



February 14, 2020

Kirk Russell, P.E., Section Chief
Colorado Water Conservation Board
Finance Section
1313 Sherman Street, Room 718
Denver, CO 80203

Dear Mr. Russell:

The Windy Gap Firming Project Water Activity Enterprise (Firming Enterprise) has a Colorado Water Conservation Board (CWCB) loan authorized in the amount of \$90 million for the Windy Gap Firming Project (Project). That loan is authorized pursuant to House Bill 17-1248 and was approved by the CWCB at its November 2017 board meeting. Due to external factors causing Project delays the loan has not been contracted to date.

The CWCB loan has been and continues to be the foundation for the Firming Enterprise's pooled financing program. By accepting a subordinate position, the CWCB is providing a key credit enhancement for the revenue bonds that will be issued for Project construction. Additionally, the original loan approval proved to be a catalyst among the Project's participants in undertaking significant efforts to pursue a construction financing program. The importance of CWCB's loan approval to the Project cannot be overstated.

With the allowance by CWCB to take a subordinate position, and in consideration that the remaining construction funds would be on the bond market, it was negotiated and agreed that the loan's interest rate would be at a market rate based on a AA bond rating instead of CWCB's standard lending rates. This rate was set at the time of loan application and was determined to be 3.10% for a 30-year term.

Although the Firming Enterprise would not have chosen to delay construction of the Project, the length of time it has taken to get through the federal lawsuit filed against the Bureau of Reclamation and US Army Corps of Engineers has necessitated this delay. If there is a silver lining to this litigation it is that market interest rates have dropped significantly since the fall of 2017. Additionally, the Firming Enterprise has been able to make use of the last few years by incorporating a more stringent design review and approval process and undertaking a more thorough contractor selection process using a best value as opposed to a strict low-bid approach.

The Project has now progressed where the Dam Safety Branch of the State Engineers Office has formally approved the design and a contractor has been selected and is under contract. The overall construction timeline is still dependent on the federal litigation, but the Firming Enterprise is preparing to issue the full notice to proceed to the contractor between May 2020 and November 2020. Prior to issuing the notice to proceed, the revenue bonds and the CWCB loan contract will be executed.

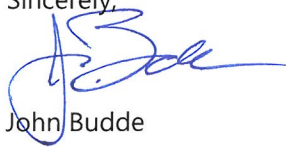
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Market interest rates have dropped significantly since the time of the CWCB loan application, which has resulted in a CWCB lending rate that is no longer representative of, nor competitive with, the market as was originally intended. Therefore, we respectfully request the CWCB to adjust the approved lending rate to be representative of current rates for a AA bond at a 30-year term. A rate adjustment will ensure the CWCB loan remains a credit enhancement and integral piece to the pooled financing program.

It is with the sincerest respect that we submit this request as we consider your partnership in the financing program vital to the economic success of this Project. Further, each of the 12 participants (all of which are fully fiscally responsible for all Project costs) is equally appreciative of the CWCB and offer gratitude for CWCB's consideration of this request.

Finally, it would be our privilege to provide a Project update presentation to your board in support of this request at your next board meeting. If you need any additional information before then, please do not hesitate to contact me.

Sincerely,



John Budde
Financial Services Manager

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