

STATE OF COLORADO

Colorado Water Conservation Board Department of Natural Resources

1313 Sherman Street, Room 721
Denver, Colorado 80203
Phone: (303) 866-3441
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www.cwcb.state.co.us



May 19, 2010

Ms. Amy Willhite, Secretary/Treasurer
Consolidated Extension Canal Company
c/o Xcel Energy
4653 Table Mountain Drive
Golden, CO 80403

Bill Ritter, Jr.
Governor

Mike King
DNR Executive Director

Jennifer L. Gimbel
CWCB Director

RE: Emergency Repair of the Las Animas Consolidated Canal Diversion Dam Project
Contract Number C150306

Dear Ms. Willhite:

I am pleased to inform you that on May 18, 2010 the Colorado Water Conservation Board approved your loan request for the Emergency Repair of the Las Animas Consolidated Canal Diversion Dam Project as described in the application and approved Loan Feasibility Study titled "*Feasibility Study for the Emergency Repair of the Las Animas Consolidated Canal Diversion Dam, February, 2010.*" The Board approved a loan not to exceed \$180,285 (\$178,500 for project costs and \$1,785 for the 1% Loan Service Fee) with loan terms of 2.75% per annum for 30 years. I have attached a copy of the updated Board memo dated May 18, 2010 that includes the Board's approval.

After the Board approves a loan there are a few steps that remain in the loan process including:

- A) Contracting: An approved contract must be in place before funds can be disbursed. Vaughn McWilliams will initiate the loan contracting process for this project. When all of the contract conditions are met and the contract is executed the Company may request loan funds to cover eligible project expenses. You can contact Vaughn at (303) 866-3441 x 3227 regarding the requirements.
- B) Design/Construction: You must adhere to the CWCB Design and Construction Administration Procedures. Kirk Russell will contact you regarding this phase of the process. Kirk will make construction site visits, which will be the basis of pay estimates for disbursement of your loan funds. You can contact Kirk at his desk at (303) 866-3441 x 3232 or cell phone (303) 956-5653.

On behalf of the Board, I would like to thank you for your interest in a loan from the Colorado Water Conservation Board.

Sincerely,



Tim Feehan, P.E., Chief
Finance Section
Colorado Water Conservation Board



Anna Mauss, P.E.
Finance Section
Colorado Water Conservation Board

Attachment: Updated Board Memo

E-mail Copy (Including Attachments)

Reed Dils, Arkansas River Basin
Susan Schneider, AGO
Patricia DeChristopher, AGO
CWCB Finance Section Staff

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TO: Colorado Water Conservation Board Members

FROM: Anna Mauss, P.E. *AM*
Tim Feehan, P.E., Chief
Finance Section

DATE: May 11, 2010 (UPDATED May 18, 2010)

SUBJECT: Agenda Item 14a, May 18-19, 2010 Board Meeting
Finance Section – New Project Loans
Consolidated Extension Canal Company – Emergency Repair of the Las Animas Consolidated Canal Diversion Dam

Bill Ritter, Jr.
Governor

Mike King
DNR Executive Director

Jennifer L. Gimbel
CWCB Director

Introduction

The Consolidated Extension Canal Company (Extension Company) is applying for a \$178,500 loan to repair the Las Animas Consolidated Canal Diversion Dam Project (Project). The purpose of this Project is to complete emergency repairs to the Las Animas ditch diversion dam so that safe and reliable future operations of the structure can be ensured. The current loan request is for 14% of the estimated \$1,275,000 total cost of the Project. The additional Project funding will come from the Las Animas Consolidated Canal Company (Canal Company) and from Xcel Energy (a majority shareholder in the Extension Company). See attached Project Data Sheet for a location map and a Project summary.

Staff Recommendation (Board approved staff recommendation on May 18, 2010)

Staff recommends the Board approve a loan from the Construction Fund not to exceed \$180,285 (\$178,500 for project costs and \$1,785 for the 1% Loan Service Fee) to the Consolidated Extension Canal Company for engineering and construction costs related to the Emergency Repair of the Las Animas Consolidated Canal Diversion Dam Project. The loan terms shall be 30 years at the agricultural rate of 2.75% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Background

The Extension Company, located in Bent County, Colorado, provides irrigation water to approximately 2,700 acres of land in the vicinity of Las Animas, Colorado. The Extension

Company, along with the Canal Company, owns and operates the Las Animas ditch diversion dam. The diversion dam is located on the Arkansas River approximately 11 miles east of La Junta, Colorado. Water is conveyed through the head gates of the Las Animas Consolidated Canal Company canal in an easterly direction to the Purgatoire River. Approximately two miles from the Purgatoire River, a Parshall flume marks the beginning of the Consolidated Extension Canal, owned by the Extension Company. The Consolidated Extension Canal runs through a siphon under the Purgatoire River and continues another seven miles before entering John Martin Reservoir.

The diversion dam was constructed during the 1870s and 1880s and appears to have been modified numerous times to address deterioration of the structure and erosion. The diversion dam is a 200-foot-wide sheet pile wall that was constructed across the Arkansas River to divert water into the canal system. The sheet pile wall is connected to a reinforced concrete gate structure at the right bank of the river. The gate structure includes an 18-foot-wide gate that controls inflows to the canal system and a 10-foot-wide gate to flush sediments around the structure.

The Extension Company hired the engineering firm of W.W. Wheeler and Associates to analyze the diversion dam. It is the engineer's opinion that the existing sluice gate is too small to adequately flush the large sediment flows that can occur in the Arkansas River. This resulted in the buildup of sediment to within a foot of the top of the diversion dam. The diversion dam has acted as a sediment trap for many years, so cleaner water has flowed over the diversion dam causing excessive scour downstream of the diversion dam. The lack of an adequate sediment flushing feature has also contributed to the deterioration of the canal intake gates.

A 100-foot-wide concrete wall was connected to the sheet pile wall near the right side of the diversion dam around 1957. At some point in time, steel piles were installed downstream of the dam to help support the sheet pile and concrete diversion dam and to support a timber deck that runs across the downstream face of the diversion dam. It is believed that the timber deck was intended to dissipate the energy of water flowing over the diversion dam as the scour downstream of the dam increased. The downstream erosion has progressed to the point that the river bed immediately downstream of the diversion dam is up to 13 feet lower than the river bed upstream of the sheet pile.

Based on observations, the engineer believes that the diversion dam is failing and if emergency repairs are not immediately implemented the integrity of the diversion dam cannot be guaranteed for another irrigation season.

Loan Feasibility Study

Amy Willhite, Extension Company Director and Secretary/Treasurer, prepared the Loan Feasibility Study titled "Feasibility Study for the Emergency Repair of the Las Animas Consolidated Canal Diversion Dam, February, 2010." Technical assistance was provided by Steve Jamieson, P.E., of W.W. Wheeler & Associates, Inc. The study was prepared in accordance with the CWCBC guidelines.

Consolidated Extension Canal Company

The Extension Company is a non-profit mutual ditch company incorporated in 1941; although the ditch has been in existence since the 1870s when the most senior water rights were appropriated. The Extension Company is managed by a five-member board of directors. The board has the power to enter into contracts, to cut off water deliveries to shareholders who fail to pay their assessments, and the power to offer stock for sale to pay back assessments. Shareholders must approve assessments at the annual meetings.

There are 8 shareholders and 1,233.25 shares of stock. Xcel Energy owns 660.25 shares (54%) of the Extension Company; however, it leases all of its water to local irrigators for agricultural use. Xcel Energy has committed to pay for its portion of the Project costs from its capital reserves. The remaining Project funding will come from the Canal Company. (See agenda item 14b.)

Water Rights

On average the Extension Company diverts approximately 26,000 AF annually. Its water rights are listed below in Table 1.

TABLE 1
WATER RIGHTS

Water Right	Appropriation Date	Amount (cfs)	Use
Consolidated Extension Canal Company	3/7/1884	5.5	Irrigation
Consolidated Extension Canal Company	4/15/1909	44.8	Irrigation

Project Description

The objective of this Project is to repair the diversion dam to prevent failure and ensure safe and reliable future operation. A secondary objective is to make repairs to the gates and deteriorated concrete in the floor of the gate structure. Four alternatives were considered to meet the project objectives.

Alternative No. 1 – No action: This alternative was considered unacceptable to the Extension Company because the diversion dam is failing and excessive scour is undermining the foundation. A section of the deck has already collapsed and it is believed that the wear on the structure will continue to accelerate. Failure of the diversion dam could prevent the Extension Company from being able to divert water and deliver to shareholders.

Alternative No. 2 – Reinforced Concrete Downstream Buttress: This alternative consisted of removing the decking and wood and steel supports on the downstream face of the dam and constructing a series of reinforced concrete buttress walls to support the vertical face of the diversion dam. The engineer's estimate of this alternative was \$2,100,000.

Selected Alternative No. 3 – Grouted Riprap or Roller Compacted Concrete Downstream Buttress: This alternative also included removing the existing decking and supports on the

downstream face of the dam. The existing sheet pile wall would be buttressed with a sloped grouted riprap chute or a roller compacted concrete (RCC) buttress. The engineer's estimate of this alternative was \$1,275,000.

The Extension Company selected Alternative No. 3 because it is expected to provide the most reliable structure with lower future operation and maintenance expenses. The Extension Company will bid both the riprap and RCC methods of construction and will make a final decision based on contractor bids rather than a decision based upon the engineer's estimate.

Schedule – The engineer will finalize the design in the summer of 2010, the Project will be bid in the fall of 2010, with work being completed by March 2011.

**TABLE 2
TOTAL PROJECT COST SUMMARY**

Task	Cost
Engineering	\$135,000
Construction	\$1,140,000
Total	\$1,275,000

Financial Analysis

Table 3 shows a summary of the financial aspects of the loan request. Due to Xcel providing cash for its shares, the Extension Company qualifies for an agricultural interest rate of 2.75% for a 30-year term.

**TABLE 3
FINANCIAL SUMMARY**

PROJECT/LOAN	
Total Project Cost	\$1,275,000
Xcel Energy Contribution (shareholder)	\$1,020,000
Las Animas Consolidated Canal Company Portion	\$76,500
CWCB Loan (14% of the Project cost, Extension Company's portion of project)	\$178,500
CWCB Loan (Including 1% Service Fee)	\$180,285
CWCB Annual Loan Payment	\$8,900
CWCB Loan Obligation (including 10% debt reserve funding)	\$9,800
Total Number of Shares	1,233
Number of Shares Using CWCB Funding (non-Xcel shares)	573
Annual Cost Per Share (non-Xcel shares) for this Project (1 st 10 years)	\$17
Current Assessments per Share (all shares)	\$37
Future Assessments per Share (non-Xcel shares)	\$54

Creditworthiness: The Extension Company has no existing debt service. The Extension Company did have a loan with the CWCB for a siphon repair project. The \$229,000 loan was paid in full in 1997.

**TABLE 4
FINANCIAL SUMMARY**

Financial Ratio	Past 2 Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	105% (Average) \$45K/43K	104% (Average) \$55K/53K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	N/A (No Ex. Debt)	120% (Average) (\$55K-43K)/ \$10K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	33% (Weak) \$14K/43K	26% (Weak) \$14K/53K
Annual Operating Cost per Acre-Foot (based on 26,000AF) weak: >\$20 - average: \$10 - \$20 - strong: <\$10	\$1.65 (Strong) \$43K/26KAF	\$2.04 (Strong) \$53K/26KAF

Collateral – As security for the loan, the Extension Company will pledge assessment revenues backed by a rate covenant. This is in compliance with the CWCB Financial Policy #5 (Collateral).

Staff Recommendation (Board approved staff recommendation on May 18, 2010)

Staff recommends the Board approve a loan from the Construction Fund not to exceed \$180,285 (\$178,500 for project costs and \$1,785 for the 1% Loan Service Fee) to the Consolidated Extension Canal Company for engineering and construction costs related to the Emergency Repair of the Las Animas Consolidated Canal Diversion Dam Project. The loan terms shall be 30 years at the agricultural rate of 2.75% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

cc: Amy Willhite, Consolidated Extension Canal Company, Secretary/Treasurer
Susan Schneider, AGO
Patricia DeChristopher, AGO

Attachment: Water Project Loan Program – Project Data Sheet

Water Project Loan Program - Project Data

Borrower: Consolidated Extension Canal Co.

County: Bent

Project Name: Emergency Repair of the Las Animas Consolidated Canal Diversion Dam

Project Type: Diversion Structure Rehabilitation

Drainage Basin: Arkansas

Water Source: Arkansas River

Total Project Cost: \$1,275,000

Funding Source: Construction Fund

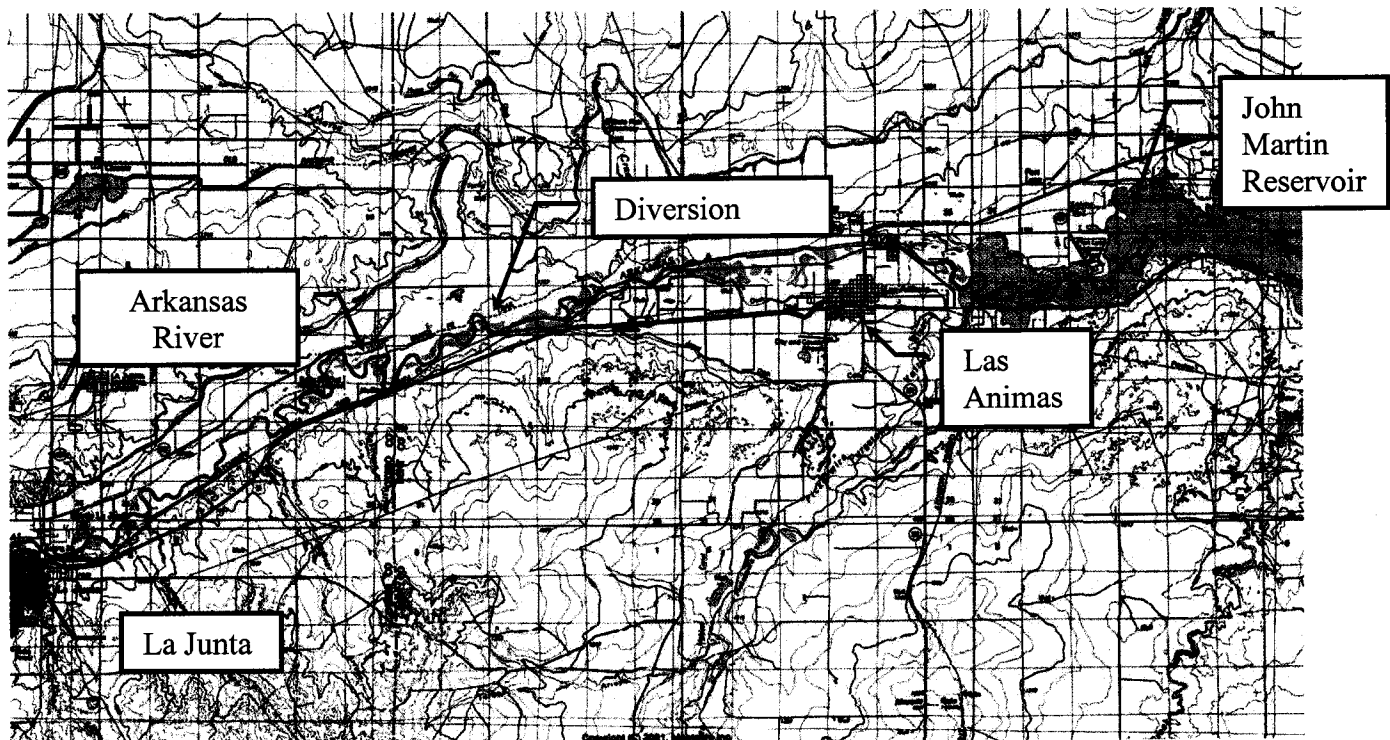
Type of Borrower: Agricultural

Aver. Diversion: 26,000 AF

CWCB Loan: \$180,285 (incl. 1% loan fee)

Interest Rate: 2.75% **Term:** 30 years

The Consolidated Canal Extension Company provides irrigation water to approximately 2,700 acres near Las Animas, Colorado. The Extension Company, along with the Las Animas Consolidated Canal Company, owns and operates the Las Animas ditch diversion dam, located on the Arkansas River approximately 11 miles east of La Junta. The diversion dam was constructed in the late 1800s and is at the end of its useful life. The purpose of this project is to complete emergency repairs to support the dam and to minimize further downstream erosion and deterioration of the diversion dam so that safe and reliable future operations of the structure can be ensured. This loan request is for 14% of the estimated \$1,275,000 total cost of the project. The additional project funding will come from the Las Animas Consolidated Canal Company (through a CWCB loan) and from Xcel Energy (a large shareholder in both companies). The project is expected to be bid in the fall of 2010. Construction will begin around November 15, 2010 and work should be completed by March 15, 2011.



Location Map