

STATE OF COLORADO

Colorado Water Conservation Board

Department of Natural Resources

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TO: Colorado Water Conservation Board Members

FROM: Tim Feehan, P.E., Assistant Director

DATE: November 9, 2011

SUBJECT: **Agenda Item 18c, November 15-16, 2011 Board Meeting**
Severance Tax Trust Fund Perpetual Base Account
San Luis Valley Irrigation District - Rio Grande Cooperative Project

John W. Hickenlooper
Governor

Mike King
DNR Executive Director

Jennifer L. Gimbel
CWCB Director

Staff Recommendation

Staff recommends that the Board request the General Assembly to authorize up to \$30 million in the 2012 Projects Bill, from the Severance Tax Perpetual Base Account, to fund the Rio Grande Cooperative Project (Cooperative Project).

Introduction

The San Luis Valley Irrigation District (District) serves and delivers water to land located in the San Luis Valley in Alamosa, Rio Grande, and Saguache Counties. Its office is located in Center, Colorado. The District diverts its water from the Rio Grande through the Farmers Union Canal. It also owns and operates Rio Grande Reservoir (Reservoir). The Reservoir is located on the headwaters of the Rio Grande in Hinsdale County, Colorado, with a storage capacity of approximately 54,000 acre-feet (AF). It provides a unique on-stream, pre-compact storage facility available to better manage Colorado's apportionment of water under the Rio Grande Compact (Compact) for the benefit of the State of Colorado, the San Luis Valley, and the river corridor.

At the September 2011 Finance Committee meeting, staff provided Committee members an overview of the Cooperative Project and a potential funding package, which included a presentation by the District and Colorado Parks and Wildlife (CPW). Based on the complexity of the Project and limitations on available funding, the Finance Committee instructed staff to work with the District and CPW to develop a more detailed funding plan and project schedule, and to present those findings at the November 2011 Board Meeting.

Discussion

For the past five years, the District has been evaluating the potential benefits of rehabilitating or enlarging the Reservoir. The District has received approximately \$400,000 in Water Supply Reserve Account grants that funded the "Rio Grande Reservoir Refinement and Enhancement of Reservoir Operations and Optimization Model Study – Phase I," and the "Rio Grande Reservoir Multi-Use Rehabilitation and Enlargement Study – Phase II". These studies confirmed that many of the benefits

associated with an enlarged Reservoir could be achieved with a rehabilitated Reservoir, with no increase in storage capacity.

The Cooperative Project could provide a number of long-term water supply benefits to a wide variety of interests in the basin. The Cooperative Project would develop a comprehensive, efficient water management plan of existing decreed water rights in and out of the Rio Grande Reservoir and to other interconnected storage vessels, and may result in a partnership among all beneficiaries of the Project. The Project involves a complete overhaul of the outlet works, a grout curtain to control seepage, and the reconstruction/enlargement of the spillway, at an estimated cost of \$20M. The District is facing a possible storage restriction, due to spillway and seepage concerns.

Another key component to the success of Cooperative Project is the rehabilitation of Beaver Park Reservoir, currently owned and operated by the CPW. Rehabilitation of Beaver Park Reservoir is vital to protect CPW's pre-compact storage rights. CPW also owns significant transmountain water rights that require storage. Upon developing a storage lease with the District, CPW can both store its transmountain rights in Rio Grande Reservoir, and utilize the rehabilitated Beaver Park Reservoir to store its pre-compact decree rights. Storage and releases of CPW water rights can be optimized between the two reservoirs to maximize streamflow, riparian and wildlife benefits, and provide basin administration that benefits CPW, the Division Engineer and all basin users. The estimated cost to rehabilitate Beaver Park Reservoir is \$10M.

A brief summary of the benefits of the Cooperative Project are summarized as follows:

- Provides storage space to assist the State in administration and management of the river under the Compact to maximize the beneficial use of Colorado's share of water under the Compact for the benefit of the State;
- Provides space for the storage and regulation of transmountain water to meet the growing demand for augmentation water for municipal, domestic, and commercial development in the Basin;
- Provides storage space to CPW for a conservation pool and the storage of its transmountain water to better meet CPW's water demands throughout the Basin;
- Allows for the storage and regulation of decreed direct flow storage to better meet irrigation demands;
- Allows for the re-regulation of flows to better meet recreational and environmental needs; and
- Provides flood protection.

Possible Project Bill Funding Scenario

The total estimated cost to rehabilitate Rio Grande Reservoir is estimated at \$20M, and \$10M to rehabilitate Beaver Park Reservoir, for an approximate total cost of \$30M. There are a number of water providers, including the CPW that would benefit directly from improving these two reservoirs. Additionally, the overall Project would maximize the beneficial use of Colorado's share of water under the Compact and provide a re-regulation of flows to better meet long-term recreational and environmental needs of the basin. The following is a possible funding scenario for the Cooperative Project:

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| • CWCB Loan @ 0% - to CPW | \$10M Loan |
| • CWCB Loan @ 1.75% - to District (Restricted Int. Rate) | \$15M Loan |
| • CWCB Grant - District | <u>\$5M Grant</u> |
| • Totals: | \$30M |

It is proposed that the funding for the Cooperative Project be included in the CWCB 2012 Projects Bill, requesting an amendment to section 39-29-109, C.R.S. (2011), allowing the State Treasurer to transfer from the Severance Tax Trust Fund Perpetual Base Account to the Colorado Water Conservation Board Construction Fund, \$30 million for the planning, design, and reservoir rehabilitation associated with the Rio Grande Cooperative Project.

It is contemplated that \$15 million would be requested for appropriation in fiscal year 2012/13 as part of the 2012 Projects Bill, and the remaining \$15 million requested for appropriation in fiscal year 2013/14, as part of the 2013 Projects Bill. The first \$15 million appropriation would set aside \$10 million for CPW's loan to rehabilitate Beaver Park Reservoir, and a \$5 million grant to the District for the design and initial rehabilitation of Rio Grande Reservoir. The final \$15 million appropriation would provide a \$15 million loan to the District to complete improvements to Rio Grande Reservoir. The amendment to the statute would describe how the funds would be directed (loan/grant) and that the Colorado Water Conservation Board would be responsible for the review and approval of all grant and loans funds pursuant to sections 37-60-122 and 39-29-109, C.R.S. (2011). This would give the Board the flexibility to issue the loan to the District from either the Construction Fund or Severance Tax Trust Fund Perpetual Base Account.