

December 10, 2012

Mr. Chandler Peter
US Army Corps of Engineers
Denver Regulatory Office
9307 South Wadsworth Blvd.
Littleton, CO 80123

RE: Alternatives to Halligan Reservoir expansion involving Fort Collins' use of their surplus stored water that is leased to farmers

Dear Mr. Peter:

Over the last several months the City of Fort Collins has essentially stopped diverting water out of the Poudre River for its municipal use due to the impacts of the forest fires on water quality. The degraded water is unacceptable for the City's filtration plant. Therefore, the City has relied on other sources of water that it already owns, primarily its C-BT water stored in Horestooth Reservoir.

Further, the City has recently sent a letter to farmers¹ that currently rent water from the City, letting them know that it is very unlikely that the City will rent water to farmers in 2013. Instead of renting its C-BT water to farmers, the City will use its stored C-BT water for its own municipal water supply in 2013.²

The National Environmental Policy Act requires that the Halligan Reservoir EIS process fully evaluate all alternatives to the proposed expansion of Halligan Reservoir. Additionally, the Clean Water Act and the Endangered Species Act require that the LEDPA be chosen in that EIS process.

Currently in 2012, it appears that the City is implementing an alternative to expanding Halligan Reservoir, and is planning to continue to implement that alternative in 2013. That alternative involves using the water it already owns and is already stored in Horsetooth Reservoir, as opposed to Poudre River supplies.

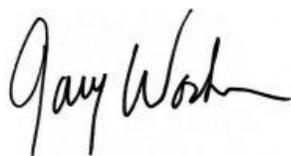
¹ See letter on next page

² See Denver Post newspaper story: http://www.denverpost.com/environment/ci_22150093/larimer-farmers-warned-scorched-forests-may-shut-off

We request that this alternative be evaluated in the Halligan EIS process. Failure to do so would likely violate the National Environmental Policy Act, the Clean Water Act, and the Endangered Species Act.

Sincerely,

Gary Wockner, Director, Save The Poudre: Poudre Waterkeeper



1. Letter from the City to Farmers

Subject: Fort Collins Utilities

From: Donnie Dustin <DDUSTIN@fcgov.com>

Date: Thu, 15 Nov 2012 00:00:27 +0000

Dear NPIC Renter,

This past year has been a difficult one from a water supply perspective due to the extreme drought conditions and resultant fires in the Poudre River basin. Because of sediments and other water quality concerns, the City of Fort Collins Utilities did not use any Poudre River water for most of the summer and the ability to consistently treat Poudre River water is likely to be an ongoing concern for the next few years.

Given these uncertainties, the Utilities will need to keep its Colorado Big Thompson (CBT) supplies in Horsetooth Reservoir for use in 2013. As a result, Fort Collins Utilities is extremely unlikely to make any water rentals into the NPIC system next year. This would be regardless of the amount of snowpack, since the issue is more related to the Utilities' ability to use its Poudre River supplies. Even without renting NPIC water, the Utilities will likely implement mandatory water restrictions in 2013 due to these uncertainties.

In order to increase the amount of its CBT supplies in 2013, Utilities is considering swapping the agricultural (Ag) portion of its NPIC shares for multiple use (CBT) water. NPIC agricultural shareholders would allow the Utilities to use the multiple use portion of their shares in exchange for a portion of the Utilities' Ag water. Although an "exchange rate" has not yet been determined, a swap would result in receiving a greater amount of Ag water than the amount of multiple use water that is transferred to the City. If you own NPIC shares and may be interested in participating in such a swap, please email your name, contact information and the number of shares that you own to Susan Smolnik

(ssmolnik@fcgov.com) or Beth Molenaar (bmolenaar@fcgov.com) and they will follow up with you in December.

Out of respect for the long history and relationship between the Utilities and NPIC shareholders, we wanted to get this information out to you early so you have time to plan accordingly and make decisions as needed. Thanks for your help and understanding during this difficult time.

Sincerely,

Donnie Dustin

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