

Effect of Ten Year Extension

According to our contract, the distribution works repayment period could be extended for whatever reason. It will take legislation to receive an extension but there is a precedence for a 10 year extension and the BOR seems to be willing to support this.

We will have to defer our 2005 charges which I have requested a balloon payment in 2015 equalizing the payments over the remaining 10 years. If accepted by Reclamation, this would make our payments \$421,352 yr up from \$410,880.

If the legislation is successful, the end of the Distribution system payout period would be moved from 2016 to 2026. This would mean we have 20 years to pay off the debt instead of 10. Our payment would lower to \$210,676 which is **\$165,964** less than we paid in 2003 the last year we made a payment.

Our contract reads after the final payment of the Distribution works repayment debt, the water supply repayment app. \$22,000 yr will increase to \$85,000. This payment moves 10 years down the road but the end of repayment debt remains with the final payment in 2040. So the \$63,000/yr less payment for 10 years of \$630,000 becomes a write off.

Our contract commits us to an annual payment into our water supply reserve fund of \$8,500/yr until the end of the distribution work pay out and then the annual contribution becomes 93,500 or \$85,000/yr more. This period also moves 10 years with the extension. This is not particularly a savings because we can use the funds for infrastructure repair. The use of the funds does require BOR concurrence. This is \$76,500/yr less committed to put into reserves or \$765,000.00 I don't consider this to be that much of a savings because we can spend those funds out of reserves and should actually build our reserves to a higher number for our own good.

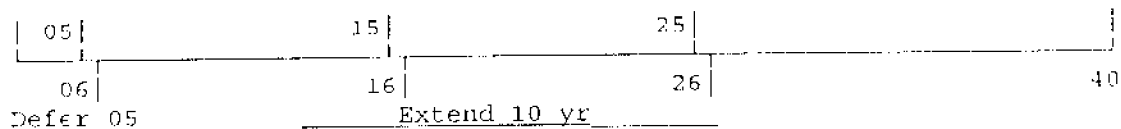
Our contract commits us to an annual payment into the distribution works reserve funds of \$4,250 until the end of the distribution works payout also. At that time, the annual payment becomes \$89,250/yr or \$85,000/yr more. This also gets extended 10 years equaling \$85,000/yr less for 10 years or \$850,000 less over the 10 year period. Same effect as Water Supply reserves

If the extension is successful, in the year 2026, we will no longer pay \$210,667 towards distribution works repayment. We will pay \$85,000 towards water supply reserve fund for an annual increase of \$63,000. We will also contribute \$93,500 towards water supply reserves for an annual increase of \$85,000. We will also contribute \$99,250 towards distribution works reserve fund for an annual increase of \$85,000. The total payments increase for the above three accounts would be \$233,000 or \$22,324 more than the \$210,676 payment no longer required.

If we were successful in this effort, starting in 2006 we would be required to make a payment which is \$165,964 (\$3.90/acre) less than the last repayments the irrigators made. The possible downside to this is if we don't get any water we will probably have to make a payment anyway. I don't know how the BOR would view a request for another deferment on a brand new piece of legislation.

The \$680,000 write off is great, but it really falls to the benefit of those still around in 2026 who will not have to repay the extended difference.

The reserve fund savings are not really a savings if the funds work as contractually intended. We would be spending from them for such things as the repair of the WREX tube and other large lateral projects beyond our ability to attack with annual funds. We should still consider the concept of adding an ability to convert a portion of distribution works repayment into reserve funds for these purposes.



If deferment is granted for 05 charges it will have to be paid back through 2015 as described in our contracts

If we were successful with a 10 year extension of Distribution works payments, starting in 06, the payments would be spread over 20 years ending with the 2025 payment.

Increases in Water Supply Repayments, Water Supply Reserve Fund payments, and Distribution Works Reserve Fund payments which are scheduled occur with the Distribution works payout, extend the 10 years also.

The final repayment date 2040 does not extend.