

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is entered into among the Cascade Public Service Company, Inc. (“CPSC”), a Colorado corporation; the Cascade Metropolitan District No. 1 (“CMD”), a Title 32 special district and political subdivision of the State of Colorado; Realty Management Group, LLC (“RMG”), a Colorado limited liability company; the City of Colorado Springs, a Colorado home rule city and municipal corporation and its enterprise Colorado Springs Utilities (“Utilities”); Philip J. Anderson (“Anderson”); and Chris Reimer, Diannia Wagner, Susan Soloyanis, Jim Borden, Robert Pennick, Janice Eder, Steve Spaulding, and Niente Smith (collectively “Intervenors”), all of whom are collectively referred to herein as the “Parties” and individually as a “Party”.

INTRODUCTORY STATEMENT

A. CPSC was a wholly owned subsidiary of the Cascade Town Company, and operator of the Cascade Water System, as defined below. Upon the dissolution of the Cascade Town Company in 2005, CPSC succeeded to the interests of the Cascade Town Company in the Cascade Water Rights as defined below.

B. CMD was established in 2005 pursuant to the September 2, 2004, approval by the Board of County Commissioners of El Paso County and the November 8, 2004, order from the El Paso County District Court in Case No. 04CV3800. In 2005, CPSC conveyed all of its water system assets, except the Cascade Water Rights, to CMD, and since that time CMD has been responsible for providing water service to approximately 350 customers in the area of the unincorporated community of Cascade in El Paso County, Colorado.

C. RMG is an assignee of that certain Deed of Trust executed by CPSC, as mortgagor, and American National Bank, as beneficiary, dated May 6, 2009, and recorded on May 27, 2009, under Reception No. 209049849. The Deed of Trust was assigned to RMG by Assignment recorded on October 21, 2011, under Reception No. 21103514 of the public records of El Paso County (“RMG Deed of Trust”). The RMG Deed of Trust encumbers, *inter alia*, CPSC’s interest in the Cascade Water Rights and its contractual water rights to water service under the 1990 Agreement, as defined below.

D. The City of Colorado Springs is a Colorado home rule city and municipal corporation, and Colorado Springs Utilities is an enterprise of the City. Utilities currently provides potable water service to CMD pursuant to the 1990 Agreement.

E. Philip J. Anderson is the owner of CPSC and was formerly President of CMD.

F. The Intervenors are residents of El Paso County who receive potable water service from CMD. Intervenors intervened in Case No. 11CW42, District Court Water Division 2, to ensure a permanent source of potable water at a reasonable price for the customers of CMD.

G. As more fully described in section 11, the Parties are entering into this Agreement to settle all claims that have arisen, or could arise, under the 1990 Agreement, and all claims that have been, or could have been asserted, in Case No. 2011CW42, District Court Water Division No. 2, Pueblo County, State of Colorado. By entering into this Agreement, neither CMD nor the Intervenors release Anderson from any claims against Terry Malcom or others related to or arising out of the alleged embezzlement of funds from CMD.

H. The Parties intend that this introductory statement may be relied upon in the interpretation of this Agreement.

AGREEMENT

In consideration of the foregoing introductory statement, the keeping and performance of the promises contained herein, and other valid consideration to each of the Parties, which is hereby acknowledged and confirmed, the Parties agree as follows:

1. Definitions

1.1. “1990 Agreement” means the agreement between the City of Colorado Springs, the Cascade Public Service Company, and the Cascade Town Company dated June 14, 1990.

1.2. “Cascade Water Rights” means 0.3533 c.f.s. out of the 2.65 c.f.s. decreed to the Harmes Ditch, Priority No. 2, and 1.7 c.f.s. out of the 9.5 c.f.s. decreed to the Harmes Ditch, Priority No. 33, originally adjudicated by decree entered on March 6, 1882, in the El Paso County District Court, Civil Action No. 07CV51, and subsequently changed, *inter alia*, by the decree entered in Case No. 91CW44 by the District Court, Water Division No. 2, Pueblo County, Colorado, on September 10, 1997.

1.3. “Cascade Water Works water right” means the water right for 6.3 c.f.s., decreed on February 8, 1954, in Case No. C.A. 13801, District Court, El Paso County, priority No. 67 A, with an appropriation date of May 1, 1887, for domestic and other municipal purposes within the Town of Cascade and its vicinity.

1.4. “CMD Water System” means the water distribution system conveyed by CPSC to CMD, and as maintained, expanded, and improved by CMD, and used by CMD to deliver potable water to its customers. The CMD system begins at the downstream side of the master meter described in paragraph 2 of the 1990 Agreement,

and includes all facilities related to the delivery, storage, treatment, and measurement of water provided to the customers of CMD, excluding Service Lines, as defined below.

1.5. “Cascade Metropolitan District No. 2” or “CMD#2” means the Title 32 special district approved by the Board of County Commissioners on September 2, 2004, and by the El Paso County District Court’s November 8, 2004, Order in Case No. 04CV3800, as amended on April 22, 2014, to correct an error in the legal description of the lands within said District, which Case Number was subsequently bifurcated on May 16, 2014 by Order of the El Paso County District Court and a new Case No. 14CV214 established for CMD#2.

1.6. “Effective Date” means the latest date on which this Settlement Agreement has been signed by all of the Parties hereto, and approved by Ordinance adopted by the City Council of the City of Colorado Springs.

1.7. “Escrow Agent” means Land Title Guaranty Company.

1.8. “First Closing” means the closing described in section 9 below.

1.9. “Hazardous Environmental Condition” means the presence of asbestos, PCBs, petroleum, Hazardous Substances or Hazardous Materials, Hazardous Waste, or radioactive material as defined in sections 1.10, 1.11 and 1.12 below in such quantities or circumstances that may present a danger to persons or property.

1.10. “Hazardous Substances or Hazardous Materials” means any substance or material identified now or in the future as hazardous under any federal, state, or local law or regulation, or any other substance or material which may be considered hazardous or otherwise subject to a statutory or regulatory requirement governing handling, disposal, and/or cleanup. Hazardous Substances or Hazardous Materials may include, but are not limited to, petroleum products, radioactive materials, and all substances which are listed under 40 C.F.R. § 261, *et seq.*; 40 C.F.R. § 302, *et seq.*; 40 C.F.R. § 355, *et seq.*; 49 C.F.R. § 172, *et seq.*; and 29 C.F.R. § 1910.1000, as amended from time to time.

1.11. “Hazardous Waste” has the meaning set forth in Section 1004 of the Solid Waste Disposal Act (42 U.S.C. § 6903(5)), and implementing regulations, all as amended from time to time.

1.12. “Minimum Required Improvements” means the improvements determined by Utilities that must be made to the CMD Water System prior to Conversion (as defined in paragraph 6.2.1 below). The criteria to be used in identifying improvements include assets that: (a) are beyond the design or useful life of the asset as identified by American Water Works Association (“AWWA”) criteria and standards; (b) are not in

compliance with Colorado Department of Public Health and Environment and Environmental Protection Agency regulations and standards; (c) are not in substantial compliance with Utilities' Water LESS and tariffs; (d) have failed, leak, or are in a state of disrepair; and (e) any information of record determined by Utilities to be reasonably necessary for Conversion. The Minimum Required Improvements may also be referred to in this Agreement as the "Required Improvements" and "Required Information of Record".

1.13. "Second Closing" means the closing described in section 10 below.

1.14. "Service Line" means the water line extending from the property, building, establishment, or grounds up to and including the connection to the distribution main.

1.15. "Water LESS" means the Utilities' Water Line Extension and Service Standards adopted May 1, 2014, as amended.

1.16. "Water Services IGA" means the Intergovernmental Agreement – Water Services entered into between CMD and CMD#2 dated May 24, 2005.

1.17. "Water Supply Assignment and Agreement" means the Assignment and Agreement entered into on June 1, 2005, between CMD and Cascade Public Service Company, whereby certain rights of the Cascade Public Service Company under the 1990 Agreement were assigned to the CMD.

2. Exhibits to Agreement

- 2.1. **Exhibit 1:** Motion for Dismissal of Claims with Prejudice in Case No. 2011CW42.
- 2.2. **Exhibit 2:** RMG Partial Release of Deed of Trust – Water Rights.
- 2.3. **Exhibit 3:** RMG Bargain and Sale Deed to Utilities – Water Rights.
- 2.4. **Exhibit 4:** CPSC Special Warranty Deed to Utilities – Water Rights.
- 2.5. **Exhibit 5:** Anderson, *et al.*, Quit Claim Deed to Utilities – Water Rights.
- 2.6. **Exhibit 6:** CMD Quit Claim Deed to Utilities – Water Rights.
- 2.7. **Exhibit 7:** CPSC Special Warranty Deed to CMD – Water Right.
- 2.8. **Exhibit 8:** Anderson, *et al.*, Quit Claim Deed to CMD – Water Right.
- 2.9. **Exhibit 9:** CPSC-CMD Termination of Water Supply Assignment and Agreement.
- 2.10. **Exhibit 10:** Water Service Agreement between Utilities and CMD.

2.11. **Exhibit 11:** Escrow Instructions.

3. Agreements Common to All Parties

3.1. Termination of the 1990 Agreement. The Parties agree that on the Effective Date the 1990 Agreement will terminate without further action by the Parties, and all rights and obligations under the 1990 Agreement will terminate and cease to exist.

3.2. Execution of Motion for Dismissal. At or before the First Closing, described below, counsel of record for each of the Parties must execute the Motion for Dismissal with Prejudice (the "Motion"), in Case No. 2011CW42, pending in Water Division 2, Pueblo County, Colorado ("District Court") attached hereto as Exhibit 1. Within 5 business days after the First Closing, counsel for Utilities will file the Motion with the District Court.

3.3. Execution of Water Service Agreement. The Parties agree that after the Effective Date and at or before the First Closing, CMD and Utilities will enter into the Water Service Agreement in the form attached hereto as Exhibit 10, as more fully described in paragraph 5.3 below.

3.4. The Parties agree that any communications between them regarding this Agreement and the Water Service Agreement including, but not limited to, communications between CMD's engineer and Utilities' staff regarding conversion of the Cascade Water System to a Utilities' owned and operated water system that occur prior to the Effective Date, will be considered statements made in compromise negotiations pursuant to C.R.E. 408.

4. Agreements between Utilities, CPSC, RMG, and Anderson

4.1. Deliveries by Utilities. As partial consideration for this Agreement, Utilities will pay RMG \$800,000 in two separate payments, a first payment of \$300,000 to be made at the First Closing, and a second payment of \$500,000 to be made at the Second Closing.

4.2. Deliveries by RMG. At the First Closing, RMG will deliver to the Escrow Agent: (1) a fully executed partial release of the RMG Deed of Trust unconditionally releasing forever from that deed of trust the Cascade Water Rights and other interests in water in the form attached hereto as Exhibit 2; and (2) Bargain and Sale deed in the form attached hereto as Exhibit 3, conveying to Utilities any interest it has or may hereafter acquire in the Cascade Water Rights.

4.3. Deliveries by CPSC. At the First Closing, CPSC will deliver to the Escrow Agent a fully executed Special Warranty Deed in the form attached hereto as Exhibit 4, conveying to Utilities the Cascade Water Rights, and a fully executed

Special Warranty Deed in the form attached hereto as Exhibit 7, conveying to CMD the Cascade Water Works water right.

4.4. Deliveries by Anderson. At the First Closing, Anderson will deliver to the Escrow Agent a fully executed Quit Claim Deed in the form attached hereto as Exhibit 5, conveying to Utilities the Cascade Water Rights, and a fully executed Quit Claim Deed in the form attached hereto as Exhibit 8, conveying to CMD the Cascade Water Works water right.

4.5. After the Effective Date and at or before the First Closing, CPSC and CMD will execute the Termination of Assignment – Water Supply Assignment and Agreement in the form attached hereto as Exhibit 9.

5. Agreements between Utilities and CMD

5.1. Payment of Sums Due. CMD agrees that as of January 13, 2015, it owed Utilities \$441,264.40 for potable water service under the 1990 Agreement through January 13, 2015, and \$400,665.71 of such amount was past due as of January 7, 2015. CMD and Utilities anticipate that these sums will change by additional charges for potable water service and payments made by CMD after January 13, 2015, and prior to the Second Closing.

5.1.1. CMD agrees that its obligation to pay the sums due to Utilities for potable water service provided under the 1990 Agreement will survive the termination of the 1990 Agreement and remains a valid and binding obligation of CMD. That obligation will terminate when all sums due to Utilities for potable water service under the 1990 Agreement have been paid in full.

5.1.2. CMD agrees that despite the dismissal of Case No. 2011CW42 as provided in this Agreement, it will continue to pay Utilities the monthly amounts due for potable water service in accordance with the terms of the Agreement Concerning Continuance of Trial and Payment of Sums Past-Due attached as Exhibit 1 to and made part of the Order Vacating Trial, Approving Agreement, and Amending Pre-Trial Orders entered by the court on February 7, 2014, in Case No. 2011CW42, until the amounts due to Utilities under the 1990 Agreement are paid in full at which point the obligation to pay Utilities the monthly amounts due will have been satisfied and thereby terminated.

5.1.3. Utilities agrees that beginning on the Effective Date it will not charge CMD additional interest on any sums past due for potable water service provided under the 1990 Agreement.

5.1.4. CMD agrees to pay Utilities all amounts due for potable water service provided under the 1990 Agreement at or before the Second Closing.

5.1.5. Not less than ten days before CMD intends to pay Utilities all amounts due for potable water service provided under the 1990 Agreement, CMD will give Utilities notice of its intent to make the payment and request a final pay-off amount from Utilities. Notice of intent must be provided to Utilities as provided in paragraph 13 below, with an additional copy sent to Colorado Springs Utilities, attention: Barbara Rabideau, MC 1025, P. O. Box 1103, Colorado Springs, CO 80947-0010. The notice must state whether CMD intends to participate in eBilling and Autopay. If CMD does not intend to participate in these programs, then within five days of receipt of such notice, Utilities will provide CMD with the deposit amount needed at the Second Closing to make the final payment.

5.2. CMD Financing to Pay Sums Past Due. CMD agrees to use its best efforts to diligently pursue the issuance of bonds or other financing (“Debt Instruments”) to obtain sufficient funds for CMD to pay Utilities all amounts due under the 1990 Agreement at or before the Second Closing and fund the improvements to the CMD Water System described in part 6.2 below. If CMD will not have the proceeds from the Debt Instruments available by the Second Closing to pay Utilities all amounts due under the 1990 Agreement, then it will enter into a loan with RMG as described in part 8.2 below, under which CMD will borrow the necessary funds from RMG to enable it to pay Utilities all amounts due under the 1990 Agreement as well as all costs associated with the loan at the Second Closing. All debts of CMD will be repaid in accordance with paragraph 6.2.12 below.

5.3. New Water Service Agreement. Utilities and CMD will execute the new Water Service Agreement attached as Exhibit 10 on or after the Effective Date and before or at the First Closing. Utilities and CMD agree that the new Water Service Agreement will commence and be binding on Utilities and CMD as of April 1, 2015, notwithstanding the date on which it is fully executed by both Utilities and CMD.

6. Utilities and CMD Agreements Concerning the Potential Conversion of the CMD Water System into a Utilities’ Owned and Operated Water System

6.1. Conversion. Subject to CMD’s complete performance of its obligations under this section 6, Utilities will convert the CMD Water System into a Utilities’ owned and operated water system and will make the customers of CMD and CMD#2 outside the City limits retail customers of Utilities on the following terms and conditions.

6.2. General terms and conditions for system conversion.

6.2.1. “Conversion” means: (1) Utilities accepting ownership and assuming operation and maintenance of the CMD Water System; and (2) the Conversion

of each customer from CMD to Utilities' customers. In order for Conversion to occur: (a) all Minimum Required Improvements (defined in paragraph 6.2.4 below) to the CMD Water System must have been completed, inspected and accepted by Utilities; (b) all Required Information of Record must have been delivered to Utilities; (c) transfer by CMD to Utilities of the CMD water distribution system (after all Minimum Required Improvements have been made); (d) the assignment by CMD of all permits and licenses requested or needed by Utilities for the operation of the CMD Water System at the time of the transfer of the CMD Water System; and (e) the conveyance to Utilities of all easements, rights of way, and other real property of CMD necessary for operation of the CMD Water System. A property desiring water service from Utilities after Conversion will only receive water service after an application for water service for the property has been submitted to and approved by Utilities in accordance with the requirements of section 12.4.303 of the Colorado Springs City Code and Utilities' applicable rules and regulations contained in its tariffs. Utilities will not unreasonably withhold its approval. After Conversion, properties not then receiving water service and owners of undeveloped land within CMD#2 need not enter into water service agreements with Utilities unless and until the land is to be developed and needs water service.

6.2.2. Prior to Conversion, CMD must make the system improvements identified by Utilities in the manner described herein. CMD must provide Utilities with a comprehensive system inventory and analysis/report ("System Inventory and Assessment") of the CMD Water System, prepared by a registered professional engineer approved by Utilities, who evaluates the operations and infrastructure ("assets") of the CMD's Water System. Utilities will cooperate with CMD to provide such advice and consultation as CMD's engineer may reasonably require in the preparation of the System Inventory and Assessment. CMD will reimburse Utilities for any labor costs incurred for such cooperation, advice and assistance related to the System Inventory and Assessment. Utilities' estimated labor costs are set forth in Appendix B. Utilities will provide CMD with a timely invoice for all employee labor costs, to the CMD address set forth in section 13, and CMD shall make full payment of the invoice to Utilities within 30 days of its receipt of the invoice. CMD will be solely responsible for all costs it incurs in preparing the System Inventory and Assessment.

6.2.3. Except as agreed to by CMD and Utilities in writing, the System Inventory and Assessment must contain the information set forth in Appendix A and must be provided to Utilities on or before June 1, 2015.

6.2.4. Upon receipt of the System Inventory and Assessment, Utilities will promptly review it and within 30 days provide CMD with a list of information

not contained in CMD's System Inventory and Assessment that must be obtained in order for Utilities to be able to provide CMD with the Improvement Requirements Report. CMD will have 180 days thereafter within which to provide Utilities with the additional information required by Utilities in order to provide CMD the Improvement Requirements Report. Within 60 days after Utilities has received from CMD all of the necessary information for the System Inventory and Assessment, it will provide CMD with a report that identifies the Minimum Required Improvements that must be made to the CMD Water System and information of record that must be provided to Utilities in order for Utilities to take over operation of the system ("Improvement Requirements Report").

6.2.5. In creating the Improvement Requirements Report, Utilities will utilize the System Inventory and Assessment to evaluate the existing system condition and will consider the remaining useful life of the various components of the CMD Water System, all applicable regulatory requirements, and industry standards, and make a good faith effort to limit the required improvements to those necessary to enable Utilities to safely operate the system in compliance with all applicable regulatory requirements without assuming liability for unreasonably deferred system maintenance and improvements. In the event of a disagreement between Utilities and CMD over what Minimum Required Improvements are reasonably necessary, CMD and Utilities will select a third party qualified professional engineer familiar with the requirements and needs of large municipal water supply systems to review the System Inventory and Assessment and the Required Improvements Report and determine and identify the Minimum Required Improvements necessary for Conversion. CMD will be solely responsible for all costs it incurs in reviewing and implementing the Improvement Requirements Report. CMD and Utilities will share equally in all costs of the third-party engineer.

6.2.6. Within 90 days after receipt of the Improvement Requirements Report, CMD must determine whether it is willing to make the Minimum Required Improvements and must provide Utilities with notice of whether or not it intends to pursue system Conversion. If CMD gives notice that it does not intend to pursue system Conversion, then all rights, duties and obligations of Utilities and CMD to pursue system Conversion will terminate, except for CMD's obligation to pay Utilities' employee labor costs incurred in reviewing the System Inventory and Assessment and preparing the Improvement Requirements Report and its share of the costs of the third-party engineer. If CMD does not pursue Conversion, then Utilities will provide water service to CMD in accordance with the Water Service Agreement and Utilities' applicable tariffs.

6.2.7. If CMD intends to proceed with system Conversion, then CMD will be solely responsible for the design, permitting and construction of the Minimum Required Improvements in accordance with Water LESS and Utilities' tariffs, and for obtaining and delivering the Required Information of Record related thereto. Utilities will be given the opportunity to review and approve the design plans and specifications for all Minimum Required Improvements in accordance with the Utilities Water LESS and all reports, files, and documents containing Required Information of Record. After such review, Utilities will provide CMD with notice of whether the plans and specifications or reports, files, and documents are acceptable to Utilities and, if not, the reasons why such plans and specifications or reports, files, and documents, are not acceptable to Utilities. Such design, review, and approvals must be performed by Utilities in accordance with its Water LESS and its tariffs. So long as CMD is pursuing system Conversion, it will not make any improvements to the CMD Water System that are not in substantial compliance with the design plans and Water LESS approved by Utilities. Notwithstanding the foregoing, in the event of an emergency, CMD is entitled to make all necessary repairs to the CMD Water System as it deems fit provided, however, that such repairs must be subsequently modified to be in substantial compliance with the design plans and Water LESS approved by Utilities. CMD must notify Utilities of the emergency within 72 hours and provide as built drawings and specifications of the emergency repairs to Utilities within 45 days.

6.2.8. Utilities will be provided the opportunity to review, inspect and approve the final construction of any Minimum Required Improvements to ensure that all construction was performed in conformance with the approved design plans and specifications. Such review, inspection, and approval will be performed in accordance with Utilities' tariffs and Water LESS. Utilities will provide notice to CMD of whether it approves and accepts the final construction of each of the Minimum Required Improvements within 45 days of being notified of their completion. If all such improvements are not made or are not made in accordance with the approved design plans and specifications, Utilities will have no obligation to complete Conversion. All Minimum Required Improvements shall be covered by a 2-year Warranty by CMD or its contractor in accordance with the requirements set forth in the Water LESS.

6.2.9. CMD must complete the Minimum Required Improvements within five years of the date Utilities provides CMD the Improvement Requirements Report. If it fails to do so, Utilities will have no obligation to complete system Conversion. If CMD has substantially completed the Minimum Required Improvements within such five year period, and has demonstrated to Utilities that CMD has the funds and other necessary resources available to complete the

remaining Minimum Required Improvements within 24 months or less beyond the five year period, then the five year deadline to complete the Minimum Required Improvements may be extended for so long as is reasonably necessary to complete the necessary remaining Minimum Required Improvements, but such extension will not exceed more than 24 months beyond the original five year period. For purposes of this provision, substantially completed means the completion of at least 80 percent of the Minimum Required Improvements set forth in the Improvements Requirements Report based upon the projects' actual costs (including retainage) of the completed Minimum Required Improvements and the reasonably anticipated cost (including retainage) of the remaining Minimum Required Improvements.

6.2.10. CMD will reimburse Utilities for all employee labor costs it incurs in preparing the Improvement Requirements Report, reviewing, inspecting, and approving the design plans and specifications, and reviewing, inspecting and approving the final construction of the Minimum Required Improvements. Utilities will provide CMD with a timely invoice for all employee labor costs associated with these items, at the CMD notice address set forth in section 13, and CMD shall make full payment of the invoice to Utilities within 30 days of its receipt of the invoice.

6.2.11. Hazardous Materials.

6.2.11.1. If any Hazardous Environmental Condition is encountered, while CMD, CMD's contractors, subcontractors and suppliers, or anyone else for whom CMD is responsible are conducting activities related to preparing the System Inventory and Assessment or completing the items set forth in the Improvement Requirement Report, CMD must provide Utilities with notice of the Hazardous Environmental Condition within 5 days of its discovery. In addition, CMD will take timely steps, in compliance with OSHA and other federal, state and local laws and regulations, to secure or otherwise isolate, contain and clean up the Hazardous Environmental Condition using only contractors or subcontractors who have been properly trained in accordance with OSHA and other federal, state and local laws and regulations for Hazardous Substances or Hazardous Materials operations and response. CMD is solely responsible for making all notifications and complying with all regulatory requirements related to such a Hazardous Environmental Condition. Any waste generated as a result of a Hazardous Environmental Condition will become the property of CMD and must be disposed of in accordance with all applicable requirements. In addition to cleanup and disposal costs, CMD is responsible for all other costs, claims, losses, and damages including, but not limited to, fines and penalties, incurred as a result of any Hazardous Environmental Conditions discovered.

CMD must provide Utilities with the documentation Utilities deems necessary to demonstrate that any Hazardous Environmental Condition has been cleaned up in compliance with all applicable federal, state and local laws and regulations. Utilities has no obligation to complete conversion of the CMD Water System to a Utilities' owned and operated water system until it is satisfied that the Hazardous Environmental Condition has been cleaned up in compliance with all applicable federal, state and local laws and regulations.

6.2.11.2. If a Hazardous Substance or Hazardous Material is spilled, leaked, or otherwise released to the environment while CMD, CMD's contractors, subcontractors and suppliers, or anyone else for whom CMD is responsible are conducting activities related to preparing the System Inventory and Assessment or completing the items set forth in the Improvement Requirement Report, CMD will take immediate steps, in compliance with OSHA requirements, to secure or otherwise isolate such condition, notify Utilities, and contain and clean up any such Hazardous Substance or Hazardous Material using only contractors or subcontractors who have been properly trained in accordance with OSHA requirements for operations and emergency response. CMD is responsible for making all notifications and complying with all regulatory requirements related to such an incident. Any waste generated as a result of a spill, leak, or other release to the environment by CMD, CMD's contractors, subcontractors and suppliers, or anyone else for whom CMD is responsible, shall become the property of CMD and shall be disposed of in accordance with all applicable requirements. In addition to cleanup and disposal costs, CMD is responsible for all costs associated with demobilization, remobilization, medical examinations, and all other costs, claims, losses, and damages including, but not limited to, attorney fees and litigation costs as well as fines and penalties, incurred as a result of any Hazardous Substance or Hazardous Material that is spilled, leaked, or otherwise released to the environment. CMD must provide Utilities with the documentation Utilities deems necessary to demonstrate that any Hazardous Substance or Hazardous Material that is spilled, leaked, or otherwise released to the environment has been cleaned up in compliance with all applicable federal, state and local laws and regulations. Utilities has no obligation to complete conversion of the CMD Water System to a Utilities owned and operated water system until it is satisfied that any Hazardous Substance or Hazardous Material that is spilled, leaked, or otherwise released to the environment has been cleaned up in compliance with all applicable federal, state and local laws and regulations.

6.2.12. Upon final acceptance of all Minimum Required Improvements, CMD will transfer ownership of the CMD Water System, together with all appurtenances, to Utilities by bill of sale in a form acceptable to Utilities. At the time of conveyance, the CMD distribution system must be free of any liens or encumbrances. CMD will also convey all easements, rights of way, and other real property interests determined by Utilities to be necessary for operation and maintenance of the CMD Water System by Warranty Deed in a form acceptable to and approved by Utilities, in its sole discretion. CMD will also assign all licenses, permits, contracts and/or authorization determined by Utilities to be necessary for the operation of the CMD Water System.

6.2.13. CMD will remain solely responsible for any debt or other financial obligations it has as of the Effective Date or that it incurs thereafter. CMD, or an entity established pursuant to the District's dissolution proceeding, will remain in existence until all of CMD's outstanding financial obligations are paid, including any obligations incurred under the provisions of this Agreement. CMD, or the entity established pursuant to the District's dissolution proceeding, will be responsible for any billing and collection from its former customers related to the outstanding financial obligations of CMD.

6.2.14. Upon Conversion, Utilities will provide water service in accordance with Utilities' applicable Water LESS and tariffs, whether in existence at the Effective Date or developed at any time thereafter, to CMD's existing service area as set forth in the Water Service Agreement and existing customers therein. Water System development charges will not be charged to any actual customer being served by CMD at the time of the Effective Date. Such customers do not include owners of undeveloped property, or subdivisions of land effected after the Effective Date. Any new customers served after the Effective Date, upon Conversion, will be required to pay all rates, fees and charges in accordance with Utilities' tariffs.

6.2.15. After Conversion, Utilities will serve new customers within the service area described in the Water Service Agreement subject to Utilities' applicable service standards and tariffs, and payment by the customer for all system development charges and fees in effect at the time service for such properties is requested.

6.3. Prior to Conversion, CMD must obtain approvals including, but not limited to, all approvals necessary from its Board, and regulatory agencies to effectuate the Conversion.

6.4. The conversion of customers from CMD to Utilities may be completed, if feasible, in a phased approach for planned segments or designated areas, in

Utilities' sole discretion. Prior to customer Conversion, CMD and Utilities will jointly agree on the specific provisions, sequence and plan for the Conversion of CMD customers from CMD water service to Utilities' water service.

6.5. Upon completion of Conversion, CMD will abandon the water right for the Cascade Water Works.

6.6. So long as CMD is pursuing Conversion under this Agreement, then the following provisions will govern CMD's review and approval of Plans and Specifications submitted to CMD by CMD#2 as required by the Water Services IGA:

6.6.1. Upon receipt of any "Plans" from CMD#2 pursuant to the provisions of Article III of Water Services IGA, CMD will provide copies to Utilities for its review for the Plans compliance with Water LESS. CMD will consult with Utilities on whether and to what extent the Plans comply with Water LESS.

6.6.2. If the Plans are determine not to comply with Water LESS, then CMD must not approve the Plans and must advise CMD#2 of its disapproval within 45 days of the receipt of such Plans. For purposes of such disapproval Water LESS will be considered generally accepted engineering standards.

7. Agreements among CMD, Anderson, and Intervenors

7.1. Anderson qualified Steve Spaulding to be eligible to serve as a member of CMD's Board of Directors to fill the vacancy created by Anderson's resignation. CMD gave the required notice and Mr. Spaulding was appointed to the Board at its January 27, 2015 meeting. CMD will conduct an orientation with Mr. Spaulding and brief him on CMD matters after all necessary documentation is filed with the El Paso County District Court.

7.2. Anderson agrees not to seek future election to the Board of Directors of CMD or to seek future employment by CMD or CMD#2 in any capacity.

7.3. Anderson agrees not to qualify representatives of RMG, or anyone designated by RMG, to serve on the CMD Board of Directors prior to the inclusion election. If an additional CMD Board seat becomes vacant prior to the inclusion election (described in paragraph 7.5 below), a customer of CMD, other than Anderson, will have the right to fill the vacancy. Anderson will cooperate to qualify someone by option contract and CMD will cooperate to take appropriate steps to allow the appointment.

7.4. Intervenors agree not to raise issues of past conduct related to Anderson, the Board of Directors' alleged past mismanagement, or the alleged embezzlement by Terry Malcom at future CMD Board of Directors' meetings. This limitation does

not apply to members of Intervenors serving on the CMD Board acting within his or her Board member capacity or to requests by Intervenors for general updates on any criminal charges against Terry Malcom or the results of CMD investigations.

7.5. The CMD Board of Directors passed a resolution proposing to expand CMD's boundaries to include all of its existing customers except for lands within CMD#2 at the January 27, 2015 Board of Directors' meeting. CMD's engineer prepared a survey containing a legal description of the new boundaries and a map depicting the same. The public hearing on inclusion of the additional land was held at the January 27, 2015 Board of Directors' meeting with an additional public hearing at a February 17, 2015 public meeting. After the public hearing, CMD will use its best efforts to conduct the inclusion election in May 2015. CMD will present a detailed breakdown of the election costs as soon as possible and post the breakdown on the website of CMD or its attorneys.

7.6. To the extent they elect to participate, Intervenors agree to support the inclusion of the additional lands at the public hearings, in the election and in public forums and discussions surrounding the hearings and election.

7.7. CMD will post a detailed proposal for the use of any bond proceeds or other proposed financing on the website of CMD or its attorneys after CMD's engineer's preliminary System Inventory and Assessment Report is prepared and before the issuance of bonds or other financing for such improvements is approved by the CMD Board of Directors.

7.8. CMD will investigate potential claims against any third parties to recover any funds allegedly embezzled by Terry Malcom. Intervenors agree not to pursue individual legal actions against Mr. Malcom and/or Anderson pending the completion of CMD's investigation. Counsel for CMD will provide confidential updates on the investigation to counsel for Intervenors to the extent attorney-client privilege and confidences are not otherwise compromised or waived under the Colorado Governmental Immunity Act. CMD will notify Intervenors no later than August 31, 2015, if CMD elects not to pursue legal action against Anderson and/or Mr. Malcom. If CMD elects not to pursue claims against Anderson and/or Mr. Malcom, Intervenors may, at their expense, elect to pursue such claims. CMD will cooperate with Intervenors and provide confidential updates to the extent attorney-client privilege and confidences are not otherwise compromised or waived under the Colorado Governmental Immunity Act.

7.9. Anderson hereby waives and forever releases, and discharges the Parties from any rights or claims whether known or unknown, liquidated or unliquidated, that he, CPSC, or any other entity in which he has an interest, has to receive

proceeds from this Settlement Agreement or related in any manner to Case No. 2011CW42 of the Cascade Water Rights.

8. Agreements among CMD, CPSC, and RMG

8.1. CMD and CPSC agree to termination of the Water Supply Assignment and Agreement dated June 1, 2005 between CPSC and CMD on or before the Effective Date.

8.2. RMG agrees to make, and CMD agrees to accept, a loan from RMG if needed by CMD to make the required payment of sums past due to Utilities by the date of the Second Closing. The interest rate of the loan will be ninepercent (9%) per annum amortized over a period of five (5) years. No later than May 15, 2015, CMD shall provide RMG written notice confirming that CMD will not have the proceeds from the Debt Instruments available by the Second Closing to pay Utilities all amounts due under the 1990 Agreement. In the event such notice is provided to RMG by May 15, 2015, then CMD agrees to take all steps necessary to work with RMG in preparing the necessary documents for a loan from RMG and to obtain all necessary approvals for execution of those documents at or before the Second Closing. To repay the loan from RMG, CMD agrees to continue to assess the additional monthly fee in the amount of \$25.00 per $\frac{3}{4}$ inch tap and pro-rated greater fee on larger tap sizes as provided in the Agreement Concerning Continuance of Trial and Payment of Sums Past Due signed by the parties on February 5 and 6, 2014; provided, however, that the proceeds from that fee shall be tendered to RMG rather than Utilities, as currently set forth under the Agreement Concerning Continuance of Trial and Payment of Sums Past Due. CMD agrees to apply all such additional monthly fees necessary, if any, for the sole purpose of repaying the RMG Loan and further agrees that such additional monthly fees shall remain in full force and effect until the RMG Loan is repaid in full.

9. First Closing. The First Closing will take place within 10 business days after the Effective Date at a date and time mutually acceptable to the Parties. At that closing, the following will occur: (1) Utilities will pay RMG the sum of \$300,000 by cashier's check, wire transfer, or other immediately available funds; (2) the Parties will execute the Escrow Instructions in the form attached hereto as Exhibit 11; (3) RMG, CPSC, Anderson, and CMD will deliver to the Escrow Agent, fully executed originals of the deeds and releases described in paragraphs 4.2 to 4.3 above; (4) CPSC and CMD will execute and deliver to Utilities the fully executed Termination of Water Supply Assignment and Agreement in the form attached as Exhibit 9; and at or before that closing (5) CMD and Utilities will execute and deliver to Utilities the Water Service Agreement in the form attached as Exhibit 10.

10. Second Closing. The Second Closing will occur within 10 business days after payment by CMD to Utilities of all sums due for potable water service provided by Utilities to CMD, or June 15, 2015, whichever date occurs first.

10.1. At the Second Closing the following will occur: (1) if not previously paid, CMD will pay Utilities all amounts due for potable water service under the 1990 Agreement; (2) upon receipt of full payment by CMD, Utilities will pay RMG \$500,000 by cashier's check, wire transfer, or other immediately available funds; and (3) RMG, CMD, CPSC and Utilities will execute written instructions authorizing and directing the Escrow Agent to record the escrowed documents in the public records of the office of the El Paso County Clerk and Recorder in order set forth in the Escrow Instructions, and upon completion or recordation, to deliver the recorded originals of each deed to the respective Grantee and deliver the recorded Termination of Water Supply Agreement and Assignment to CMD.

11. General Release of Claims. Except as to the obligations created by this Agreement, and reserving to the Parties the rights set forth in this Agreement, each Party hereby forever releases all of the other Parties, their heirs, successors and assigns, from all claims, liability, and damages of any kind that: (1) were asserted or could have been asserted in Case No. 2011CW42, District Court, Water Division No. 2; and/or (2) are based on or could have arisen under the 1990 Agreement. This release does not include claims, if any, by CMD or Intervenors against Anderson, Terry Malcom or others related to or arising out of the alleged embezzlement of funds from CMD, the hiring or retention of Malcom as the operator of CMD and the supervision of Malcom while he served as operator.

12. Representations and Warranties of the Parties

12.1. Each Party hereby warrants and represents that it has the full right and lawful authority to enter into this Agreement.

12.2. Each Party has carefully read this Agreement and knows the contents thereof and has signed the same as its free and voluntary act and after having the opportunity to have the same explained by counsel. Each Party expressly states that it has been advised of its right to consult additional professionals of its choice, including lawyers, and accountants, regarding any and all known and unknown, foreseen and unforeseen, damages, losses, injuries, costs, losses of services, expenses, liabilities, claims, and the consequences thereof, of whatever kind and nature, which the Party may have or will incur, whether suspected or unsuspected. Each Party further expressly understands and agrees that the signing of this Agreement shall be forever binding and no rescission, modification, or release of a Party from the terms of this Agreement will be made for any mistake.

12.3. Each Party understands and agrees that it is solely responsible for all tax obligations, including all reporting and payment obligations, that may arise as a consequence of this Agreement and the monetary consideration provided hereunder. Each Party agrees that no other Party has provided representation or advice as to how this consideration is to be characterized or allocated or as to the tax treatment or its tax reporting or payment obligations for the monetary consideration set out herein.

12.4. Each Party further warrants that it fully realizes that it may have sustained unknown and unforeseen losses, fees, costs or expenses and the consequences thereof which may be at this time, heretofore, and hereafter unknown, unrecognized, unawarded, and not contemplated by the Parties, which resulted or may or will result from Case No. 11CW42, District Court Water Division No. 2 or the 1990 Agreement and all matters incident or related thereto, and that no promise or inducement has been offered except as herein set forth and that all agreements and understandings between the Parties are expressed herein and that this Agreement was executed without reliance upon any statement or representation by the other Parties, and each Parties' representative who executes this Agreement is legally competent to execute this Agreement. Each Party accepts full responsibility and assumes the risk of any mistake of fact or law as to any damages, losses, or injuries, whether disclosed or undisclosed, known or unknown, sustained as a result of Case No. 11CW42, District Court Water Division No. 2, or under the 1990 Agreement and all matters incident and related thereto.

12.5. This Agreement is not intended to be an admission of any fact or issue alleged by any Party relating to Case No. 11CW42, District Court Water Division No. 2 and the 1990 Agreement, with the exception of a claim related to breach or enforcement of this Agreement, this Agreement is not intended to be evidence in any other matter.

13. Notice. All notices required under this Agreement must be provided by electronic mail, U.S. Mail or hand delivery to the e-mail or physical addresses listed below. Written notice is effective immediately upon sending an email or when hand delivered at the addresses noted below. If notice is sent by U.S. Mail, notice is effective two days after mailing. Any notice given under this Agreement will be copied to all Parties. If any Party wishes to modify the contact information contained below, notice must be provided to all Parties.

If to CPSC and/or Anderson:

Philip J. Anderson
31 North Tejon, Suite 500
Colorado Springs, CO 80903
(719) 331-2732

If to CMD: Cascade Metropolitan District No. 1
141 Union Boulevard, Suite 150
Lakewood, CO 80228
(303) 987-0835

With a copy to:

WHITE BEAR ANKELE TANAKA & WALDRON
Attorneys at Law
ATTN: Jennifer Gruber Tanaka, Esq.
2154 East Commons Avenue, Suite 2000
Centennial, CO 80122
Phone: (303) 858-1800
Fax: (303) 858-1801
jtanaka@wbapc.com

If to RMG: John Knoeckel
3033 E. 1st Avenue
Suite 300
Denver, CO 80206

With a copy to:

Scotty P. Krob
Krob Law Office, LLC
8400 E. Prentice Ave, Penthouse
Greenwood Village, CO 80111

If to Intervenors:

James Miller
Paul Wood
Polsinelli, PC
1515 Wynkoop Street, Suite 600
Denver, CO 80202
(303) 572-9300
jmiller@polsinelli.com
pwood@polsinelli.com

If to Utilities:

- i. Chief Water Services Officer: Gary Bostrom
Courier Service Address:
Colorado Springs Utilities

ATTN: Chief Water Services Officer
121 S. Tejon St., 5th Floor
Colorado Springs, CO 80903

United States Postal Service Address:

Colorado Springs Utilities
ATTN: Chief Water Services Officer
P.O. Box 1105
Colorado Springs, CO 80947-0950
Fax: (719) 668-4158.

ii. City Attorney's Office - Utilities Division

Courier Service Address:

Colorado Springs Utilities
ATTN: City Attorney's Office – Utilities Division
121 S. Tejon St., 4th Floor
Colorado Springs, CO 80903

United States Postal Service Address:

Colorado Springs Utilities
ATTN: City Attorney's Office – Utilities Division
P.O. Box 1104
Colorado Springs, CO 80947-0940
Fax: (719) 668-8048.

14. Force Majeure. No Party to this Agreement will 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 section, provided that: (i) the non-performing Party gives the other Parties 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. As used herein, "force majeure" means any delay or failure of performance under this Agreement caused by events beyond a Party's reasonable control and without the fault 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) insurrection; (k) strike, slow down or labor disruptions; (l) denial or revocation of any governmental or regulatory permit, license, or approval; and (m) governmental restriction, denial, or moratoria. To the extent that a Party's performance is postponed or excused by an event of force majeure, the other Party's corresponding obligation to perform is likewise postponed or excused.

15. Dispute Resolution/Remedies

15.1. Any dispute regarding the terms of this Agreement will be submitted to non-binding mediation, or other alternative dispute resolution procedure agreed to by the Parties. The mediator will be O. John Kuenhold, if he is willing and able to serve as the mediator. If Mr. Kuenhold is not available, the Parties will select a mediator by mutual agreement.

15.2. In the event that either Party defaults in the performance of any of its obligations under this Agreement, in addition to any and all other remedies provided in this Agreement or by law or equity, each Party will have the right of specific performance against the other.

15.3. In the event of litigation arising out of or related to this Agreement, the substantially prevailing Party as determined by the court will be entitled to its litigation costs, including reasonable attorney's fees.

16. Governmental Immunity. No term or condition of this Agreement is to be construed or interpreted as a waiver, express or implied, by Utilities, CMD, or CMD#2 of any of the immunities, rights, benefits, protections, or other provisions, of the Colorado Governmental Immunity Act, C.R.S. § 24-10-101, *et seq.*, as applicable now or hereafter amended.

17. Generally Applicable Provisions

17.1. Entire Agreement. This Agreement and its Exhibits constitute the entire agreement between the Parties with respect to the subject matter and supersede all prior agreements and understandings, written or oral, with respect to the subject matter.

17.2. Amendment - Interpretation. This Agreement cannot be modified orally, but only by an amendment in writing signed by all Parties. The captions of this Agreement are for convenience of reference only, are not a part of this Agreement, and do not define or limit any of the terms of this Agreement. The Exhibits to this Agreement are incorporated into the Agreement. Unless the context clearly requires otherwise, the singular includes the plural, and vice versa, and the masculine, feminine, and neuter adjectives include one another.

17.3. Waiver. The failure of a Party to insist in one or more cases upon the strict observation of any of the terms of this Agreement is not a waiver or relinquishment in any future case of any of the terms of this Agreement.

17.4. Binding Effect and Assignability. This Agreement and the rights and obligations created hereby are binding upon and inure to the benefit of the Parties hereto and their respective heirs, successors, and assigns.

17.5. Governing Law and Venue. This Agreement is governed by the laws of the State of Colorado in all respects, including matters of validity, construction, performance, and enforcement. Jurisdiction and venue for any dispute arising out of or related to this Agreement is proper only in the District Court of El Paso County, Colorado. The Parties expressly and irrevocably waive any objections or rights which may affect venue of any such action including, but not limited to, *forum non-conveniens* or otherwise.

17.6. Third-Party Rights. Nothing in this Agreement, express or implied, is intended to confer any rights or remedies whatsoever on any person or entity, other than the Parties hereto, and their respective heirs, successors, and assigns.

17.7. Time. Time is of the essence in this Agreement.

17.8. Legal Counsel. Each Party to this Agreement has engaged legal counsel or has been advised to seek legal counsel to negotiate, draft, and/or review this Agreement. Therefore, in the construction and interpretation of this Agreement, the Parties acknowledge and agree that it is not to be construed against any Party on the basis of authorship.

17.9. Signatures – Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. In the event that any signature is delivered by facsimile transmission or PDF, such signature shall create a valid and binding obligation of the Party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile or PDF signature page were an original itself.

17.10. Extension of 2015 Deadlines. Any of the deadlines set forth herein that occur in 2015 may be extend by mutual agreement of the parties. If the parties are willing to extend the deadline but cannot agree on a reasonable date for the extended deadline, then the parties will ask mediator O. John Kuenhold, or other mediator selected by mutual agreement, to determine the date for the extended deadline.

18. Termination of Agreement. If the Colorado Springs City Council fails to adopt an ordinance approving this Settlement Agreement on or before March 31, 2015, then this Agreement will be void and of no force and effect and all Parties will have all rights and duties that they had prior to their execution of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date set forth opposite their respective signatures, said agreement to be Effective Date as defined herein.

COLORADO SPRINGS UTILITIES



Jerry Forte
Chief Executive Officer
Date: 3/27/2015

APPROVED AS TO FORM:



Michael J. Gustafson
City Attorney's Office - Utilities Division

CASCADE PUBLIC SERVICE COMPANY

Philip J. Anderson, President
Date: _____

Philip J. Anderson, individually
Date: _____

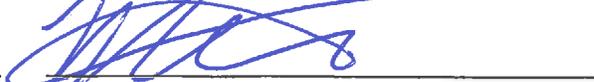
Janice Eder
Date: _____

Steve Spaulding
Date: _____

Niente Smith
Date: _____

Robert Pennick
Date: _____

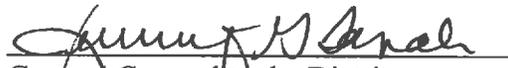
CASCADE METROPOLITAN DISTRICT NO. 1



Michael Whitemore
President
Date: 3/24/2015

APPROVED AS TO FORM:

WHITE BEAR ANKELE TANAKA &
WALDRON, Attorneys at Law



General Counsel to the District

REALTY MANAGEMENT GROUP, LLC

By: _____

Title: _____

Date: _____

Chris Reimer
Date: _____

Dianna Wagner
Date: _____

Susan Soloyanis
Date: _____

Jim Borden
Date: _____

COLORADO SPRINGS UTILITIES

CASCADE METROPOLITAN DISTRICT No. 1

Jerry Forte
Chief Executive Officer
Date: _____

Michael Whittemore
President
Date: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

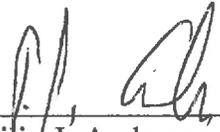
Michael J. Gustafson
City Attorney's Office – Utilities Division

WHITE BEAR ANKELE TANAKA &
WALDRON, Attorneys at Law

General Counsel to the District

CASCADE PUBLIC SERVICE COMPANY

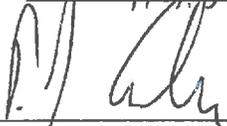
REALTY MANAGEMENT GROUP, LLC



Philip J. Anderson, President
Date: 4/3/15

By: 

Title: Officer/46 Manager
Date: 3/25/15



Philip J. Anderson, individually
Date: 4/3/15

Chris Reimer
Date: _____

Janice Eder
Date: _____

Diannia Wagner
Date: _____

Steve Spaulding
Date: _____

Susan Soloyanis
Date: _____

Niente Smith
Date: _____

Jim Borden
Date: _____

Robert Pennick
Date: _____

COLORADO SPRINGS UTILITIES

CASCADE METROPOLITAN DISTRICT NO. 1

Jerry Forte
Chief Executive Officer
Date: _____

Michael Whittemore
President
Date: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Michael J. Gustafson
City Attorney's Office – Utilities Division

WHITE BEAR ANKELE TANAKA &
WALDRON, Attorneys at Law

General Counsel to the District

CASCADE PUBLIC SERVICE COMPANY

REALTY MANAGEMENT GROUP, LLC

Philip J. Anderson, President
Date: _____

By: _____

Title: _____
Date: _____

Philip J. Anderson, individually
Date: _____

Chris Reimer
Date: _____

Janice Eder
Date: _____

Diannia Wagner
Date: _____

Steve Spaulding
Date: _____

Susan Soloyanis
Date: _____

Niente Smith
Date: _____

Jim Borden
Jim Borden
Date: 3-18-2015

Robert Pennick
Date: _____

COLORADO SPRINGS UTILITIES

CASCADE METROPOLITAN DISTRICT NO. 1

Jerry Forte
Chief Executive Officer
Date: _____

Michael Whittemore
President
Date: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Michael J. Gustafson
City Attorney's Office – Utilities Division

WHITE BEAR ANKELE TANAKA &
WALDRON, Attorneys at Law

General Counsel to the District

CASCADE PUBLIC SERVICE COMPANY

REALTY MANAGEMENT GROUP, LLC

Philip J. Anderson, President
Date: _____

By: _____

Title: _____
Date: _____

Philip J. Anderson, individually
Date: _____

Chris Reimer
Date: _____

Janice Eder
Date: _____

Diannia Wagner
Date: _____

Steve Spaulding
Date: _____

Susan Soloyanis
Date: _____

Niente Smith
Date: Niente Smith 3/18/15

Jim Borden
Date: _____

Robert Pennick
Date: _____

COLORADO SPRINGS UTILITIES

CASCADE METROPOLITAN DISTRICT NO. 1

Jerry Forte
Chief Executive Officer
Date: _____

Michael Whittemore
President
Date: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Michael J. Gustafson
City Attorney's Office – Utilities Division

WHITE BEAR ANKELE TANAKA &
WALDRON, Attorneys at Law

General Counsel to the District

CASCADE PUBLIC SERVICE COMPANY

REALTY MANAGEMENT GROUP, LLC

Philip J. Anderson, President
Date: _____

By: _____

Title: _____

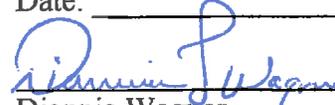
Date: _____

Philip J. Anderson, individually
Date: _____

Chris Reimer

Date: _____

Janice Eder
Date: _____



Diannia Wagner

Date: March 18, 2015

Steve Spaulding
Date: _____

Susan Soloyanis

Date: _____

Niente Smith
Date: _____

Jim Borden

Date: _____

Robert Pennick
Date: _____

COLORADO SPRINGS UTILITIES

CASCADE METROPOLITAN DISTRICT No. 1

Jerry Forte
Chief Executive Officer
Date: _____

Michael Whittemore
President
Date: _____

APPROVED AS TO FORM:

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WHITE BEAR ANKELE TANAKA &
WALDRON, Attorneys at Law

Michael J. Gustafson
City Attorney's Office – Utilities Division

General Counsel to the District

CASCADE PUBLIC SERVICE COMPANY

REALTY MANAGEMENT GROUP, LLC

Philip J. Anderson, President
Date: _____

By: _____

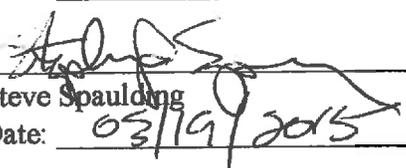
Title: _____
Date: _____

Philip J. Anderson, individually
Date: _____

Chris Reimer
Date: _____

Janice Eder
Date: _____

Dianna Wagner
Date: _____


Steve Spaulding
Date: 03/19/2015

Susan Soloyanis
Date: _____

Niente Smith
Date: _____

Jim Borden
Date: _____

Robert Pennick
Date: _____

COLORADO SPRINGS UTILITIES

CASCADE METROPOLITAN DISTRICT NO. 1

Jerry Forte
Chief Executive Officer
Date: _____

Michael Whittemore
President
Date: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Michael J. Gustafson
City Attorney's Office – Utilities Division

WHITE BEAR ANKELE TANAKA &
WALDRON, Attorneys at Law

General Counsel to the District

CASCADE PUBLIC SERVICE COMPANY

REALTY MANAGEMENT GROUP, LLC

Philip J. Anderson, President
Date: _____

By: _____

Title: _____
Date: _____

Philip J. Anderson, individually
Date: _____

Chris Reimer
Date: _____

Janice Eder
Date: _____

Diannia Wagner
Date: _____

Steve Spaulding
Date: _____

Susan Soloyanis
Susan Soloyanis
Date: *16 March 2015*

Niente Smith
Date: _____

Jim Borden
Date: _____

Robert Pennick
Date: _____

COLORADO SPRINGS UTILITIES

CASCADE METROPOLITAN DISTRICT NO. 1

Jerry Forte
Chief Executive Officer
Date: _____

Michael Whittemore
President
Date: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Michael J. Gustafson
City Attorney's Office – Utilities Division

WHITE BEAR ANKELE TANAKA &
WALDRON, Attorneys at Law

General Counsel to the District

CASCADE PUBLIC SERVICE COMPANY

REALTY MANAGEMENT GROUP, LLC

Philip J. Anderson, President
Date: _____

By: _____

Title: _____
Date: _____

Philip J. Anderson, individually
Date: _____

Chris Reimer
Date: _____

Janice Eder
Date: _____

Diannia Wagner
Date: _____

Steve Spaulding
Date: _____

Susan Soloyanis
Date: _____

Niente Smith
Date: _____

Jim Borden
Date: _____



Robert Pennick
Date: 3-16-15

COLORADO SPRINGS UTILITIES

CASCADE METROPOLITAN DISTRICT NO. 1

Jerry Forte
Chief Executive Officer
Date: _____

Michael Whittemore
President
Date: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Michael J. Gustafson
City Attorney's Office – Utilities Division

WHITE BEAR ANKELE TANAKA &
WALDRON, Attorneys at Law

General Counsel to the District

CASCADE PUBLIC SERVICE COMPANY

REALTY MANAGEMENT GROUP, LLC

Philip J. Anderson, President
Date: _____

By: _____

Title: _____
Date: _____

Philip J. Anderson, individually
Date: _____

Chris Reimer
Chris Reimer
Date: 3/16/15

Janice Eder
Date: _____

Diannia Wagner
Date: _____

Steve Spaulding
Date: _____

Susan Soloyanis
Date: _____

Niente Smith
Date: _____

Jim Borden
Date: _____

Robert Pennick
Date: _____

COLORADO SPRINGS UTILITIES

CASCADE METROPOLITAN DISTRICT NO. 1

Jerry Forte
Chief Executive Officer
Date: _____

Michael Whitemore
President
Date: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Michael J. Gustafson
City Attorney's Office – Utilities Division

WHITE BEAR ANKILE TANAKA &
WALDRON, Attorneys at Law

General Counsel to the District

CASCADE PUBLIC SERVICE COMPANY

REALTY MANAGEMENT GROUP, LLC

Philip J. Anderson, President
Date: _____

By: _____
Title: _____
Date: _____

Philip J. Anderson, individually
Date: _____

Janice M. Eder
Janice Eder
Date: *March 23, 2015*

Chris Reimer
Date: _____

Steve Spaulding
Date: _____

Dianna Wagner
Date: _____

Niente Smith
Date: _____

Susan Soloyanis
Date: _____

Robert Pennick
Date: _____

Jim Borden
Date: _____

Appendix A

Standards for Water System Inventory and Assessment

The following is a listing of all of the types of information CMD is to provide to Utilities as part of its System Inventory and Assessment Report. Utilities understands that CMD may not have all of the types of information requested and that some documentation, data and information will be provided after Utilities provides CMW with the Required Improvements Report and before Conversion, but it expects CMD to make a good faith effort to provide as much of the information requested below as is known to or can be reasonably determined by CMD in the preparation of its System Inventory and Assessment Report. CMD must provide a list to Utilities of the requested information that they do not have, the reasons why it is unavailable, and an estimate of time it would take to obtain that information. Topics on which CMD will be required to conduct specific investigations are identified below. The term “assets” is used below to refer to each individual component of the CMD Water System.

1. Inventory of CMD Water System assets including, but not limited to, the items listed below. As applicable, the inventory must be categorized by asset type and must include information regarding the asset installation date, material, size, type, operational direction of system valves, pressure class, manufacturer, and depth of bury and must be delivered in spreadsheet format and uniquely associated to the CAD/GIS information in the format described below.
 - 1.1. Water mains with individual pipe segments being defined by changes in material, size, or connection to valves, fittings or appurtenances.
 - 1.2. Easements and land owned or used by CMD in connection with the operation of the CMD Water System.
 - 1.3. Nonpublic access roads used by CMD in connection with the operation of the CMD Water System.
 - 1.4. Valves, including operating direction (opening right or left).
 - 1.5. Fire hydrants.
 - 1.6. Blow off assemblies.
 - 1.7. Pressure regulating valves.
 - 1.8. Pressure zones.
 - 1.9. Air and vacuum relief valves.

- 1.10. Pumping facilities.
 - 1.11. Storage facilities.
 - 1.12. Vaults and buildings, including means of ingress/egress thereto.
 - 1.13. Post chlorination systems.
 - 1.14. Cathodic protection for water mains and storage tanks.
 - 1.15. Fire service lines.
 - 1.16. Corporation stops, curb stops, and stop cocks.
 - 1.17. Service lines (including any common or multi-unit service lines).
 - 1.18. Pressure regulators for service lines.
 - 1.19. Water meters and meter loops/setters.
 - 1.20. Automated Water Meter Reading System.
 - 1.21. Backflow prevention devices.
 - 1.22. Any non-potable or grey water infrastructure.
 - 1.23. SCADA and telemetry systems.
 - 1.24. Abandoned assets (including date and method of abandonment).
2. Geospatial Information delivered in AutoCAD or ArcGIS format per Utilities' coordinate system, vertical datum, and software versions.
 - 2.1. Geospatial location of all of the assets listed above.
 - 2.2. Geospatial locations of boundaries that depict land lot/subdivision geometry for the service area as defined by the El Paso County plat maps and/or deeded boundary legal descriptions.
 - 2.3. Enumerated legal addressing associated with the lots/subdivision geometry identifying property and customer billing addresses.
3. CMD information of record, delivered in PDF format if possible, addressing:
 - 3.1. As-builts or record drawings and specifications for CMD Water System.
 - 3.2. Cathodic protection data collected over the past five years.

- 3.3. Standard operating procedures for CMD Water System including, but not limited to:
 - 3.3.1. Hydrant flushing;
 - 3.3.2. Valve exercising (including frequency);
 - 3.3.3. Current position of valves and the reason for any closed valves;
 - 3.3.4. Storage tank operating parameters;
 - 3.3.5. Pump operating parameters; and
 - 3.3.6. Seasonal operating conditions.
- 3.4. Identification of areas of the CMD Water System that are isolated and the reasons therefor.
- 3.5. Pressure reducing valve operating conditions including upstream and downstream pressure settings.
- 3.6. Chemical dosing.
- 3.7. Facilities operation and maintenance manuals.
- 3.8. Maintenance and inspection records by asset including preventative maintenance and identification of any inoperable or out of service assets.
- 3.9. Leak locations and repair history (including cause of leak).
- 3.10. Water meter replacement, testing, and calibration.
- 3.11. True copies of all agreements for providing water service to others, including any intergovernmental agreements with CMD #2.
- 3.12. Reports and studies of the CMD Water System including, but not limited to:
 - 3.12.1. Engineering Reports;
 - 3.12.2. Regulatory Compliance Reports; and
 - 3.12.3. Financial information on the cost of operation and maintenance, excluding labor costs.
- 3.13. Active environmental permits and plans associated with the CMD Water System as a whole. Examples included, but are not limited to: Special Use Permits & Forest Management Plan(s) list with USFS/BLM/USBR; spill prevention and

countermeasure plans for facilities; stormwater permits and management plans list; UST and AST inventory list; Hazardous Materials Management Plan; hazard waste site inventory list; risk management plans; chemical, product, materials use inventory list for operations; landfills location list; waste disposal sites & impoundments location disclosure list; Air/APEN state/county/federal construction permits; MINDI NPDES/CDPS permits and plans for operations; State/Federal operating permits; asbestos/lead paint management plans; soil and groundwater management plan; Migratory Bird Treaty Act – depredation permit and salvage permit; non-potable system disclosure; septic system inventory in and adjacent to easements; list of NEPA proposed actions within past 10 years to present; Endangered Species Act procedures and/or issues disclosure and the like.

- 3.14. Disclosure of any illicit discharges of non-potable, potable water, chemicals, oil, contaminant plumes disclosure list and environmental notices of violations and fines received for the system within the past 10 years.
- 3.15. Materials staging areas list, Gravel mining, reclamation, Borrow pit permits with location disclosure list, wildlife protection plan, service/maintenance facilities location list, and a complete list of all MSDS sheets for all chemicals used within operations of the CMD Water System.
- 3.16. Information related to easement rights and fee title lands for any property interest that Utilities would acquire as necessary to own and operate the CMD Water System.
 - 3.16.1. Copies of grants of easements and fee lands for any property interests where CMD Water System facilities are located along with identification of what CMD Water System facilities are located within such easements or fee lands.
 - 3.16.2. Identification of areas where CMD Water System facilities are located within rights-of-way along with identification of what CMD Water System facilities are located within such rights-of-ways.
 - 3.16.3. Identification of areas where CMD Water System facilities are located but are not known to be within a written easement or within a granted or dedicated right-of-way along with identification of what CMD Water System facilities are located within such areas and when installed.
 - 3.16.4. At Utilities' discretion, additional title work may be required.
- 3.17. All available water quality reporting including, but not limited to, the following:
 - 3.17.1. Average water age or chlorine levels within the system.

- 3.17.2. Maximum or average water age (hours) within the distribution system, and what chlorine levels (free chlorine) are maintained at the water tanks.
 - 3.17.3. Sampling stations, if any.
 - 3.17.4. Annual flushing program.
 - 3.17.5. Number of customer complaints and sample results.
 - 3.17.6. Number of dead-end mains and main lengths.
 - 3.17.7. Flushing water discharge locations.
 - 3.17.8. 10 years of water quality data.
 - 3.17.9. Compliance with TCR, lead & copper rule, disinfection byproducts
4. Asset assessment within the last five years delivered in digital photo, video, PDF, or spreadsheet formats as appropriate, uniquely associated to each asset.
- 4.1. Visual assessment (where accessible)
 - 4.2. In consultation with Utilities, determine where and when to perform leak surveys of the entire CMD Water System with logger data and any leak correlation data. Such surveys would include, but not limited to, the following:
 - 4.2.1. A minimum of seven continuous days of survey logging with full report of findings and leaks detected.
 - 4.2.2. Leak pinpoint locations with verification of findings.
 - 4.2.3. Potential leak locations that could not be pinpointed with report as to why.
 - 4.2.4. Valve positioning throughout each survey zone at the time of the surveys.
 - 4.2.5. Size, material and location of all leaks identified.
 - 4.2.6. Known and/or estimated real loss due to leaks.
 - 4.3. Exercising of each asset to ensure operability.
 - 4.4. Condition rating for each asset based on a mutually agreed upon condition rating system.
 - 4.5. Estimate of remaining service life for each asset based on a mutually agreed upon condition rating system.

- 4.6. Identification of all unaccounted water loss by year for the period 2005 to present including, but not limited to:
 - 4.6.1. All known water loss from leaks, theft, and diversions.
 - 4.6.2. Yearly totals of water supplied (using values previously agreed upon by J. McGinn and B. Rabideau).
 - 4.6.3. Yearly totals of water metered/billed for comparison to supply.
 - 4.6.4. Use of AWWA -M36 or WRF-4372 water system audit software programs would be preferred for analysis.
 - 4.7. Assessment and identification of CMD Water System components that are vulnerable to damage from storm water flows, particularly the areas subject to increased storm water flows from the Waldo Canyon burn scar.
 - 4.8. Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process or Environmental Review in accordance with the Real Estate Manual, or in Utilities' discretion, for any property interests that Utilities would acquire necessary to own and operate the CMD Water System.
 - 4.9. Identification of any additional easements or other property interests necessary for Utilities to have full access to, and own and operate the CMD Water System.
 - 4.10. Flow testing, vibration monitoring, equipment and electrical testing of major system components.
5. Backflow Prevention Information
- 5.1. In this section the following terms have the meaning stated here:
 - 5.1.1. Commercial User means any person whose use of the utility supply system is in connection with the operation of a business, trade or occupation, whether or not for profit. The persons include, but are not be limited to, clubs, fraternities, sororities, lodges, hotels, apartment and rooming houses, tourist camps and cottages, multi-family dwellings where more than one dwelling unit is served through one meter, all common areas of multi-family dwellings when separately metered, schools, governmental buildings and churches.
 - 5.1.2. Multi-Family dwelling means a single residential connection to the public water system's distribution system from which two or more separate dwelling units are supplied water.

- 5.1.3. Residential User means any person whose use of the utility supply system is exclusively for domestic purposes in a private home or individual dwelling unit where not more than one dwelling unit is served through one meter.
- 5.1.4. Cross-Connection means any connection that could allow any water, fluid, or gas that could present an unacceptable health and/or safety risk to the public, to flow from any pipe, plumbing fixture, or a customer's water system into a public water system.

For purposes of this part 5.1.4, an unacceptable health and/or safety risk can be biological, chemical, radiological or physical in nature. Risks to human health are assessed by the level of acute or toxic potential.

All industrial and many commercial and multi-family Cross-Connections present an unacceptable health and/or safety risk to the CMD Water System because of the nature of the activities that may take place at the site and the magnitude or volume of potential contamination.

Waterworks and domestic wastewater treatment works are considered Commercial Users for the purposes of identifying Cross-Connections. The public water system's distribution system must be protected from the service water of the waterworks.

- 5.1.5. Controlled means having a properly installed, maintained, and tested or inspected backflow prevention assembly or backflow prevention method that prevents backflow through a Cross-Connection.
- 5.1.6. Uncontrolled means not having a properly installed and maintained and tested or inspected backflow prevention assembly or backflow prevention method, or the backflow prevention assembly or backflow prevention method does not prevent backflow through a Cross-Connection.
- 5.2. Complete list of all violations and deficiencies identified in CMD's most recent two sanitary surveys (as such surveys are defined in Colorado's Primary Drinking Water Regulation 11.38) and all correspondence and corrective measures taken to resolve the violations and deficiencies.
- 5.3. Complete list of all confirmed or suspected backflow contamination events, the associated addresses impacted by the event, the source of the contamination and remedial events to clear the contaminant from the CMD Water System.

- 5.4. Complete list of all addresses served by CMD and the current water meter number associated with that address.
- 5.5. Designation whether the address served is a Commercial User or a Residential User;
 - 5.5.1. For each Commercial User, list the date, name and qualifications of the person who last performed a survey to determine if the Commercial User's connection is a Cross-Connection and all specific hazards identified by the survey of that Commercial User's connection.
 - 5.5.2. For each Residential User, indicate whether CMD is currently aware of any of the following Cross-Connections and if so which ones:
 - 5.5.2.1. Dedicated irrigation lines (from the water main);
 - 5.5.2.2. Dedicated fire suppression system lines and chemically enhanced fire suppression systems;
 - 5.5.2.3. Multi-purpose fire suppression systems are not required to be controlled where each branch of the suppression system terminates at a regularly used fixture;
 - 5.5.2.4. Auxiliary water sources, e.g. ,wells, ponds, lagoons, irrigation ditches, hot tubs or swimming pools piped with permanent plumbing, reclaimed water systems, graywater systems, or onsite water storage tanks with permanent plumbing; and
 - 5.5.2.5. Home business and hobbies including, but not limited to: agricultural commerce and hydroponic systems, doctors' offices, photo laboratories, hide tanning operations, and metal plating operations.
- 5.6. If a Cross-Connection was identified at a given address, indicate whether the Cross-Connection has been controlled or remains uncontrolled as those terms are defined above.
- 5.7. For each address where a Cross-Connection has been identified and controlled, list the method used to control the Cross-Connection, or if a backflow prevention assembly is installed, the type, size, make, model, serial number and orientation of the backflow prevention assembly controlling that connection and describe with particular detail the location of the assembly or method at that address.

- 5.8. Each address where a Cross-Connection has been identified and controlled, provide all inspection, testing, maintenance and repair records for the most recent three year period.
 - 5.9. A description of what actions will be necessary for the CMD Water System to be in full compliance with the Colorado Water Quality Control Commission's Primary Drinking Water Standards, Regulation 11.39 – Backflow and Cross-Connection Control Rule, at or before the time of Conversion.
6. The level of compliance with each asset to Utilities' Water LESS must be evaluated for the assets including, but not limited to:
- 6.1. CMD Water System modeling in accordance with the current Water LESS HAR process outlined in Utilities' Water LESS to demonstrate sufficient criteria and current standards of practice including evaluation of the following:
 - 6.1.1. Pressure zones and any need for additional pressure zones.
 - 6.1.2. Existing distribution system performance under Average Day Demand, Maximum Day Demand, Peak Hour, and Maximum Day Demand plus Fire flow with minimum residual pressures of 20 psi throughout the system.
 - 6.1.3. Development of peaking factors.
 - 6.2. Fire Flows
 - 6.2.1. Identification of all improvements necessary to meet minimum requirements of the local fire flows and water main department or the International Fire Code, whichever is more restrictive (including storage, pressure, and flow).
 - 6.2.2. Evaluation of the fire system (i.e., fire hydrants, sprinkler systems, etc.) per local jurisdiction or the International Fire Code, whichever is more restrictive, including flow tests of all fire hydrants and documentation of recorded flow and residual pressure.
 - 6.3. Evaluation of water mains for adequate depth of bury and separation from other utilities and structures.
 - 6.4. Evaluation of the CMD Water System to the looping requirements defined in the Water LESS.
 - 6.5. Evaluation of easements and rights of way widths to allow for operation and maintenance of the CMD Water System.
 - 6.6. Evaluation of CMD Water System access roads.

7. A professional engineer's opinion of the (1) recommended Minimum Required Improvements to the CMD Water System that are to be completed prior to Conversion, and the probable cost thereof; and (2) recommended improvements to be completed after Conversion, and the time for completion of the same.
8. Such other information as Utilities determines, in consultation with CMD's engineer, is reasonably necessary to enable it to fully understand and evaluate the CMD Water System.