

**Water Supply Reserve Account – Grant and Loan Program  
Water Activity Summary Sheet  
Agenda Item 15b**

**Applicant:** North Delta Irrigation Company

**Water Activity Name:** Tunnel Reconstruction Project

**Water Activity Purpose:** Structural Activity

**County:** Delta

**Drainage Basin:** Gunnison

**Water Source:** Gunnison

**Amount Requested:** \$800,000

**Source of Funds:** \$760,000 Statewide Fund, \$40,000 Gunnison Basin Fund and \$800,000 CWCB Loan

**Matching Funds:** \$800,000 CWCB Loan

<b>Staff Recommendation</b>
Staff recommends approval of up to \$370,000 from the Statewide Account and up to \$40,000 from the Gunnison basin account to help fund the North Delta Irrigation Company's Tunnel Reconstruction Project contingent upon resolution of the items listed in the issues/additional needs section below.

**Water Activity Summary:** The North Delta Irrigation Company (NDIC) is a Colorado Non-Profit Corporation which operates the North Delta Canal which delivers 49.675 CFS from a headgate located east of Austin, Colorado, on the Gunnison River. The North Delta Irrigation Company (Company) is responsible for supplying water to its 174 shareholders for the irrigation of 2,300 acres of agricultural lands. The water is delivered through the North Delta Irrigation Canal. A two-mile stretch of the seventeen mile canal is located along the steep hillside paralleling the Gunnison River, and includes three tunnels. The longest tunnel, 1,450 feet in length, experienced a collapse in July 2011, blocking deliveries to 94% of its shareholders. The remainder of the stretch is open channel ditch that is heavily vegetated, difficult to access and showing signs of instability. This project will repair the collapsed tunnel by installing 1,500 LF of 54" pipe.

**Discussion:** The North Delta Irrigation Company is in clear need of assistance as the century old tunnel that historically delivered water to the majority of the fields has collapsed. Considering that it is March and the irrigation season is quickly approaching, there is a significant probability that these lands would not receive irrigation water during this season without repairing the tunnel.

This application is requesting that grant funds be used for tunnel reconstruction (\$1,210,000) and for piping of the ditch (\$1,140,000). In February, the Gunnison basin roundtable approved funding of up to \$40,000 of basin funds and \$760,000 of statewide funds for the tunnel reconstruction project. Considering that the Gunnison BRT approved an application that was subsequently amended to add the piping work, staff believes that these grant funds should be limited to the tunnel project. If the Applicant would like to receive grant funding for the piping work, staff believes that a new application be developed and presented to the roundtable and then the CWCB for consideration.

It should be noted that the Applicant is requesting that the Board's 60 day application deadline requirement be waived due to the emergency circumstances. Staff believes that a waiver of this requirement is justified for the tunnel reconstruction component to allow the irrigators to receive water this upcoming season. Staff believes that some additional time should be taken to consider the other project improvements, including consideration of other funding options.

**Evaluation Criteria:**

As stated above, the project appears to meet a few of the evaluation criteria for the WSRA program. Namely, agriculture in the Gunnison Basin is identified as an important activity for the basin and this project would help ensure that approximately 2500 acres of irrigated lands stay in production. The applicant did state that these rights have a 1914 adjudication date which makes them pre-Colorado River Compact rights, an important statewide consideration. The most significant criteria that is met is under the "Tier 2: Facilitating Water Activity Implementation." The NDIC is not able to undertake this project without grant funds due to their shareholders inability to take on more debt than the \$800,000 being requested by the CWCB loan program. The applicant's response to how they meet the evaluation criteria is included on the last page of this summary sheet (Exhibit B).

**Issues/Additional Needs:** The Water Supply Planning and Finance staffs have worked closely on this project and believe that more refined cost estimates for this project are necessary prior to contracting for the CWCB loan or the WSRA grant. Currently, the application provides a cost estimate for the tunnel restoration work at \$1,210,000. With a CWCB loan amount of \$800,000, the grant amount necessary to make up the difference is \$410,000 (\$370,000 of Statewide Funds and \$40,000 of Basin Funds) which provides for a loan/grant ratio of approximately 2:1. While this project is necessary and meets some of the evaluation criteria in the WSRA criteria and guidelines, staff feels that it is relatively narrow in the benefits it provides and that a loan/grant ratio of 2:1 is appropriate for this project. Upon receiving a revised cost estimate, if the project is at or below the \$1,210,000 amount, staff recommends that the loan/grant ratio be maintained at a 2:1 ratio or higher. If the cost estimate exceeds \$1,210,000, then staff recommends maintaining the loan amount at \$800,000 and using up to \$800,000 in WSRA funds to make up the difference. If the revised costs estimate exceeds \$1.6 million, then the applicant will need to provide staff with documentation that they have the funds available through other sources to complete the project prior to contracting with the CWCB.

**Reporting and Deliverables:** 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.