

STATE OF COLORADO

Colorado Water Conservation Board

Department of Natural Resources

1313 Sherman Street, Room 721

Denver, Colorado 80203

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www.cwcb.state.co.us



Bill Ritter, Jr.
Governor

Mike King
DNR Executive Director

Jennifer L. Gimbel
CWCB Director

TO: Colorado Water Conservation Board Members

FROM: Tim Feehan, P.E., Chief
Finance Section

DATE: September 3, 2010

SUBJECT: **Agenda Item 22, September 13-15, 2010 Board Meeting**
Finance Section
Animas-LaPlata (A-LP) State's Pool Allocation Update

Introduction *(This is for information only and no action is necessary)*

This agenda item is to provide the board with some general background information and an update on Animas-LaPlata (A-LP) State's Pool Allocation. Staff will continue to update the Board as necessary

A-LP Study

In the fall of 2009, The CWCB hired Brown and Caldwell (Consultant) to analyze the needs and potential uses within the Animas River basin for A-LP Project water if the State were to purchase its allocation of 10,460 acre feet of supply or 5,230 acre feet of depletions. That study has been completed and is available on the CWCB website for your review.

The State and the Southwestern Water Conservancy District (District) are currently working together to complete Phase II of the A-LP Water Supply and Demand Study. This effort will examine exchange possibilities, compact issues, climate change impacts, operating, maintenance and replacement costs, final cost allocation issues, potential federal statute revisions, financing options, and Tribal concerns. The Consultant is approximately 35% complete with the Phase II Study and will have a final draft report available for review and comment at the November 2010 CWCB Board Meeting.

Bureau of Reclamation – Purchase Agreement

Staff has prepared a draft letter to the Bureau stating its intent to purchase all or a portion of the State's A-LP Project Water, which is attached for your review. In addition, Staff has attended the Bureau's final cost allocation meeting held on June 8, 2010 and will attend the meeting scheduled

for October 5, 2010 in Durango, Colorado. The Bureau anticipates that the final cost accounting will be completed by early 2012. It should be noted that the reservoir has to be full before the project can be finalized. Currently, the Bureau has pumped over 70,000 acre feet into the reservoir and anticipates having a full reservoir by the fall of 2011, which is estimated at 123,000 acre feet.

Based on the Bureau's current final cost figures, the State's estimated capital cost for its 10,460 acre feet supply allocation would be \$27,915,000 or \$2,670 per acre foot. Since the State has not entered into a purchase agreement with the Bureau to-date, the State continues to be responsible for interest during construction, which is currently estimated to be \$7,000,000. The interest during construction cost adds an additional \$670 per acre foot, for a total estimated cost of \$3,340 per acre foot or \$34,915,000

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September 2, 2010

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Western Colorado Area Office
2764 Compass Drive
Grand Junction, CO, 81506

Bill Ritter, Jr.
Governor

Mike King
DNR Executive Director

Jennifer L. Gimbel
CWCB Director

Re: Animas La-Plata Project Contract Negotiations

Dear Carol DeAngelis:

The purpose of this letter is to request that the US Bureau of Reclamation enter into discussions and negotiations with the State of Colorado concerning a repayment contract for all or a portion of the State's statutory allocation of Animas-La Plata Project water. At this time, the State of Colorado is still determining how much of the State's allocation would be addressed under this contract. The CWCB currently has study in progress that is evaluating how the State could use or otherwise market some or all of its 10,460 acre-foot allocation. The study is also looking at State's ability to participate in the Animas-La Plata Operations and Maintenance Association. This study should be completed in time for discussion at the Colorado Water Conservation Board's meeting on November 16-17, 2010.

In addition, the Colorado General Assembly has authorized some funding to be used specifically to acquire water allocated to the State in the Animas La Plata Project.

We believe that the complexity and nature of these negotiations deem it appropriate for the State to initiate discussions and start negotiations on a repayment contract with Reclamation. Colorado's negotiating team would consist of Tim Feehan, Ted Kowalski, Patricia DeCristopher, and Vaughn McWilliams.

Please advise us of any additional steps that we need to take to enter into these discussions and negotiations.

Sincerely,

Jennifer L. Gimbel

cc: Larry Walkoviak