



May 17, 2007

Wade Freedle, President
Board of Directors
Sierra Lakes County Water District (SLCWD)
P.O. Box 1039
Soda Springs, CA 95728-1039

Dear President Freedle and SLCWD Board Members:

As you requested, Royal Gorge has assembled information concerning our water needs, as well as a description of some potential alternatives for meeting those needs.

Attached are two memoranda prepared by consulting engineers CDM. The first provides an estimate of water demand, based upon the proposed Royal Gorge development plan. The second memo describes alternatives for meeting those needs.

Our desire is to work closely with SLCWD to develop a solid plan to meet Royal Gorge's water needs while at the same time benefiting existing SLCWD customers and ensuring that the lakes remain the recreational jewel of the Serene Lakes community.

I would like to summarize several relevant points contained in the attached memos:

Demand:

- The estimated Royal Gorge water demand of 235 acre-feet per year (AFY) is based upon a 46 percent occupancy rate – greater than Serene Lakes' average and on par with recent relevant mountain resort projects in eastern Placer County.
- SLCWD's state water rights permit no. 14248 grants the district rights to 1,177 AFY of water for direct storage, and approximately 110-120 AFY is used today. Supplying Royal Gorge water needs would place the district at about 355 AFY, well below its permitted rights.

Supply:

- The second memo outlines alternatives for meeting Royal Gorge water demand through combinations of surface water, groundwater and creating additional storage.

May 17, 2007
Sierra Lakes County Water District
Page Two

- Because organic material is building up and reducing the capacity of Lake Serena, we understand that SLCWD has considered dredging portions of the lake to protect future water supply.
- An alternative described in the second memo would involve dredging a portion of Lake Serena to help the district recapture lake capacity lost to accumulated organic material, and would increase capacity enough to supply Royal Gorge water needs.
- Under this alternative, the current surface area of the lake, even under dry conditions would likely remain the same or larger as it is under current operating conditions. The water supply of the district would be protected for the future, but Royal Gorge would foot the bill instead of existing water district customers—and the lake's recreational role would be protected and enhanced.
- We would propose that water supplied to Royal Gorge be treated at a new water treatment facility, or that SLCWD's existing facility be upgraded.

You will find more detail in the attached memos.

In addition to the information contained in the attached memos, ancillary issues we hope will be part of our discussions include: 1) a proposal to exchange water tank sites for SLCWD's five-acre parcel along Soda Springs Road; and 2) the lake bottom ownership issue, which we understand the Board would like to discuss with us. We look forward to working together to serve Royal Gorge water needs and benefit the District's existing customers.

Sincerely,

Mike Livak
Project Manager