal to the owner(s) weighted average cost of capital as adjusted for appropriate risk. Determination of the proper rate of return is at the discretion of the owner(s). The return for each Facility is based on multiplying the rate of return by the known and measurable investment in the Facility.

5.2.1. **Owner Investment.** Owner investment is also referred to as "rate base." The rate base is meant to accurately measure the owner(s) actual investments in the Facilities. It includes the following:

5.2.1.1. **Net Book Value of Facilities.** This is equal to the actual original cost of the Facility less all previously recorded depreciation expense. The book value may be increased by additions to the Facilities, and decreased by asset deletions and retirements.

5.2.1.2. **Construction Work in Process.** Future Facility investments may be included in the rate base if: a) the Facility meets the definitions in Paragraph 3 above, and b) the Facility is expected to be placed into service during the year in which the rates are being determined.

5.2.1.3. **Working Capital.** Owners are allowed to include an allowance for working capital equal to 90 days of their operating & maintenance expenses incurred at the Facilities.

- 5.2.1.4. **(Less) Contributions Received.** Any capital payments or assets in kind received by the owner(s) in conjunction with any of the Facilities are to be credited against the rate base of the Party(ies) making that contribution. Contributions will reduce both the amount of return earned on the Facility in question as well as the annual depreciation expense. All contributions will be amortized at a rate equal to the rate of depreciation for the Facility in question.
- 5.2.2. **Cost of Capital.** The cost of capital will include an allowance for the owner(s) actual cost of debt financing, as well as an estimated return for the owner(s) equity.
 - 5.2.2.1. **Weighted Debt Cost.** The weighted debt cost is equal to the specific owner(s) cost of debt financing times the owner's debt as a percentage of the owner's total invested capital.
 - 5.2.2.2. **Weighted Equity Cost.** The weighted equity cost is equal to the specific owner(s) cost of equity financing times the owner's equity as a percentage of the owner's total invested capital.
 - 5.2.2.3. **Total Invested Capital.** An owner's total invested capital is equal to his total outstanding long-term debt including the current portion of any long-term debt, plus his total equity as measured from the owner's annual financial statements.
- 6. **Operating & Maintenance Costs.** The costs of operating and maintaining the Facilities will be properly budgeted and accounted for on a regular basis. Whether or not operating and maintenance costs are incurred, and the level, if any, of those costs is determined at the sole discretion of the owner(s) of the Facilities. Only the operating and maintenance costs incurred in the operation of the Facilities are included in the basis for the delivery price.
 - 6.1. **Direct Operating and Maintenance Costs.** The direct expenses incurred at the Facilities are to be included in the price determined under this Agreement. Direct operating and maintenance costs include the fixed and variable costs of operating the Facilities as determined by the Owners. Capital repairs and replacements are not to be included as operating and maintenance costs. Any expenditure meeting the owner(s) then existing capitalization policy should be recorded as an asset and included in the determination of rate base as described above.
 - 6.1.1. **Water Supply Cost.** The cost of providing raw water supplies under this Agreement shall be at the then published rate determined by Denver Water for raw water service at its Outside Combined Service Area rate.
 - 6.1.2. **Water Supply Reusability Fee.** The Water Supply Cost includes a water reusability right. The Reusability Fee is determined as an additional 50% markup to the Water Supply Cost.

Aurora Mountain Water in exchange for Aurora taking water from Brighton that would have been delivered to the Authority, but for the TDS concentration. The “trade water” approach for pricing will have the effect of increasing the amount of flow accounted for in the PWP Treatment Train for the Authority and will indemnify Aurora Water for the additional treatment costs it incurs to produce water for delivery .

- 7.3.2. **Determine the Operating and Maintenance Costs for Each Facility.** The Owners will prepare, at their expense, a detailed budget of operating and maintenance expenses anticipated for each Facility for the Delivery Year. Operating and maintenance expenses shall not include any provision for capital expenditures of any kind. All capitalized asset purchases should be reported as additions to the fixed assets as described in paragraph 7.3.3, below.
- 7.3.3. **Update Fixed Asset Register.** The owners will provide, at their expense, a detailed listing of fixed assets for each Facility that will be updated, current, and audited as of the end of the owners’ financial reporting year immediately preceding the Delivery Year. The fixed asset register will detail the following information for each Facility and will be reported in accordance with generally accepted accounting principles of the Government Accounting Standards Board, except in no case will the fixed assets be reported for the purposes of this Agreement using the so-called “Modified Approach” as described under GASB Rule No. 34: (i) Name and description of the asset, (ii) the original acquisition cost of the asset, (iii) the month and year the asset was acquired and physically placed into service, (iv) the estimated useful life of the asset as estimated for accounting purposes using straight line depreciation methods, and (v) the accumulated depreciation for the asset.
- 7.3.4. **Determine the Owners’ Rates of Return.** The owners’ rates of return shall be determined each year based on the guidelines established in paragraph 5.
- 7.3.5. **Determine the Raw Water Supply Rate.** The cost of raw water supply shall be the then published raw water supply rate of Denver Water for the class of service currently known as the Outside Combined Service Area. The raw water supply rate will include a 50% markup to account for reusability as long as the Denver Water rate does not include any allowance for reusability. The raw water rate shall include a 12.5% markup, or additional markup as may be required, to allow Denver Water to comply with its contractual agreements.
- 7.3.6. **Allocate the Costs of Service.** The cost-of-service rate will be determined by allocating the total costs of the Facilities to the Parties based on the Parties unique demand characteristics. Usage of facilities may include usage for delivery of water and/or reservations of capacity: both will be determined by hydraulic modeling prepared by the owners. Costs will be allocated to recognize the differences

between firm water deliveries and any less-than-firm (or interruptible) water deliveries under this agreement. The method of allocation may be changed from time to time in recognition of delivery characteristics.

- 7.3.7. **Determine Rates.** Rates for service will be specific for each Party based on each Party's particular usage of the Facilities. Rates may include a charge for volume of water delivered, charges for reservations of capacity, or any combination of these based on specific circumstances and characteristics of demand for each Party.

Table 1

Facility Name	Description
PWP – North Campus	Riverbank filtration wells, aquifer recharge and recovery system, and associated piping
PWP – Pumping Stations	Three pump stations along the pipeline from Brighton to the Binney Water Purification Facility (Binney)
PWP – Pipeline(s)	Pipeline from Brighton to Binney
PWP – Treatment (PWP Train)	Binney treatment process for water from Brighton
PWP – Treatment (Mountain Train)	Binney treatment process for water from Strontia Springs
Western Pipeline	Pipeline from Smoky Hill Road to Approximately University Boulevard along the C/E-470 alignment
Aurora Transmission System	Includes the transmission assets and operating expenses of the Aurora system used to wheel water from the PWP Treatment facilities to the Western Pipeline
DIA Line and Pump Station	Pipeline from Denver Water's distribution system near DIA to the PWP pipeline
Raw Water Supplies	The cost of all raw water supplies

**ATTACHMENT D
(DRAFT)**

**WEST SLOPE CHARGE AGREEMENT
[WISE agreement with Authority]**

Agreement between Authority, River District and Denver Water.

1. Authority agrees to pay into the West Slope Fund the West Slope Charge for each acre-foot of water provided by Denver Water, as provided in Authority's water supply contract with Denver Water.
 - The West Slope Charge will be 12.5 percent of the standard nonpotable or potable water rate, as applicable, charged by Denver Water to customers outside its Service Area.
 - Authority agrees that payment of the West Slope Charge is a contractual obligation to the River District, established at the defined percentage. Parties agree that the West Slope Charge is not a cost-based rate, but a contractual obligation, and is not governed by rate provisions in Denver Water's water supply contracts and leases.
 - Authority agrees that nonpayment of the West Slope Charge may constitute breach of this contract and may result in suspension of water deliveries.

2. Billing and payment
 - Denver Water agrees to be responsible for collection of the West Slope Charge on behalf of the River District.
 - Whenever Denver Water adjusts the rates charged to Authority [usually annually], it will notify the River District in the same manner as it notifies its customers. The River District will respond in writing, requesting that Denver Water be responsible for billing and collection of the specified revised West Slope Charge based on the adjusted rate.
 - Authority will pay the West Slope Charge as part of its payment for water provided.
 - Denver Water will follow its normal procedures for providing notice of nonpayment.
 - Denver Water will transmit the collected West Slope Charge payments to the River District on a regular schedule determined by the payment schedule.

3. Default for nonpayment
 - If Authority fails to pay the West Slope Charge within the period allowed by this Agreement, Denver Water will send a written notice to the River District.
 - The River District will send written notice to Authority, with a copy to Denver Water, of breach of contract for failure to pay the West Slope Charge. The notice of breach shall include a reasonable period during which the Authority may cure the breach.
 - The River District will undertake such measures as it deems necessary to collect the unpaid West Slope Charge.

- If other efforts fail and the River District deems it necessary, the River District will send a notice of proposed suspension of water delivery to the Authority and a notice of default to Denver Water requesting that Denver Water suspend delivery of water on a proposed date of suspension, which shall be no less than 10 days following the date of the notice.
 - If payment is not received prior to the end of the noticed period, Denver Water agrees to suspend deliveries of water as requested by the River District, until such time as the West Slope Charge is paid and the River District requests Denver Water to resume deliveries.
 - Denver Water will not suspend deliveries of water to a Authority unless the written notice of default includes a certification from the River District that it will take full responsibility for any damages to Authority resulting from suspension of service requested by River District that is later determined to be unlawful or to be invalid by reason of an error committed by the River District, and to hold Denver Water harmless for any such damages and costs incurred by Denver Water, if any, in defending itself. The River District will assume no responsibility for an error committed by Denver Water.
4. Agree to Abstention Provisions and agree to enforce Abstention Provisions against WISE Participants, as required in the Participation Agreement.