



1202 Bergen Parkway, #215  
Evergreen, CO 80439  
Office 303-526-2025  
Fax 303-526-1257

October 2015

Dear Customers and Tap Owners,

The Board of Directors of the Lookout Mountain Water District is pleased to announce the completion of the Water Financial Planning and Rate Study. Early this year, the Board commissioned independent consultants, Burns & McDonnell, to complete the study, which is available on the District's website.

The recent two droughts of 2002 to 2004 and 2011 to 2012 made Lookout Mountain Water District painfully aware of the necessity of increasing water storage. Currently, we have the capacity to supply existing customers for only about one year during drought conditions. If a dry winter stretches into a second year, we have to try to purchase water from other sources. This water is very expensive and not readily available.

In view of the reality of more droughts happening, the Board of Directors has been researching and planning an expansion of the Upper Beaver Brook reservoir for a number of years. During a drought, the water consumed only comes from stored water, since no inflows feed the reservoir. The engineering design and the financing of the project are nearing completion.

Burns & McDonnell examined the ability to finance this expansion, as well as comply with new requirements from the State Engineer's Office, Dam Safety Branch and the Division of Water Resources.

<p style="text-align: center;"><b><i>Gallons of water for Upper Beaver Brook</i></b></p> <p>Maximum Reservoir Capacity - Current: 83,809,000</p> <p style="padding-left: 40px;">Additional Reservoir Capacity - Planned: 43,729,000</p> <p>Maximum Reservoir Capacity - Planned: 127,538,000</p> <p style="text-align: center;"><b><i>District-wide annual treatment and consumption</i></b></p> <p style="text-align: center;">35,000,000 to 65,000,000</p>
--

The rate study the Board has adopted shows that with modest increases in user rates, the financing costs can be handled, as well as allowing the District to build up adequate reserve funds to address much-needed maintenance and future projects. The plan calls for keeping the existing rate structure in place, with the residential monthly minimum gradually increasing year by year to \$40.45 in the year 2020, from the current level of \$30.00. The base rate has to be increased in this manner in order for the financing debt to be serviced.

This reservoir expansion and its financing will enable the Lookout Mountain Water District to safely continue supplying adequate water to existing customers, to better weather the occasional drought, and to plan for and complete other infrastructure replacements and improvements.

Sincerely,

***Board of Directors***

Lookout Mountain Water District