

Note: See increase letter attached to application.

COLORADO WATER CONSERVATION BOARD WATER PROJECT LOAN APPLICATION

Instructions: This application should be typed or printed neatly with black ink. Attach additional sheets as necessary to fully answer any question or to provide additional information that would be helpful in the evaluation of this application. When finished, please sign and return this application to:

THE COLORADO WATER CONSERVATION BOARD
Finance Section
1580 Logan St., Suite 600
Denver, CO 80203
Attn: Anna Mauss, P.E.
Phone: (303) 866-3441 x3224 Fax (303) 894-2578
Email: anna.mauss@state.co.us

Part A. - Description of the Applicant (Generally, the applicant is also the prospective owner and sponsor of the proposed project)

1. Name of applicant Montezuma Valley Irrigation Company
Mailing Address P O Box 1056
Cortez, Co 81321
Business Phone (970) 565-3332 Fax (970) 565-8505
Federal ID Number 84 - 0270210 email dmagnuson@mvic.info
2. Person to contact regarding this application:
Name Don Magnuson
Position/Title General Manager
Address P O Box 1056 Cortez, Co 81321
Business Phone (970) 565-3332 Cell (970) 739-5988
Email dmagnuson@mvic.info
3. Type of organization (Ditch Co., Irrigation District, Municipality, etc.): Ditch Company
Date of Annual Meeting 1/21/12
Is the organization incorporated in the State of Colorado? YES ☒ NO ☐ (If YES, please include a copy of the articles of incorporation, and the bylaws)

CWCB Water Project Loan Application

4. Please provide a brief description of the owner's existing water supply facilities and describe any existing operational or maintenance problems. Attach a map of the service area

See attached.

For existing facilities indicate:

Number of shareholders 1407 or Number of customers served _____

Current Assessment per share \$ 27.50 Number of shares 33,284

Number of acres irrigated more than 30,000 Water Right: 795 CFS.

Average water diverted per year: 136,039 acre-feet.

Part B. - Description of the Project

1. Name of the Project Lonepine Pipeline and May Pipeline

2. Purpose of this loan application. Check one.

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<input type="checkbox"/>
<input checked="" type="checkbox"/>
<input type="checkbox"/>

New project

Rehabilitation or replacement of existing facility

Enlargement of existing facility

Emergency Repair

Other (describe) _____

3. If the project is for rehabilitation of an existing reservoir, is the reservoir currently under a storage restriction order from the State Engineer? YES ☐ NO ☐

4. General location of the project. (Please include county, and approximate distance and direction from nearest town, as well as legal description, if known.)

See attached.

5. Please provide a brief narrative description of the proposed project including purpose, need, facilities, type of water uses to be served and service area. Attach separate sheet, if needed.

See attached.

6. Will the acquisition of additional water rights be necessary? YES ☐ NO ☒

If YES, please explain. _____

CWCB Water Project Loan Application

7. Please list the names, addresses and phone numbers of the Applicants' engineer(s) and attorney(s).

<u>NAME</u>	<u>ADDRESS and PHONE</u>
Lindsay George (Applegate Group)	118 W 6th Street Glenwood Springs, Co 81601 (970)456-2414
Kent Holsinger (Holsinger Law)	104 Broadway, 3rd Floor Denver, Co 80203 (303)722-2828
_____	_____

8. List any feasibility studies or other investigations that have been completed or are now in progress for the proposed project. If so, submit one copy of the study with this application

Lindsay George with the Applegate Group has investigated the options for removing trash and where pressure control should be placed to protect the pipelines.

9. Estimated cost of the project. Please include estimated engineering costs, and estimated construction costs, if known.

Estimated Engineering Costs: \$ 23,900
Estimated Construction Costs: \$ 348,600
Estimated Other Costs: \$ -0- (land, water rights purchase, etc.)
Estimated Total Costs: \$ 372,500

10. Loan amount and terms you are requesting.

Requested Loan Amount: \$ 338,602.50 (Usually 90 % of est. Total Costs)
Term (length) of loan: 30 years (Usually 10, 20, or 30 years)
Interest Rate: 2.75 % (Please call for our current rates)

Part C. - Project Sponsor Financial Information

Because the CWCB's Fund is a revolving fund, it is important that the project sponsor have the financial capacity to repay any loans made by the CWCB. The following information is needed to assist the CWCB in a preliminary assessment of the applicant's financial capacity. The project sponsor will submit the three most recent annual financial statements.

1. List any existing long-term liability (multi-year) or indebtedness that exceeds one thousand dollars. For example, bank loans, government agency loans, bond issues, accounts payable, etc. Include names and addresses of lenders, amounts, due dates and maturity dates.

CWCB Water Project Loan Application

<u>Lender Name & Address</u>	<u>Remaining Amount</u>	<u>Annual Payment</u>	<u>Maturity Date</u>
Colorado Water Conservation Board	2,949,895	135,000	2042
Dolores State Bank	252,000	LOC	12/30/12
Dolores Water Conservancy District (BOR)	1,706,400	63,200	12/31/38

2. Are any of the above liabilities now in default, or been in default at any time in the past?

YES ☒ NO ☐. If YES, please give detailed explanation.

See attached

3. Please provide a brief narrative description of sources of funding, in addition to the CWCB, which have been explored for this project (Examples would be Banks, USDA Rural Development, NRCS, Colorado Water Resources and Power Development Authority, Colorado Division of Local Government, etc.).

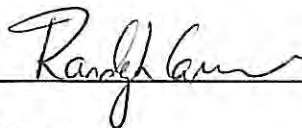
The only other source of funding available at this time would be a commercial lending institution. Such a funding source is not feasible with the lien position held by CWCB and DWCD.

4. What collateral will you be offering for this loan? Possibilities include a pledge of revenues, the project itself, real estate, water rights.

Pledge of assessment revenues and the projects themselves.

The above statements are true, to the best of my knowledge:

Signature of Applicant



Printed Name Randy Carver

Title President

Date January 31, 2012

ATTACHMENT
CWCB Water Project Loan Application
Montezuma Valley Irrigation Company
1/31/12

Part A. 4. Please provide a brief description of the owner's existing water supply facilities and describe any existing operational or maintenance problems.

MVI has water rights and contracts with the Bureau of Reclamation and the Dolores Water Conservancy District for 153,400 acre feet of water from the Dolores River. These water rights include direct diversion from the Dolores River as well as storage in Groundhog Reservoir and Narraguinnep Reservoir and by contract in McPhee Reservoir. There is approximately 124 miles of conveyance system with approximately 15 miles of gravity pressurized pipeline and the balance being earthen canal some of which is clay lined.

Part B. 4. General location of the project.

MVI is located in Montezuma County and services the area around Cortez, Colorado. The Lonepine Pipeline begins approximately 9 miles northwest of Cortez and terminates approximately 3 miles northwest of Cortez. The May Pipeline begins approximately 5 miles north of Cortez and terminates approximately 2 miles northwest of Cortez. See map showing the project location in the feasibility study.

Part B. 5. *Please provide a brief narrative description of the proposed project including purpose, need, facilities, type of water uses to be served and service area.*

In the past three years, MVI has installed approximately ten miles of HDPE pipeline to improve delivery efficiencies. The May Lateral was replaced with a pipeline in 2009 and the lower portion of the Lonepine Lateral was placed in pipe in 2010 and 2011. Both of these pipelines are enclosed systems and deliver pressurized water. Many of the turnouts are connected directly to sprinkler systems.

Settling basins were provided for both of these pipelines to reduce the silt entering the pipelines. However, adequate control or removal of the trash was not provided. Since the installation of these two pipelines, a number of trash problems have been encountered including a 2x4 getting stuck in a pressure reducing valve and a four inch service line completely plugging with sticks. It is alarming to consider the impact that may have already been created by allowing trash to enter these pipelines.

Additionally, the Lonepine Pipeline needs additional pressure reduction on the lower end. The Lonepine Pipeline is operating over the recommended pressure as indicated in the feasibility study. It is our concern that the stress on the pipe threatens the integrity of the system and shortens the life expectancy of the pipe.

Lastly, on the May Pipeline, Dynasonic Ultra Sonic Sensors and digital meters were installed without furnishing a power source. Thus, a battery is transported from one turnout to the next to set the flow but no totalizing record is collected. State of the art equipment installed without the ability to collect the basic information available with metering.

There is a need first of all to protect this investment. Time is of the essence to prevent further damage to these state of the art systems by installing trash screens at the top of the pipelines. MVI intends to install a traveling screen and cross conveyor at the top of the Lonepine Pipeline and to install a wedge wire screen at the top of the May Pipeline to eliminate trash entering the pipelines.

MVI has determined that establishing an accurate delivery record is a high priority. All turnouts on the Lonepine Pipeline were fitted with ultra sonic sensors, control panel and solar panel allowing water users to monitor their delivery on site while collecting accurate data for MVI delivery records. It is MVI's intent to install control panels (with observation windows) and solar panels on all the turnouts on the May Pipeline as well to furnish the data necessary to maintain this same accurate delivery record on the May Pipeline.

Part C. 2. Are any of the above liabilities now in default, or been in default at any time in the past?

The payment due DWCD December 1, 2011 is delinquent in the amount of \$120,569. With MVI operating expenses underfunded, the choice was made to let the DWCD payment go delinquent until 2012 stock assessments were available to make this payment rather than further increase the line of credit with the Dolores State Bank. At the January 21, 2012 Annual Stockholder Meeting, the stockholders approved a \$7.00 increase in the stock assessment (\$20.50 to \$27.50) and a \$75.00 increase in the account fee (\$200.00 to \$275.00) specifically to correct the underfunding and debt accumulation resulting from the previous underfunding of expenses.

Montezuma Valley Irrigation Co.

P.O. Box 1056 Cortez, CO 81321
970-565-3332 Fax 970-565-8505

February 20, 2012

Colorado Water Conservation Board
Attn: Anna Mauss
1580 Logan Street, Suite 600
Denver, Co 80203

RE: Loan Application for Montezuma Valley Irrigation Company

Montezuma Valley Irrigation Company (MVI) has been in extensive discussions with the Stockholders over this past year including sixteen stockholders meeting ranging from small dialogue groups to full stockholder meetings. One of the resounding themes of these meetings is the need for better accounting of how water is distributed and used.

With the construction of McPhee Reservoir and the need to improved accounting for water delivered through McPhee Reservoir, diversion of water to MVI is well documented. However, once water is diverted into the canal system, the record of how and where the water is being used is inadequate. MVI considers documenting the delivery and use of the water to be essential. Such data is critical to making good decisions regarding the operation, maintenance and improvement of the irrigation system.

Over the past year, MVI has been investigating how to develop an appropriate water accounting system. Programs have been considered from simple spread sheet tabulation to customized programming. MVI is currently considering programs developed and supported by TruePoint Solutions.

Upon further discussions and to avoid confusion associated with the use of CWCB funds and BOR funds, MVI is requesting an increase of the loan application from \$338,602.50 to \$438,602.50 to accommodate the purchase, configuration and training associated with the installation of such a water accounting system.

On February 7, 2012, MVI applied for a grant in the amount of \$100,000.00 from the Bureau of Reclamation Water Conservation Field Services Program. Any funds received from this grant will be applied to be principal amount of this loan application.

If you have any questions, please feel free to give me a call.


Don Magnuson
General Manager