

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: September 10, 2014

Board Item: V-B -1

Purchase Agreement for the East Cherry Creek Valley Western Pipeline and State Land Board Line

Action by Consent

Action

Information

The East Cherry Creek Valley (ECCV) Western Pipeline and State Land Board Line are key components of the WISE Project. The Western Pipeline is approximately 20 miles in length, and traverses the area of the South Metro WISE Authority (SMWA) to be served by WISE, from the eastern end at ECCV to the western end near Denver Water's Foothills Conduit 27. ECCV owns the Western Pipeline and uses it to deliver water from its Willows Wells field at the western end of the pipe. The Western Pipeline has excess capacity not needed by ECCV: the pipeline capacity is approximately 38 million gallons per day (mgd), and ECCV requires only 8 mgd for its uses. Denver Water, SMWA, and ECCV have been negotiating for over a year to develop an agreement that will allow all three entities to use the Western Pipeline. This Purchase Agreement is a result of those negotiations. (ECCV also owns the State Land Board Line which is needed by SMWA to effectuate WISE deliveries prior to a connection to be constructed from the Aurora Binney Treatment Plant to the ECCV Western Pipeline. Denver Water does not need the State Land Board Line and will not contribute to SMWA's purchase of that line.)

Under the terms of the proposed Purchase Agreement, Denver Water and SMWA will purchase the Western Pipeline from ECCV. ECCV will retain the use of 8 mgd of capacity. The cost of the pipeline is \$34.5 million, which includes ECCV's capacity reservation. Denver Water's share of the purchase price is \$4.725 million, which reflects Denver's 15% planned usage of the Western Pipeline capacity. Denver Water will be able to use the ECCV Western Line to take delivery of its water through the WISE Project. SMWA will pay the remainder and have an 85% ownership interest. An Operations Agreement will govern the parties' shared usage and be amended from time to time.

With the execution of the Purchase Agreement, Denver Water will make a down-payment for the pipeline of \$150,000. Assuming other contractual contingencies are satisfied, the final closing on the pipeline will occur in the fall of 2014, at which time Denver Water would pay ECCV \$2,700,000 (with a second payment of \$1,875,000 due in January, 2015). These funds are available in the 2014 budget and will be included in the 2015 budget.

Recommendation:

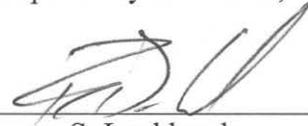
It is recommended that the Board approve the Purchase Agreement for the East Cherry Creek Valley Western Pipeline and State Land Board Line. It is further recommended that the Board authorize the CEO/ Manager to act for the Board in implementing the Purchase Agreement including the authority to sign amendments to extend the closing date, the authority to sign documents required for the closing, and the authority to sign an Operations Agreement detailing the parties' shared usage of the pipeline and related facilities.

Approvals:

Respectfully submitted,



Patti Wells
General Counsel



 James S. Lochhead
CEO/Manager



Dave Little
Director of Planning



Terri Bryant
Controller