

TASK ORDER

This is Task Order No. 002
consisting of 5 pages

Contract No. N/A

In accordance with the Dry Gulch Consulting Services Agreement between Pagosa Area Water and Sanitation District, a quasi-municipal corporation and political subdivision of the State of Colorado ("CLIENT") with its principal place of business at 100 Lyn Avenue, Pagosa Springs, Colorado 81147 and MWH Americas, Inc. it's Parent company and it's affiliates and subsidiaries with its principal place of business at 370 Interlocken Blvd, Suite 300, Broomfield, CO 80021, ("CONSULTANT") dated August 12, 2008 ("Agreement"), DISTRICT and CONSULTANT agree as follows:

I. Scope of Services (including a detailed list of tasks and deliverables)

The tasks and subtasks described in this task order are intended primarily to develop conceptual design level cost estimates for the following components of the Dry Gulch and San Juan River Diversion projects:

- Stage 1 Diversion (5.2 cfs), Pump Station and Pipeline to Water Treatment Plant
- Stage 2 Diversion (150 cfs), Pump Station and Pipeline to Reservoir
- Stage 2 Park Ditch Siphon
- Stage 2 Reservoir Alternatives (inclusive of dam, outlet works, siphon, and access road.)
 - 12,500 acre-feet of storage
 - 20,000 acre-feet of storage
 - 35,000 acre-feet of storage
- San Juan River Intake Enlargement, Pipeline, and Pump Station (5.9 cfs)

Cost opinions included in this scope of work will be conceptual-level Engineer's Opinion of Probable Construction Cost (OPCC). MWH will prepare the OPCC for the components listed above and will not utilize an outside contractor. The OPCC will be prepared as a Class 4 estimate in accordance with the cost estimate classes defined by the Association for the Advancement of Cost Engineering (AACE), which includes an expected accuracy range from -30% to +50% and the inclusion of an appropriate contingency determination. This contingency allowance is intended to account for items which are not yet defined at the conceptual-level.

The client acknowledges that MWH has no control over costs of labor, materials, competitive bidding environments and procedures, unidentified field conditions, financial and/or market conditions, or other factors likely to affect the OPCC for this project, all of which are and will unavoidably remain in a state of change, especially in light of the high volatility of the market attributable to Acts of God and other market events beyond the control of the parties. Client further acknowledges that this is a "snapshot in time" and

that the reliability of these OPCC's will inherently degrade over time. Client agrees that MWH cannot and does not make any warranty, promise, guarantee, or representation, either express or implied, that proposals, bids, project construction costs, or cost of operation or maintenance will not vary substantially from MWH's good faith OPCC. MWH's opinions are prepared using AACE guidelines.

Task 1. Project Administration

CONSULTANT'S Project Manager will provide project administration including oversight of technical progress, budget, schedule, and quality; and provide coordination and communication with team members and the CLIENT. This effort will include quality control and quality assurance reviews of all technical memorandum and report deliverables. Additionally, the Project Manager will develop and maintain the following project control documents and systems:

- Project Execution Plan
- Quality Management Plan
- Project Schedule
- Risk Management Plan
- Project Financial Status Monitoring
- Invoicing

The following deliverables will be prepared under this task:

- Monthly Invoices

Task 2. Prepare Basis of Cost Documents

CONSULTANT will prepare basis of cost documents including a brief description of the project component(s), design criteria table(s), quantity take-off table(s), figures, and a list of assumptions for each component to be used as the basis for preparing the OPCC. The overall objective of this task is to provide documentation of the basis for the OPCC. This task shall include the following subtasks:

- 2.1 Review published reports and readily available information. Information gathered during this review process will be utilized to initially identify critical features that may substantially impact the cost, constructability, function, operations, or safety of the project components. This task will also consist of reviewing existing layouts and design criteria.
- 2.2 Prepare a draft memorandum summarizing the project and owner requirements and the design criteria to be used for the conceptual design layout (Design Criteria Technical Memorandum). This draft memorandum will be submitted to the CLIENT within seven (7) business days of Notice to Proceed for review as an electronic copy (in Microsoft Word™ and Adobe Acrobat™ format only).

- 2.3 Participate in a conference call to receive comments from the CLIENT and project team two (2) business days after submission of the draft technical memorandum.
- 2.4 Finalize Design Criteria Technical Memorandum. Five (5) hard copies and an electronic copy (in Microsoft Word™ and Adobe Acrobat™ format only) of this final memorandum will be submitted to the CLIENT three (3) business days after receipt of CLIENT and project team comments.
- 2.5 Develop conceptual design layouts for each of the project components. Conceptual design layouts for the reservoir will be prepared using the project specific topography provided by the CLIENT for three different reservoir sizes. The layout will include dam alignment, outlet works, Park Ditch siphon, and a spillway if required. The Dry Gulch river diversion structure(s), pump station(s), and pipelines will also be indicated on separate layouts. The layouts developed for each project component will be developed in plan and section views.

Drawings of the existing San Juan River pipeline and pump station provided by the CLIENT will be used to develop the basis of cost documents for the San Juan River Intake enlargement, pump station, and pipeline component of the project.

Since a detailed flood hydrology study has not yet been performed, CONSULTANT will develop a very preliminary / high level estimate of the probable maximum flood (PMF) and 100-yr flood. For the conceptual level design, it is assumed that the reservoir will store the PMF. Analysis of flood routing will not be performed during this phase of work.

- 2.6 Develop project component quantity take off tables. The conceptual layouts developed in Subtask 2.5 will be used to develop quantity take-off tables for each of the project components.
- 2.7 Develop list of estimating assumptions for each project component.

Task 3. Prepare Class 4 Cost Estimates

CONSULTANT will prepare a draft conceptual-level OPCC (AACE Class 4) for the each of the project components listed above based on the information and documents developed in Task 2. The draft estimates along with the supporting basis of cost documents will be submitted to the CLIENT on September 30, 2008 for review in electronic format (in Microsoft Word™, Microsoft Excel™, and Adobe Acrobat™ format only). A final OPCC with the basis of cost supporting documents will be submitted to the CLIENT five (5) business days after receipt of any comments.

The reservoir OPCCs can be used by the CLIENT to facilitate a comparison of the site efficiency in terms of cost per acre-ft of reservoir storage capacity for each of the reservoir capacity sizes.

Lump sum prices used in the estimates will be based on either quantitative or qualitative estimates of the work required and corresponding costs. The unit prices and costs for the listed major work items will be derived from published and non-published bid price data for similar work, the MWH cost database, and R.S. Means Heavy Construction Cost Data. Since estimates at an early stage of a project do not include quantity measurements for all of the items that would be included at the design stage, a contingency allowance for unmeasured items will be included.

Task 4. Review of Land Use and Recommendation for Dam Site Protection

CONSULTANT will review the mining and agricultural leases and development plans and identify features that could affect the proposed reservoir and appurtenance structures.

CONSULTANT understands that gravel mining is on-going on the eastern margin of the drainage basin. CONSULTANT will review the mining plan, as well as agricultural plans, based on geologic maps of the area and provide comments and recommendations on potential impacts of these lease activities to the proposed reservoir.

Task Clarifications

This scope of work and the associated estimate of fees do not include:

- Travel to and from Pagosa Springs for meetings as none are anticipated at this time. It is anticipated that necessary communication will be by phone, fax, or e-mail.
- Analysis of alternatives.

II. Times for Rendering Services

The work described in the tasks above will be completed by September 30, 2008.

III. Fees/Charges

Rates are as agreed in the Dry Gulch Consulting Services Agreement.

The amount of this Task Order shall not exceed: \$77,183

See attached Fee Estimate table for fee breakdown by task. CONSULTANT will make efforts to minimize the above estimated fee charges to the CLIENT. CLIENT will be billed only for actual incurred charges.

Due to the nature of the tasks, the CONSULTANT shall not perform, nor shall the CLIENT request, work that exceeds this amount without a written amendment to this Agreement approved by both parties.

IV. Miscellaneous

Approval and acceptance of this Task Order shall incorporate this document as part of the Agreement. Any terms used herein which are defined in the Agreement shall have their respective meanings set forth in the Agreement. The parties agree that in the event of a conflict between the Agreement and this Task Order, the terms and conditions of the Agreement shall prevail. A written authorization by e-mail, letter, or facsimile referencing this Task Order shall constitute approval and acceptance of this Task Order scope of work and fee estimate by the CLIENT in accordance with Paragraph 2.2 of the Agreement and shall serve as the Notice to Proceed for the CONSULTANT.

The Effective Date of this Task Order is August 20, 2008.