Littleton

Alternatives for Wastewater Infrastructure Ownership

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Purpose of Report

Summarize the options that may be available to Littleton if it were to transition its ownership interest in South Platte Renew to one that would reduce its financial obligations and inherent business and regulatory risks.

Topics

A. Special District – Littleton Only

B. Special District – Littleton + Its Connector Districts

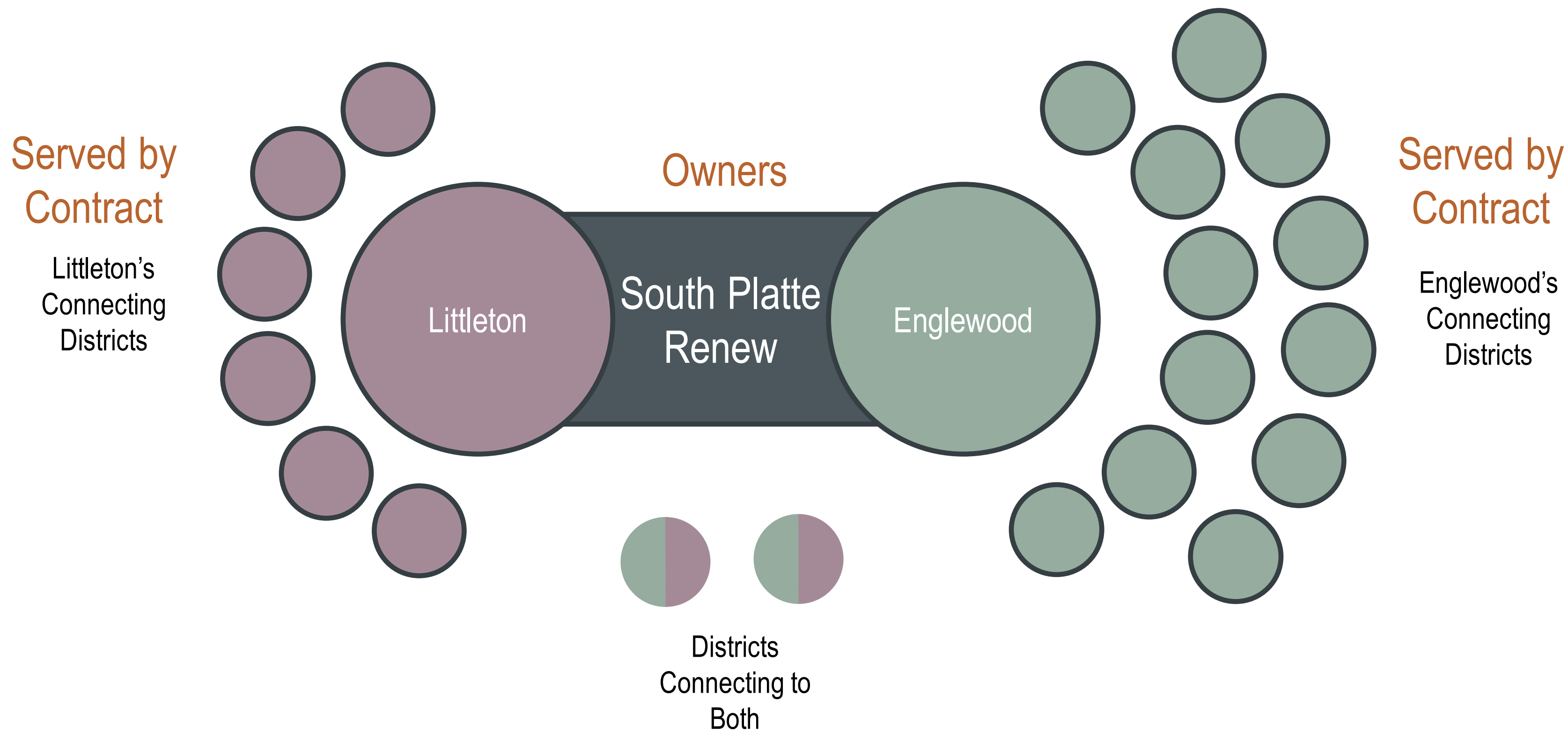
C. Special District – Littleton + Englewood

D. Special District – All –In

E. Merger with Metro Water Recovery

F. Sale to Private Party

Ownership & Contractual Layout



Forming Special Districts

Service Plan → Commission Approval → Court Approval → Election

Service Plan	Commission Approval	Court Approval	Election
Describes the services for the area to be included in the special district and all contractual services.	For all counties included in the District boundaries.	For the county in which the District is located. Property owners may petition for exclusion.	All eligible voters in the proposed District.

Four of the alternatives discussed today involve this process

A. Special District – Littleton Only

- **District boundary includes Littleton corporate limits only**
- **Assigns Littleton's interest in SPR to new District**
- **Assignment is specifically allowed in your District Agreements**

Transfers Assets	Transfers Liabilities	Transfers Future Obligations	Cash Flow to Littleton	Impact on Littleton Ratepayers	Time to Implement
5	5	5	2	4	5

26

5 is best, 1 is worst

Conclusion: Littleton gets out of the sewer business, transfers all assets and liabilities to new District with least number of approvals of all options. Cash should follow its intended use, but Littleton may be able to retain the restricted reserve of $3m.

B. Special District – Littleton & Districts

- Regionalizes Littleton's interest in SPR, districts become part owners
- District boundaries include Littleton and that of its connecting districts
- The districts may need to increase equity contributions

Transfers Assets	Transfers Liabilities	Transfers Future Obligations	Cash Flow to Littleton	Impact on Littleton Ratepayers	Time to Implement
5	5	5	4	5	3

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Conclusion: Littleton gets out of the sewer business, transfers all assets and liabilities to the new District but would involve the approval of up to four (4) counties. Equity contributions from districts that may benefit Littleton.

C. Special District – Littleton + Englewood

- **District boundaries include only Littleton and Englewood corporate limits**
- **Vests 100% ownership of SPR to a new district**
- **Requires approval of Englewood**

Transfers Assets	Transfers Liabilities	Transfers Future Obligations	Cash Flow to Littleton	Impact on Littleton Ratepayers	Time to Implement
5	5	5	2	4	4

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Conclusion: Littleton and Englewood get out of the sewer business consolidating management and governance of SPR. Littleton is not likely to benefit financially any more than Option A (low), and it is unknown whether Englewood would have any interest in pursuing it.

D. Special District – All-In

- Regionalizes all of SPR in an all-inclusive district
- Requires approval of four county commissions
- Equity payments from districts a possibility

Transfers Assets	Transfers Liabilities	Transfers Future Obligations	Cash Flow to Littleton	Impact on Littleton Ratepayers	Time to Implement
5	5	5	4	5	2

Conclusion: Transfers all interests in SPR to a regionalized special district which would require the broadest levels of county commission and voter approval of all options. Possible financial benefits to Littleton and Englewood from equity contributions of the districts.

E. Merger with Metro Water Recovery

- **Metro absorbs SPR**
- **Littleton and Englewood become Special Connectors or Connecting Members**
- **Littleton pays $480 million (est.) connection fees before offsets**

Transfers Assets	Transfers Liabilities	Transfers Future Obligations	Cash Flow to Littleton	Impact on Littleton Ratepayers	Time to Implement
3	3	4	1	1	1

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Conclusion: Littleton probably remains in the sewer collection & billing business. Payment to Metro is probably not offset by asset contributions and likely increases Littleton's debts to finance the connection fees. Englewood would have to agree. Unknown whether Metro or Englewood have any interest.

F. Sale to Private Party

- SPR assets are sold to a private operator
- Replaces public ownership with private ownership
- Probably requires Englewood as co-seller

Transfers Assets	Transfers Liabilities	Transfers Future Obligations	Cash Flow to Littleton	Impact on Littleton Ratepayers	Time to Implement
5	3	5	5	2	1

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Conclusion: Private buyer likely only willing to acquire 100%_stake which means Englewood must agree. Acquisition premium maybe possible, but the company may recover that premium through rates resulting in higher costs to ratepayers.

Findings

Feature / Category	A	B	C	D	E	F
Transfers the Assets	5	5	5	5	3	5
Transfers or Eliminates the Liabilities	5	5	5	5	3	3
Transfers All Future Obligations	5	5	5	5	4	5
Cash Flow to Littleton	2	4	2	4	1	5
Impact on Littleton Ratepayers	4	5	4	5	1	2
Time to Implement	5	3	4	2	1	1
Total Rank (highest is best)	**26**	**27**	**25**	**26**	**13**	**21**

Thank you!
Questions?

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