



COLORADO WATER CONSERVATION BOARD



WATER SUPPLY RESERVE ACCOUNT 2007-2008 GRANT APPLICATION FORM

City of Ouray: Development of Augmentation Water Supplies
Gunnison Basin

Name of Water Activity/Project

River Basin Location

\$50,000

☒

Basin Account

☐

Yes

☐

Statewide Account

☐

No

Amount of Funds Requested

Please Check Applicable Box

Approval Letter Signed By
Roundtable Chair and
Description of Results of
Evaluation and Approval
Process

*** For the Basin Account, the Application Deadline is 60 Days Prior to the Bimonthly CWCB meeting. The CWCB meetings are posted at www.cwcb.state.co.us and are generally the third week of the month.**

*** For the Statewide Account, the Application Deadline is 60 Days Prior to the March and September CWCB Board Meetings.**

* In completing the application you may attach additional sheets if the form does not provide adequate space. If additional sheets are attached please be sure to reference the section number of the application that you are addressing (i.e., A.1. etc.).

Instructions: This application form must be submitted in electronic format (Microsoft Word or Original PDF are preferred). The application can be emailed or a disc can be mailed to the address at the end of the application form. The Water Supply Reserve Account Criteria and Guidelines can be found at <http://cwcb.state.co.us/IWMD/>. **The criteria and guidelines should be reviewed and followed when completing this application.** You may attach additional sheets as necessary to fully answer any question, or to provide additional information that you feel would be helpful in evaluating this application. Include with your application a cover letter summarizing your request for a grant. If you have difficulty with any part of the application, contact Todd Doherty of the Intrastate Water Management and Development (Colorado Water Conservation Board) for assistance, at (303) 866-3441 ext.3210 or email Todd at todd.doherty@state.co.us.

Generally, the applicant is also the prospective owner and sponsor of the proposed water activity. If this is not the case, contact the Todd Doherty before completing this application.

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Part A. - Description of the Applicant (Project Sponsor or Owner);

1.	Applicant Name(s):	City of Ouray		
	Mailing address:	C/o Wright Water Engineers, Inc. 1666 N. Main Ave, Suite C Durango, CO 81301		
	Taxpayer ID#:		Email address:	pfooster@wrightwater.com
	Phone Numbers: Business:	(970) 259-7411		
	Home:			
	Fax:	(970) 259-8758		

2. Person to contact regarding this application if different from above:

Name:	Peter Foster, Wright Water Engineers, Inc.
Position/Title	P.E., Engineer for the City of Ouray

3. Provide a brief description of your organization below: see “Description of Applicant” in Part 2 of Criteria and Guidance for required information. See “Description of Applicant” in Part 2 of Criteria and Guidance for required information.

The City of Ouray (Ouray) was incorporated on October 2, 1876. Ouray serves as the county seat for Ouray County.

4. If the Contracting Entity is different then the Applicant (Project Sponsor or Owner) please describe the Contracting Entity here. Not Applicable

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Part B. - Description of the Water Activity – Please Refer to Criteria and Guidance Document for Eligibly Requirements

1. Name of water activity/project:

City of Ouray: Development of Augmentation Water Supplies

What is the purpose of this grant application?

☐

Environmental compliance and feasibility study

☒

Technical Assistance regarding permitting, feasibility studies, and environmental compliance

☒

Studies or analysis of structural, nonstructural, consumptive, nonconsumptive water needs, projects

Study or Analysis of:

☒

Structural project or activity

☐

Nonstructural project or activity

☒

Consumptive project or activity

☐

Nonconsumptive project or activity

☒

Structural and/ or nonstructural water project or activity

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2. Describe how the water activity meets these **Threshold Criteria**.

1. The water activity meets the eligibility requirements outlined in Part 2 of the Criteria and Guidelines.

The applicant is a municipality and the work proposed is for studies regarding the development of augmentation supplies using interruptible water supply contracts and storage; all of which is eligible under SB-06-179.

2. The water activity is consistent with Section 37-75-102 Colorado Revised Statutes. The requirements/language from the statute is provided in Part 3 of the Criteria and Guidelines.

This study is for acquisition of existing water rights and storage facilities for the development of augmentation water supplies in the Upper Uncompahgre River Basin. The work proposed shall not injure vested absolute or conditional water rights and will be in compliance with C.R.S. 37-75-102.

3. The water activity underwent an evaluation and approval process and was approved by the Basin Roundtable (BRT) and the application includes a description of the results of the BRT's evaluation and approval of the activity. At a minimum, the description must include the level of agreement reached by the roundtable, including any minority opinion(s) if there was not general agreement for the activity. The description must also include reasons why general agreement was not reached (if it was not), including who opposed the activity and why they opposed it. Note- If this information is included in the letter from the roundtable chair simply reference that letter.

The grant application was approved by majority by the Gunnison Basin Round Table on March 2, 2009 (see attached letter at the end of application). One member of the Round Table dissented and the letter is attached at the end of the application.

4. The water activity meets the provisions of Section 37-75-104(2), Colorado Revised Statutes. The requirements/language from the statute is provided in Part 3 of the Criteria and Guidelines.

Major findings for the entire state from the Statewide Water Supply Initiative (SWSI) that apply to this project are as follows:

- (1) *To the extent that these identified M & I projects are not successfully implemented, Colorado will see a significantly greater reduction in irrigated agricultural lands as M&I water providers see additional permanent transfers of agricultural water rights to provide for the demands that would otherwise have been met by specific projects and processes.*

The purpose of this project is to provide a firm augmentation water supply for the City of Ouray during severe drought conditions while facilitating continued irrigation of agriculture.

- (2) *Supplies are not necessarily where demands are: localized shortages exist, especially in headwater areas, and compact entitlements in some basins are not fully utilized.*

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One primary source of water supply is the Red Mountain Ditch, which is a transbasin diversion from the under-appropriated Animas River Basin to the over-appropriated Upper Uncompahgre River Basin.

- (3) *The ability of smaller, rural water providers and agricultural water users to adequately address their existing and future water needs, which is significantly affected by their financial capability.*

The aim of this project is to provide a reliable water supply for the City of Ouray during drought periods and allow for continued irrigation in the Uncompahgre River Basin.

The SWSI Water Needs Assessment identified the need for augmentation supplies in Ouray County (see SWSI, Table 6-25, pg. 6-57).

A Water Rights Inventory and a study of Augmentation Alternatives have been developed for the City of Ouray. The goal to develop augmentation supplies without permanent dry-up of irrigated lands and acquisition of storage has been reviewed and approved by the City Council.

3. For Applications that include a request for funds from the Statewide Account, describe how the water activity meets the **Evaluation Criteria**. See Part 3 of Criteria and Guidelines.

This proposal requests funds from the Gunnison Basin account.

4. Please provide an overview of the water project or activity to be funded including – type of activity, statement of what the activity is intended to accomplish, the need for the activity, the problems and opportunities to be addressed, expectations of the participants, why the activity is important, the service area or geographic location, and any relevant issues etc. Please include any relevant TABOR issues that may affect the Contracting Entity. Please refer to Part 2 of Criteria and Guidance document for additional detail on information to include.

Location:

Ouray is located in the Upper Uncompahgre River Basin, Ouray County. The City is located predominantly in Section 31, Township 44 North, and Range 7 West of the New Mexico Principal Meridian. Ouray's water rights are located within Water District 68, Water Division 4. The elevation of the city is 7,811 feet. Based on the Colorado Department of Local Affairs, the estimated population of Ouray in 2007 was 878 people.

For the purposes of this application, the Upper Uncompahgre River reach begins at the headwaters and extends to Ridgway Reservoir. The Lower Uncompahgre River reach begins downstream of Ridgway Reservoir and extends to the confluence with the Gunnison River.

Background:

The City of Ouray has fairly senior water rights with appropriation dates ranging from 1881 to 1885 and adjudicated in 1904. During the 2002 and 2003 droughts, water calls were placed by senior agricultural

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water rights located in both the Upper and Lower Uncompahgre River. During these back to back severe drought years, the diminished flow in the Uncompahgre River resulted in the District 68 Water Commissioner claiming a futile call situation and allowing the City of Ouray to continue to divert water. After a review of available call records, it appears that the City of Ouray Water Rights' are only subject to administration during very dry years such as the 2002-2003 droughts. The Division Engineer, Water Division 4, wrote a letter to the City of Ouray requiring the City to procure an augmentation supply.

The City of Ouray has had contract discussions with Ridgway Reservoir to provide augmentation water for calls emanating from the Lower Uncompahgre River. However, augmentation supplies from Ridgway Reservoir cannot be used to offset depletions during Upper Uncompahgre River Calls. The City has been in contract negotiations with senior irrigation water rights holders in the Upper Uncompahgre River Basin and has found willing sellers of senior water rights.

The historical irrigated land and resulting open space in the Uncompahgre River Valley is an important asset to the local communities of Ouray, Ridgway, Colona and Ouray and Montrose Counties. The City of Ouray has chosen to minimize impacts to irrigated agriculture by focusing on: 1) the purchase of the Red Mountain Ditch, an existing transbasin diversion between the Animas River and the Uncompahgre River, 2) The establishment of interruptible water supply contracts which would allow continued agricultural use by irrigation water rights including the Red Mountain Ditch in wet, average and most dry years and reduce or curtail irrigation uses in severe drought situations and 3) the development of storage in the Upper Uncompahgre River Basin to store consumptive use credits from the Interruptible Supply Contracts and provide augmentation releases.

Water Activity Overview: The proposed water activity includes three tasks, the budgets for the tasks are provided in Table 1.

Water Activity Task 1: Engineering Opinion of Value – Red Mountain Ditch.

Funds are requested to quantify the historical use of the Red Mountain Ditch and provide an engineering opinion of value to purchase the water rights in the ditch. The engineering opinion of value includes cost opinions to: 1) repair the ditch, 2) purchase the ditch and associated water rights, and 3) permitting with federal and local agencies including a change in use with the Division 4 Water Court.

Purpose: The purpose of Water Task 1 is to quantify the historical use of the ditch and develop opinions of costs to enable the City of Ouray to purchase the Red Mountain Ditch, an important source of augmentation water supply.

Need: As discussed above, the Division 4 Engineer has requested the City of Ouray to procure augmentation supplies to protect the City's water rights during very dry years.

Previous studies: A Water Rights Inventory and an Analysis of Augmentation Alternatives have been prepared for the City of Ouray. Both studies have found the use of the Red Mountain Ditch to be initially feasible. Representatives of the City of Ouray have met with the owners Red Mountain Ditch and the owners are willing participants.

Water Activity Task 2: Provide framework for interruptible water supply contracts with irrigators

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in the Uncompahgre River Basin.

Purpose: To provide augmentation water with minimal disturbance to historically irrigated land.

Need: The City of Ouray only needs augmentation supplies during very dry years. The establishment of interruptible supply contracts will allow continued irrigation in the basin while firming the dry year water supply of the City.

Previous Studies/Programs: A Water Rights Inventory and an Analysis of Augmentation Alternatives have been prepared for the City of Ouray. Both studies have found the use of interruptible supply contracts to be a preferred alternative in the development of an augmentation source and minimize the impact to irrigated agriculture. Representatives of the City of Ouray have met with the owners of senior irrigation water rights in the Upper Uncompahgre Basin and have identified willing participants.

Water Activity Task 3: Engineering Opinion of Value and Enlargement Feasibility – Ouray Hydropower Plant Reservoir and Power Facility

Purpose: To provide a storage vessel to store a portion of the historical consumptive use credits from the interruptible supply credits.

Need: The City of Ouray only needs augmentation supplies during very dry years. A small storage reservoir will allow the storage and redistribution of the historical consumptive use credits from the interruptible supply contracts to meet the City's depletion pattern. The use of an existing Hydropower Facility provides a multi-use facility so the City can generate revenue during periods when augmentation supplies are not needed.

Previous Studies/Programs: A Water Rights Inventory and an Analysis of Augmentation Alternatives have been prepared for the City of Ouray. Both studies have found the use of interruptible supply contracts to be a preferred alternative in the development of an augmentation source and minimize the impact to irrigated agriculture. Representatives of the City of Ouray have met with the Owner of the Ouray Hydropower Facility and the owner is a willing participant.

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5. Please summarize the proposed scope of work. Please refer to Part 2 of the Criteria and Guidance document for detailed requirements. On the following page there is an example format for the Scope of Work. You can use the example format or your own format, provided that comparable information is included.

The scope of work should outline by task how the water activity will be accomplished. It is important that the scope of work detail the specific steps, activities/procedures that will be followed to accomplish the water activity and the specific products/deliverables that will be accomplished. The scope of work should include but not be limited to: task description, key personnel, budget, schedule and deliverables and the final report/project documentation upon completion of the water activity.

Task 1 – The historical use of the Red Mountain Ditch will be quantified using accepted engineering methods including a review of diversion records, historical irrigated lands, return flow patterns, and a legal opinion regarding ownership of the water right. Opinions of cost to repair the ditch will be based on field visits, material estimates, and preliminary opinions of cost. The ditch is currently permitted with the U.S. Forest Service (USFS) under a ditch bill easement. Assessing permitting requirements from the USFS will require land use mapping, discussion with the USFS, etc. The engineering opinion of value for the water right will be performed by engineers with knowledge and experience performing valuations of water rights. Estimated Budget: \$20,000.

Task 2 – Negotiations will begin with willing irrigation water rights owners in the Upper Uncompahgre River Valley which have expressed interest in selling water rights or entering into interruptible water supply contracts. The quantification of historical diversion, consumptive use, and return flow patterns will be provided for lands targeted for interruptible supply contracts. Ditch conveyance systems will be reviewed to assess potential problems for third party irrigators from the implementation of interruptible supply contracts. Preliminary contracts with potential water providers will be drafted. The engineering opinions of value for the water right will be performed by engineers with knowledge and experience performing valuations of water rights. Estimated Budget: \$25,000.

Task 3 – The Engineering Opinion of Value and Enlargement Feasibility of the Ouray Hydropower Plant will entail a site visit to inventory and assess the hydropower plant including turbines, generators, penstock and associated controls and the dam facility. The dam and associated storage facility will be reviewed to assess enlargement feasibility and provide opinions of preliminary costs. Conduct meetings with Colorado Division of Water Resources Dam Safety Engineer, Federal Energy Regulatory Commission, Colorado Department of Health and Environment, and the United States Forest Service regarding enlargement concepts, permitting, and easements respectively. A report on the findings will be provided including the Engineering Opinion of Value of the facility, enlargement feasibility, and preliminary opinions of cost and additional work needed. Estimated Budget: \$35,000.

Personnel

City of Ouray

David Masters, The Masters Law Firm, L.L.C.

Wright Water Engineers, Inc.

Colorado River Water Conservation District

Peter Nichols, Trout, Raley, Montano, Witwer, and Freeman

Natural Resource Conservation Service

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Budget

See Table 1 (attached at the end of the application)

Schedule

All three tasks should take between 6 and 9 months to complete after authorization to proceed.

6. Water Availability and Sustainability – this information is needed to assess the viability and effectiveness of the water project or activity. Please provide a description of each water supply source to be utilized for, or the water body to be affected by, the water activity. For water supply sources being utilized, describe its location, yield, extent of development, and water right status. For water bodies being affected, describe its location, extent of development, and the expected effect of the water activity on the water body, in either case, the analysis should take into consideration a reasonable range of hydrologic variation.

The Red Mountain Ditch diverts water from Mineral Creek, which is a tributary of the Animas River. The ditch is considered a transbasin diversion because it diverts water from the Animas River Basin to the Uncompahgre River Basin. Therefore, it is not subject to calls on the Uncompahgre River. The water supply for the ditch was appropriated on August 22, 1945 and decreed on March 21, 1966 for 6 cfs for irrigation purposes. Currently two parties own the Red Mountain Ditch Company and associated water rights. Both parties have expressed interest in selling or leasing the water rights. According to the CDSS diversion records, the yield of the water right is 113 AF during an average year and 34.2 AF during a dry year (2002).

Water users located on the Hosner Brownyard Ditch, the Mineral Point Ditch, and other ditches in the Upper Uncompahgre River Basin have expressed an interest in either selling or entering into interruptible water supply contracts with the City of Ouray. The Hosner Brownyard Ditch Priority 7 and Priority 22 water rights are decreed for 2.94 cfs and 2.5 cfs respectively for irrigation purposes. The Hosner Brownyard Ditch Priority 7 and Priority 22 water rights are pre-Colorado River Compact water rights. The Mineral Point Ditch is decreed for 11 cfs with a September 27, 1956 appropriation date and a March 21, 1966 decree date. The decreed uses include irrigation, domestic, stock, and piscatorial uses.

The Ouray Hydropower Plant and Dam Facility is located on the Upper Uncompahgre River. The Ouray Hydropower Plant was adjudicated in 1942 with an appropriation date of July 1, 1902 for 60 cfs. The operation of the Hydropower Plant and Dam Facility would provide a stable revenue source from the production of power from a renewable resource to assist in the financing of the purchase and enlargement of the facility.

The purpose of this project is to supplement local senior irrigation water rights with transbasin water rights and storage to provide a sustainable water supply during drought conditions. The proposed project uses interruptible supply contracts to allow for continued irrigation of agriculture to promote sustainable agriculture and preservation of pre-Colorado River Compact water rights and open space. A storage reservoir provides a vessel to store historical consumptive use credits to optimize releases to offset the City of Ouray's depletions during shortages.

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7. Please provide a brief narrative of any related or relevant previous studies.

In July of 2006, Wright Water Engineers Inc. authored an Augmentation Alternatives Feasibility Report. The report found that the Red Mountain Ditch and a combination of irrigation water rights located in the Upper Uncompahgre River Valley are a feasible alternative for supplying augmentation water supplies for the City of Ouray. The report emphasized the use of interruptible water supply contracts to minimize reduction of historical irrigated acreage. Development of storage is an integral component to store historical consumptive use credits and provide releases based on the City of Ouray's depletion pattern. Use of an existing hydropower facility will provide a revenue stream during average and wet years that can be used to partly finance the costs of purchase and enlargement of the facility.

The City of Ouray has expended over \$50,000 on direct consulting fees thus far for: 1) Inventorying both water supply and hot spring water rights, 2) developing the water demands and augmentation needs of the Town for current and future growth scenarios, 3) identification of augmentation sources, 4) initial feasibility of augmentation sources and development of a short list of alternatives, 5) development of a emergency substitute water supply plan and review with the Division 4 Engineer, 6) meetings with potential augmentation sources including owners of the Red Mountain Ditch, Hosner Brownyard Ditch, Wolf Land and Cattle Company, and 7) preliminary discussions with USFS on easements and permitting.

8. Additional Information – If you feel you would like to add any additional pertinent information please feel free to do so here.

The use of interruptible water supply contracts are often written about and seldom used sources of water supplies for municipalities. Given the seniority of the City of Ouray's water rights, augmentation water is only needed during very dry years. In addition, historical irrigated acreage and the associated open space are important features in the area. The infrequent demand of the City of Ouray coupled with the desire to preserve historical irrigated acreage and pre-Colorado River Compact water rights provides a solid basis for the use of interruptible water supply contracts to firm Ouray's water rights during very dry years.

The purchase of the Ouray Hydropower Plant and Reservoir Facility has benefits on many levels including developing a storage vessel for historical consumptive use credits during very dry years and providing a source of revenue during average and wet years.

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The above statements are true to the best of my knowledge:

Signature of Applicant: Patrick Rondinelli Digitally signed by Patrick Rondinelli
DN: cn=Patrick Rondinelli, o=City of Ouray, ou, email=rondinellip@ci.
ouray.co.us, c=US
Date: 2009.02.17 10:44:11 -0700

Print Applicant's Name: _____

Project Title: City of Ouray: Development of Augmentation Water Supplies Gunnison Basin

Return this application to:

Mr. Todd Doherty
Intrastate Water Management and Development Section
COLORADO WATER CONSERVATION BOARD
1580 Logan Street, Suite 600
Denver, CO 80203

To submit applications by Email, send to: todd.doherty@state.co.us

Table 1
City of Ouray
Gunnison Basin Round Table
CWCB Water Supply Reserve Account Application
Augmentation Water Supply Development

Task Budget

Task	Name	Budget
Task 1	Red Mountain Ditch - Quantification and Preparation of Opinions of Costs	\$ 20,000
Task 2	Uncompahgre Valley Water Rights - Quantification and Structure Interruptible Water Supply Contracts	\$ 25,000
Task 3	Ouray Hydropower Facility Engineering Opinion of Value and Enlargement Feasibility	\$ 35,000
Total		\$ 80,000

Funding Sources

Gunnison Basin Roundtable	\$ 50,000
Colorado River Water Conservation District	\$ 15,000
City of Ouray	\$ 15,000
Total	\$ 80,000

Match Calculations

CWCB Reserve Account Application

Non Gunnison Basin Round Table Match	\$ 30,000
Match percentage	38%

Total Project Previous and Proposed Expenditures

Funds Expended by the City to date for Development of Water Supplies	\$ 57,129
Total Project Costs	\$ 137,129
Total Match	\$ 87,129
Match percentage	64%

The Gunnison Basin Roundtable

March 13, 2009

Mr. Todd Doherty
Intrastate Water Management and Development Section
COLORADO WATER CONSERVATION BOARD
1580 Logan Street, Suite 600
Denver, CO 80203

Re: Grant Request from the Water Supply Reserve Account
City of Ouray
Develop Augmentation Water Supplies

Dear Mr. Doherty:

This letter is presented to advise you that the grant application submitted by the City of Ouray for \$50,000 from Basin Account funds from the Water Supply Reserve Account for the development of augmentation water supplies for the City of Ouray was reviewed by the Gunnison Basin Roundtable and its Project Screening Committee, recommended for approval by that committee, and approved by a majority vote of the Gunnison Basin Roundtable during our meeting on March 2, 2009.

This water activity meets the provisions of Section 37-75-104(2), Colorado Revised Statutes. The requirements/language from the statute is provided in Part 3 of the Criteria and Guidelines.

Major findings for the entire state from the Statewide Water Supply Initiative (SWSI) that apply to this project are as follows:

(1) To the extent that these identified M&I projects are not successfully implemented, Colorado will see a significantly greater reduction in irrigated agricultural lands as M&I water providers see additional permanent transfers of agricultural water rights to provide for the demands that would otherwise have been met by specific projects and processes.

The purpose of this project is to provide a firm augmentation water supply for the City of Ouray during severe drought conditions while facilitating continued irrigation of agriculture.

(2) Supplies are not necessarily where demands are: localized shortages exist, especially in headwater areas, and compact entitlements in some basins are not fully utilized.

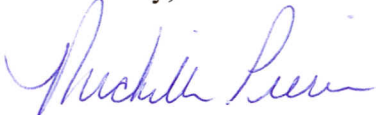
One primary source of water supply is the Red Mountain Ditch, which is a transbasin diversion from the under-appropriated Animas River Basin to the over-appropriated Upper Uncompahgre River Basin.

(3) The ability of smaller, rural water providers and agricultural water users to adequately address their existing and future water needs, which is significantly affected by their financial capability.

The aim of this project is to provide a reliable water supply for the City of Ouray during drought periods and allow for continued irrigation in the Uncompahgre River Basin. The SWSI Water Needs Assessment identified the need for augmentation supplies in Ouray County (see SWSI, Table 6-25, pg. 6-57).

A Water Rights Inventory and a study of Augmentation Alternatives have been developed for the City of Ouray. The goal to develop augmentation supplies without permanent dry-up of irrigated lands has been reviewed and approved by the City Council.

Sincerely,



Michelle Pierce
Chair

Cc: Ralph Grover (e-mail)

From: Steve Glazer [mailto:steve@hccaonline.org]
Sent: Friday, March 13, 2009 2:06 PM
To: Michelle Pierce
Subject: Re: City of Ouray - SB 179 Project Approval - Minority Report

I voted against the proposal by the City of Ouray at the Gunnison Roundtable meeting on 3/2/09 because it will carve into the money the Roundtable has reserved to complete our Needs Assessment responsibilities. I have no objections to the worthiness of the Ouray proposal itself. I just don't want to end up not being able to complete the Non-consumptive Needs Assessment work because we have exhausted the basin funds by allocating them to water supply projects or studies.

Steve Glazer
Environmental Representative, Gunnison Basin Roundtable.