

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
Ted Kowalski, Chief

DATE: September 18, 2012

SUBJECT: **Agenda Item 17, September 27-28, 2012 Board Meeting**
Finance/Interstate, Federal and Water Information Section
Animas-La Plata (A-LP) States Pool Allocation – Water Purchase Update

Staff Recommendation

This item is informational only and does not require Board action

Discussion

The Purchase Contract between the State of Colorado (State) and the Bureau of Reclamation (Bureau) was fully executed on June 19, 2012. Pursuant to the terms of the Contract, the State made its initial \$12 million payment to the Bureau on June 20, 2012, which officially stopped any additional interest during construction (IDC) from accumulating. The State is now in an annual repayment contract with the Bureau, with its first annual payment due on June 19, 2013.

Pursuant to the contract, no additional interest will be charged to the State from June 19, 2012 to the State's first payment, due on June 19, 2013. This allows the State, without interest penalty, to establish and finalize the value of the 46-acre tract of land associated with the A-LP Durango Pumping Plant (DPP), which CWCB donated to the Project back in 2002. The value established and credited to the State will then be subtracted from the State's final contractual obligation.

As you are aware, there is currently an additional \$24M available in the Construction Fund to be used towards the purchase of A-LP water. Instead of making annual payments, the State will finalize the amount to be credited on the DPP, establish the amount of funds to remain in a long-term operation, maintenance, and replacement (OM&R) fund, and then make a final payment to the Bureau sometime before June 19, 2013. Staff has had a number of meetings with the Bureau, the Animas La-Plata Water Conservancy District, and the Association to agree on a final footprint of the easement, which will be used to determine value. Based upon discussions with the Bureau, it is staff's hope that reasonable value can be obtained and accepted by the Bureau without having to engaged in a full federal (yellow book) appraisal process. It is anticipated that the easement and its value will be resolved within the next few months.

Association

The State will become a member of the Association upon execution of its Contract with the Bureau and upon acceptance of the State's applicable contract provisions by the Association. As a courtesy, the State has provided copies of its executed Purchase Contract to all Association Members, and formally requested to the Association that it be considered for membership. At the August 13, 2012 Association meeting the Water and Power Authority made a motion to accept CWCB as a member of the Association, which did not move forward for the lack of a second. The Tribes and the San Juan Water Commission still have some remaining issues with the State's Purchase Contract with the Bureau, specifically Section 5 "Allocation and Use of Project Water". Staff is currently working with these members to resolve their issues, which hopefully will occur in the next few months. CWCB is tentatively on the October 2012 Association Meeting agenda for membership consideration.

There are a number of issues currently being discussed among the Association, Southwestern Water Conservation District (District) and the State Engineers Office (SEO). These issues are summarized as follows:

- Engineering and Modeling
- Project Water
- Water Administration/Protocol
- Due Diligence
- Retained Jurisdiction

The CWCB, the Association, the District, and the SEO have set up a number of meetings over the next three months to discuss these issues and to come to an agreement on how to collectively move forward.