



# COLORADO

## Colorado Water Conservation Board

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

March 14, 2024

Donald Frick, General Manager  
Tunnel Water Company  
PO Box 2017  
Fort Collins, CO 80522  
[dfrick@wtrsupply.com](mailto:dfrick@wtrsupply.com)

Re: West Half Laramie-Poudre Tunnel Rehabilitation - Loan Increase  
Contract Number (CT2019-3706)

Dear Donald,

I am pleased to inform you that on March 13, 2024, the Colorado Water Conservation Board approved your fourth loan increase request for the West Half Laramie-Poudre Tunnel Rehabilitation of \$909,000 (\$900,000 for Project costs and \$9,000 for the 1% service fee) for a total loan not to exceed \$18,917,300 (\$18,730,000 for Project costs and \$187,300 for the 1% service fee). The loan terms shall remain 30 years at an interest rate of 2.85% per annum. Security for the loan shall remain as originally approved and in compliance with CWCB Financial Policy #5.

I have attached a copy of the updated Board memo dated March 14, 2024, 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 amendment must be in place before funds can be disbursed for eligible project expenses. Kaylee Salazar, Loan Contracts Manager, will contact you to initiate the loan contracting process. She can be reached at [kaylee.salazar@state.co.us](mailto:kaylee.salazar@state.co.us).

Design/Construction: You must adhere to the CWCB Design and Construction Administration Procedures. I will be the Project Manager for this phase of the process and will work with you on the disbursements of your loan funds. You can reach me at [kirk.russell@state.co.us](mailto:kirk.russell@state.co.us).

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

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Jared Polis, Governor

Dan Gibbs, DNR Executive Director

Lauren Ris, CWCB Director

**TO:** Colorado Water Conservation Board Members  
**FROM:** Kirk Russell, P.E., Finance Section Chief  
**DATE:** March 13-14, 2024 Board Meeting (**Updated March 14, 2024**)

**CONSENT**

**AGENDA ITEM:** 6a. Changes to Existing Loans  
Tunnel Water Company - West Half Laramie-Poudre Tunnel Rehabilitation .

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**Staff Recommendation (Board approved Staff Recommendation March 13, 2024)**

Staff recommends the Board approve a loan not to exceed \$18,917,300 (\$18,730,000 for Project costs and \$187,300 for the 1% service fee) to the Tunnel Water Company for costs associated with the West Half Laramie-Poudre Tunnel Rehabilitation from the Construction Fund. The loan term shall remain 30 years at an interest rate of 2.85% per annum. This is an increase of \$909,000 (\$900,000 for Project costs and \$9,000 for the 1% service fee) above the current loan contract. Security for the loan shall remain in compliance with CWCB Financial Policy #5.

At the May 2005 Board Meeting, the Board authorized staff to recommend increases to existing loans up to 20% of the original loan as Consent Agenda Items.

**Introduction/Background**

The Tunnel Water Company (Company) originally received approval of a \$9,090,000 CWCB loan (Contract No. CT2019-3706) to finance the West Half of the Laramie-Poudre Tunnel Rehabilitation (Project) at the March 2019 Board Meeting. In November 2019, the Board approved a loan increase up to \$11,615,000. This first increase required the loan to be put in the CWCB Projects Bill (HB20-1403). This was due to the new loan amount exceeding the Board's approval threshold of \$10M, and therefore, Legislative authorization was required. Before the Bill was introduced in early 2020, a second increase was needed and approved in March of 2020 for total loan amount of \$17,250,800. In January of 2023, a third loan increase was approved for a total loan amount of \$18,008,300 which is the currently contracted loan amount. This request is the fourth loan increase. If this request is approved, the loan total will increase to 9,827,300 above the original loan amount (\$9,730,000 for Project costs and \$97,300 for the 1% service fee).

The general purpose of the Project is to prevent future tunnel collapse and blockage by rehabilitating the existing west half of the tunnel with replacement of the existing support systems. After nearly three years of construction delays due to a fire in the tunnel, the Cameron Peak Fire (Aug 2020), and additional complications with tunnel construction in areas of weak rock material, the Project is complete. The Company is near resolving a construction contract dispute regarding change order v. original contract scope. The recommended loan increase of \$900,000 will provide funds necessary to finally resolve the dispute and avoiding any additional cost increases. See the attached Project Data Sheet for a location map and a Project summary.



## Project Update

**West Half of the Laramie Poudre Tunnel:** The Company began work on the Laramie-Poudre Tunnel in August 2019. The project was originally scheduled for completion in the spring of 2020, but extended into a second construction season largely due to a fire that occurred within the tunnel in February of 2020. Another major setback for the project occurred in August 2020 due to the Cameron Peak Fire, which delayed the Project approximately three months. This resulted in delays that forced the Project into a third construction season, (Aug 2021 through May 2022).

In early 2022, the contractor, Harrison Western Corporation (Contractor), discovered they had constructed the tunnel 8ft higher than design grade over a length of about 100 feet. The Contractor agreed to correct the invert to design grade under its warranty. The Contractor declared the project substantially complete in May 2022.

Upon inspection in August 2022, the Company discovered that significant portions of the tunnel had collapsed and that active collapse was continuing to occur in the same area. In discussions with the Contractor, the parties agreed that a portion of the work needed to correct the issues fell under the construction contracts as warranty work. However, there was a portion of the necessary work that fell within scope of the original contract.

Based on the anticipated scope of repairs at the time, in January 2023 the Company requested a loan amendment in the amount of \$750,000 to cover the anticipated costs of the repairs, which amount was approved by the CWCB, and of which a total of \$747,506 was disbursed to the Company and subsequently paid to the Contractor. A contract dispute between the Company and the Contractor has since arisen regarding the total amount due for the Season 4 (2022/2023 construction season) work in addition to the \$747,506 previously paid. In order to fully and finally resolve this dispute, the Company is requesting an additional \$900,000.

**Schedule:** Construction is complete.

## Financial Analysis

Table 1 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 2.85% (Ownership: 4% Low-Income Municipal, 25% Middle-Income Municipal, 49% High-Income Municipal, 22% Agriculture). This increase will cover 100% of eligible costs.

**TABLE 1: UPDATED FINANCIAL SUMMARY**

	Original	Last Increase	Current Inc.
Total Project Cost	\$9,000,000	\$17,830,000	\$18,730,000
CWCB Loan Amount	\$9,000,000	\$17,830,000	\$18,730,000
CWCB Loan Amount (Including 1% Service Fee)	\$9,090,000	\$18,008,300	\$18,917,300
CWCB Annual Loan Payment	\$454,818	\$901,046	\$946,527
CWCB Annual Loan Obligation (incl. 10% Reserve)	\$500,300	\$991,151	1,041,180
Number of Shares	450	450	450
Annual Loan Obligation per Share	\$1,112	\$2,203	\$2,314
Assessment per Share	\$1,370	\$2,778	\$3,111
Future Assessment per Share (Estimate)			\$4,440*

\* The Company will set assessments based on the final Project costs.

**Creditworthiness:** The Company has \$5,123,535 in existing debt made up of five CWCB loans as summarized in Table 3. All loans are in good standing.

**TABLE 2: UPDATED EXISTING DEBT**

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
CWCB C150052	\$1,570,214	\$705,402	\$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 C150065	\$1,847,932	\$823,709	\$112,799	2032	
CWCB CT2016-2001	\$1,654,041	\$1,486,138	\$82,582	2049	
CWCB CT2021-3927	\$1,198,067	\$1,167,122	\$51,312	2052	
CWCB CT2021-3928	\$941,164	\$941,164	\$44,195*	2050	
<b>Total</b>		<b>\$5,123,535</b>	<b>\$389,114</b>		

\* This is a Wildfire Impact Loan and does not require repayment to begin until May 1, 2024

**TABLE 3: UPDATED FINANCIAL RATIOS**

Financial Ratio	Past Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100%   typical: 100% - 120%   strong: >120%	100% (typical) \$1.58M/\$1.58M	100% (typical) \$2.18M/\$2.18M
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100%   typical: 100% - 125%   strong: >125 %	100% (typical) <u>(\$1.58M-\$0.34M)</u> \$1.24M	100% (typical) <u>(\$2.18M-\$0.65M)</u> \$1.53M
Cash Reserves to Current Expenses weak: <50%   typical: 50% - 100%   strong: >100%	39% (weak) \$0.62M/\$1.58M	28% (average) \$0.62M/\$2.18M
Annual Operating Cost per Acre-Foot (15,755AF) weak: >\$24   typical: \$3 - \$24   strong: <\$3	\$101 (weak) \$1.58M/15,755 AF	\$138 (weak) \$2.18M/15,755 AF

**Collateral:** Security for this loan will remain a pledge of assessment revenues and the project, the tunnel having a west portal continuing 2.15 miles until its east portal, including any easements, access and operation of the portal structures for the Laramie-Poudre Tunnel. This is in compliance with CWCB Financial Policy #5 (Collateral).

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

Attachments: Water Project Loan Program - Project Data Sheet  
 Original Board Memo (March 2019)

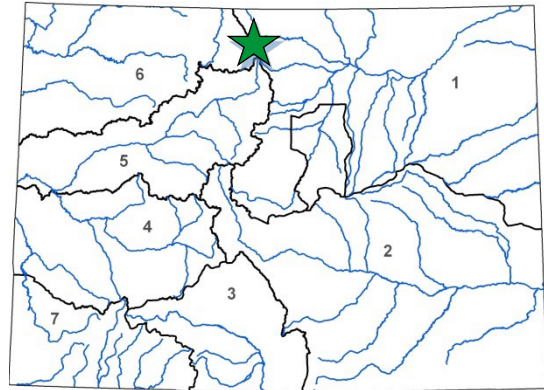


## West Half Laramie-Poudre Tunnel Rehabilitation

**Tunnel Water Company**  
March 2024 Board Meeting

(4th Loan Increase)

L O A N   D E T A I L S	
Project Cost:	\$18,730,000
CWCB Loan (with Service Fee):	\$18,917,300
Loan Term and Interest Rate:	30 Years @ 2.85%
Funding Source:	Construction Fund
B O R R O W E R   T Y P E	
Agriculture	Municipal      Commercial
22%	4% Low - 25% Mid - 49% High      0%
P R O J E C T   D E T A I L S	
Project Type:	Ditch Rehabilitation
Average Annual Diversion:	15,755 AF



The Tunnel Water Company (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 2.2-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 shareholders via the Soldier Canyon and Bellvue Water Treatment Plants for use in their service areas.

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 Company purchased the Laramie Poudre Tunnel and its adjoining Laramie River System in 1938. Since 2001, the Company has repaired various sections of the tunnel. To prevent future collapse and tunnel blockage, this project includes replacement of aging support structures and the addition of new supports, rock bolts and shotcrete to ensure future serviceability and maintenance access. Construction began in September 2019 and will continue through spring of 2023.

The original Project cost was \$9M and the cost since construction began has risen significantly. This is primarily due to the discovery of voids found behind and above the existing concrete and existing steel sets. Substantial amounts of grout, above the anticipated quantities, filled voids. The old concrete and pre-existing steel support structures are being replaced. In addition to the void spaces, in an original tunnel section, old square set timbers, rebar, trees, sand, gravel and rocks were used as backfill. To ensure the tunnel is structurally sound in the short and long term, new steel sets are being used to replace the compromised section.

