

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: April 9, 2014

Board Item: II-B

**IGA with South Adams County Water and Sanitation District regarding the Downstream Reservoir Project Contract # 15042A**

Action by Consent

Action

Information

In July 1997, Denver Water and South Adams entered into a Joint Study Agreement to determine the feasibility of jointly acquiring properties to be developed as water supply reservoirs. In December 1997, the Board approved a Memorandum of Understanding with South Adams and the Department of Army that addressed: delivery of potable water to South Adams and the Rocky Mountain Arsenal; delivery of recycled water to the Arsenal to replace the High Line Canal; and development of downstream storage reservoirs (Contract #05087A). A number of agreements have followed in the intervening years, including property acquisition; development and construction of the Downstream Reservoir Project (DRP), consisting of the South and North Complexes; interim deliveries of raw and treated water to South Adams; sharing and repayment of costs; and carriage of water to the North and South Reservoir Complexes.

Representatives of Denver Water and South Adams have developed the attached IGA which addresses a wide range of complex issues, including: (1) allocation and repayment of DRP costs; (2) near term and long term operations of the DRP; (3) a water rights peace pact between the parties; (4) temporary treated water connections through 2017 under an existing potable water lease agreement; and (5) conveyance of property interests jointly acquired for the DRP.

Section 2 of the IGA sets forth the reconciliation of costs for development of the North and South Complexes and provides a schedule for repayment of those costs to the Board. South Adams will pay \$17,240,000 in biannual payments from 2015 through 2025. Payments will include an interest rate equal to Denver Water's cost of debt plus 0.25 percent, as provided in the 2009 Financial Reconciliation Agreement. (Contract #12297A)

Sections 3, 4 and 5 address how the North and South Complexes will be operated for Denver Water and South Adams' joint use, including deliveries by Denver Water to South Adams of 5K Water (5,000 acre feet of reusable water), which South Adams has purchased from FRICO. Operations of the DRP for South Adams benefit will change based on time-frame and operational status of the North Complex. Once the North Complex is operational, which must occur the earlier of the date South Adams' Water Treatment Plant is completed or January 1, 2025, Section 5 will govern. When Section 5 becomes effective, South Adams will receive: (1) a 500 acre-foot storage pool in the North Complex; (2) 10 cfs of inlet and outlet flow-through capacity in the South Complex; and (3) scheduled 5K deliveries to five defined delivery locations. Denver Water is responsible to complete the remaining North Complex infrastructure necessary to be operational. South Adams is responsible for construction of the infrastructure necessary to divert water from the North Reservoir Complex into its water treatment plant.

The IGA also provides that the parties will negotiate an amendment to South Adams' 1998 Potable Treated Water Lease (4,000 acre-feet of potable water per year) to provide additional temporary or permanent locations for delivery of the treated water.

Recommendation:

It is recommended that the Board authorize execution of the attached IGA with South Adams regarding the Downstream Reservoir Project.

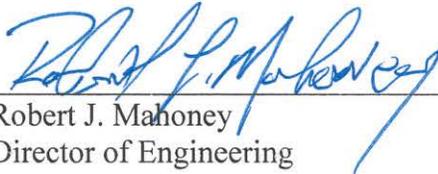
**Approvals:**

Respectfully submitted,

  
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