

STATE OF COLORADO

Colorado Water Conservation Board Department of Natural Resources

1313 Sherman Street, Room 721
Denver, Colorado 80203
Phone: (303) 866-3441
Fax: (303) 866-4474
www.cwcb.state.co.us



John W. Hickenlooper
Governor

Mike King
DNR Executive Director

Jennifer L. Gimbel
CWCB Director

TO: Colorado Water Conservation Board Members

FROM: Tim Feehan, P.E., Chief
Ted Kowalski, Chief

DATE: January 14, 2011

SUBJECT: **Agenda Item 27, November 24-26, 2011 Board Meeting
Finance Section/Interstate and Federal 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 all or a portion of 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) have been working together to complete Phase II of the A-LP Water Supply and Demand Study. This joint effort examined exchange potentials, compact issues, climate change impacts, operating, maintenance and replacement costs, final cost allocation issues, potential federal statute revisions, financing options, and potential Tribal involvement. The Consultant has completed the final draft of the Phase II Study. Copies of the report are available upon request.

Legislation

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 AL-P project water. The bill appropriated the 1st - \$12 million installment, which will become available on June 30, 2011. At the November 2010 Board Meeting,

Board authorized staff to include the 2nd - \$12 million installment in the CWCB 2011 Projects Bill for consideration for appropriation by the General Assembly. The draft 2011 Projects Bill is included your board packet, under agenda item 16a, Legislation Session Update.

Bureau of Reclamation – Purchase Agreement

In September of 2010, CWCB formally requested by letter that the Bureau enter into negotiations to purchase all or a portion of the State's project water. Those negotiations have commenced. Staff met with the Bureau of Reclamation (Bureau) on December 13, 2010 to informally discuss the contents of the Bureau's standard purchase agreement and to discuss the public negotiation process. A technical meeting to discuss items of concern within the agreement has been set for February 24, 2011, followed by a public negotiation meeting on February 25, 2011. Current items being discussed are; interest during construction (IDC), the future sale and lease of purchased water, additional capital expenditures to address "unforeseen" design and construction issues, dispute and default remedies, and final cost accounting,

It is anticipated 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. Upon completion of the final cost accounting the project will convert from construction to operation and maintenance. This is the point that the Association will assume long term control of the project. Currently, the Bureau has pumped over 75,000 acre feet into the reservoir and anticipates having a full reservoir by the fall of 2011, which is estimated at 120,000 acre feet.

Based on the Bureau's current final cost figures, the Bureau estimates that the State's capital costs for the entire 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 may continue to be responsible for interest during construction, which is currently estimated to be \$7,000,000 for the entire allocation. The interest during construction cost, using the Bureau's assumptions, would add an additional \$670 per acre foot, for a total estimated cost of \$3,340 per acre foot or \$34,915,000.

It is anticipated that agreement negotiations with the Bureau will take six to nine months to complete.