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November 16, 2015

Memorandum

To: La Plata County Planning Department

From: Carrie Lile, Consulting Water Engineer

Subject: GCC Energy Water Supply

To date, Harris Water Engineering, Inc. (HWE) has prepared multiple applications, designs and reports for GCC Energy, LLC (GCC). These range from water right applications to pond design to engineering reports all pertaining to GCC's water demand and supply. Each of these items is described below.

Water Lease Agreement

The first attachment to this memo is the "Second Water Lease Agreement" between GCC and Huntington Ranches, LLC (Huntington). The agreement was entered into on November 12, 2015 by both parties. In summary, Huntington agrees to lease to GCC the consumptive use of its Class A share water associated with 44 acres of Huntington's irrigated land (this is in addition to the lease agreement for existing 9 acres of dry up land). This agreement also includes details describing the expansion of the existing Huntington Pond.

Water Right Application

The second attachment to this memo is the water right application for Case No. 2015CW3029. This application modifies a portion of Huntington's Class A shares in Hay Gulch Ditch for use in the King Coal II Mine in Hay Gulch. The application is based on GCC's decree in Case No. 2007CW100. The application was submitted to water court on September 30, 2015. The process includes a 60 day comment period for interested parties to file statements of opposition; the comment period ends November 30, 2015. If GCC receives any statements of opposition, GCC staff (legal and engineering primarily) will focus on addressing this comments in a timely manner to resolve issues.

Substitute Water Supply Plan

A Substitute Water Supply Plan (SWSP) was prepared and submitted to Division of Water Resources (DWR) on October 11, 2015. Please see the third attachment to this memo containing the SWSP and necessary appendices. The SWSP had a 30 day comment period which ended November 10, 2015. To date, no comments have been received pertaining to the SWSP. DWR approval of SWSP typically take 90 days; if the process continues to be on schedule the SWSP could be approved as early as mid-January 2016.

Huntington Pond Expansion

The fourth attachment to this memo is the plans and specifications for the expansion of the Huntington Pond. Originally, an underground reservoir was proposed to store GCC's water supply for use during the non-irrigation season. However, the reservoir in the Mine is no longer viable and storage at another location is necessary to provide year around supply to the Mine. The Huntington Pond expansion will provide the additional storage needed for GCC. The Huntington Pond will be a non-jurisdictional impoundment per DWR regulations. To date, multiple site visits have been conducted with GCC staff, Huntington, HWE staff, and DWR staff.

Safe Yield Analysis

HWE prepared a safe yield analysis report as requested by La Plata County planning staff; see the fifth attachment to this memo. The report describes GCC's water demand needed for the production of the maximum 1.3 tons per year and how the water supply is adequate to meet that demand. In summary, the analysis demonstrates that GCC's water rights (decreed and proposed) are sufficient to satisfy the maximum and therefore, the current demand.

ATTACHMENTS

1. Water Lease Agreement
2. Water Right Application Case No. 2015CW3059
3. Substitute Water Supply Plan
4. Huntington Pond Expansion Plans and Specifications
5. Safe Yield Analysis

Electronic copies of the attachments can be found at the following address:

<https://www.dropbox.com/sh/5x3sjq4jdqk9w18/AACK2PkkDleonTmcv56UsPpya?dl=0>