



February 28, 2011

**Call7 Investigations – Response from The Consolidated Mutual Water Company
“Water Providers Differ On Paying For Damage”**

You may have seen the above captioned story on Channel 7 News during the week of February 14, 2011. Our insurance company denied a claim from a homeowner and Consolidated Mutual Water Company (Consolidated) customer whose basement was flooded in 2009 by a water main break near his home in Lakewood, Colorado. The water main, owned and operated by Consolidated, broke and leaked due to ground movement.

Water damage resulting from a water main break caused by ground movement is not an act of negligence and is a risk Consolidated cannot afford to insure against. Call 7 Investigations (Call 7) reported that Denver Water may cover such a risk in their service area but failed to report on television that other water providers such as Boulder and Thornton pay only if there is negligence on the part of the City or its employees and contractors. Castle Rock and Broomfield consider each claim on a case-by-case basis but are likely to reject claims that do not involve negligence. Call 7 did clarify this report on their website at www.denverchannel.com and asked Mike Queen, our President, to discuss this interview with Consolidated’s Board of Directors (Board). The Board responded as follows:

“The Consolidated Mutual Water Company is a mutually owned non-profit corporation – owned by those we serve. Consolidated does not enjoy governmental immunity and, as such, cannot insure against every risk encountered in owning, operating and maintaining a water distribution system serving about 85,000 residents in central unincorporated Jefferson County, Colorado. We have carefully reviewed our policy relative to water main breaks and find it serves the best interests of all of our customers and will not change this policy. Relative to the damage resulting from our water main break last year which was an unfortunate incident, we agree with our insurance company and our President – Consolidated was not negligent! Because this unfortunate incident highlights a potential risk that property owners need to be aware of, we strongly encourage home and business owners in our service area to contact their insurance company and determine if they are or can be insured for damage to their property caused by water, be that water from a broken water main or from other sources such as a major storm event.”

Respectfully,

Board of Directors
The Consolidated Mutual Water Company

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