

MEMORANDUM OF UNDERSTANDING AMONG THE CITIES
OF AURORA AND COLORADO SPRINGS, COLORADO RIVER WATER
CONSERVATION DISTRICT, CLIMAX MOLYBDENUM COMPANY,
AND THE VAIL CONSORTIUM

This Memorandum of Understanding ("MOU") is between the cities of Aurora and Colorado Springs ("Cities"), the Colorado River Water Conservation District ("River District"), Climax Molybdenum Company ("Climax"), and the Vail Consortium consisting of the Eagle River Water and Sanitation District, Upper Regional Water Authority, and Vail Associates, Inc. ("Consortium").

I. PARTIES.

- A. Cities of Aurora and Colorado Springs ("Cities").
- B. Colorado River Water Conservation District ("River District")
- C. Climax Molybdenum Company ("Climax")
- D. Vail Consortium consisting of Eagle River Water & Sanitation District, Upper Eagle Regional Water Authority, Vail Associates, Inc. ("Consortium").

The Consortium and the River District are collectively referred to as the "Reservoir Company."

II. OBJECTIVE.

- A. Develop a joint use water project in Upper Eagle River basin that minimizes environmental impacts, is cost effective, technically feasible, can be permitted by local, state and federal agencies, and provides sufficient yield to meet the water requirements of project participants as hereinafter defined.

III. PROCESS.

- A. Study four joint use project alternatives.
 - 1. Climax based alternative (Exhibit 1).
 - 2. Homestake Creek based alternative (Exhibit 2).

3. Climax reservoir with Camp Hale groundwater recharge reservoir (Exhibit 3).

4. Mixed Climax and Lower Homestake reservoirs (Exhibit 4).

B. Ruedi Reservoir Alternative

In addition to the four alternatives identified above, interest has been expressed by certain parties in undertaking a preliminary analysis of the feasibility of an alternative that utilizes a pump back from Ruedi Reservoir to the Boustead Tunnel. That analysis will be performed. The parties agree to further discuss not only the feasibility of such an alternative, but whether it can appropriately serve as a substitute for the remaining alternatives.

C. Scope of Study.

1. Hydrology (yield). The parties have prepared a spreadsheet model of the upper Eagle River basin to simulate operations of selected project components. The model uses daily streamflow records from key gages to estimate divertible streamflows at numerous points in the basin. The "Study Period" is 1945 through 1994 (50 years).

Specifically, the hydrological investigations will include:

- a. Defining desirable projects and demand patterns for the parties and identifying project yields.
- b. Modifying the operations model to reflect various demand patterns by the parties and to reflect the project configurations.
- c. Estimating the yield of various project configurations. The yields will be used to compare project costs.
- d. Preparing a memorandum which defines project yield and the demands by the project

participants, describes the operations model, presents the results of the model runs, and presents the alternative configurations, including delivery options and potential delivery limitations.

2. Technical feasibility and cost. In general, this portion of the study will include construction cost estimates of project components and various configurations at a reconnaissance grade level. This means that the studies would be conducted using available information and site reconnaissance. Drilling, materials testing and other more intensive efforts are not included at this level.

Specifically, the technical feasibility/cost estimate will include:

- a. Compiling geological maps, reports and other documents with information relevant to the site selection of storage and diversion dams, pumping plants and pipeline corridors.
- b. Reconnoitering the project area, the reservoir sites and pipeline corridors identified to date by a geologist or geotechnical engineer and design engineer.
- c. Preparing reconnaissance level designs and construction cost estimates of the project components and configurations. Multiple estimates for a given component may be needed depending on the capacity of a given configuration.
- d. Recognizing and describing any fatal flaws or structural conditions that would inhibit the construction of a project component.
- e. Preparing a memorandum which describes the investigations and presents the cost estimates for the project components and configurations. Yield estimates developed by the hydrologic model will be developed for

each configuration so that the construction costs can be compared on a dollars per acre-foot basis for both dry and average year yields.

3. Environmental impacts and permitting. The environmental investigations will include identifying wetlands and the costs of mitigating the damage to wetlands for each alternative. Additionally, other possible environmental impacts will be identified qualitatively unless costs for mitigating such impacts can be estimated.

Specifically, the environmental investigations will include:

- a. Compiling reports and other documents with information relevant to existing wetlands, threatened and endangered species and water quality in the vicinity of the project components.
 - b. Identifying and quantifying wetlands areas from field reconnaissance and aerial photography for each project component.
 - c. Estimating the cost of mitigating wetland areas using the Camp Hale area as a mitigation site. The costs will consider a unit rate in dollars per acre.
 - d. Identifying other environmental issues associated with each component, some of which may not be easily converted to a cost, such as visual impacts.
 - e. Identifying potential benefits for recreation, fish and wildlife in a qualitative sense.
 - f. Preparing a memorandum which describes the investigation and presents the impacts for each component as well as for each configuration.
4. Report. The information and conclusions developed by the hydrological, engineering and environmental investigations described above will be summarized in a

report and presented to the participating entities. The report will contain comparisons of the alternatives in graphical and tabular form so that the alternatives can be compared. Additionally, permitting and technical review requirements will be identified and summarized as a section in the report. This will allow the participating entities and the public to be informed about all of the federal, state and local requirements for developing the proposed joint use project.

A preliminary environmental analysis for those alternatives depicted on Exhibits 2 and 4 as referenced in Section III has identified potentially significant environmental concerns associated with wetland inundation along Homestake Creek and encroachment upon wilderness lands. If it is found that there are less environmentally damaging practicable alternatives, either of these two alternatives may prove difficult to permit. Hence, though these alternatives will be evaluated, they will not be considered, in view of current knowledge and based upon the current configurations therefore, the leading or preferred alternatives for purposes of this MOU.

D. Study Parts and Time Frame.

1. Part 1 of the study will identify and rank the feasibility of the alternatives -- to be completed by July 1, 1997.
2. a. Part 2 of the study will develop the requisite level of engineering and environmental detail required to initiate the permit applications for Phase 1 of the Project as identified in Section IV.C.1 below, and support the issuance thereof. The target date for completion of this part will be determined by Climax and the Reservoir Company in consultation with the Cities.
- b. Part 3 of the study will develop the requisite level of engineering and environmental detail required to initiate the permit applications for subsequent project

phases as identified in Section IV.C.2 and support the issuance thereof. Subject to the terms of Section III.C.4 below, the target date for completion of this part will be determined by the parties after identification of the feasibility of the alternatives under Part 1 of the study.

- c. Part 3 of the study will also identify any water right applications that may be necessary to support the desired alternatives.
3. Part 4 of the study will develop the requisite level of engineering to prepare detailed design specifications for the issuance of construction contracts. This part will be completed following permitting and necessary water rights adjudication.
4. The parties acknowledge that there may exist differences in the schedules under which each of the respective entities may desire to develop the subsequent phases of the project and bring the yield therefrom into their water systems. The parties further acknowledge their inability to guarantee that the requested shelf life of permits for the project phases will be obtained. The parties, therefore, agree that at such time as one party desires to proceed with the permitting and construction of a project beyond phase I, such party shall seek, in writing, the participation of the remaining parties in such undertaking, all in accordance with the provisions of this MOU. The parties shall have 90 days in which to respond to any such request to participate. To the extent any remaining party does not elect to proceed at that time, the party requesting such participation may proceed independently of the others with regard to the identified subsequent phase; provided, however, that the remaining parties shall be under no obligation to contribute money, land, completed infrastructure, water or water rights to such subsequent project phase or participate in the ditch and reservoir company

identified in Section VII with respect to such subsequent project phase. Notwithstanding the foregoing, the remaining provisions of this MOU shall remain in effect.

E. Study Cost Sharing

1. Part 1 -- Cost of outside engineering consultants jointly retained by the parties will be split 25% by the Cities, 25% by Climax, 25% by the Consortium, and 25% by the River District up to a maximum of \$10,000 each. Each party to pay for the costs of their own consultants.
2. Parts 2 and 3 -- Cost of outside engineering consultants jointly retained by the parties to be split according to percentage of project yield to be acquired by the parties.

IV. YIELD.

A. Definition.

1. Firm dry year yield -- available in the 25% driest of years during the Study Period.
2. Average yield -- available for diversion on a 25 year rolling average.

B. Requirements.

1. Reservoir Company -- up to 10,000 acre feet of firm dry year yield.
2. Cities -- up to an average of 20,000 acre feet of yield that is available and diverted for use on a 25 year rolling average, plus such additional increment as allowed under Paragraph IV.C.3.d.
3. Climax -- up to 3,000 acre feet of storage space.

C. Project Phasing.

1. Project Phase 1 -- Reclaimed existing 3,148 acre Foot Dam 4 that is anticipated to provide 2,013

acre feet of firm dry year yield. Water from the East Fork of the Eagle River will be delivered to Dam 4 by a pump and pipeline located within or upstream of Section 32, T. 7S., R. 75W. of the 6th P.M., with a capacity no greater than 6 cubic feet per second. This phase will be purchased by, and all yield will be available to, the Reservoir Company.

2. Phase 2 -- The Reservoir Company and the cities shall jointly have the right to develop, on a 50/50 basis, the next increment of firm dry year yield up to 2000 acre feet. The timing and construction of such increment shall be subject to the provisions of Paragraph III.D.4. The cities agree to subordinate their water rights to the Reservoir Company share of this phase. Should Phase 2 be in excess of 2000 acre feet of firm dry year yield, but less than 4000 acre feet, the cities shall have the right of first refusal to the entire increment of yield above 2000 acre feet. Any project which yields in excess of 4000 acre feet shall be considered a "subsequent project phase" as further identified in Paragraph IV.C.3.
3. Subsequent Project Phases
 - a. At the time of the development of subsequent project phases, defined herein as any project following the completion of phase I which has a firm dry year yield in excess of 4000 acre feet, the Reservoir Company shall have a right of first refusal to purchase any additional project yield over and above that realized under phases I and II up to the maximum Reservoir Company yield as identified in paragraph IV.B.1 in direct proportion to its share of the total yield contemplated hereunder. The cities shall have a right of first refusal to the remaining yield up to the maximum cities' yield as identified in Paragraph IV.B.2. In making the calculation of entitlement to additional project yield under this subparagraph, the yield realized

by the parties in Project Phases 1 and 2 shall be taken into account in determining the proportion of additional yield to which each party is entitled.

- b. Subject to the limits of section IV.B.1 and 2 above, any unexercised first refusal rights shall be made available to the other project participants. The foregoing rights of first refusal shall only be applicable to the initial subscription of an increment of project yield as it becomes available. Thereafter, any parties' share of project yield shall be freely assignable. If Climax reclaims Robinson Reservoir and such facility is a component of the joint use project, Climax shall retain up to 3000 acre feet of storage space in any enlargement of Dam 4.
- c. At the time of the completion of construction and the commencement of operation of the subsequent phases, the Reservoir Company shall also have the option to purchase from the cities the cities' portion of yield from Phase 2 of the project, assuming such has been constructed, up to a maximum of 1000 acre feet at the price per acre foot of yield paid by the parties for such phase. The price shall be based upon the total planning, engineering, permitting and construction costs for Phase 2 of the project as adjusted at the date of purchase for inflation based on the ENR Index for water resource projects or the most nearly identical index then published.
- d. To the extent that the Reservoir Company chooses not to exercise its option to acquire water in an amount over and above that realized under Phases 1 and 2, the cities may utilize such yield to the extent that they release for the Reservoir Company (or other West Slope entities or uses identified by the Company) one acre foot of water for each acre

foot delivered to the cities in excess of the 20,000 a/f rolling average referenced in Paragraph IV.B.2.

D. Interim Supply.

In the event the construction of the subsequent phases of the Project prevents the use of water from Phase 1 by the Reservoir Company, then during such construction the Cities shall make available to the Reservoir Company an amount of water equal to the displaced use. Such interim supply shall be made available from Homestake Reservoir or other facility acceptable to the Reservoir Company up to a maximum amount of 2,013 acre feet annually.

V. PERMITTING.

- A. Phase 1 Permits. Climax and the Reservoir Company shall make application for the necessary federal, state and local permits required to develop phase 1 of the project. Such applications shall proceed independent of any applications for the subsequent phases of the project, and may be initiated at any time desired by Climax and the Reservoir Company. However, in connection with such application, a copy of this MOU shall be submitted to any permitting authorities. The Cities agree not to oppose land use applications for phase 1.
- B. Subsequent Phase Permits. Subject to the provisions of Sections III.C.3 and IV.C.2 and 3 above, the parties shall make application as co-applicants for the following permits required to construct any subsequent phases of the project.
 - 1. Federal permits which may be sought for individual project phases.
 - a. Army Corps of Engineers Section 404 Permit.
 - b. Forest Service Special Use Permit which shall include a section 7 consultation with the U.S. Fish and Wildlife Services.

In any event, the parties shall cooperate in the federal permitting and review process in an effort to ensure that each party realizes the project yield contemplated hereunder.

2. State permits which may be sought for individual project phases.
 - a. Section 401 Certification.
 - b. State Engineer design approvals.
3. Eagle County Land Use Permit which shall be sought for the entire project in one application. In connection with the application for such land use permit the parties shall seek the following:
 - a. A permit with a shelf life of no less than 25 years with acknowledgment that work on one project phase constitutes work on the entire project. If constructed within the term, then the permit would be granted in perpetuity.
 - b. The waiver of any financial security or filing fee.
 - c. Limited cross enforcement of any state or federal permit requirements such that local requirements will be met by satisfaction of any overlapping state and federal requirements.
 - d. Agreement by the County that:
 - (1) the parties' analysis of the project alternatives under this Memorandum of Understanding satisfies the need to explore additional alternatives;
 - (2) the work of the Eagle River Assembly shall satisfy the requirement to determine the parties' water needs;

- (3) the regulation of groundwater levels and the parties' water rights shall remain within the exclusive jurisdiction of the State Engineer and Water Court; and
 - (4) the joint use project need only meet existing decreed instream flow levels in affected stream reaches.
 - e. Meetings with the County and all parties to identify concerns and mitigation requirements.
- 4. The parties, as co-applicants, shall diligently pursue such permit approvals, including cooperation in the preparation of supporting written materials and the presentation of oral testimony.
- 5. The parties acknowledge that all alternative scenarios cannot be foreseen in detail at this time, and therefore agree that the coordination and cooperation contemplated hereunder shall apply to any project configuration or feature which the parties subsequently agree to substitute for one of the alternatives (or components thereof) set forth herein.
- 6. To the extent any party exercises its right not to participate in a subsequent phase as referenced in Paragraph III.D.4, such party shall nevertheless support any application that is consistent with the terms of this MOU. Such support shall consist of providing favorable testimony and letters of support in any permit proceedings, but shall not require any financial contribution.
- 7. Should the Reservoir Company fail to meet its obligations hereunder to support the applications for permit approvals, the cities shall have no obligation to subordinate their water rights as referenced in Paragraphs IV.C.2 and VIII.A.3, or to continue the exchange referenced in Paragraph VIII.B.3. If contested by the Reservoir Company, such determination of failure shall be made

through the filing of an action in the Denver District Court, Denver, Colorado.

The dates of filing the foregoing applications under this Section V B. shall be the subject of future negotiations among the parties.

VI. CLIMAX FACILITIES.

In the event the enlargement of Dam 4 is identified in phase 1 of the study as one of the 2 most feasible alternatives, then during the Part 2 study outlined above the parties shall seek to reach an agreement with Climax regarding the enlargement of Dam 4 and the use of water therefrom.

VII. DITCH AND RESERVOIR COMPANY.

A. Formation. In the event the parties pursue development of a joint use water project in the Upper Eagle River basin, then the parties will form a nonprofit mutual ditch and reservoir company pursuant to § 7-42-101 et seq., C.R.S. (Project Company), or such other legal entity as mutually agreeable to the parties, that shall hold record title to all water rights, land, facilities, easements or any other appurtenances or personalty comprising the joint use water project. If the Project Company is formed, the Project Company will issue shares of stock which will represent the yield of the joint use water project. Shares of stock will be issued to Project Company shareholders in direct portion to the amount of such yield acquired by any shareholder. Separate classes of stock will be created to the extent necessary to recognize Vail Associates' preferential rights to the yield of phase 1 and the rights of the Reservoir Company to the yield realized under Paragraphs IV.C.2 and 3. Moreover, separate series of stock may also be created to the extent necessary to differentiate between dry year and average year yield.

B. Structure.

1. The precise structure of the Project Company or other legal entity shall be the subject of future

negotiations among the parties. If a ditch and reservoir company is the chosen vehicle to carry out the objectives of this MOU, the articles of incorporation and/or bylaws shall, at a minimum, contain provisions which address amendment of the articles, the sale of company assets, establishment of the board of directors, the levy of assessments, and the voting of shares in such a manner as will ensure the equitable treatment of minority shareholders and the continued delivery of water to such shareholders in proportion to their shares in the company.

2. Regardless of the legal entity chosen, the formation agreement shall provide that no party shall object in Water Court to another party's use of water from the project by direct use, augmentation, exchange, replacement or substitution; provided, however, that this provision shall not prevent a party hereto from filing a statement of opposition in Water Court to any other aspect of an application. Likewise, this provision shall not limit any party in the exercise of its governmental functions. Moreover, there shall be no restriction on the place of use within Colorado.

VIII. WATER RIGHTS.

- A. No Opposition. Subject to the Replacement Water Requirement defined in VIII.B below, the parties agree to either withdraw their statements of opposition to or not oppose the following water rights applications.
 1. Climax/Consortium application as amended in Division No. 5 Case No. 92CW340 for the Eagle Park Reservoir storage right and East Fork Pump Back Facility.
 2. Consortium application in Division No. 5 Case No. 95CW348 regarding the exchange of water rights to Eagle Park Reservoir.
 3. Reservoir Company application to be filed in Division No. 5 to change 80 c.f.s. of the Pando

Feeder Canal water right to storage in Eagle Park Reservoir, up to a maximum of 3,148 acre feet per year. By virtue of this application and the exchange in Case No. 95CW348, the Cities recognize that up to 3,148 acre feet of water can be stored annually in Eagle Park Reservoir (sufficient to produce a firm annual yield of 2013 acre feet) senior to the priority of the Cities' Camp Hale and Homestake II project water rights. The Cities (Colo. Springs) also agree to subordinate the Eagle Arkansas project water rights at the East Fork diversion site to the foregoing use of the Pando Feeder Canal. The agreements of this paragraph are contingent upon the acquisition of phase 1 of the project by the Reservoir Company.

4. Climax application in Division No. 5, Case Nos. 92CW233 and 92CW336 regarding the readjudication and quantification of its senior water rights.
5. The Cities' applications in Division No. 5 Cases No. 88CW449 and 95CW272, provided that the River District may continue participation as a technical resource and consultant to Western Slope Opposers in those cases regarding issues of groundwater availability; stream/aquifer relationship, including stream depletions from well pumping and aquifer recharge; and project water rights administration and accounting.

B. Replacement Water Requirement which shall be contingent upon the Reservoir Company's acquisition of phase 1 of the project.

1. In the event a joint use project is not developed by the parties and the Cities develop their Eagle Arkansas Project, the Reservoir Company will provide up to 150 acre feet of water per year from Green Mountain, Ruedi or Wolford Mountain Reservoirs (or another source acceptable to the Cities) to replace the reduction in yield to the Eagle Arkansas Project from the operation of phase 1 of the project.

2. In the event a joint use project is not developed by the parties and the Cities proceed to independently develop the Camp Hale Project (Case No. 88CW449), the Reservoir Company will provide up to 225 acre feet of water per year from Green Mountain, Ruedi or Wolford Mountain Reservoirs (or another source acceptable to the Cities) to replace the reduction in yield to the Camp Hale Project from the operation of phase 1 of the project.

3. The parties will extend the existing three year agreement between the City of Aurora and the Consortium for a period of 25 years. The Reservoir Company and the City of Colorado Springs will be parties to the agreement, and during that period the Reservoir Company will annually provide a minimum of 800 af of water from Green Mountain, Ruedi or Wolford Reservoir water, or another source acceptable to the cities, for 500 af of annual Homestake Reservoir releases. The cities and the Reservoir Company will jointly seek to exchange the 800 af of water to the Homestake Project or to other acceptable diversion facilities including the Twin Lakes project and the Blue River project. The 800 acre feet of water will be available for exchange from June through October of each year. The Reservoir Company will provide the cities with a tentative schedule for the release of Homestake Reservoir water by June 30th of each year. Though this schedule may be adjusted at a subsequent date, it will inform the cities of the general pattern of intended reservoir releases. The rate of reservoir releases may be varied no more often than once per week. The maximum rate of release will not exceed 8 cubic feet per second during the period extending from October 1st through April 30th. If the parties, acting jointly, are unable to obtain water court approval for the long term operation of such an exchange, the cities may, in their discretion, terminate the agreement referenced in this paragraph.

4. There shall be an annual accounting of the amount of water exchanged to the cities and of the amount of Homestake Reservoir water released to the Reservoir Company. If during any 10 year rolling average period, the cumulative amount of water released to the Reservoir Company exceeds the amount of water exchanged to the cities, the parties agree to examine various means by which the cities can be made whole, i.e., arrangements through which the cities receive an amount of water equal to that which has been released for the benefit of the Reservoir Company. Such examination will include, but not necessarily be limited to, an assessment of the feasibility of annual releases from Wolford Mountain Reservoir in excess of 800 acre feet, or the release of less than 500 acre feet to the Reservoir Company in years where such releases are not found necessary to meet water demands.

5. Should a court of competent jurisdiction determine that the Reservoir Company has breached the provisions of this MOU, such breach shall constitute just cause for the termination of the above-referenced exchange. Should there be no breach of this MOU and the water court approves the long term operation of the exchange contemplated hereunder, the Reservoir Company shall have, subject to the following conditions the perpetual right to extend the exchange referenced in paragraph VIII.B.3 for an additional 25 years, and at the end of each twenty-five year period thereafter. The Reservoir Company agrees that at the end of the 25 year period commencing with the first release of water for the benefit of the Reservoir Company under the provisions of this MOU, it shall make any modifications in the arrangements referenced in paragraph VIII.B.4 as are determined necessary to ensure that the cities will receive the full amount of replacement water in the future based upon a ten year rolling average.

6. In the event a joint use project is developed by the parties, there shall be no replacement water requirement.
- C. **Water Quality.** Any water delivered or released from the Dam 4 facility, including any expansion thereof, shall be of a quality which will not interfere with the beneficial uses made of waters developed by the cities under the provisions of this MOU. Such determination of interference shall be based upon compliance, at the point of diversion, storage or exchange by the cities, with the then existing water quality standards for designated or classified uses as established by federal, state or local statute or regulation.
- D. **Joint Use Project.** In the event the parties pursue development of a joint use project, then the parties shall cooperate to utilize the following water rights to maximize the yield of the subsequent phases of the project:
1. Division No. 5 Case No. 93CW301 regarding the enlargement of Eagle Park Reservoir.
 2. Division No. 5 Case No. 88CW449 regarding the Camp Hale Project.
 3. River District's remaining Red Cliff Project water rights not previously committed to the Bolts Lake Project.
 4. Division No. 5 Case No. 95CW272 regarding the Cities' Eagle River conjunctive use project.
 5. The water rights set forth in VIII A.1,2,3 and 5 above.
 6. The remaining conditional rights held by the cities pursuant to Case No. 1193, Eagle County District Court, and Case Nos. 85CW151, 85CW582, and 85CW583, Water Division No. 5.
 7. Such other applications as may be necessary to effect the chosen alternative.

Such cooperation shall include participation as co-applicants in any required water court applications; provided, however, that this provision shall not constitute an encumbrance or obligate a party to continue the existence of the foregoing water rights.

D. Excess Water Rights.

Upon the development of the full project for the Cities provided for in Section IV.B.2. above, the Cities shall dedicate to the joint use project all of its remaining Eagle River conditional water rights or dedicate such rights for nonconsumptive uses, such as environmental mitigation. There shall be no additional diversions to the cities under these rights and no transfer of the rights for use out of the basin.

IX. PROJECT COST SHARING.

During Phase 2 of the study, the parties shall seek to reach an agreement regarding the sharing of costs for the construction, operation and maintenance of the subsequent phases of the project.

X. MUTUAL COOPERATION.

The parties agree to discuss on an annual basis means to utilize Eagle Park Reservoir or other Reservoir Company facilities in conjunction with the then existing Homestake Project or other facilities owned by the Cities, through exchange or otherwise, for the mutual benefit of the parties.

XI. SUCCESSORS AND ASSIGNS.

The provisions of this MOU shall apply to, and be binding upon, the successors and assigns of the parties hereto. Any assignments of interest hereunder shall be in writing, with notification thereof promptly provided to all parties.

XII. EXECUTED COUNTERPARTS

This MOU may be signed in separate original counterparts, all of which shall be consolidated to make a single contract.

City of Colorado Springs

By *Therese Mackey*
Date *October 19th, 1998*

City of Aurora

By _____

Date _____

Colorado River Water Conservation
District

By _____

Date _____

Climax Molybdenum Company

By _____

Date _____

XII. EXECUTED COUNTERPARTS

This MOU may be signed in separate original counterparts, all of which shall be consolidated to make a single contract.

City of Colorado Springs

By _____

Date _____

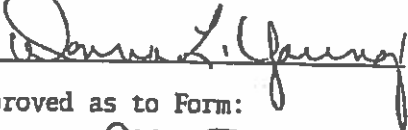
City of Aurora

By 

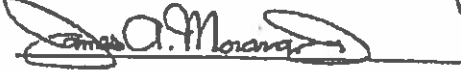
Paul E. Tauer, Mayor

Date 8-20-98

ATTEST:



Approved as to Form:



Colorado River Water Conservation District

By _____

Date _____

Cypress Climax Metals Company

By _____

Date _____

XII. EXECUTED COUNTERPARTS

This MOU may be signed in separate original counterparts, all of which shall be consolidated to make a single contract.

City of Colorado Springs

By _____

Date _____

City of Aurora

By 

Date 11-30-98

Colorado River Water Conservation
District

By _____

Date _____

Climax Molybdenum Company

By _____

Date _____

XII. EXECUTED COUNTERPARTS

This MOU may be signed in separate original counterparts, all of which shall be consolidated to make a single contract.

City of Colorado Springs

By _____

Date _____

City of Aurora

By _____

Date _____

Colorado River Water Conservation
District

ATTEST:



**RICHARD ERIC KUHN
SECRETARY / GENERAL MANAGER**

By 

Date 8-31-98

Climax Molybdenum Company

By _____

Date _____

XII. EXECUTED COUNTERPARTS

This MOU may be signed in separate original counterparts, all of which shall be consolidated to make a single contract.

City of Colorado Springs

By _____

Date _____

City of Aurora

By _____

Date _____

Colorado River Water Conservation
District

By _____

Date _____

Climax Molybdenum Company

By Christopher J. James

Date Vice Pres. and Gen. Mgr

Eagle River Water and Sanitation
District

By Frederick P. Sacchiana
President

Date April 21, 1998

Upper Eagle Regional Water
Authority

By Tom MacArthur, President

Date April 21, 1998

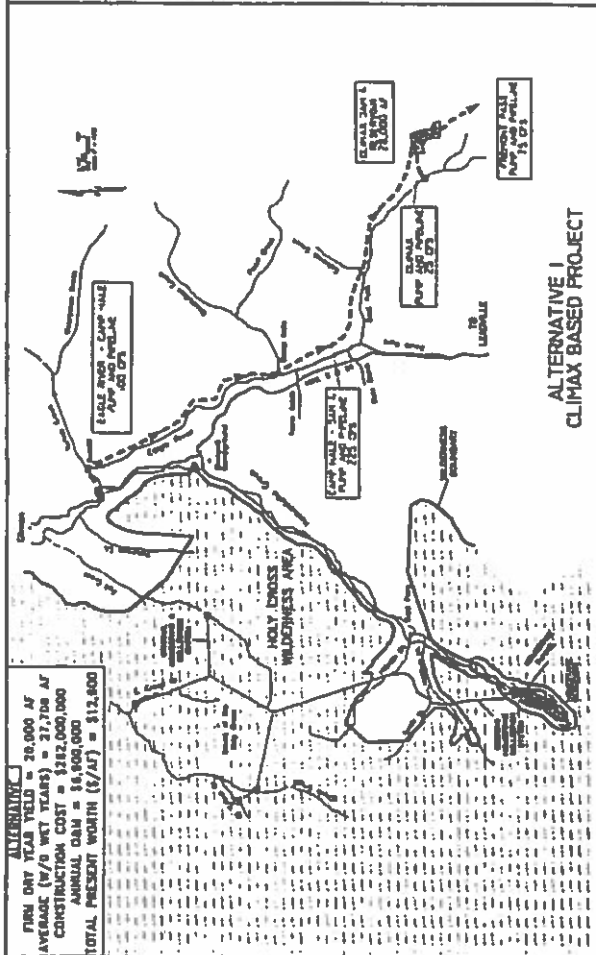
Vail Associates, Inc.

By [Signature], Pres.

Date April 21, 1998

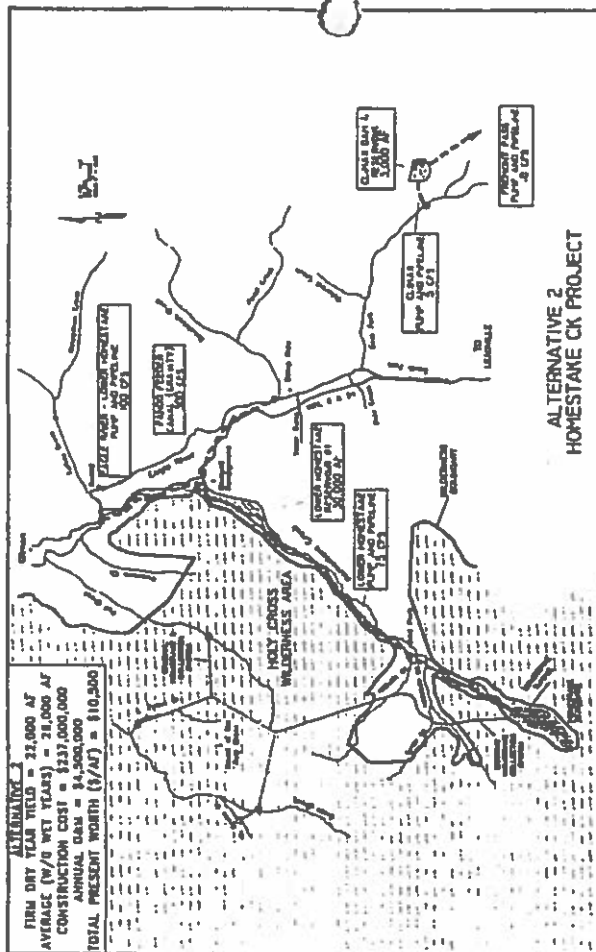
This Memorandum of Understanding is dated effective as of April 21, 1998.

PRELIMINARY ASSESSMENT OF ALTERNATIVES
October 31, 1997



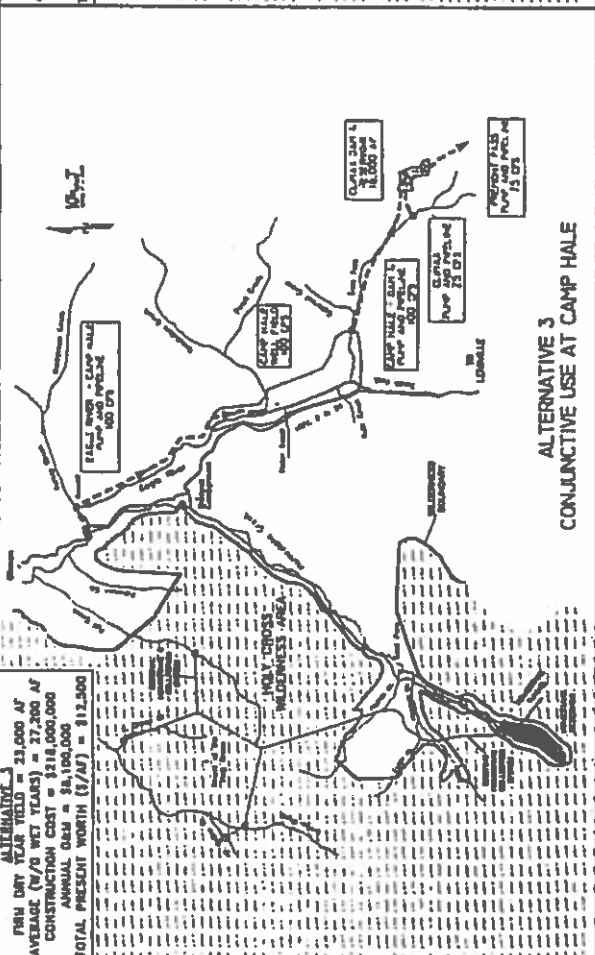
ALTERNATIVE 1
 FIRM DRY YEAR YIELD = 20,000 AF
 AVERAGE (W/O WET YEARS) = 27,700 AF
 CONSTRUCTION COST = \$182,000,000
 ANNUAL O&M = \$6,600,000
 TOTAL PRESENT WORTH (5%/AF) = \$12,800

ALTERNATIVE 1
CLIMAX BASED PROJECT



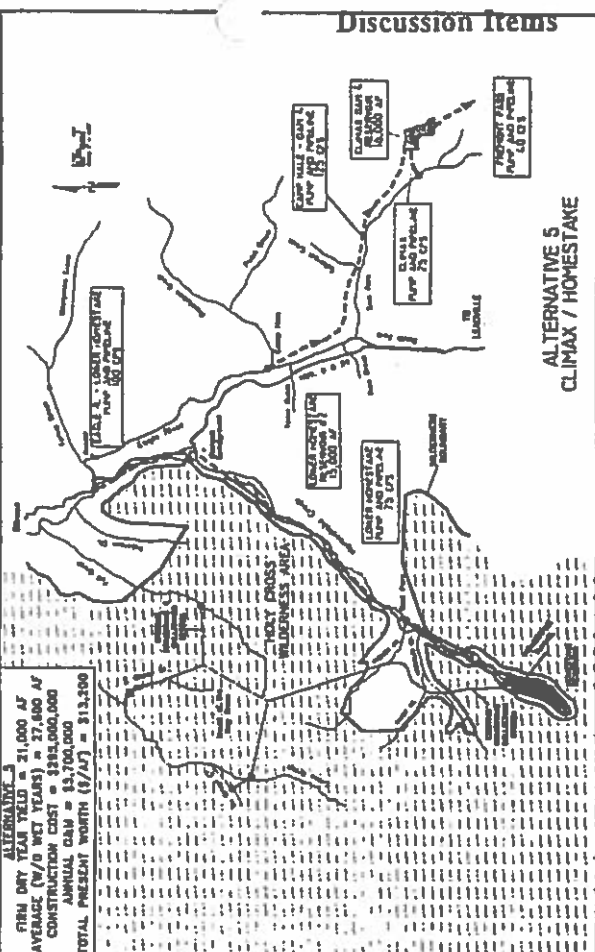
ALTERNATIVE 2
 FIRM DRY YEAR YIELD = 22,000 AF
 AVERAGE (W/O WET YEARS) = 28,000 AF
 CONSTRUCTION COST = \$237,000,000
 ANNUAL O&M = \$4,300,000
 TOTAL PRESENT WORTH (5%/AF) = \$10,300

ALTERNATIVE 2
HOMESTAKE CK PROJECT



ALTERNATIVE 3
 FIRM DRY YEAR YIELD = 23,000 AF
 AVERAGE (W/O WET YEARS) = 27,200 AF
 CONSTRUCTION COST = \$118,000,000
 ANNUAL O&M = \$9,100,000
 TOTAL PRESENT WORTH (5%/AF) = \$12,300

ALTERNATIVE 3
CONJUNCTIVE USE AT CAMP HALE



ALTERNATIVE 5
 FIRM DRY YEAR YIELD = 21,000 AF
 AVERAGE (W/O WET YEARS) = 27,600 AF
 CONSTRUCTION COST = \$295,000,000
 ANNUAL O&M = \$2,700,000
 TOTAL PRESENT WORTH (5%/AF) = \$13,300

ALTERNATIVE 5
CLIMAX / HOMESTAKE

Discussion Items