

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

Applicant: Grand County

Amount Requested: \$1,500,000.00

Source of Funds: Statewide Account

Water Activity Name: Vail Ditch Project

Water Activity Purpose:

Matching Funds: Up to \$1,500,000.00

Structural and Nonstructural water activity.

Unclear. Study and or acquisition of agricultural water rights for municipal and perhaps instream flow purposes.

County: Grand

Drainage Basin: Colorado – Fraiser River

Water Source: Diversions from Meadow Creek and Strawberry Creek –stored in Meadow Creek Reservoir

Water Activity Summary:

The Vail Ditch Project is a structural and nonstructural water activity that will provide new water supplies to the headwaters of the Fraser River near Winter Park. The Colorado River Basin Roundtable approved the Vail Ditch project for consideration of statewide funding at the Roundtable's December 18th, 2006 meeting (see cover letter by Davvid Merritt, Roundtable Chairman). The project will supply water for environmental and municipal needs in Grand County as identified in the State Wide Water Supply Initiative (SWSI) and the Upper Colorado Study (UPCO).

Grand County is applying for funding from the Statewide Account in the amount of \$1,500,000. In addition, Grand County entities will provide up to \$1,500,000 in matching funds to secure the water supply project.

This project meets the threshold criteria adopted by the CWCB and the IBCC and outlined in the Water Supply Reserve Account Criteria and Guidelines, October 18, 2006.

Recent water planning efforts indicate that the Fraser River headwaters are facing critical water needs. The area needs new water supplies for both consumptive and non-consumptive demands. Local growth is booming and the water districts and Towns need certainty in their future water supplies. At the same time, Denver Water and the Municipal Subdistrict of the Northern Colorado Water Conservancy District are looking to firm-up supplies from their respective Moffat and Windy Gap transmountain supplies. In the midst of these pressures, water flow in the streams will more often approach critically low levels.

Since 1998, West and East Slope entities have been participating in a cooperative effort to address the water supply situation in the Upper Fraser and other headwaters areas, the so-called "UPCO" process. The State Water Supply Initiative essentially adopted and incorporated the detailed UPCO studies and results. The

UPCO and SWSI processes provide the technical evaluation and basis for the Colorado River Basin Roundtable's recommendation of the Vail Ditch Project.

The Vail Ditch water supplies have a strategic position. The Vail Ditch diverts and stores water in Meadow Creek Reservoir, the northern most extension of the collection system used to convey water through Denver's Moffat Tunnel. With the use of Denver's system, the Meadow Creek supplies can be moved to the uppermost Fraser River, benefiting stream flow and human uses from Winter Park on downstream.

From a "water balance" point of view, the Vail Ditch water rights do not provide additional physical water supplies. However, these senior rights in particular can provide water supplies in the Fraser River headwaters at new locations and different times. From a regional point of view, Grand County believes the new uses will be beneficial to both the environment and the economic development within Grand County.

Scope of Work

The Vail Ditch Project will use the Account and the sponsor's funds to purchase shares of the Grand County Irrigated Land Company. The shares are held by a private party who is a willing seller. The Project contemplates acquiring approximately 20% of the company.

In September 2006, the Sellers, GCWSD, WPWSD, and the River District entered into an eight month "exclusive right to negotiate" agreement. The agreement terminates in April 2007. The objective is to negotiate the purchase in early 2007 and close later that year.

The Project sponsors have already completed several important evaluations regarding the Vail Ditch water rights (see Section 4, Previous Studies). To be sure, there are numerous other activities that need to be done before the supplies can be made available for use at Winter Park. Foremost among these is developing a process for working through issues with the shareholders and other water users. This Section outlines additional work elements that the project will complete.

1. Grand County Irrigated Land Company Issues

- a. Objective. Initiate a process for working with the Company that will determine the likely range of impacts from the Project and develop measures to prevent injury.
- b. Timeline. Begin early 2007. It is likely that these efforts will continue for at least one year.
- c. Activities. Technical and legal evaluations focusing on water use patterns, supplies, facilities, and operations.
- d. Participants. Project Sponsors, shareholders, and State Engineer.

2. Granby Mesa Hydrogeology Evaluation

- a. Objective. Evaluate and characterize the surface water and groundwater interactions in the area of Granby Mesa.
- b. Timeline. Begin February 2007 and complete by November 2007.
- c. Activities. Complete field work to map the nature and extent of the shallow groundwater aquifer on Granby Mesa.
- d. Participants. Project Sponsors, Grand County, shareholders, well permit holders.

3. Vail Ditch Project Participation Agreement

- a. Objective. Develop the detailed agreement for participation in the project.
- b. Timeline. 2007
- c. Activities. Determine allocation of costs between the project Sponsors.
- d. Participants. Grand County, WPWSD, GCWSD #1, River District, Winter Park Ski Area, and the Towns

4. Grand County Streamflow Management Plan

- a. Objective. Determine how the Vail Ditch supplies complement stream flow management plans.
- b. Timeline. Begin 2007
- c. Activities. Coordinate water supply planning
- d. Participants. All

5. Denver Water Issues

- a. Objective. Determine cooperative solutions for Grand County's and Denver's water supply interests in the Fraser River which results in agreement by Denver Water to operate its system to enhance flows in the upper Fraser River using Vail Ditch water.
- b. Timeline. Ongoing, completion tied to Denver's Moffat Project EIS
- c. Activities. Various technical and legal activities including discussions with City of Englewood and Climax regarding operational interests in the Cabin-Meadow Creek system.
- d. Participants. All

Water Supply Yields

The Vail Ditch irrigation supplies have good yield and firm supplies. The Ditch Company's Meadow Creek rights are first in priority on Meadow Creek for approximately 65 cfs of direct diversion. The Headgate #2 on Strawberry Creek can divert all of the Company's Meadow Creek supplies and holds 65 cfs (third priority) on that tributary. In addition, the Company has a contractual right to the first 850 AF of storage in The rights are senior to the "Cameo" water rights in the Grand Valley. State Engineer's records indicate consistent diversion and beneficial use.

The records indicate that the Vail Ditch supplies irrigate approximately 600 acres. Cropping patterns in the area have varied over time. Early on, the diversions irrigated vegetable fields of the Great Western Head Lettuce Company. Even now, Morales Farms grows choice vegetables on Granby Mesa. Still, most of the irrigated acreage under the ditch produces meadow hay.

The project sponsors expect that the transferred water supplies will provide water in the amounts and timing to cover high value and critical uses. Keep in mind that the volumes of shortages in the upper Fraser are relatively small. Even modest amounts of new water supplies will make a difference between depleting stream flows at Winter Park below CWCB minimum flows or not.

Sustainability

The project offers opportunities to develop and use the Vail Ditch supplies in a manner that will add value to the environment and economy of Grand County. The key is to foster an adaptive and cooperative process to integrate the Vail Ditch supplies into Grand County's streamflow management plan. The focus of the

streamflow plan is to develop a sustainable river system in Grand County. The Vail Ditch supplies provide an important element that can potentially help optimize water management and turn several seemingly competing water interests into complimentary solutions.

This project has the following Sponsors:

Winter Park Water and Sanitation District,
Grand County Water and Sanitation District No.1,
Winter Park Ski Area,
Town of Winter Park, and
Colorado River District

Supporters:

Towns of Fraser, Granby, Hot Sulphur Springs, and Kremmling,
Middle Park Water Conservancy District, Trout Unlimited

Discussion:

Water supply shortages in the rapid growing area of many of Colorado headwater areas was identified as a key issue in the Statewide Water Supply Initiative. The Fraiser River and Grand County was identified as a area where a water supply gap exists between current and future water supply needs. Grand County also identified through the Upper Colorado Cooperative Study the need to address nonconsumptive water needs. Available water supplies in the Winter Park/Fraiser growth corridor are a significant challenge.

It is difficult to fully assess the application as it is incomplete and or does not have sufficient detail to fully evaluate the merits of the proposed project. It is clear that there is an important need and that there appears to be a “window of opportunity” to acquire critically needed water supplies. Without a detailed project budget it is unclear what the request funds will be used for. The scope of work as written seems to suggest that the funding is for addressing the logistics of the water right acquisition and possibly for the acquisition itself but the acquisition component is not described in sufficient detail. The activities as described are very general. In addition, there is no specific water supply and water demand information indicating what is to be acquired and for what purposes (i.e., how much supply is acquired and what type and amount of demand is to be meet and where?). The application is unclear as to what the water use(s) is with a Denver Water agreement and is not definitive about such an agreement versus what the water use(s) is without the Denver Water agreement.

In regard to nonconsumptive needs the application states this as a goal but there are no specifics as to how this is to be accomplished and how much water will be dedicated to this purpose. Is an instream flow goal and CWCB instream flow water right being sought?

The proposed project appears to be strong in addressing multiple needs, users and multiple interests and appears to have some potential to reduce conflicts between multiple basins (South Platte and Metro) but the later point is not addressed in the application. It appears that the project would reallocate existing uses rather than seeking to develop new water supplies. Based on the information in the application it appears that the applicant seeks to avoid the negative aspects of transferring agricultural water to other uses but it is unclear if the criteria for sustaining agriculture and open space and some of the SWSI water management objectives (sustain agricultural use, optimize future water supplies, protect cultural values) is accomplished or if the project conflicts with these criteria. The applicant in some cases states that criteria are met but does not

always elaborate on how they are met. Water conservation is mentioned as a component to the UPCO but it is unclear if or how conservation will be integrated into the project.

Issues/Additional Needs:

See issues and needs in the discussion section.

Need additional information on the total quantity of water to be acquired and the expected yield.

There is no assessment and valuation of the water rights. This process needs to be conducted by a qualified independent professional. This person(s) should be identified in the application along with their qualifications.

Need additional detail on applicant and project participants that would receive direct benefits from the project (see page 10 of the criteria and guidelines). Are the project sponsor on page 2 of the application going to receive water from the project? If so who and in what amounts? Is the contact person the project manager?

Need additional detail on study area description (see page 11 criteria and guidelines).

The scope of work should provide more information on the specific deliverables produced under each task.

No budget provided.

No schedule provided.

Need additional information on major deliverables and products.

Need additional information on matching funds and their use relative to the project budget.

A Grand County Stream flow management plan is listed as a task in this application but there also is a separate application for Basin Funds under the same name. Are these the same?

Staff Recommendation:

Grand County interests face a significant challenge securing and managing water resources now and in the future. As growth pressures continue the challenges will undoubtedly grow. It appears that funding for this project is critical and that timing is an issue, but that is not fully articulated in detail as described above. Staff fully supports addressing the important supply needs for the county. Given the critical needs and the timing issues staff recommends funding up to \$1,500,000 contingent on the successful resolution of the items in the discussion, and issues/additional needs sections.