

**Water Supply Reserve Account – Grant and Loan Program
Water Activity Summary Sheet
Agenda Item 27**

Applicant: Lake Durango Water Authority

Water Activity Name: Lake Durango Water Authority – Source Water Improvement Project

Water Activity Purpose: Structural Water Project

County: La Plata

Drainage Basin: La Plata River

Water Source: Las Animas River

Amount Requested: \$1,000,000

Source of Funds: Statewide Account

Matching Funds: \$1,951,000 of estimated project costs through loans via CWCB, CWRPDA, or others.

Staff Recommendation
Staff recommends approval of up to \$500,000 from the Statewide Account per the specified contingencies to help complete the Lake Durango Water Authority – Source Water Improvement Project.

Water Activity Summary:

This project seeks to provide infrastructure to deliver raw water from the Animas La Plata Project (ALP, aka Lake Nighthorse) to Lake Durango Reservoir. Additional source water supply will allow the Lake Durango Water Authority (Authority) to meet its current 1435 tap commitments and to serve existing and projected future demand in the Authority’s geographic service area.

Bikis Water Consulting in cooperation with Russell Planning and Engineering performed a Safe Yield Analysis of existing Authority water rights and a Source Water Evaluation of potential sources of additional water supply. The Safe Yield Report determined that the firm yield of the Authority’s existing water rights are not sufficient to meet the current commitment of 1435 taps; the safe yield is adequate to serve approximately 792 taps in drought conditions. The Source Water Evaluation identified three options for increased water supply: increased storage capacity to capture additional runoff, development of existing Lightner Creek Water rights, and development of a new supply from ALP. The result of the evaluation determined that ALP was the preferred supply alternative.

The ALP water supply alternative includes construction of a 500-gpm pump station at the existing Lake Nighthorse intake structure, a 4,170 foot access road, and a 4.6 mile 8-inch supply pipeline. The pump station and pipeline would be able to convey 780 acre-feet of water annually from Lake Nighthorse to Lake Durango. Overall project cost is estimated to be \$2,951,000 which includes engineering, environmental and permitting costs, infrastructure construction, and the purchase of an initial 100 acre-feet of water.

WSRA funding would be used for engineering and design, environmental and permitting, legal costs, and infrastructure construction.

Threshold and Evaluation Criteria

The application meets all four Threshold Criteria.

The application articulates how the project meets the Evaluation Criteria as summarized below:

Tier 1: Promoting Collaboration/Cooperation & Meeting Water Management Goals & Identified Needs: Lake Durango Water Company (LDWC), now Lake Durango Water Authority, is identified in SWSI as an IPP for

the potential joint project with Durango West Metropolitan District to construct a raw water pipeline. Use of Animas La Plata Project water is also an IPP in SWSI.

Tier 2: Facilitating Water Activity Implementation: A major cause for the establishment of the Authority was the uncertainty in the availability of water to service existing tap commitments and demand in the water system service area. The La Plata County Board of County Commissioners placed a moratorium on new developments and the sale of additional water taps in June 2003. LDWC was unsuccessful in establishing a new water source to satisfy over commitments exacerbated by the severe drought in the years 2002-2003. The size and demographic of the Authority service area make it difficult to fund a complete source water infrastructure project without grant funding. A WSRA grant and low interest loans will make the project economically viable.

Tier 3: The Water Activity Addresses Issues of Statewide Value and Maximizes Benefits: Construction of the ALP supply infrastructure and the purchase of ALP water will allow the Authority to be less dependent on its Pine Ridge Ditch water rights. The Pine Ridge Ditch diverts trans-basin water from the La Plata River to Lake Durango. Authority demand can have the impact of placing the river on call, adversely affecting other water users, and affecting administration of the La Plata River compact with New Mexico. Utilization of ALP project water stored in Lake Nighthorse is complimentary to other CWCB programs.

Discussion:

The proposed project seeks to meet an important municipal need identified in the Southwest Basin Needs Assessment. The project seeks to use water supplies from the Animas-La Plata Project which has been supported by the CWCB. Colorado House Bill (H.B.) 10-1250 authorized the expenditure of up to \$36 million (3 -\$12M million installments) from the Severance Tax Perpetual Base Account towards the purchase of all or portion of the State's 10,460 acre-feet of ALP project water. The bill appropriated the 1st - \$12 million installment, which will become available on June 30, 2011. At the November 2010 Board Meeting, the Board authorized staff to include the 2nd - \$12 million installment in the CWCB 2011 Projects Bill for consideration for appropriation by the General Assembly. CWCB staff is currently negotiating with the Bureau of Reclamation (Bureau) to purchase all or a portion of the State's project water.

In addition, \$1,100,000 of WSRA funds (\$1,000,000 Statewide Account and \$100,000 Southwest Basin Account) were used to design and construct the intake structure in Lake Nighthorse that this proposed project is seeking to use. The intake structure project was approved at the March 2008 board meeting and has been completed by the La Plata West Water Authority in conjunction with the Ute Mountain Ute Indian Tribe and the Southern Ute Indian Tribe. The Lake Durango Water Authority is negotiating with La Plata West Water Authority and the tribes for use of the intake structure.

Due to the magnitude of the proposed project the applicant needs additional funding in the form of loans. The applicant has discussed loan options with CWCB staff as well as preliminary discussions with the Colorado Water Resources and Power Development Authority. Pairing the large amount of requested WSRA funds with a CWCB loan provides an excellent opportunity to effectively use and leverage both CWCB programs to meet an identified water supply need.

Issues/Additional Needs:

Staff recommends that the requested WSRA funds be granted contingent upon the Authority being approved by the CWCB for a loan and executing the loan contract for the remainder of the project's costs as detailed in this agenda item. WSRA funds are also contingent on resolution of legal issues concerning the purchase of ALP water and use of the ALP intake structure.

Staff Recommendation:

Staff recommends approval of up to \$500,000 from the Statewide Account per the specified contingencies to help complete the Lake Durango Water Authority – Source Water Improvement Project.

All products, data and information developed as a result of this grant must be provided to the CWCB in hard copy and electronic format as part of the project documentation. This information will in turn be made widely available to Basin Roundtables and the general public and will help promote the development of a common technical platform. In accordance with the revised WSRA Criteria and Guidelines, staff would like to highlight additional reporting and final deliverable requirements. The specific requirements are provided below.

Reporting: The applicant shall provide the CWCB a progress report every 6 months, beginning from the date of the executed contract. The progress report shall describe the completion or partial completion of the tasks identified in the scope of work including a description of any major issues that have occurred and any corrective action taken to address these issues.

Final Deliverable: At completion of the project, the applicant shall provide the CWCB a final report that summarizes the project and documents how the project was completed. This report may contain photographs, summaries of meetings and engineering reports/designs.

Engineering: All engineering work (as defined in the Engineers Practice Act (§12-25-102(10) C.R.S.)) performed under this grant shall be performed by or under the responsible charge of professional engineer licensed by the State of Colorado to practice Engineering.