

**Water Supply Reserve Account – Grant and Loan Program
Water Activity Summary Sheet**

Applicant: Eagle Park Reservoir Company

Amount Requested: \$250,000.00

Water Activity Name: Eagle Park Reservoir
Enlargement

Source of Funds: Statewide Account

Water Activity Purpose: Structural Project and Study-Technical Assistance

County: Eagle

Drainage Basin: Colorado

Water Source: East Fork of Eagle River and drainage from unnamed off channel tributary

Water Activity Summary:

The Eagle Park Reservoir Company (EPRC) is a Colorado non-profit mutual ditch and reservoir company, established in 1998 under the Colorado Non-Profit Corporation Act and § 7-42-101, et seq., C.R.S. The primary shareholders of the Eagle Park Reservoir Company are the Eagle River Water & Sanitation District, the Upper Eagle Regional Water Authority, the Colorado River Water Conservation District and Vail Associates, Inc. Summary descriptions of the ERPC shareholders are included below.

The Eagle River Water & Sanitation District (the “District”) is a quasi-municipal corporation and a political subdivision of the State of Colorado which was formed on July 1, 1996, with the consolidation of Upper Eagle Valley Consolidated Sanitation District and Vail Valley Consolidated Water District. The Upper Eagle Regional Water Authority (the "Authority") is a quasi-municipal corporation formed on September 18, 1984. The District's and Authority's water supply and wastewater systems service areas include the towns of Vail, Minturn, and Avon, and encompass the mixed-use developments served by the Arrowhead, Beaver Creek, Berry Creek, Eagle-Vail, Edwards, Bachelor Gulch, and Cordillera Metropolitan Districts. The District currently manages a system that serves 24,778 water and 25,155 wastewater single-family equivalent units (SFEs). While the District's and Authority's permanent population are estimated to be approximately 20,000, its population during peak season exceeds 40,500 residents due to the influx of temporary residents for recreation and tourism purposes during the winter and summer seasons.

The Colorado River Water Conservation District is a public water policy agency established in 1937 to protect and facilitate the development and management of the Colorado River and its tributaries. The River District is comprised of 15 west slope counties including Moffat, Routt, Grand, Eagle, Summit, Pitkin, Gunnison, Rio Blanco, Garfield, Mesa, Ouray, Delta, and portions of Montrose, Saguache and Hinsdale. The River District covers approximately 29,000 square miles, roughly 28% of the land area of Colorado. The River District has developed a water marketing program to provide water for entities that are outside the boundaries of existing water district service areas. The marketing program for the River District's share of the Eagle Park Reservoir is now fully subscribed and additional water is needed to meet growing demands.

Vail Associates, Inc. owns and operates the Vail and Beaver Creek ski areas located in Eagle County. The Vail Ski Area, established in 1962, is located adjacent to the Town of Vail, approximately 12 miles west of Vail Pass. The Vail Ski Area encompasses 12,590 acres with about 5,164 acres of skiable terrain and is currently the largest destination ski resort in the United States. The Beaver Creek Ski Area, established in 1976, includes about 4,975 acres with approximately 1,625 acres of skiable terrain. The Vail and Beaver Creek Ski Areas operate snowmaking systems to enhance the reliability of early season skiing, maintain

adequate snow coverage in high skier traffic areas, and to supplement natural snow during period of drought. Snowmaking capabilities are also required for race event terrain and to create terrain modifications including half pipes, terrain gardens, race starts and pro jumps.

The snowmaking system at Vail currently provides coverage to 390 acres of ski slopes and trails. Subject to Forest Service approval, Vail Mountain plans to eventually expand snowmaking coverage to include an additional 369 acres of ski terrain, which would increase the snowmaking coverage area to a total of 759 acres. During recent years, snowmaking water usage at Vail has averaged about 400 acre-feet per year and this demand is expected to eventually grow to about 700 acre-feet per year.

The Beaver Creek Ski Area snowmaking system currently covers about 580 acres of ski terrain. The Beaver Creek snowmaking system will be expanded to cover an additional 120 acres of ski slopes and trails, which would increase the coverage area to a total of about 700 acres. During recent years, water usage at Beaver Creek has averaged about 558 acre-feet per year and this demand is expected to eventually grow to about 900 acre-feet per year.

Sources of revenue for the District are primarily property tax mill levies, taps fees, and water sales. The Authority's revenue sources are tap fees and water sales. Ski area revenues are primarily from the sale of lift tickets. As a private mutual ditch company, the Eagle Park Reservoir Company meets the Senate Bill 06-179 requirement for eligibility to apply for a grant or loan.

The purpose and need for the proposed reservoir enlargement is to provide additional water during late summer, fall and winter months to meet growing water supply needs in Eagle County. The Eagle Park Reservoir is located in Eagle County in the headwaters of the East Fork of the Eagle River near the Climax Mine. The reservoir is an off channel reservoir which is tributary to the East Fork of the Eagle River. The reservoir is located on property formerly owned by the Climax Molybdenum Company at the Climax Mine and was originally used to store mine tailings. As part of the mine reclamation process, Climax completed the removal of tailings deposits from the reservoir in 1996 and converted the facility to a fresh water storage reservoir. The EPRC purchased the Eagle Park Reservoir and associated real property and water rights, located in Eagle County, Colorado at the Climax Mine, in 1998 for irrigation, municipal, industrial and environmental water supply purposes.

The Eagle Park Reservoir is operated to replace out-of-priority water diversions and depletions caused by downstream municipal water supply systems that serve Vail, Avon and other communities in Eagle County and by snowmaking at the Vail and Beaver Creek Ski Areas. The Eagle Park Reservoir currently has a total storage capacity of 3,148 acre feet and an estimated dry-year yield of 2,013 acre-feet. The project will raise the elevation of the existing spillway, which controls the reservoir elevation, by 2.5 feet. This will provide an additional 153.3 acre-feet of storage capacity. Operation of the proposed reservoir enlargement will result in small increases in the amount of water diverted into storage during spring runoff and available for release during low-flow periods in the late summer, fall and winter.

Grant funding is being requested from the Statewide Account in the amount of \$250,000. The Eagle Park Reservoir Company would provide approximately \$118,707 in matching funds (32%) towards the total project cost of \$368,707. Grant funding would be used to cover up to 68% of the costs associated with final design engineering, environmental studies, permitting, construction and mitigation of 0.27 acre of wetlands impacts.

Discussion:

Overall the application for funding assistance for the Eagle Park Reservoir Enlargement was well prepared and the project is needed to helping address an important water supply need for Eagle County. The project also has the potential to help address shortages and administration issues related to the CWCB instream flow water right. The project has a strong engineering, hydrology and legal team.

The project meets a significant number of the WSRA criteria and guidelines and is therefore a worthy activity and will provide benefits to the local community. However, there are two critical criteria which must be considered which raises the question of whether funding from the WSRA. Criteria C addresses how funding from the Account reduces the uncertainty of the project being implemented. Criteria H discusses the need for financial assistance based on the inability of difficulty obtaining funds from other sources. In both of these cases the applicant appears to be quite capable of implementing the project without financial assistance from the WSRA. The principle policy issue is that while use of the WSRA for this project would result in the implementation of a worthwhile water project in a short timeframe it would draw resource away from other future projects/activities that may have a greater need for the money.

Issues/Additional Needs:

The application does not include all the information requested under Description of Applicant found on page 10 of the Criteria and Guidelines (i.e., number of customers, water usage, taps, service area, future growth plans, service charges, tap fees, funding/revenue sources, and study area description).

The project budget does not include level of effort and rates for discrete tasks.

The information provided on water rights and source of supply is not specific and primarily references the decrees. Addition information would be helpful to fully understand the potential benefit to the CWCB instream flow water right in relation to the timing of additional upstream storage.

A significant portion of the work has already occurred. The State of Colorado through the WSRA does not reimburse past expenditures.

Staff Recommendation:

The proposed project meets many of the criteria and as outlined in the discussion section staff believes that the benefits of providing funding outweigh the fact that two criteria were not meet. Staff recommends funding the Eagle Park Reservoir Enlargement contingent on resolution of the items in the issues/additional needs section. It should be noted that since past costs can not be reimbursed and therefore the total amount of the award will be less than the \$250,000.00 request.