

WISE Partnership



STATEMENT OF QUALIFICATIONS

Alternative Source of Water Supply Provider

RFQ No. 2011-001WR

June 24, 2011



8400 East Prentice Avenue
Suite 1500
Greenwood Village, CO 80111

Phone: 303 409 7747
Fax: 303 409 7748

June 22, 2011

Ms. Heather Beasley
Town of Castle Rock
175 Kellogg Court
Castle Rock, Colorado 80109

Dear Ms. Beasley:

The South Metro Water Supply Authority (“South Metro”) is a participant in the Water Infrastructure and Supply Efficiency (“WISE”) Partnership, comprised of 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”). South Metro is pleased to provide the enclosed submittal to your Request for Qualifications for project concepts and strategies that will provide renewable and reusable water supplies to the Town of Castle Rock to meet its future water needs.

The WISE Partnership was established under an Intergovernmental Agreement dated May 13, 2009. Since that time, the WISE Partnership has been diligently exploring sustainable regional water supply opportunities. Engineering results, produced in part by consulting engineers, Black & Veatch and CDM, under the direction of the Partners, indicate that both Aurora’s and Denver Water’s excess water and infrastructure capacity will be seasonally available for use by SMWSA and its members, including the Town of Castle Rock, on a reliable basis. The subject water rights are wholly owned by Aurora or Denver, and are decreed for municipal use. It is contemplated that reusable, fully treated water supply deliveries will begin in 2013 at an initial increment of 5,000 AF per year at identified master meters, including one at E-470 and South Chambers Road. Deliveries would increase over time. In 2020, average annual deliveries of 10,000 AF can be made to SMWSA, with a minimum 10-year block delivery of 100,000 AF of fully treated supply.

The Town of Castle Rock, through its subscription to WISE, can reserve adequate supplies to meet its identified objective of an additional 6,000 AF of water supply by its build out of 2040, at defined water quality parameters identified by the Rueter-Hess Operating Plan. The WISE Partnership continues to discuss a cost model designed to set reasonable subscription and water delivery charges based on documented costs of service. It is the intent of the Partnership that this multi-party contractual arrangement will be executed no later than the end of 2011.

South Metro appreciates the opportunity to provide the enclosed submittal. Should you have any questions, please feel free to contact South Metro as listed below.

Rod Kuharich, Executive Director
South Metro Water Supply Authority
Greenwood Village, CO 80111
(303) 409-7747
(303) 409-7748 (fax)
rodkuharich@southmetrowater.org

Enclosure: WISE Partnership Qualification Package

Section 1.0

Executive Summary

Project Understanding

The Town has established long-term water supply goals and alternatives under its Water Resources Strategic Master Plan (WRSMP). The Town needs a strong provider to identify alternative sources of water supply in the area.

Like many of its neighboring communities in Denver’s southern metropolitan area, the Town is implementing its strategic plan to transition its water supply portfolio to one that includes new renewable sources and its existing groundwater resources. Through local planning and the Town’s participation in regional planning through its membership in the South Metro Water Supply Authority (South Metro), the Town has identified potential alternatives for meeting its near- and long-term renewable water supply goals.

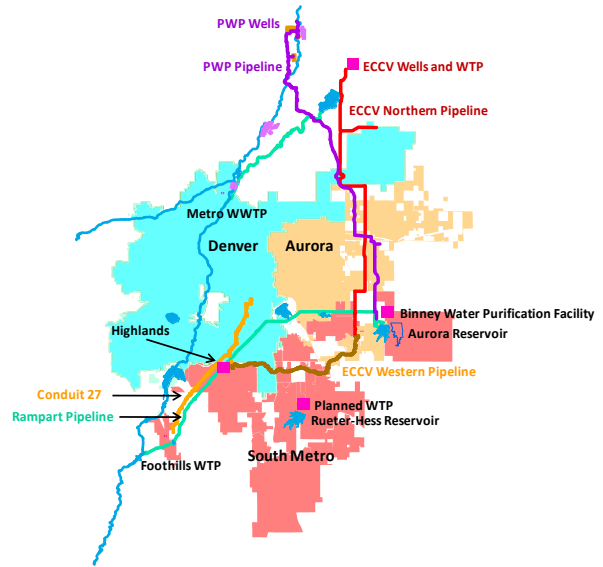
In recent years, South Metro and the Town have evaluated the use of supplies from the Water Infrastructure and Supply Efficiency Partnership (WISE). As a member of South Metro, the Town has been an active participant in South Metro’s water planning and initiatives to implement renewable water supplies in the South Metro area. Most recently, the 2007 Regional Water Supply Master Plan was updated in 2010 and early 2011 to reflect new supply opportunities. The Town’s renewable water needs are specifically considered in the draft Master Plan Update, along with those of the other South Metro members. The Master

Efficient and cost-effective utilization of existing water and infrastructure

Plan Update includes an analysis of supplies from the WISE Partnership.

The WISE Partnership offers opportunities for the participants to realize greater efficiencies within our existing infrastructure and water rights. For South Metro and its members, this means that

participants in the WISE project are entering into even greater regional cooperation and cohesion; we can get more use from our existing infrastructure; reduce our reliance on groundwater; increase available sustainable water to our members; and help to meet our water supply goals.



Major Participants and Roles

The WISE Partnership is comprised of 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 South Metro (collectively, the Parties or Partners). WISE was established under an Intergovernmental Agreement (IGA) between the Partners dated May 13, 2009.

Overview of Statement of Qualifications

The WISE Partnership brings together the proven water delivery capabilities and resources of Denver Water and Aurora, in partnership with South Metro’s collaborative structure and its members’ resources, to implement a unique program involving the Denver area’s largest water providers

to use existing water supplies and infrastructure in new, efficient ways. The WISE Partnership is a landmark project in Colorado – unprecedented in its scale and approach.

The water available to the South Metro participants is a mix of Denver Water’s and Aurora Water’s reusable supplies. Denver Water and Aurora Water have reusable portions of their water supplies that are not fully used in all years. These excess reusable return flows are discharged to the South Platte River at the Robert W. Hite Treatment Facility (Metro Wastewater Reclamation District) and Bi-City Waste Water Treatment Plant (WWTP). In the future, the excess return flows will also be discharged from Metro’s new northern treatment facility near Brighton. With WISE, Aurora Water’s Prairie Waters Project (PWP) will divert both Denver Water’s and Aurora Water’s excess reusable return flows downstream of the Metro WWTP using an alluvial well field near Brighton. At other times, both Denver Water and Aurora Water will take delivery of these return flows through the PWP for their own use, either fully utilizing their supplies or fully utilizing the capacity of the PWP system.

The subject water rights are wholly owned by Aurora or Denver, and are decreed for municipal use. It is contemplated that reusable, fully treated water supply deliveries will begin in 2013 at identified master meters, consistent with the Town’s desired delivery points. Additional infrastructure will be constructed by the Partnership to increase these deliveries to an average of 10,000 acre-feet/year (AFY), with a commitment to provide 100,000 AF over a 10-year block period.

Addressing the Town’s Needs

The Town of Castle Rock, through its subscription to WISE, can reserve adequate supplies to meet its identified objective of an additional 6,000 AF of water supply by its build out of 2040, at defined water quality parameters identified by the Rueter-Hess Operating Plan. The WISE Partnership continues to discuss a cost model designed to set reasonable subscription and water delivery charges based on documented costs of service. It is the intent of the Partnership that this multi-party contractual arrangement will be executed no later than the end of 2011.

WISE will need to firm supplies to South Metro participants by storing deliveries when they cannot be fully used directly. Rueter-Hess Reservoir (RHR) is proposed for storage of the WISE supplies that cannot be used directly. WISE would deliver water to RHR via the Chambers Pipeline, which begins near E-470 and Chambers Road and travels south toward RHR. The Town is one of four participants in the expanded RHR.

Nearly all of the infrastructure needed to divert, treat, and convey renewable water to the Town’s desired delivery point at Highway E-470 and South Chambers Road is already constructed. With minor additional infrastructure, WISE is ready to start making deliveries to the Town as soon as June 2013, with deliveries increasing over time to meet the Town’s projected renewable water supply needs on the Town’s desired schedule.

Section 2.0 Organization Profile

The WISE Partnership was established under an IGA dated May 13, 2009. The WISE Partnership roots are from an IGA signed in February 2008 between Aurora Water and Denver Water. That agreement was followed by South Metro signing a memorandum of understanding with Denver Water and Aurora in November 2008. Realizing that our goals were aligned, South Metro then entered into the IGA with Denver Water and Aurora in May 2009.

Outlined below are the individual organization profiles and the organizational chart.

South Metro

South Metro was founded in 2004 with the idea to bring many smaller water entities in south Denver together to create a regional water authority. South Metro stemmed from the Douglas County Water Resource Authority (DCWRA), which started in 1992, and the South Metro Water Supply Study Board, formed in January 2000, when other larger water providers requested to work with one regional entity.

South Metro Member Agencies
Arapahoe County Water and Wastewater Authority
Castle Pines Metropolitan District
Castle Pines North Metropolitan District
Town of Castle Rock
Centennial Water and Sanitation District
Cottonwood Water and Sanitation District
Dominion Water and Sanitation District
East Cherry Creek Valley Water and Sanitation District
Inverness Water and Sanitation District
Meridian Metropolitan District
Parker Water and Sanitation District
Pinery Water and Wastewater District
Rangeview Metropolitan District
Roxborough Park Metropolitan District
Stonegate Village Metropolitan District

By taking a unified approach to regional water rights and allocation, South Metro better serves constituents through its increased negotiating power and support on structural and non-structural projects. As evidence of the value in regional partnerships in water supply planning, South Metro has grown over the years to a membership that is now 15 strong (tabulated below), representing a range of water providers in terms of both geographic location and service area size.

Together, the 15 South Metro members represent about half of Douglas County and 10 percent of Arapahoe County (based on land area). Our size gives us clout and we are using our bargaining power to accomplish our goal of securing water rights, building infrastructure, and transporting and storing water for the benefit of our customers.

As a member of South Metro, the Town has been an active participant in South Metro’s water planning and initiatives to implement renewable water supplies in the South Metro area. Most recently, the



2007 Regional Water Supply Master Plan was updated in 2010 and early 2011 to reflect new supply opportunities. The Town's renewable water needs are specifically considered in the draft Master Plan Update, along with those of the other South Metro members. The Master Plan Update includes an analysis of supplies from the WISE Partnership.

The WISE Partnership offers opportunities for the participants to realize greater efficiencies within our existing infrastructure and water rights. For South Metro, that means we are entering into even greater regional cooperation and cohesion; we can get more use from our existing infrastructure; reduce our reliance on groundwater; increase available sustainable water to our members; and help to meet our mid-term goals.

A board of directors governs South Metro. The organization's executive director, Rod Kuharich, brings a wealth of experience in planning and implementing water resources projects throughout Colorado. Mr. Kuharich acts as the group's spokesperson and is responsible for the day-to-day operations and public meetings. Britta Strother serves as South Metro's Water Resources Project Manager, coordinating many of the authority's collaborative water supply initiatives.

Aurora Water

Aurora Water is an enterprise fund utility serving a population of over 310,000 in Colorado. Headed by Aurora Water Director Mark Pifher, this forward thinking organization procures, transports and treats approximately 50,000 AF of raw water annually. Aurora Water recently completed the Prairie Waters Project, an innovative means of using existing water rights to supplement its existing system by 20 percent. The Prairie Waters Project infrastructure also forms a major component of the diversion, conveyance, and treatment infrastructure that will be

used to deliver water supplies under the WISE Partnership.

Under city charter, the Aurora City Council acts as the board overseeing Aurora Water. A Water Policy Committee, consisting of three council members, meets monthly and provides direction for the department.

Denver Water

Denver Water proudly serves high-quality water and promotes its efficient use to 1.3 million people in the city of Denver and many surrounding suburbs. Established in 1918, the utility is a public agency funded by water rates and new tap fees, not taxes. It is Colorado's oldest and largest water utility.

Denver Water manages its supply and demand with careful research and analysis regarding streamflow, diversions, climate, customer demand and population estimates to ensure there will be an adequate supply of clean, reliable Denver water well into the future. David Little is Denver Water's Director of Planning, and Jim Lochhead serves as the CEO/Manager of Denver Water.

Denver Water's planning group has been instrumental in assessing the supply availability for South Metro and its members under the WISE Partnership. And on April 28, 2011, interests from across the state announced an historic proposed agreement that will change the way water is managed in Colorado – including clarification of the conditions under which Denver Water will be able to provide water outside its service territory – thus paving the way for the cooperative WISE Project.

Section 3.0

Project Approach

The WISE Partners have spent significant time and effort over the past two years to evaluate the availability of water through the WISE Partnership. Responses to the questions posed in the Town's Request for Qualifications (under Section 3- Project Approach) are provided below.

1. Source(s) of supply proposed to utilize to meet the Town's water supply needs.

The water available to the South Metro participants is a mix of Denver Water's and Aurora Water's reusable supplies. Denver Water and Aurora Water have reusable portions of their water supplies that are not fully used in all years. These excess reusable return flows are discharged to the South Platte River at the Robert W. Hite Treatment Facility (Metro Wastewater Reclamation District) and Bi-City WWTP. In the future, the excess return flows will also be discharged from Metro's new northern treatment facility near Brighton. With WISE, Aurora Water's PWP will divert both Denver Water's and Aurora Water's excess reusable return flows downstream of the Metro WWTP using an alluvial well field near Brighton. At other times, both Denver Water and Aurora Water will take delivery of these return flows through the PWP for their own use, either fully utilizing their supplies or fully utilizing the capacity of the PWP system.

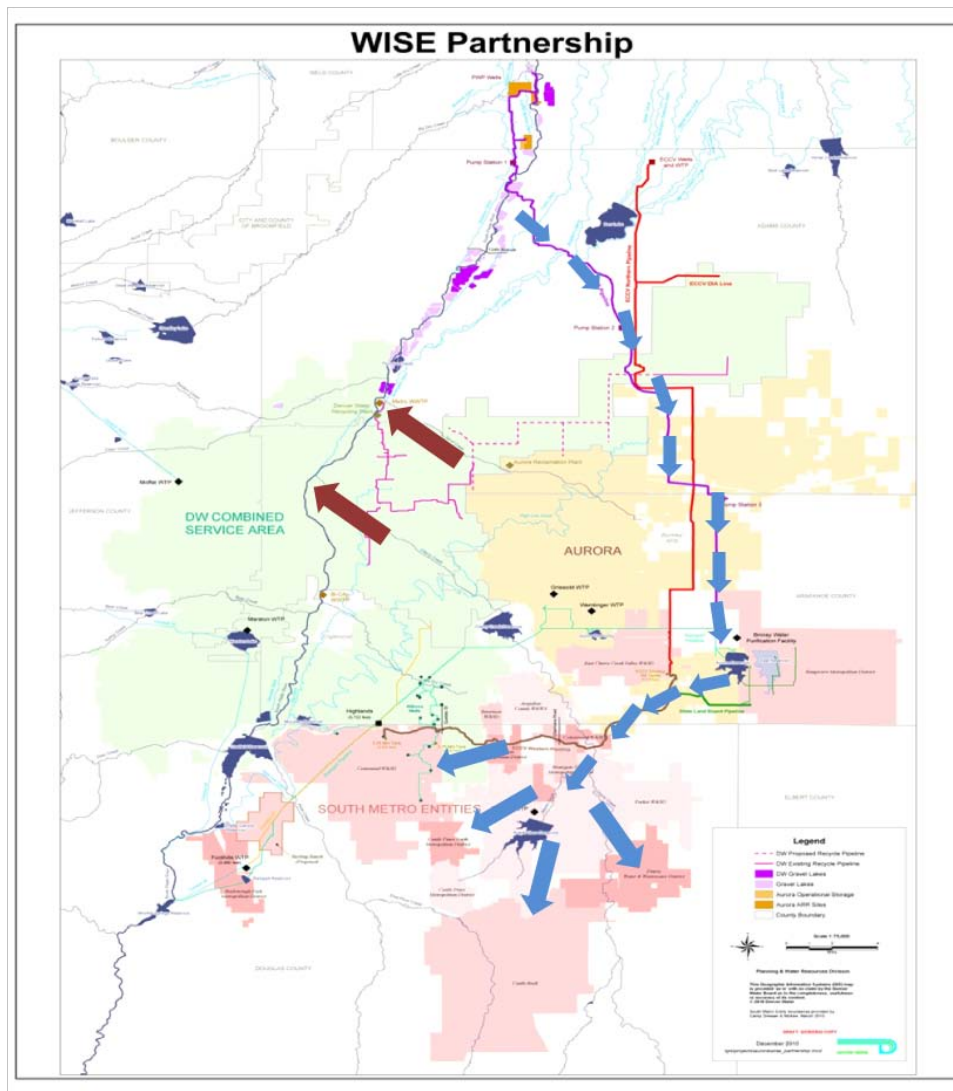
Aurora Water and Denver Water would not make additional draws on their raw water supplies to provide water to the South Metro participants as part of the WISE Partnership. The water that Denver Water and Aurora Water will provide to WISE includes their excess reusable return flows. The reusable return flows from Denver Water and Aurora Water are comprised of water from their respective distribution systems (i.e., the water has been used to meet their customers' needs), that is fully consumable under Colorado water law, and that may be diverted again through the PWP once

it is returned to the river. The origin of Aurora Water's reusable return flows is about 50 percent from the South Platte River Basin, 25 percent from the Arkansas River Basin, and 25 percent from the Colorado River Basin. More than 90 percent of Denver Water's reusable return flows are pursuant to its Blue River water rights. Only a fraction of these excess reusable return flows is currently in the South Platte River, but the amounts will grow over time as the populations of Denver and Aurora grow, thus generating more return flows to the river that may be rediverted downstream.

All water delivered under to South Metro and the participants in WISE will meet all Safe Drinking Water Act primary standards, having been treated at the PWP's Peter Binney Water Treatment Plant (WTP) near Aurora Reservoir. In order to reduce high levels of total dissolved solids (TDS), Aurora Water and Denver Water will also provide, on a temporary basis, water from their other sources that are currently being used by Denver and Aurora for municipal purposes for blend water until a reverse osmosis (RO) treatment facility or other TDS management measures are constructed for the WISE project. Providing blend water for the Partnership will not expand the historic draw on the blend supplies.

2. Delivery of supply to the Town's identified points of delivery.

The recent completion of the PWP, the availability of the East Cherry Creek Valley Water and Sanitation District (ECCV) Western Pipeline (for which negotiations are underway), and the nearly-complete expansion of Parker Water and Sanitation District's RHR provide much of the infrastructure needed to successfully convey Aurora Water's and Denver Water's excess reusable return flows from the South Platte River downstream of Denver south to the City of Aurora participants and to store and



firm the portion of return flows that cannot be used directly.

WISE will use existing and proposed ECCV infrastructure. This ECCV infrastructure will initially be a short section of the State Land Board Line from Aurora's treated water distribution system west to the ECCV Western Pipeline, which begins at the Smoky Hill Tanks and follows E-470/C-470 south then west to roughly University Avenue.

Deliveries to South Metro will initially be made through Aurora Water's distribution system to a proposed master meter on the ECCV State Land Board Line. During this initial delivery phase, a new master meter and pipeline connection to the Smoky Hill Tanks and the ECCV Western Line will

be constructed and deliveries will then be made through this new connection.

The WISE yields do vary and are interruptible, with annual yields ranging from at or near 0r up to over 25,000 ac-ft in any one year. However, it is expected that the final WISE operations agreement will cap annual deliveries to help better match supply to demand. The Partners anticipate working incrementally towards these expanded supplies as demands grow and infrastructure is added. While deliveries would be made to the Town and other WISE participants at a master meter at E-470 and South Chambers Road, it is anticipated that the Town would convey supplies via the proposed Chambers

Pipeline, utilizing its storage in RHR as needed to store its excess WISE supplies when available and draw them from storage during times of higher demand and/or lower delivery.

3. Ownership Nature of Respondent's water assets

The subject water rights are wholly owned by Aurora or Denver, and are decreed for municipal use. It is contemplated that reusable, fully treated water supply deliveries will begin in 2013 at identified master meters.

With the exception of the ECCV Western Pipeline, all infrastructure either already exists and is owned by the WISE Partners, or will be constructed under the direction and ownership of one or more WISE Partners.

Due to limited infrastructure at the start of the project, it is expected that only about 1,000 AF annually will initially be taken by a few participants. Deliveries are expected to gradually increase, including deliveries to more participants, as there are additions in infrastructure to meet the increasing needs of the South Metro participants.

The various scenarios corresponding to the ultimate yields will require significant investments in new infrastructure and involve complex agreements. To move forward quickly towards an agreement that could deliver water to South Metro in a relatively short time frame, while simultaneously committing the Partners to entering into a long-term agreement, an initial delivery plan has been developed to begin construction in 2012 of the limited facilities needed to begin deliveries as early as 2013. Delivery of 1,000 to 5,000 ac-ft/yr can be delivered under this plan through 2019 with an investment of approximately \$250,000-\$500,000. During this delivery period, additional infrastructure will be constructed by the Partnership to increase these deliveries to an average of 10,000 ac-ft/yr, with a commitment to provide 100,000 ac-ft over a 10-year block period.

South Metro is currently working to identify how its individual members can utilize the yields projected under the various scenarios, and what additional distribution infrastructure will be necessary to convey, firm, and deliver these supplies under both interim and long-term supply scenarios.

Once additional infrastructure is completed, deliveries will increase to an average of 10,000 AF per year. Each increment of additional water delivery and necessary infrastructure has independent utility for the WISE participants.

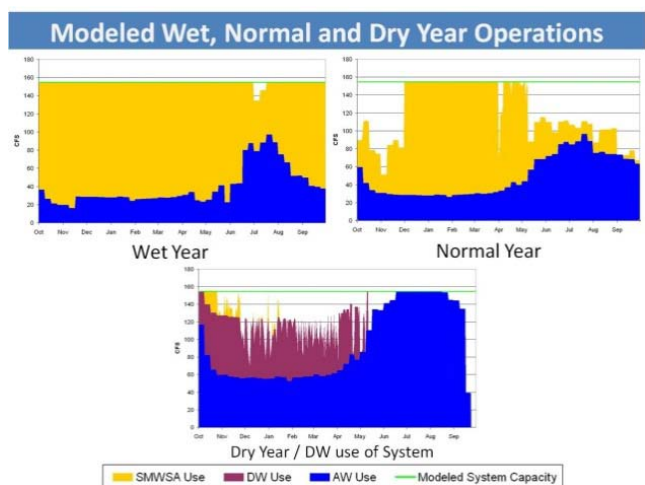
In 2020, average annual deliveries of 10,000 AF can be made to South Metro, with a minimum 10-year block delivery of 100,000 AF of fully treated supply.

The Town, through its subscription to WISE, can reserve adequate supplies to meet its identified objective of an additional 6,000 AFY of water

supply by its build out of 2040, at defined water quality parameters identified by the Rueter-Hess Operating Plan. Engineering studies indicate that up to 50,000 AF per year may be available in the future once RO treatment and/or other TDS management measures are implemented.

The potential yields are possible due to the manner in which the water supplies and infrastructure can be utilized both seasonally and under varying hydrologic conditions. The chart below shows examples of how WISE could operate under a modeled wet, normal, and dry year. The blue bars represent Aurora’s planned use, the red bars are Denver’s, and the gold bars represent water available to South Metro. For instance:

- *Wet Year* – Aurora would have adequate mountain supplies and not need to fully utilize PWP, Denver may also not take deliveries through WISE, leaving a large amount of water available to South Metro.
- *Normal year* (not wet or dry) – Aurora’s use of PWP will increase, Denver might again not use the system, and lower, though significant, supplies would be available to South Metro.
- *Dry year* – Aurora will rely heavily on PWP, likely using the full system capacity during the summer months. If Denver also needs to take deliveries, there would likely be limited capacity and supply available for South Metro. However, Denver may not



always choose to take water in dry years and some limited supplies and capacity may still be available to South Metro during such years.

Delivered water will be fully treated potable water under WISE through a process of treatment and blending that will result in water that meets or exceeds all existing and anticipated drinking water standards and provides water that will be indistinguishable from Aurora's current supplies.

4. Existing contracts, agreements, obligations, commitments, on-going litigation or environmental permitting issues.

The WISE Partnership was established under an Intergovernmental Agreement dated May 13, 2009.

On April 28, 2011, interests from across the state announced a historic proposed agreement that will change the way water is managed in Colorado – including clarification of the conditions under which Denver Water will be able to provide water outside its service territory – thus paving the way for the cooperative WISE Project.

Because the WISE deliveries will be made using water rights that are wholly owned by Denver Water and Aurora, and using infrastructure that has already been constructed, there is no on-going litigation and there are no significant environmental permitting issues associated with the proposed WISE deliveries.

5. Financing model or approach to execute this project

The length and term of the contract between the WISE Partners is under negotiation at the present time, which has included representation by key Town staff in that process. It is anticipated that after the initial ramp-up period, the WISE Partners will make 100,000 AF of WISE supplies available to South Metro WISE participants on a recurring 10-year block basis. It is expected that this agreement will include renewal terms that will allow for ongoing supplies to all participants. Initial capital investments include the system connections described earlier in this section, as well as South Metro's proposed share of the purchase of the ECCV Western Pipeline. Water deliveries will be made at the master meter location at a wholesale rate, calculated on a dollars-per-1,000 gallons rate that is being established by and will be made part of the agreement between the WISE Partners.

6. Primary risks or considerations for this project

One of the primary considerations with respect to the nature of the WISE supplies is that the supplies are variable. In some years, there may be no excess return flows or infrastructure capacity available, and in turn, no WISE deliveries to South Metro participants. This variability can be mitigated through the use of the Town's existing storage capacity in RHR, as well as use of the Town's other components of its water supply portfolio.

Section 4.0

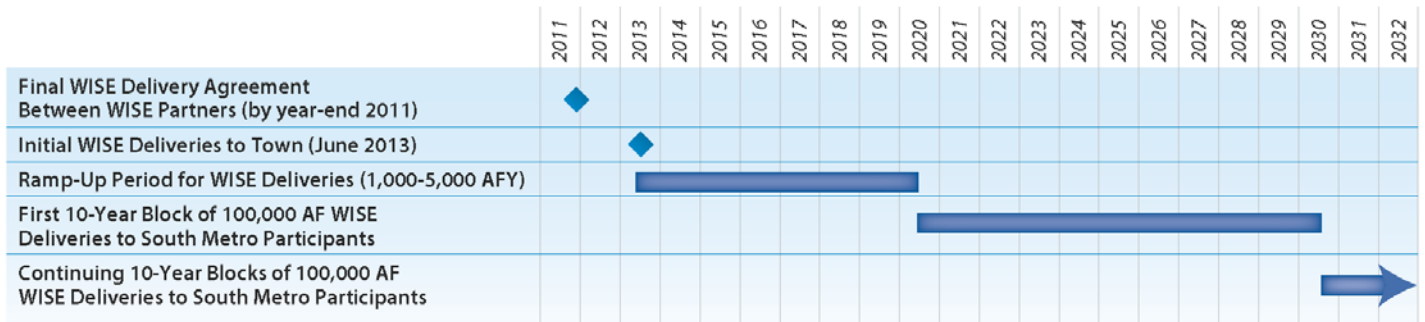
Schedule

To move forward quickly towards an agreement that could deliver water to South Metro in a relatively short time frame, while simultaneously committing the Partners to entering into a long-term agreement, an initial delivery plan has been developed to begin construction in 2012 of the limited facilities needed to begin deliveries as early as 2013.

Delivery of 1,000 to 5,000 AFY can be delivered under this plan through 2019 with an investment of approximately \$250,000-\$500,000. During this

delivery period, additional infrastructure will be constructed by the Partnership to increase these deliveries to an average of 10,000 ACY. In 2020, average annual deliveries of 10,000 AF can be made to South Metro, with a minimum 10-year block delivery of 100,000 AF of fully treated supply.

The project schedule shown below shows anticipated dates for the key milestones in initiating and sustaining water deliveries to the Town through the WISE Partnership.



Section 5.0

Financial Capacity

Documentation of the Partner's financial strength and capacity is appended to this submittal. The South Metro members, as well as Denver Water and Aurora, have well-established revenue streams through rates and fees that continue to support their financial position and ability to deliver water to their own customers - and to WISE project participants.

In addition, South Metro has worked with representatives of the Colorado Water

Conservation Board and the Colorado Water and Power Development Authority to identify potential funding and financing programs that could be used in support of implementation of a regional South Metro renewable water supply project such as WISE.

Section 6.0

Experience

The WISE Partnership brings together the proven water delivery capabilities and resources of Denver Water and Aurora, in partnership with South Metro's collaborative structure and its members' resources, to implement a unique program involving the Denver area's largest water providers to use existing water supplies and infrastructure in new, efficient ways. The WISE Partnership is a landmark project in Colorado – unprecedented in its scale and approach.

Each of South Metro's members, as well as WISE Partners Denver Water and Aurora, have a solid track record of providing water to our customers. Fundamental to our mission is to provide water to our customers cost-effectively and reliably. This includes direct customers, as well as numerous inter-provider agreements to provide water on a wholesale basis. As such, the mission of the WISE

Partnership and the experience of the Partners is directly in line with the Town's goals for reliably delivering water supplies.

References for the proven ability to meet water delivery commitments can be obtained by contacting any of the South Metro members' water division or utilities staff. Specific names and contact information for each member can be provided upon request. Examples of Denver Water and Aurora's ability to provide water to their customers can be discussed with the following representatives of those organizations:

- Mr. David Little, Director of Planning, Denver Water, 303-628-6000, david.little@denverwater.org
- Mr. Mark Pifher, Director, Aurora Water , 303-739-7370, mpifher@auroragov.org

**Town of Castle Rock Utilities Department
Castle Rock, Colorado**

**REQUEST FOR QUALIFICATIONS (RFQ) FOR
ALTERNATIVE SOURCE OF WATER SUPPLY PROVIDER**

POTENTIAL CONFLICT OF INTEREST

Indicate Appropriately:

I am unaware of any potential conflicts of interest:

X

I am aware of the following potential conflict(s) of interest:

Description of potential conflict(s):

I hereby certify to the best of my knowledge that the information above is true.

Paul Klich

Respondent's Authorized Representative

6-24-11

Date



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