



COLORADO

Colorado Water Conservation Board

Department of Natural Resources
1313 Sherman Street, Room 718
Denver, CO 80203

March 15, 2021

Donald E. Frick, General Manager
The Tunnel Water Company
PO Box 2017
Fort Collins, CO 80522-2017
dfrick@wtrsupply.com

Re: Headgate Improvements Project (Wildfire Impact Loan) - Loan Approval

Dear Mr. Frick:

I am pleased to inform you that on March 11, 2021, the Colorado Water Conservation Board approved your loan request for the Headgate Improvements Project (Wildfire Impact Loan) described in the application and approved Loan Feasibility Study titled *Wildfire Impact Emergency Loan Feasibility Study and Application*, dated January 2021. The Board approved a loan not to exceed \$1,218,060 (\$1,206,000 for Project costs and \$12,060 for the 1% service fee). The loan terms shall be 3 years of zero-interest and no payments followed by 27 years of repayment at an interest rate of 1.70% per annum.

I have attached a copy of the updated Board memo dated March 12, 2021 that includes the Board's approval. After the Board approves a loan there are a few steps that remain in the loan process including:

Contracting: An executed loan contract must be in place before funds can be disbursed for eligible project expenses. Peg Mason, Loan Contracts Manager, will contact you to initiate the loan contracting process. She can be reached at (303) 866-3441 x3227.

Design/Construction: You must adhere to the CWCB Design and Construction Administration Procedures including an invitation to the Prebid, Preconstruction and Bid Opening meetings. Rachel Pittinger, P.E., will be the Project Manager for this phase of the process and will work with you on the disbursements of your loan funds. She can be reached at (303) 866-3441 x3254.

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

Jared Polis, Governor
Dan Gibbs, DNR Executive Director
Rebecca Mitchell, CWCB Director

TO: Colorado Water Conservation Board Members

FROM: Rachel Pittinger, P.E., Project Manager
Kirk Russell, P.E., Finance Section Chief

DATE: March 10-11, 2021 Board Meeting (**Updated March 12, 2021**)

AGENDA ITEM: 19h. Water Project Loans
The Tunnel Water Company - Headgate Improvements Project
(Wildfire Impact Loan)

Staff Recommendation (Board approved Staff Recommendation March 11, 2021)

Staff recommends the Board approve a loan not to exceed \$1,218,060 (\$1,206,000 for Project costs and \$12,060 for the 1% service fee) to The Tunnel Water Company for costs related to the Headgate Improvements Project, from the Construction Fund. The loan terms shall be 3 years of zero-interest and no payments followed by 27 years of repayment at an interest rate of 1.70% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Introduction

On October 5, 2020, Governor Jared Polis issued Executive Order D 2020 208 declaring a Disaster Emergency due to the Cameron Peak Fire in Larimer County enabling State agencies to coordinate and make resources available for fire suppression, response, consequence management, and recovery efforts. At the September 2020 meeting of the CWCB, the Board established the 2020 Wildfire Impact Loans that are available to eligible applicants serving or receiving water from areas under a Governor's Emergency Declaration.

The Tunnel Water Company (Company) is applying for a Wildfire Impact Loan at a blended interest rate for the Headgate Improvements (Project). The purpose of the Project is to prevent accumulation of fire debris from the Cameron Peak Wildfire that may affect the water deliveries through the transmountain Laramie-Poudre Tunnel. The Project cost estimate is \$1,206,000. The Company is seeking a loan from CWCB for 100% of Project costs. See attached Project Data Sheet for a location map and Project summary.



Borrower - The Tunnel Water Company

The Company is a mutual ditch company that was incorporated in 1938 located in Larimer County. The Company purchased the tunnel and its adjoining Laramie River System in 1938 after the Greeley-Poudre Irrigation District. The Company operates the transmountain diversion structure, Laramie-Poudre Tunnel (Tunnel), aka Laramie River Tunnel, for the benefit of its two shareholders: Water Supply and Storage Company (WSSC) and Windsor Reservoir and Canal Company (WRCC). Assets of the Greeley-Poudre Irrigation District were divided between WSSC and WRCC. The Company office is located in Fort Collins and operates as a nonprofit corporation. It is in good standing with the Colorado Secretary of State. The Company has 450 shares of stock, owned by two shareholders: WSSC (2/3 interest) and WRCC (1/3 interest). The Company's revenues are primarily derived from share assessments.

The Company's Articles of Incorporation provide the five-member Board of Directors with authority to levy assessments to meet the expenses of operation and maintenance of the Company, including the repayment of debt. The Articles of Incorporation were amended in 2012 to provide the Board with the power to borrow money and provide Company property as security for debt. The Company's By-laws provide the authority to enforce unpaid assessments by ceasing water deliveries and if necessary by selling delinquent stock shares. The approximate yield of the tunnel is 18,000 AF.

Background

Water from the Laramie River, a tributary of the North Platte River, is about 60 miles west of Fort Collins, and delivers water through the 2.2-mile tunnel to the Cache la Poudre River. WSSC was founded in 1891 and delivers irrigation water to its shareholders, primarily for agricultural irrigation on approximately 40,000 acres lying below the Larimer County Canal. WRCC was founded in 1890 and delivers water to shareholders via the Soldier Canyon and Bellvue Water Treatment Plant to Fort Collins, Loveland and Greeley. Water diversions from the Laramie River for use outside the Laramie River Basin are governed by a consent decree from the United States Supreme Court allocating water supply from the Laramie River between the State of Colorado and the State of Wyoming.

The Company also owns and operates the Rawah Ditch, which collects water from the eastern slopes of the Rawah Mountain Range, delivers it to the West Branch of the Laramie River above the diversion point for the Laramie-Poudre Tunnel. Water collected from the Rawah Ditch is available for diversion into the Laramie-Poudre Tunnel and passes through this headgate improvement location.

The Cameron Peak fire heavily impacted the watershed above the intake for the Laramie-Poudre Tunnel in August 2020. As a result, the Company expects significant fire related debris flows at the intake for the Tunnel that will overwhelm the existing trash rack, intake system. Depending on the amount of debris flows at the intake, the necessary labor needed to keep the trash rack clear would require continuous effort during the diversion season. The proposed self-cleaning trash rack will operate autonomously on a continuous basis.

Loan Feasibility Study

Mr. Donald Frick, P.E. and General Manager of the Company, prepared a Wildfire Impact Emergency Loan Feasibility Study and Application dated January 2021. The feasibility study was prepared in accordance with CWCB guidelines and included an analysis of alternatives, preliminary engineering, and construction costs estimated. Audited financial statements were provided by Scofield and Scofield, P.C., Certified Public Accountants.

Water Rights

The water rights of the Company are shown in Table 1.

TABLE 1: WATER RIGHTS

Name	Amount	Appropriation Date	Adjudication Date	Water Court Case No.
Laramie River Tunnel	300 cfs	8/25/1902	2/20/1914	CA2725
McIntyre Ditch	40 cfs	8/25/1902	2/20/1914	CA2725
Rawah Ditch	225 cfs	8/25/1902	2/20/1914	CA2725
Rawah Lower Supply Ditch	275 cfs	8/25/1902	2/20/1914	CA2725

Total diversions from the Laramie River through the Laramie-Poudre Tunnel including deliveries from the Rawah Ditch an average 18,000 AF per year.

Project Description

The objective of the Project is to provide means for the Company to prevent accumulation of fire debris from the Cameron Peak Wildfire.

Alternative 1 - No Action: This alternative was not selected because it would require 24-hour monitoring and cleaning of existing trash rack to ensure full diversion of water from the Laramie River. Failure to clean the trash rack would also submerge the existing Parshall flume causing inaccurate diversion readings for the Company and affect the water accounting.

Alternative 2 - Sedimentation Basin Construction: This alternative involves construction of a sedimentation basin downstream of the main headgates and due to space limitations, would not prevent debris from accumulating at the main headgates. Additionally, the sedimentation basin would likely require a Special Use Permit from the Forest Service since it is outside the Company's existing easement. A sedimentation basin would also require a separate trash rack for woody debris and would need regular cleanout. This alternative was not selected due to timing limitation obtaining special permits and the inability to prevent debris accumulation.

Selected Alternative 3 -Self-Cleaning Trash Rack Installation: This alternative involves installation of a self-cleaning trash rack. The selected self-cleaning trash rack will operate autonomously on a continuous basis removing debris.

The total cost associated with the Project is \$1,206,000 as shown in Table 2.

TABLE 2: ESTIMATED PROJECT COST

Tasks	Cost
Self-Cleaning Trash Rack	\$345,000
Concrete/Construction	\$699,000
Electrical Infrastructure (Parts and Install)	\$162,000
TOTAL	\$1,206,000

Permitting: The Project site lies within the Canyon Lakes District of the Arapaho and Roosevelt National Forest. The Company has contacted the Forest Service to determine what, if any, permitting requirements may exist. This Project is located within the Company's perpetual tunnel easement under the Right of Way Act of 1891.

Schedule: Final design is underway and construction is scheduled for completion in May 2021.

Financial Analysis

Table 3 provides a summary of the Project's financial aspects. The Company qualifies for the Wildfire Impact Emergency Loan terms of 3 years with no interest followed by 27 years at a blended interest rate of 1.70% (Ownership: 21% Agricultural, 4% Low-Income Municipal, 26% Middle-Income Municipal, 49% High-Income Municipal). The Company maintains three CWCB loans in repayment, one CWCB loan in disbursement, and two CWCB loan requests.

TABLE 3: FINANCIAL SUMMARY

Project Cost	\$1,206,000
CWCB Loan Amount	\$1,206,000
CWCB Loan Amount (Including 1% Service Fee)	\$1,218,060
CWCB Annual Loan Payment	\$52,169
CWCB Annual Loan Obligation (1 st Ten Years)	\$57,385
Number of Shares	450
Annual Loan Obligation per Share	\$128
Current Assessment per Share	\$2,445
Future Assessment per Share (Estimated for Projects)	\$3,155

¹ Three Projects that are considered as part of the future assessment in Table 3 are the West Half Laramie-Poudre Tunnel Rehabilitation Project, Rawah Ditch Tunnel Rehabilitation Project and this Project.

Creditworthiness: The Company has \$20,764,464 in existing debt made up of three CWCB loans. Additionally, the Company is approved for a CWCB loan not to exceed \$17,250,800 of which \$9,939,598 has been disbursed to date. These loans are in good standing and are shown in Table 4. Assessments have gradually increased from 2015 to present. Assessments were \$1,066/share in 2015, and are currently \$2,445/share. The Company will continue to incrementally raise assessments to the estimated future assessment needed to cover all of the CWCB loans.

TABLE 4: EXISTING DEBT

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
CWCB C150052	\$1,570,214	\$888,163	\$98,226	2032	Water rights available to the Laramie River System of the Tunnel Water Company. The west and east portal structures and the easement for the Laramie-Poudre Tunnel.
CWCB C115065	\$1,847,932	\$1,037,228	\$112,799	2032	
CWCB CT2016-2001	1,637,665	\$1,588,273	82,582	2050	
Subtotal (Existing Debt)		\$3,513,664	\$293,607		
CWCB CT2019-3706	\$17,250,800 (In Disbursement)	\$17,250,800 (Max Approved)	\$863,144 (Max Approved)	2054	
Total		\$20,764,464	\$1,156,751		

TABLE 5: FINANCIAL RATIOS

Financial Ratio	Prior Years	Future w/ Project	Future w/ all Projects ¹
Operating Ratio ² (revenues/expenses) weak: <100% average: 100% - 120% strong: >120%	158% (strong) \$1.04M/\$663K	145% (strong) \$1.04M/\$720K	100% (average) \$1.69M/\$1.69M
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% average: 100% - 120% strong: >120%	230% (strong) <u>(\$1.04M-\$369K)</u> \$294K	192% (strong) <u>(\$1.04M-\$369K)</u> \$351K	100% (average) <u>(\$1.69M-\$369K)</u> \$1.32M
Cash Reserves to Current Expenses weak: <50% average: 50% - 100% strong: >100%	145% (strong) \$962K/\$663K	134% (strong) \$962K/\$720K	57% (average) \$962K/\$1.69M
Annual Cost per Acre-Foot (18,000AF) weak: >\$20 average: \$10 - \$20 strong: <\$10	\$37 (weak) \$663K/18,000AF	\$40 (weak) \$720K/18,000AF	\$94 (weak) \$1.69M/18,000AF

¹ Future with Project ratios assume CWCB Loan CT2019-3706 is fully disbursed and includes Rawah Ditch Tunnel Rehabilitation and assessments are increased to an estimated \$3,155/share.

² Revenue includes increased assessment revenues from 2020 of \$2,445/share.

Collateral: Security for this loan will be a pledge of assessment revenues and the Project itself including collateral used to secure CWCB loan contracts: C150052, C115065, CT2016-2001, and CT2019-3706. This is in compliance with CWCB Financial Policy #5 (Collateral).

cc: Mr. Donald Frick, General Manager, The Tunnel Water Company
 Jennifer Mele, Colorado Attorney General's Office

Attachment: Water Project Loan Program - Project Data Sheet

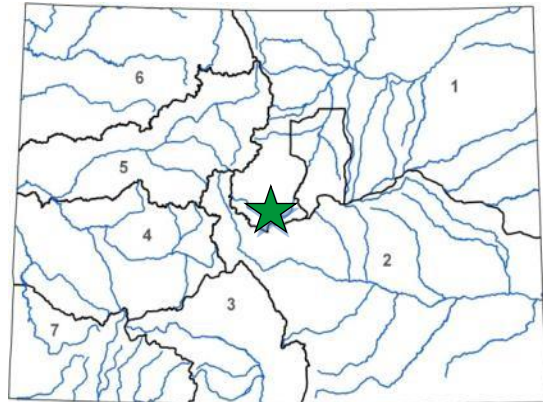


Headgate Improvements Project

The Tunnel Water Company

March 2021 Board Meeting

L O A N D E T A I L S	
Project Cost:	\$1,206,000
CWCB Loan (with 1% Service Fee):	\$1,218,060
Loan Term & Interest Rate:	3-yrs @ 0%, 27-yrs @ 1.70%
Funding Source:	Construction Fund
B O R R O W E R T Y P E	
Agriculture	Municipal Commercial
21%	4% Low - 26% Mid - 49% High 0%
P R O J E C T D E T A I L S	
Project Type:	Ditch Rehabilitation
Average Annual Diversions:	18,000 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

During the unprecedented fire season of 2020, the watersheds supplying water to The Tunnel Water Company (Company) were damaged by the Cameron Peak Fire. The Company is in need of immediate funding to install a self-cleaning trash rack that can reliably remove large fire debris from the headgate before flowing into the Laramie-Poudre Tunnel. This tunnel supplies raw water for the benefit of the Water Supply and Storage Company (WSSC) and Windsor Reservoir and Canal Company (WRCC). 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. Construction is expected to begin in the spring of 2021.

