

Sent Via E-mail and U.S. Mail

February 21, 2018

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FEB 21 2018

**DIVISION OF RECLAMATION  
MINING AND SAFETY**

Ms. Virginia Brannon  
Division Director  
Division of Reclamation, Mining & Safety  
1313 Sherman Street, Room 215  
Denver, CO 80203

Re: Succession of Operators - Schwartzwalder Mine (M-1977-300) Jefferson County,  
Colorado

Dear Ms. Brannon:

On behalf of Denver Water, I am writing in response to the Division of Reclamation, Mining and Safety's ("DRMS") decision to approve Colorado Legacy Land, LLC's ("CLL") application ("transfer application") requesting a transfer and succession of operators of the Schwartzwalder Mine, in Jefferson County, Colorado.

Denver Water appreciates the extensive time and effort DRMS has expended in reviewing the CLL transfer application. It is Denver Water's understanding that DRMS is approving the transfer application conditioned upon the following:

- an increase in the financial warranty from \$4.3 million to \$8.9 million;
- a requirement that CLL complete a conceptual site model of the Schwartzwalder Mine site and a plan for stabilizing the mine pool; and
- a condition providing that the financial warranty may be increased, if necessary, to address the long-term cost of operating the treatment system and managing the mine pool.

In Denver Water's January 24, 2018, letter, Denver Water requested a financial warranty based on \$361,000 per year in operation and maintenance costs. This amount was for operation and maintenance costs in perpetuity, and based upon a worst-case scenario. Denver Water understands the limitations on DRMS' authority, and will not oppose a financial warranty of \$8.9 million with the additional conditions referred to above. It is Denver Water's understanding that should the financial warranty be required, this amount will cover water quality treatment at the mine site for an extended period of time.

The conditions required by DRMS also provide additional assurance for Denver Water and its ratepayers. The conditions allow an increase of the financial warranty if the mine pool does not stabilize and remain stable for at least three years. The conditions also impose a

requirement that a conceptual site model be developed, which is an essential first step to support a decision-making process to manage and more effectively develop a treatment solution for the mine site.

Although Denver Water does not oppose the permit transfer request, because of the proximity of the mine to the public's water supply, it is critical that DRMS continue to closely monitor conditions at the Schwartzwalder Mine and hold CLL accountable for its obligations under the Schwartzwalder Mine permit. If the conditions and triggers described above are not met, it is also imperative that DRMS increase the financial warranty as appropriate to provide adequate protection for our drinking water supplies.

If you have any questions regarding the contents of this letter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "James S. Lochhead", is written over the printed name and title.

James S. Lochhead  
CEO/Manager  
Denver Water

Cc: Colorado Legacy Land, LLC  
City of Arvada  
North Table Mountain Water and Sanitation District