

LAKE CANAL RESERVOIR COMPANY

c/o Rosanna Harris
730 Ash Mesa Road
Delta, Colorado 81416
(970) 874-0189

September 30, 2015

Mr. Jonathan Hernandez
Water Project Loan Program
Colorado Water Conservation Board
1313 Sherman Street, Room 718
Denver, Colorado 80203

Re: Contract C150322

Dear Jonathan:

The purpose of this letter is to request an increase in the amount of the above noted contract to \$202,275.00. The original need for the contract was to replace the spillway of the reservoir designated as North Gray. The spillway is in poor condition and the State Engineer's office has placed a fill restriction on the reservoir. It was determined the best resolution was to replace the spillway and a contract was made with CWCB for the project. The cost was estimated at \$119,200.00, and the contract was granted in the amount of \$116,625.00. A portion of that contract has been used for engineering costs, and there remains the amount of \$89,412.59 available.

As part of the spillway replacement, it was determined advisable to remove an abandoned outlet near the spillway and relocate the spillway. All water is released from the North Gray Reservoir through the South Gray Reservoir where the measuring device is located. The outlet between the two reservoirs was inspected and found to be in poor condition. It has been determined the best course of action is to remove the abandoned outlet, relocate the spillway and replace the outlet between the two reservoirs.

Bids for the spillway and outlet replacement were received on September 14, 2015, and the bid of Dietzler Construction Corp. in the amount of \$236,375.00 was determined by the Board of Directors of Lake Canal Reservoir to be acceptable. In addition, future engineering fees will be \$22,473.00. This has created a need for additional funds in the amount of \$85,650.00 and a total contract amount of \$202,275.00.

Submitted with this letter is an update to the Feasibility Study for Rehabilitation of North Gray Reservoir dated August, 2011, prepared by Smith Geotechnical for Lake Canal Reservoir Company, including updated financial reports.

After review of the provided information, please advise if any additional items are needed for the Board of Directors of Colorado Water Conservation Board to consider this request for an increase in the amount of Contract C150322 to \$202,275.00 for construction of the needed repairs.

Respectfully submitted,

Rosanna Harris
Assistant Secretary-Treasurer

Enclosures

UPDATE TO FEASIBILITY STUDY FOR REHABILITATION OF NORTH GRAY RESERVOIR
DATED AUGUST, 2011
PREPARED BY SMITH GEOTECHNICAL

Updated September, 2015

Current Lake Canal Reservoir Company Officers: (Page iii)

Rodney Nelson, President

R. Greg Stieben, Vice-President

Alden V. Hill, Secretary-Treasurer

Rosanna Harris, Assistant Secretary-Treasurer

Byron Collins, Director

Mark George, Director

Gray Reservoir No. 3 has been breeched and is no longer used for water storage.

Lake Canal Reservoir will pay in full the remaining balance of Contract C153300 in the amount of \$19,574.65 plus interest, and request that Colorado Water Conservation Board re-convey the 50 percent interest conveyed by warranty deed in 1978 to secure that contract. This will allow Lake Canal Reservoir to pledge as collateral its 100 percent interest in North Gray Reservoir. Loan repayment, based on a contract in the amount of \$202,275.00, will increase the annual assessments by \$63.00 per share per year for the first ten years and \$57.00 per year for the remaining twenty years. Company funds are located at First National Bank, Fort Collins, Colorado. The Company has made an investment in two items of equipment to better maintain the facilities.

Implementation Schedule:

Reservoir Drained	September 1, 2015
Project Bid Due Date	September 14, 2015
Removal of old outlet	November 1, 2015
Updated Information to CWCB	October 1, 2015
Review Completed by SEO	October 13, 2015
Award Bid	October 15, 2015
Start Construction	November 15, 2015
Increased loan approved by CWCB	November 19, 2015
Complete Construction	December 31, 2015

Appendix A:

Profit and Loss Statements and Balance Sheets for 2012, 2013, 2014, and 2015 through August 31, are attached. Lake Canal Reservoir operates on a fiscal year ending November 30. A decree was entered in Case No. 2006CW276 on April 24, 2015. Legal and engineering costs during 2012, 2013, 2014 and 2015 totaled \$73,831.89. These expenses will be eliminated which cost each shareholder more than double the cost of the proposed annual loan payment. Assessments for 2012, 2013, 2014 and 2015 were \$350.00 per share. There are currently 43 stockholders.

Appendix B:

Updates to Construction Fund Loan Application:

A1. Mailing address c/o Rosanna Harris, 730 Ash Mesa Road, Delta, CO 81416/telephone and fax 970-874-0189

A6. 43 shareholders

B5. Add replace outlet pipe between North Gray Reservoir and South Gray Reservoir

B9. Estimated cost of project

Estimated Construction Costs	\$236,375.00
Contingency	25,000.00
Paid Engineering Costs	50,902.40
Estimated Engineering Costs	22,473.00
Loan Fee	2,022.75
Estimated Total Costs	\$336,773.15

Summary of bids for construction of the project is attached, and the original bid from Dieitzler Construction Corporation. Also attached are the drawings submitted to the State Engineer's Office and the Specifications.

B10.

Requested Loan Amount	\$202,275.00
Terms (length) of Loan	30 years
Interest Rate	2.10%

The first loan payment would be expected to be made by the Company in 2016. The annual payment is \$9,156.00, and through 2025 this is increased by \$916.00 for the project reserve account. For the remaining twenty years the annual payment would be \$9,156.00.

Total Loan Cost - \$276,702.75

Total Cost Per Share of Stock - \$1,729.40

Total Cost Per Share of Stock Per Year - \$57.65

C1.

Colorado Water Conservation Board C150299 balance due July 1, 2015 \$318,088.49

Colorado Water Conservation Board C153300 balance due July 1, 2015 \$19,574.65 (to be paid)

Colorado Water Conservation Board C150332 balance due November 30, 2014 \$26,057.41

John Deere for purchase of mini-excavator balance due \$16,515.82 (one-half due 10/1/15 and one-half due 10/1/16)

Appendix C:

Resolution by Board of Directors for increased indebtedness and attorney opinion letter attached. By-laws which authorize the Board of Directors are located in Appendix E.

Appendix F and G:

Dam Inspection Report dated September 12, 2014, attached.