



## COLORADO

Colorado Water  
Conservation Board

Department of Natural Resources

1313 Sherman Street, Room 718  
Denver, CO 80203

March 26, 2018

Mr. Dennis Harmon, General Manager  
The Tunnel Water Company  
PO Box 2017  
Fort Collins, CO 80522

Re: Laramie-Poudre Tunnel Rehabilitation (CT2016-2001)

Mr. Harmon:

I am pleased to inform you that on March 21, 2018, the Colorado Water Conservation Board approved a loan increase for the Laramie-Poudre Tunnel Rehabilitation of \$606,000 (\$600,000 for project costs and \$6,000 for the 1% Loan Service Fee) for a total loan not to exceed \$1,717,000 (\$1,700,000 for project costs and \$17,000 for the 1% Loan Service Fee). The loan terms shall remain 30 years at 2.55% per annum.

I have attached a copy of the updated Board memo dated March 21, 2018 that includes the Board's approval.

As you are aware, an amended contract must be in place before the additional funds can be disbursed. Peg Mason, Loan Contracts Manager, will initiate the loan amendment process. You can contact Peg at (303) 866-3441 x3227 regarding the status of the amendment.

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

Sincerely,

Kirk Russell, P.E., Chief  
Finance Section

Attachment: Updated Board Memo





**COLORADO**

**Colorado Water  
Conservation Board**

Department of Natural Resources

1313 Sherman Street  
Denver, CO 80203

P (303) 866-3441  
F (303) 866-4474

John Hickenlooper, Governor

Robert Randall, DNR Executive Director

Rebecca Mitchell, CWCB Director

**TO:** Colorado Water Conservation Board Members

**FROM:** Jonathan Hernandez, P.E., Project Manager  
Kirk Russell, P.E., Finance Section Chief

**DATE:** March 21-22, 2018 Board Meeting (**Updated March 21, 2018**)

**AGENDA ITEM:** 10b. Change to Existing Loans  
Tunnel Water Company - Laramie-Poudre Tunnel Rehabilitation

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### Introduction

The Tunnel Water Company (Company) received approval of a \$1,111,000 CWCB loan (Contract number CT2016-2001) to finance the Laramie-Poudre Tunnel Rehabilitation (Project) at the September 2015 Board Meeting. The purpose of the Project is to extend the service life of the tunnel and improve maintenance access by rehabilitating the tunnel's west and east portals. The Company successfully completed construction on the west portal in 2016. During final design of the east portal, the estimated construction cost increased and additional work was identified which required additional permitting through the US Forest Service. The total Project cost is now estimated to be \$1,700,000 and the Company is requesting a loan increase of \$600,000 to fully fund the Project. See the attached Project Data Sheet for a location map and a Project summary.

### Staff Recommendation (Board approved Staff Recommendation on March 21, 2018)

Staff recommends the Board approve a loan increase of \$606,000 (\$600,000 for Project costs and \$6,000 for the 1% service fee), for a total loan not to exceed \$1,717,000 (\$1,700,000 for Project costs and \$17,000 for the 1% service fee) to the Tunnel Water Company for costs related to the Laramie-Poudre Tunnel Rehabilitation Project, from the Construction Fund. The loan terms shall remain 30 years at a blended interest rate of 2.55% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.



## Project Update

**West Portal:** Bids were received in summer of 2015 and Rock Solid Solutions was awarded the contract. Construction began in fall of 2015. Work included the excavation and demolition of approximately 80 feet of the existing tunnel, and extending the tunnel by 165 feet, reducing the entrance grade from 21% to 5%. Major construction was completed in fall 2015, and the trash rack installation and final revegetation was completed in fall 2016.

**East Portal:** The Company intended to bid the east portal construction work for completion by winter 2017. However, during pre-bid meetings, the contractors confirmed the existing access road, at about a 30% grade, would not be a safe route for heavy equipment including concrete trucks. Alternatives including pumping concrete 300 feet over a slope distance of 1,200 feet were not feasible. The design engineer thus designed a new access road to reduce the profile from 30% to about 18%. This required a change to the temporary construction permit secured from the US Forest Service, and triggered the need for an environmental assessment to comply with the National Environmental Policy Act (NEPA).

The updated Project cost estimate is \$1,700,000 as shown in Table 1. With final design, the engineer revised the overall cost estimate which was found to increased significantly, primarily due to the difficult location and overall material cost increases since the 2015 cost estimate. This cost estimate does not include the additional environmental assessment work by Telesto that was paid for by Company funds.

**TABLE 1: UPDATED PROJECT COST ESTIMATE**

Task	Original	Current
Design Engineering		
West Portal		\$29,350
East Portal		\$8,000
Total	\$60,000	\$37,350
Construction Phase 1: West Portal	\$670,000	\$767,900
Construction Phase 2: East Portal		
Access Road		\$160,000
Structure	\$290,000	\$545,300
Total	\$290,000	\$705,300
Construction Management		
West Portal		\$19,700
East Portal		\$33,000
Total	\$50,000	\$52,700
Contingency	\$155,000	\$136,750
Total	\$1,225,000	\$1,700,000

**Permitting:** The original US Forest Service permit only required two surveys by Forest Service staff as work was to occur only in historically disturbed area. With the redesigned access roads, the Company must now comply with NEPA requirements and hired Telesto to perform the environmental assessment.

**Schedule:** Telesto anticipates having the environmental assessment process completed by the end of summer 2018 allowing for construction to occur between the 2018 and 2019 irrigation seasons.

## Financial Analysis

Table 2 provides a summary of the Project's financial aspects. The term of the loan will remain at 30 years at a blended interest rate of 2.55% (Ownership: 24% Agriculture, 20% Low Municipal, 24% Mid Municipal, 32 % High Municipal). The original loan was approved with a 10% borrower contribution per Policy #11 which limited loans to 90% of total project cost. That policy was since revised (November 2016) to allow for 100% financing. This increase will therefore cover 100% of eligible costs, providing the Company with an additional built-in contingency with the cash already paid to this Project.

TABLE 2: UPDATED FINANCIAL SUMMARY

	Original	Current
Total Project Cost	\$1,225,000	\$1,700,000
Borrowers Contribution	\$125,000	\$0
CWCB Loan Amount	\$1,100,000	\$1,700,000
CWCB Loan Amount (Including 1% Service Fee)	\$1,111,000	\$1,717,000
CWCB Annual Loan Payment	\$53,435	\$82,582
CWCB Annual Loan Obligation (including 10% Reserve)	\$58,779	\$90,840
Number of Shares	450	450
Annual Loan Obligation per Share	\$131/share	\$202/share
Current Assessment per Share	\$947/share	\$947/share
Future Assessment per Share	\$1,078/share	\$1,149/share

**Creditworthiness:** The Company has \$2,273,727 in existing debt made up of two CWCB loans as summarized in Table 3. Both loans were for the rehabilitation on the Laramie-Poudre Tunnel, and are in good standing.

TABLE 3: UPDATED EXISTING DEBT

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
CWCB (C150052)	\$1,570,214	\$1,048,315	\$98,226	2032	Water rights available to the Laramie River System of the Tunnel Water Company. Easement for the Laramie-Poudre Tunnel.
CWCB (C150065)	\$1,847,932	\$1,225,412	\$112,799	2032	
Total		\$2,273,727	\$211,025		

TABLE 4: UPDATED FINANCIAL RATIOS

Financial Ratio	Past 3 Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	119% (average) \$430K/\$361K	115% (average) \$521K/\$452K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	132% (strong) (\$430K-\$150K) \$211K	123% (strong) (\$521K-\$150K) \$302K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	13% (weak) \$46K/\$361K	10% (weak) \$46K/\$452K
Annual Operating Cost per Acre-Foot (6,875 AF) weak: >\$20 - average: \$10 - \$20 - strong: <\$10	\$52.50 (weak) \$361K/6,875 AF	\$65.75 (weak) \$452K/6,875 AF

**Collateral:** Security for this loan will remain a pledge of assessment revenues, backed by a rate covenant, and the Project itself (west and east portal structures). This is in compliance with CWCB Financial Policy #5 (Collateral).

cc: Dennis Harmon, General Manager, Tunnel Water Company  
 Jennifer Mele, Colorado Attorney General's Office

Attachments: Water Project Loan Program - Project Data Sheet  
 Original Board Memo (September 2015)

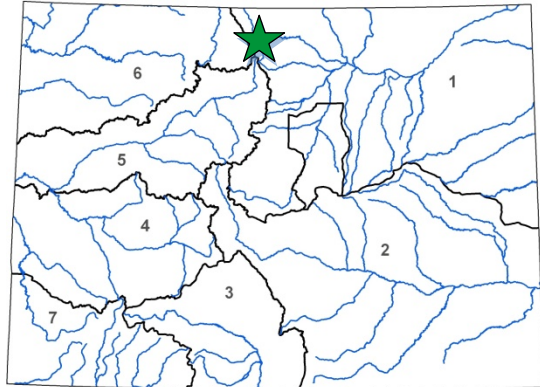


## Laramie-Poudre Tunnel Rehabilitation

The Tunnel Water Company

March 2018 Board Meeting  
(Loan Increase)

L O A N   D E T A I L S	
Project Cost:	\$1,700,000
CWCB Loan (with Service Fee):	\$1,717,000
Loan Term and Interest Rate:	30 Years @ 2.55%
Funding Source:	Construction Fund
B O R R O W E R   T Y P E	
Agriculture	Municipal      Commercial
24%	20% Low - 24% Mid - 32% High      0%
P R O J E C T   D E T A I L S	
Project Type:	Ditch Rehabilitation
Average Annual Diversion:	6,875 AF



L O C A T I O N	
County:	Larimer
Water Source:	Laramie River
Drainage Basin:	North Platte/South Platte
Division:	1      District: 48/3

The Tunnel Water Company operates the Laramie-Poudre Tunnel for the benefit of its two shareholders: Water Supply and Storage Company (WSSC) and Windsor Reservoir and Canal Company (WRCC). The tunnel diverts from the Laramie River, about 60 miles west of Fort Collins, and delivers water through a 2.15-mile tunnel to the Poudre River. WSSC delivers irrigation water to its shareholders, primarily for agricultural irrigation on approximately 40,000 acres lying below the Larimer County Canal. WRCC delivers water to its municipal shareholders via the Soldier Canyon and Bellvue Water Treatment Plants.

The Company purchased the Laramie Poudre Tunnel and its adjoining Laramie River System in 1938. The west portal (inlet) has deteriorated since its original construction in 1910. The interior timber cribbing and concrete lining are at or near the end of their useful lives and the steepness of the slope at the inlet makes it difficult for maintenance access. The east portal's (outlet) concrete energy attenuation structure, which has been resurfaced many times before, is heavily spalled and near failure. The west portal construction was completed in 2016. The Company is seeking this CWCB loan increase to account for increased construction cost associated with the east portal. Construction on the east portal is planned to occur between the 2018 and 2019 irrigation season.

