

# AGENDA

## Denver Board of Water Commissioners

Denver Water Administration Building  
1600 West 12<sup>th</sup> Avenue  
Denver, CO  
Board Room, Third Floor

**Wednesday, September 14, 2016 9:00 a.m.**

---

### I. INTRODUCTORY BUSINESS

#### A. Call to Order and Determination of Quorum

#### B. Public Comment and Communications

At this point in the agenda, the Board may allow members of the public to address the Board on any item of interest within the jurisdiction of the Board, and not on the agenda for action. Speakers wishing to address a specific Action Item will be invited to address the Board when the item is being considered. Three minutes are allowed for each person unless the President determines otherwise.

1. Distributor Communications
2. Citizen Advisory Committee Communications

#### C. Ceremonies, Awards and Introductions

### II. ACTION ITEMS

#### A. Consent Items

Items listed below are considered routine and may be enacted by one motion and vote. If any Board member desires discussion beyond explanatory questions, or corrections to the Minutes, the President may order that item to be considered in a separate motion and vote.

1. Minutes from August 10, 2016 – Open and Executive
2. Minutes from August 19, 2016 – Executive
3. Minutes from August 24, 2016 – Open and Executive
4. Personnel Policies – Recommended Revisions Related to the Disability Review Process
5. Personnel Policy – Recommended Revisions Related to the Veteran's Preference in Competitive Examinations
6. First Contract Amendment for Solufy Planning and Scheduling Tool – Contract 16336A
7. Meadow Creek Dam Isolation Valve Replacements – Contracts 16804A
8. Conduit No. 20 Aerial Crossings Lining in Waterton Canyon – Contract 16857A

*Denver Water aspires to be the best water utility in the nation.*

Integrity :: Vision :: Passion :: Excellence :: Respect



9. Amendment No. 3 with HDR-Dewberry Water Supply Partners for Conduit No. 16 Replacement and Conduit No. 22 Abandonment – Contract 14978A
10. Ratification of Construction Contracts Change Orders and Amendments to Contracts/Agreements
11. Retention Agreement - Contract #16588H

**B. Individual Approval Items**

- |  |              |            |
|--|--------------|------------|
| <b>1. Settlement Agreement and Purchase Option Agreement Between United States Forest Service and Denver Water – Contracts # 16893A &amp; 16893B</b> | Paula Daukas | 10 minutes |
|--|--------------|------------|

**III. POLICY MATTERS**

- |                 |                 |            |
|-----------------|-----------------|------------|
| A. Lead Program | Melissa Elliott | 60 minutes |
|-----------------|-----------------|------------|

**IV. EXECUTIVE UPDATE**

- A. CEO Update
- B. CFO Update
- C. Operations Update

**V. BRIEFING PAPERS & REPORTS**

**A. Briefing Paper**

1. Settlement Agreement and Purchase Option Agreement between United States Forest Service and Denver Water – Contracts 16893A & 16892B

**B. Report**

**VI. ADJOURNMENT**

**VII. TRUSTEE MATTERS**

**VIII. EXECUTIVE SESSION**

The Board may adjourn the regular meeting and reconvene in executive session on topics authorized by C.R.S. Sec. 24-6-402 or D.R.M.C Sec. 2-34.

A. Confidential Report § 24-6-402(4)

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 14, 2016

Board Item: II-A-4

## Personnel Policies – Recommended Revisions Related to the Disability Review Process

Action by Consent

Action

Information

### Summary:

A review of recent law regarding the due process rights of civil service employees has established that due process is not required when an employee's job is adversely affected by a disability-related decision. These decisions are not considered a termination "for cause" for due process purposes. The recommended changes to these policies eliminate unnecessary procedural steps for disability-related terminations, and update the policies to reflect current legal requirements in this area.

### Recommendation:

It is recommended that the Board approve the changes to the sections of the *Personnel Policies* as designated in the attachment, to become effective immediately.

### Approvals:

Respectfully submitted,

  
\_\_\_\_\_  
Patricia L. Wells  
General Counsel

  
\_\_\_\_\_  
James S. Lochhead  
CEO/Manager

  
\_\_\_\_\_  
Gail Cagle  
Chief Human Resources Officer

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 14, 2016

Board Item: II-A-5

## Personnel Policies – Recommended Revisions Related to the Veteran’s Preference in Competitive Examinations

Action by Consent

Action

Information

### Summary:

The Colorado State Constitution requires public employers to give a preference in hiring to veterans. The recommended changes to the *Personnel Policies* refer employees to the applicable law but eliminate details of the law as these pertain more to applicants than to employees. Applicants, generally, would not have access to the *Personnel Policies* for this type of information. Details regarding eligibility for the veteran's preference will be stated in a Human Resources SOP, and will be provided to applicants.

### Recommendation:

It is recommended that the Board approve the changes to the sections of the *Personnel Policies* as designated in the attachment, to become effective immediately.

### **Approvals:**

Respectfully submitted,

  
\_\_\_\_\_  
Patricia L. Wells  
General Counsel

  
\_\_\_\_\_  
James S. Lochhead  
CEO/Manager

  
\_\_\_\_\_  
Gail Cagle  
Chief Human Resources Officer

## DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 14, 2016

Board Item: II-A-6

### First Contract Amendment for Solufy Planning and Scheduling Tool Contract # 16336A

Action by Consent

Individual Action

**Summary:**

In July of 2015, the Solufy Akwire work planning and scheduling tool was partially implemented for the O&M Shops and Treatment Plants to augment work management capabilities of the Maximo system. Based on the highly effective results achieved to-date, Operations & Maintenance desires to complete the implementation of Akwire across all Shops and Treatment Plants to further improve work and staff resource planning. This will require additional Akwire software licenses. Additionally, this contract amendment will include an upgrade of Akwire to the latest version, as well as training for new functional and reporting capabilities.

**Budget Information:**

The total amount of this contract amendment is \$67,850, and the term of the contract is through 09/30/2017. Funds for this contract amendment were planned and fully included in the 2016 IT Operational Asset Management budget (Business Unit: 1004050400).

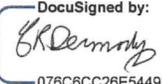
**Selection of Business Partner:**

Research in 2014 revealed that the Maximo Planner/Schedule add-on tool and the Solufy Akwire planning & scheduling add-on tool (neither of which we owned) were the only viable solutions for providing the desired work management improvements to the base Maximo system. Pilot testing of both products by IT & O&M proved that the Maximo Planner/Schedule add-on tool was ineffective in providing the improvements needed and the Solufy Akwire tool fully met the needs.

**Recommendation:**

It is recommended that the Board approve this First Amendment to 16336A with Solufy for the Akwire upgrade, additional licenses and training for an additional costs of \$67,850, and a total contract cost of \$117,100.

**Approvals:**

DocuSigned by:  
  
076C6CC26E5449B...

Chris Dermody  
Chief Information Officer

Respectfully submitted,

  
James S. Lochhead  
CEO/Manager

  
Angela Brimont  
Chief Financial Officer

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 14, 2016

Board Item: II-A-7

## Contract 16804A for Meadow Creek Dam Isolation Valve Replacements

Action by Consent

Individual Action

### **Summary:**

Meadow Creek Reservoir is a 5,370 acre foot facility, located approximately 13 miles North-East of Fraser, Co. Water from Meadow Creek Reservoir is channeled to the Moffat tunnel, and helps feed the North end of Denver Water's system. Meadow Creek Reservoir is currently being emptied to allow for an inspection of the intake structure at the bottom of the reservoir. Intake inspections are conducted every ten years. This drawdown provides an opportunity to replace the isolation valves in the Meadow Creek Outlet Works, which have not been replaced since the facility was built in 1974. The isolation valves consist of a 4-inch gate valve, and a 36-inch butterfly valve. They cannot be serviced or replaced when there is water in the reservoir. The 4-inch gate valve has significant body corrosion and leaks considerably. The 36-inch butterfly valve contains rubber seats, which are not appropriate for the application, and would be damaged if the valve was required to close in an emergency event.

On August 30, 2016, proposals were received for the Meadow Creek Dam Isolation Valve Replacements project. The project will replace the 4-inch gate valve in kind, and will replace the 36-inch rubber seated butterfly valve with a 36-inch metal seated butterfly valve. These replacements will greatly increasing the reliability of the facility. This contract includes providing all the necessary labor, equipment, and materials to replace the isolation valves in the Meadow Creek Outlet Works

### **Budget Information:**

The work will be completed in 2016. The System Managers approved prioritization of this unplanned work to replace the critical control infrastructure during the upcoming drawdown, revising the 2016 Capital Improvement Plan forecast to reflect necessary costs for this project in the Meadow Creek System Improvements Business Unit.

### **Selection of Business Partner:**

Denver Water solicited proposals from five Contractors on the Prequalified Contractors List. This Contract was a restricted proposal process using Instruction to Proposers on the QuestCDN platform. Three of the five General Contractors submitted proposals. RN Civil Construction was deemed the most qualified proposer which includes a price of \$135,200.

### **S/MWBE Information:**

*The Minority and Women Business Enterprise (MWBE) goal established for this construction project is 3% participation. RN Civil Construction Achieved 3.13% participation.*

### **Recommendation:**

It is recommended that the Board approve Contract 16804A with RN Civil Construction for the Meadow Creek Dam Isolation Valve Replacements for the contract period September 14, 2016 to November 18, 2016 for a total contract amount not to exceed \$135,200.

*Denver Water aspires to be the best water utility in the nation.*

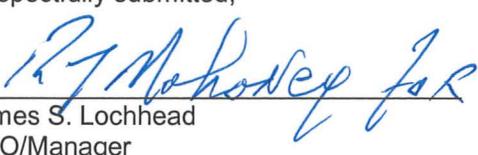
Integrity :: Vision :: Passion :: Excellence :: Respect



**Approvals:**

  
\_\_\_\_\_  
Robert J. Mahoney  
Chief Engineering Officer

Respectfully submitted,

  
\_\_\_\_\_  
James S. Lochhead  
CEO/Manager

  
\_\_\_\_\_  
Angela Brimont  
Chief Finance Officer

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 14, 2016

Board Item: II-A-8

## Contract 16857A for Conduit No. 20 Aerial Crossings Lining in Waterton Canyon

Action by Consent

Individual Action

### Summary:

The Conduit No. 20 aerial crossing pipelines in Waterton Canyon are 60-inch diameter steel pipelines that convey water from the South Platte River to Marston Water Treatment Plant. The existing pipelines are lined with cement mortar which has deteriorated over time. Fragments of cement mortar are flowing downstream requiring frequent cleanup and maintenance from Source of Supply personnel, and corrosion is occurring in areas where the cement mortar has delaminated.

This project consists of labor, materials, and equipment to remove the existing cement mortar lining and install a new polyurethane lining in the Conduit No. 20 aerial crossing pipelines. The new polyurethane lining will be more resistant to environmental conditions, reduce the need for downstream cleanup, and extend the serviceable life of the pipelines by providing a corrosion barrier on the interior of the steel pipelines. The project addresses operational reliability, mitigates risk of pipe failure due to corrosion, and extends the serviceable life.

### Budget Information:

The work will be completed in 2016. The 2016 Capital Improvement Plan for the Conduit No. 20 Aerial Crossings Lining in Waterton Canyon Business Unit includes sufficient funds for the estimated \$352,848 for the 2016 expenditures.

### Selection of Business Partner:

Denver Water solicited proposals from three Contractors on the Prequalified Contractors List under the Industrial Painting and Coating Contractors discipline. This Contract was a Quality Based Selection (QBS) and restricted proposal process using Instruction to Proposers on the QuestCDN platform. Three proposals were received on August 30, 2016, and reviewed and scored by a team of Denver Water evaluators in accordance with the QBS criteria listed in the Request for Proposals. Coblaco Services, Inc. was deemed the most qualified proposer which includes a price of \$352,848.

### S/MWBE Information:

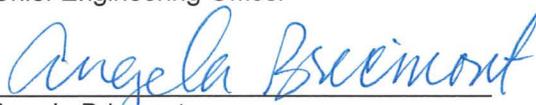
*This project was evaluated for Minority and Women Business Enterprise (S/MWBE) opportunities and no S/MWBE firms were available to perform this work. Further, Denver Water solicited S/MWBE availability from material suppliers and no opportunities were found due to the specialized nature of the work.*

### Recommendation:

It is recommended that the Board approve Contract 16857A with Coblaco Services, Inc. for Conduit No. 20 Aerial Crossings Lining in Waterton Canyon for the contract period September 14, 2016 through November 17, 2016 for a total contract amount not to exceed \$352,848.

### Approvals:

  
Robert J. Mahoney  
Chief Engineering Officer

  
Angela Brimont  
Chief Finance Officer

Respectfully submitted,

  
James S. Lochhead  
CEO/Manager

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 14, 2016

Board Item: II-A-9

## Amendment No. 3 with HDR-Dewberry Water Supply Partners for Conduit No. 16 Replacement and Conduit No. 22 Abandonment Contract 14978A

Action by Consent

Individual Action

### **Summary:**

The Conduit No. 16 Replacement and Conduit No. 22 Abandonment project is an 8.5-mile long, 84-inch diameter treated water pipeline that will replace two existing pipelines (Conduit Nos. 16 and 22). The existing conduits currently convey raw water from Ralston Reservoir to the Moffat Water Treatment Plant and were installed in 1937 and 1950, respectively. In the past several years the conduits have required repairs for joint leaks and internal inspections have revealed extensive cracking. The replacement of Conduit No. 16 will provide for treated water delivery from the future Northwater Treatment Plant at Ralston to the Moffat facility.

On April 10, 2013, the Board approved Agreement 14978A for Engineering Design Services of Conduit No. 16 Replacement and Conduit No. 22 Abandonment in the amount of \$5,526,992. Amendment Nos. 1 and 2 were no cost items addressing a contract time extension and revised consultant billing rates.

As a result of Denver Water project re-prioritization efforts during 2015, the work on the project was suspended for one year and was restarted in early 2016. At the time of the project suspension, all project drawings were prepared under Denver Water's 2011 CAD Standards. Additionally, the original project scope called for Denver Water to self-perform all Electrical and Instrumentation and Control (EE/I&C) design.

Amendment No. 3 covers additional design services in the amount of \$135,056 for the following work:

- Convert project drawings from Denver Water's 2011 CAD Standards to current Denver Water CAD standards.
- EE/I&C design services for five isolation valve vaults. These services are needed because of the lack of available internal resources.

### **Budget Information:**

Work began in 2013 and will be completed in 2018. The 2016 Capital Improvement Plan for the Conduit No. 16 Replacement and Conduit No. 22 Abandonment Business Unit includes sufficient funds for the estimated 2016 expenditures. The remaining funds will be budgeted for the 2017 and 2018 Capital Improvement Plans.

### **S/MWBE Information:**

*The Minority and Women Business Enterprise (MWBE) participation by HDR-Dewberry Water Supply Partners is contracted to be 5%.*

### **Recommendation:**

It is recommended that the Board approve the Third Amendment to Contract 14978A with HDR-Dewberry Water Supply Partners resulting in an addition of \$135,056 for a total amended contract amount not to exceed \$5,662,048.

**Approvals:**

  
\_\_\_\_\_  
Robert J. Mahoney  
Chief Engineering Officer

Respectfully submitted,

  
\_\_\_\_\_  
James S. Lochhead  
CEO/Manager

  
\_\_\_\_\_  
Angela Brimont  
Chief Finance Officer

## DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 14, 2016

Board Item: II-A-10

### Ratification of Construction Contracts Change Orders and Amendments to Contracts/Agreements

Action by Consent

Action

Information

Summary:

The attached are Construction Contracts Change Orders and Amendments to Contracts/Agreements for Board ratification for July and August 2016.

**Approvals:**

  
\_\_\_\_\_  
Robert J. Mahoney  
Chief Engineering Officer

Respectfully submitted,

  
\_\_\_\_\_  
James S. Lochhead  
CEO/Manager

  
\_\_\_\_\_  
Angela Bricmont  
Chief Financial Officer

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 14, 2016

Board Item: II-A-11

## Retention Agreement Contract # 16588H

Action by Consent

Individual Action

### Summary:

The Board has determined that it is in the best interest of Denver Water to provide incentives to retain a key employee for several more years.

### Budget Information:

The term of this contract is September 14, 2016 through September 15, 2021. Funds for this agreement will come from Business Unit 1009013000 – Life and AD&D, Account 612220 – Benefit Insurance Payments. To pay the funds required in 2016, the Benefit Insurance Payments account will require a variance of \$196,850.00. The remaining payments required under the agreement will be budgeted in years 2017 through 2021.

### Recommendation:

It is recommended that the Board approve the Retention Agreement 16588H, dated September 14, 2016, and a variance for Business Unit 1009013000 of \$196,850.00.

### Approvals:

Respectfully submitted,

  
\_\_\_\_\_  
Gail Cagle  
Chief Human Resources Officer

  
\_\_\_\_\_  
Robert J. Mahoney  
Acting CEO/Manager

  
\_\_\_\_\_  
Angela Bricmont  
Chief Financial Officer

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 14, 2016

Board Item: II-B-1

## Settlement Agreement and Purchase Option Agreement Between United States Forest Service and Denver Water Contracts # 16893A & 16893B

Action by Consent

Individual Action

### Summary:

The Moffat Collection System Project involves expansion of Gross Reservoir, which is located partly on National Forest System (NFS) land. As a result, U. S. Forest Service (USFS) has the regulatory authority to impose mandatory "4(e)" conditions in the FERC hydropower license amendment that Denver Water will need to obtain to expand the reservoir. For the last few years Denver Water has negotiated with USFS over impacts the reservoir expansion might have on NFS land. In those negotiations USFS has also expressed concerns about some aspects of Denver Water's current operations. The negotiations have been successful in resolving the issues. This Board item seeks approval of three different agreements.

1. The Settlement Agreement, #16893A, is the master agreement that explains the resolution of all the issues. Resolution of the 4(e) conditions related to operation and maintenance of the Moffat Project is described in Appendix 1; these conditions will be included in the amended license to be issued by FERC. Resolution of issues arising from Denver Water's past and current operations on other NFS land is contained in the "Off-License Agreement" which is Appendix 2 and is described below. Another area of agreement relates to a sale and donation of property to USFS by Denver Water. Denver Water purchased 539 acres of the "Toll Property" in Gilpin County in 2015, with the intent of conveying it to USFS. Denver Water will sell a 160-acre parcel to USFS for \$800,000 and donate the rest of the property after permits for the Moffat Project have been received and accepted. The sale transaction is the subject of the Purchase Option Agreement described below. None of the 11 parcels are required for water works purposes and can be declared as surplus.

2. The Purchase Option Agreement, #16893B, is the purchase and sale agreement required by USFS to enable USFS to secure the funds and deem the property acceptable before purchasing the Toll Property parcel. At an option price of one dollar, the USFS technically has one year to secure funding and deem the property acceptable. The USFS' signature on and delivery to Denver Water of the Purchase Option Agreement is acceptance of the purchase of property at the purchase price set forth in the Purchase Option Agreement (\$800,000). The parties then proceed to closing, where Denver Water will convey the deed to the United States.

3. The Off-License Agreement, Appendix 2 to the Settlement Agreement, involves commitments by Denver Water and USFS related to Denver Water's existing operations. Some commitments related to existing operations become effective immediately while others become effective when Denver Water receives and accepts permits for the Moffat Project.

### Budget Information:

The total estimated cost of the commitments provided under the Settlement Agreement is \$6.7 million, to be expended over several years. This amount has been included in the long-term budget for the Gross Expansion Project, Business Unit 2009612013, which will be the source of funds to pay for the contracts,

### Selection of Business Partner:

Because these agreements involve an agency of the federal government, no selection process was appropriate.

**Recommendation:**

It is recommended that the Board approve the Settlement Agreement, Purchase Option Agreement, and Off-License Agreement, and declare the 11 parcels as surplus.

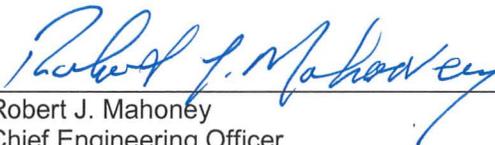
**Approvals:**

  
\_\_\_\_\_  
Patricia Wells  
General Counsel

  
\_\_\_\_\_  
Angela Brimont  
Chief Financial Officer

Respectfully submitted,

  
\_\_\_\_\_  
James S. Lochhead  
CEO/Manager

  
\_\_\_\_\_  
Robert J. Mahoney  
Chief Engineering Officer

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 14, 2016

Board Item: V-A-1

## Briefing Paper

### Settlement Agreement and Purchase Option Agreement Between United States Forest Service and Denver Water Contracts # 16893A and 16892B

Action by Consent

Action

Information

**Summary:** After years of negotiations during the Moffat Collection System Project permitting process, U.S. Forest Service (USFS) and Denver Water have come to agreement on numerous issues and concerns raised by USFS with regard to not only the proposed Moffat Collection System Project, but various aspects of Denver Water's existing collection system. This Settlement Agreement allows Denver Water to move forward through the U.S. Army Corps of Engineers (Corps) and the Federal Energy Regulatory Commission (FERC) processes without USFS opposition. This accomplishment has also established a new and better relationship between Denver Water and USFS.

**Background:** The Corps invited the USFS to be a "cooperating agency" during the preparation of the Corps' Environmental Impact Statement (EIS). That role allows another agency to review and provide input during preparation of the EIS to incorporate its needs, which then allows the cooperating agency to use the EIS for any decision within its jurisdiction requiring an environmental analysis. In this case, USFS has authority to impose mandatory "4(e)" conditions through the FERC hydropower license at Gross Reservoir because National Forest System (NFS) land is affected by and included within the project boundary. Because FERC is a cooperating agency, USFS decided to preserve its ability to intervene in FERC's approval process, which would also rely on the EIS.

For a few years during the permitting process, Denver Water was not able to have productive discussions with USFS about two fundamental issues affecting Corps and FERC decisions: 1) the scope of the USFS' mandatory conditions in the FERC license, and 2) the scope of impacts analyzed in the Corps' EIS. The breakthrough came with a decision by the Board to allow Denver Water to negotiate commitments centered around Denver Water's existing collection system facilities on NFS lands, including existing conditions of the hydropower project at Gross Reservoir. The outcome of the negotiations was the Settlement Agreement.

Through the Board Item, the Board's signature is requested on three documents: 1) Settlement Agreement, 2) Purchase Option Agreement, which implements one of the commitments under the Settlement Agreement, and 3) Off-License Agreement, which is a separate, legally enforceable agreement provided in Appendix 2 to the Settlement Agreement.

#### 1. The Settlement Agreement

The purpose of the Settlement Agreement along with its appendices is to resolve effects to NFS lands and resources associated with:

- 1) construction, operation and maintenance of the Moffat Collection System Project to be authorized under the amended FERC license, which is the purpose of Appendix 1 titled "Section 4(e) Conditions"
- 2) past and current operations of Denver Water's existing collection system, which is the purpose of Appendix B titled the "Off-License Agreement" (Appendix 2), and
- 3) construction, operation and maintenance of the Moffat Collection System Project as permitted by the Corps.

The Settlement Agreement is primarily a document to explain the negotiations and tie together the Off-License Agreement and the Section 4(e) Conditions. However, it also has commitments of both parties that do not properly belong in either the Off-License Agreement or the Section 4(e) Conditions that will be imposed by FERC in the amended license.

One of those commitments is that Denver Water will sell and donate properties adjacent to the Arapaho-Roosevelt National Forest to mitigate project impacts on NFS lands. The transaction to donate parcels will follow Denver Water's receipt and acceptance of the Corps' 404 permit and FERC's order amending the license. The transaction to sell certain properties, however, can occur now because USFS and Denver Water have agreed to a purchase price and USFS has funds available for this purchase. Although this transaction is related to mitigation for the Moffat Collection System Project, Denver Water is not at risk if permits for the Moffat Collection System Project are not received and accepted before this transaction occurs because Denver Water is receiving compensation for the sale.

## **2. Purchase Option Agreement**

On February 3, 2015, Denver Water purchased 539 acres of vacant land, consisting of 11 non-contiguous parcels in Gilpin County, for \$850,000 with the intent of conveying them to the USFS. Refer to the attached map. These parcels are a first priority under the National Forest Legacy Program because they are infill holdings in the Arapaho-Roosevelt National Forest with highly coveted natural resource value. Two separate transactions are necessary: the first involves sale of one of the 11 parcels (Parcel 11); the second will donate the remaining parcels (Parcels 1-10) after permits are received and accepted by Denver Water as a settlement for effects on resource values on NFS land. In addition, the Board must declare all 11 parcels as surplus; the parcels are not required for water works purposes.

The "Land, Waters, or Interest in Lands or Waters Purchase Option" (Purchase Option Agreement) is the USFS purchase and sale agreement that begins the process of conveying 160 acres (Parcel 11) to USFS for \$800,000. Execution of the agreement by Denver Water will allow USFS to secure its funding and undertake the remaining steps required to transfer title. The Purchase Option Agreement is contingent on execution by both parties of the Settlement Agreement, obligates the parties to the sale price, obligates the parties to split closing costs, establishes a closing date within 1 year of the date of USFS acceptance, and commits Denver Water to convey the deed in exchange for the established purchase price (\$800,000) at closing. To date, USFS has conducted initial due diligence investigations and engaged a federally approved appraiser.

## **3. Off-License Agreement**

The Off-License Agreement is Appendix 2 to the Settlement Agreement. The Off-License Agreement is, by itself, a legally enforceable document providing commitments of the parties related to Denver Water's existing collection system. These commitments are considered to be enhancement measures offered for the purpose of settlement for the Moffat Collection System Project because they are beyond the scope of the Corps' 404 permit and FERC's amended license. Some commitments related to existing operations become effective immediately while others become effective when Denver Water receives and accepts permits for the Moffat Project.

**Budget Information:** The estimated cost of the commitments provided to USFS through the Settlement Agreement is \$6.7 million. This cost includes the \$50,000 net cost to Denver Water of its purchase of the Toll Property, less the amount Denver Water will receive from USFS through the land sale described above (\$850,000 - \$800,000). The \$6.7 million total amount has been considered in the long-term budget for the Gross Expansion Project (Business Unit 2009612013) and is not a new or unanticipated cost.

**Approach:** N/A

**Attachment:** Toll Property – Map of Parcel Numbers