

PROJECT 7 WATER AUTHORITY

Rick Brown
Intrastate Water Management & Development Section
COLORADO WATER CONSERVATION BOARD
1580 Logan Street, Suite 600
Denver, CO 80203

May 21, 2007

Rick,

Enclosed is the joint application from the Project 7 Water Authority and the Uncompahgre Valley Water Users Association seeking funds to investigate the feasibility of developing "Off System Raw Water Storage".

We believe the application to be complete and in compliance with all criteria. This application has been presented to and acted on by the Gunnison Basin Roundtable as addressed in Chairperson Michelle Pierces' letter (enclosed).

If there are any questions, please feel free to contact me.

Respectfully,



Richard L. Margetts
Manager

cc: Marc Catlin, UVWUA



DEL-MONT CONSULTANTS, INC.
ENGINEERING ▼ SURVEYING

125 Colorado Ave. ▼ Montrose, CO 81401 ▼ (970) 249-2251 ▼ (970) 249-2342 FAX
www.del-mont.com ▼ service@del-mont.com

April 12, 2007

Dick Margetts, Manager
Project 7 Water Authority
69128 US Highway 50
Montrose, CO 81401

Marc Catlin, Manager
Uncompahgre Valley Water Users Association
601 N. Park Avenue
Montrose, CO 81401

Re: CWCB Application
Feasibility Study – Off-System Raw Water Storage Reservoir

Gentlemen;

Del-Mont Consultants is pleased to submit this application for funding to the Project Screening Committee of the Gunnison Basin Round Table. This project is consistent with 37-75-102 C.R.S. and 37-75-104(2)(c) C.R.S.

Sincerely;

James R. Roberts, P.E.
Vice President



COLORADO WATER CONSERVATION BOARD



WATER SUPPLY RESERVE ACCOUNT 2006-2007 GRANT APPLICATION FORM

Joint Venture, Off-System Raw Water Storage
Project 7 Water Authority/Uncompahgre Valley Water Users Assn

Name of Water Activity/Project

River Basin Location

\$56,700

Amount of Funds Requested

☒

Basin Account

☐

Statewide Account

☒

Yes

☐

No

Please Check Applicable Box

Approval Letter Signed By
Roundtable Chair and
Description of Results of
Evaluation and Approval
Process

*** For the Basin Account, the Application Deadline is 60 Days Prior to the Bimonthly CWCB meeting. The CWCB meetings are posted at www.cwcb.state.co.us and are generally the third week of the month.**

*** For the Statewide Account, the Application Deadline is 60 Days Prior to the March and September CWCB Board Meetings.**

*** In completing the application you may attach additional sheets if the form does not provide adequate space. If additional sheets are attached please be sure to reference the section number of the application that you are addressing (i.e., A.1. etc.).**

Instructions: This application form should be emailed, typed, or printed neatly. The Water Supply Reserve Account Criteria and Guidelines can be found at <http://cwcb.state.co.us/IWMD/>. **The criteria and guidelines should be reviewed and followed when completing this application.** You may attach additional sheets as necessary to fully answer any question, or to provide additional information that you feel would be helpful in evaluating this application. Include with your application a cover letter summarizing your request for a grant. If you have difficulty with any part of the application, contact Rick Brown of the Intrastate Water Management and Development (Colorado Water Conservation Board) for assistance, at (303) 866-3514 or email Rick at rick.brown@state.co.us.

Generally, the applicant is also the prospective owner and sponsor of the proposed water activity. If this is not the case, contact the Rick Brown before completing this application.

Water Supply Reserve Account – Grant Application Form

Form Revised October 2006

Part A. - Description of the Applicant (Project Sponsor or Owner);

1.	Applicant Name(s):	Project 7 Water Authority and Uncompahgre Valley Water Users Association	
	Mailing address:	Project 7 Water Authority 69128 Highway 50 Montrose, CO 81401 970-249-5935	Uncom. Valley Water Users Assoc. 601 N. Park Ave. Montrose, CO 81401 970-249-3813
	Taxpayer ID#:	84-0789217 (P7)	Email address: project7@montrose.net
	Phone Numbers: Business:	970-249-5935 (P7)	
	Home:	970-249-9504 (P7)	
	Fax:	970-249-2511 (P7)	

2. Person to contact regarding this application if different from above:

Name:	Dick Margetts	Marc Catlin
Position/Title	Manager, Project 7	Manager, UVWUA

3. Provide a brief description of your organization below: Refer to Part 2 of criteria and guidance for required Information. Attach additional sheet(s) as needed.

Project 7 Water Authority was formed in 1977 for the purpose of purchasing raw water, treating raw water through a treatment facility, and selling treated water wholesale to six Contracting Parties, the City of Montrose, the City of Delta, the Town of Olathe, Tri-County Water Conservancy District, Chipeta Water District and Menoken Water District. The six Contracting Parties, in turn, deliver water to a total population of 44,500 (21,178 taps). The customer base lies within the Uncompahgre Valley from Ridgway to Delta.

Uncompahgre Valley Water Users Association was established in 1902 as the operating and managing entity for a United States Bureau of Reclamation project designed to provide a season long supply of irrigation water to the agricultural community of the Uncompahgre Valley. The water storage element of the project is Taylor Park Reservoir. The backbone of the delivery system is the 5.8 mile long Gunnison Tunnel and the 11 mile long South Canal, which transfer water from the Gunnison River to the Uncompahgre River.

Water Supply Reserve Account – Grant Application Form

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Part B. - Description of the Water Activity – Please Refer to Criteria and Guidance Document for Eligibly Criteria

1. Name of water activity/project:

Off-System Raw Water Storage Reservoir

2. What is the purpose of this grant application? Check one.

- ☒ Environmental compliance and feasibility study
- ☐ Technical assistance regarding permitting, feasibility studies, and environmental compliance
- ☐ Studies or analysis of structural, nonstructural, consumptive, nonconsumptive water needs, projects, or activities (Please specify)
- ☐ Structural and/or nonstructural water project or activity

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3. Please provide an overview of water project or activity to be funded including – type of activity, statement of what the activity is intended to accomplish, the need for the activity, the problems and opportunities to be addressed, expectations of the participants, why the activity is important, the service area or geographic location, and any relevant issues etc. Please include any relevant Tabor issues. Please refer to Part 2 of criteria and guidance document for additional detail on information to include. Attach additional sheets as needed.

Project 7 Water Authority (P7) and Uncompahgre Valley Water Users Association (UVWUA) are examining the feasibility of constructing a raw water storage reservoir to augment the existing Fairview Reservoir. P7 receives raw water via the Gunnison Tunnel and South Canal with eventual storage in Fairview Reservoir. The water rights are owned by UVWUA, and Fairview Reservoir is owned and operated by P7. The reservoir has a design capacity of 500 acre-feet, but it is estimated that due to siltation and physical constraints only 350-400 acre-feet are actually available.

During the irrigation season the Gunnison Tunnel transports 1000 cfs into the valley, or about 2000 acre-feet per day. In the winter, tunnel delivery is intermittent, serving only Project 7's needs. Under normal circumstances, the tunnel gate is opened for about 1.5 days every two weeks to enable refilling of Fairview Reservoir. Complete shutdown of the tunnel is required each year for tunnel maintenance. The length of time required for shutdown varies from year to year, depending upon specific maintenance required.

In 2006, P7 delivered 9353 acre-feet of treated water to its customers. From October 2006 through January 2007 the average daily production by P7 was 16.2 acre-feet per day. At that rate, should the tunnel be out of service for an extended period of time, 24 days of storage would be available from Fairview Reservoir. Under a best case scenario, a 2001 agreement between P7 and the City of Montrose would allow an additional 7.5 acre-feet per day to be diverted to Fairview from Cerro Reservoir if Cerro is full and excess flow is available. This could possibly, but not likely, extend the Fairview reserve supply to 46 days.

A new reservoir is contemplated for construction in one of the deep draws in the vicinity of Fairview Reservoir and the South Canal on BLM and/or private land. A reservoir capacity sufficient to supply P7 customers with domestic water for up to one full year is the ultimate objective.

Water Supply Reserve Account – Grant Application Form

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4. Please provide a brief narrative of any related or relevant previous studies. Attach additional sheets as needed.

none

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5. Please provide a copy of the proposed scope of work. Please refer to Part 2 of the criteria and guidance document for detailed requirements. Attach additional sheets as needed.

The feasibility study will evaluate several potential sites for suitability and availability for the construction of up to a 10,000 acre-feet reservoir. Site evaluation will include several parameters such as:

- Potential storage volume
- Gravity vs pump either into or out of the reservoir
- Proximity to South Canal and method of transmission
- Proximity to Fairview Reservoir and method of transmission
- Geological/geotechnical issues
- Ownership issues
- Environmental issues
- Water rights issues
- Construction cost
- O&M cost

The project participants, Project 7 Water Authority and Uncompahgre Vally Water Users Association are uniquely qualified for this effort to further their joint venture in providing a reliable source of domestic water to residents of the Uncompahgre Valley.

The tasks involved in performing the feasibility study are:

1. Identify potential sites
2. Perform initial screening of sites with representatives of the project participants
3. Perform detailed evaluation of selected sites
 - a. Feasibility level geological and environmental assessments
 - b. Hydrology study
 - c. Review dam safety criteria/issues with Division of Water Resources
 - d. Identify pumping and transmission requirements
 - e. Evaluate water losses due to transport, evaporation and percolation
 - f. Verify sufficiency of water rights.
 - g. Identify access, maintenance and operational requirements
 - h. Identify project construction and O&M costs
4. Perform comparative analysis of alternatives
5. Prepare draft report for submittal to participants for review and comment
6. Prepare final report for submittal to GBRT
7. Prepare and deliver submittal to CWCB

Upon approval of funding by the GBRT/CWCB, completion of the study is estimated within five months.

Water Supply Reserve Account – Grant Application Form

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6. List the names and addresses of any technical or legal consultants retained to represent the applicant or to conduct investigations for the water activity/project.

Name	Address/Phone Number
James R. Roberts Del-Mont Consultants, Inc.	125 Colorado Ave. Montrose, CO 81401 970-249-2251

Water Supply Reserve Account – Grant Application Form

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7. Water Availability and Sustainability – this information is needed to assess the viability and effectiveness of the water project or activity. Please provide a description of each water supply source to be utilized for, or the water body to be affected by, the water activity. For water supply sources being utilized, describe its location, yield, extent of development, and water right status. For water bodies being affected, describe its location, extent of development, and the expected effect of the water activity on the water body, in either case, the analysis should take into consideration a reasonable range of hydrologic variation. Attach additional sheets as needed.

The UVWUA owns free flow rights in the Gunnison River supplemented by storage rights in Taylor Park Reservoir. Evaluation of existing water rights will be an element of the proposed feasibility study.

8. If you have not specifically and fully addressed the Evaluation Criteria found in Part 3 of the criteria and guidance document please provide additional detail here. Attach additional sheet(s) if needed.

Water Supply Reserve Account – Grant Application Form

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9. Additional Information – If you feel you would like to add any additional pertinent information please feel free to do so here. Attach additional sheets as needed.

See attached:

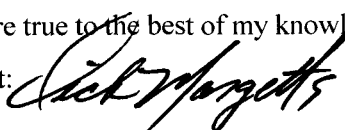
Exhibit A – Evidence of authority to contract with CWCB

Exhibit B – Relationship of project to SWSI Needs Assessment

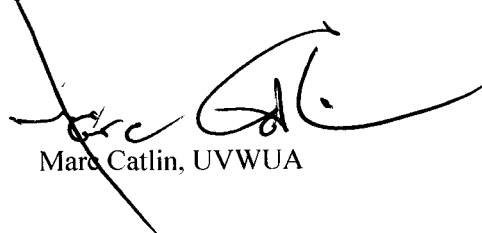
Exhibit C – Engineering Proposal and Basis of Fees

The above statements are true to the best of my knowledge:

Signature of Applicant:



Print Applicant's Name: Dick Margetts, Project 7



Marc Catlin, UVWUA

Project Title: Off-System Raw Water Storage Reservoir

Return this application to:

Mr. Rick Brown
Intrastate Water Management and Development Section
COLORADO WATER CONSERVATION BOARD
1580 Logan Street, Suite 600
Denver, CO 80203

To submit applications by Email, send to: rick.brown@state.co.us

Water Supply Reserve Account – Grant Application Form

Form Revised October 2006

Reference Information

The following information is available via the internet. The reference information provides additional detail and background information regarding these criteria and guidelines and water policy issues affecting our state.

Colorado Water Conservation Board Policies

Loan and Grant policies and information are available at - <http://cwcb.state.co.us/Finance/>

Water Supply Reserve Account Criteria and Guidelines –

http://cwcb.state.co.us/IWMD/tools.htm#Water_Supply_Reserve_Account

Interbasin Compact Committee and Basin Roundtables

Interbasin Compact Committee By-laws and Charter –

<http://dnr.state.co.us/Home/ColoradoWaterforthe21stCentury/Interbasin+Compact+Committee/IbccHomePage.htm>

Basin Roundtable By-laws –

<http://dnr.state.co.us/Home/ColoradoWaterforthe21stCentury/IbccHome.htm>

Legislation

House Bill 05-1177 - Also known as the Water for the 21st Century Act –

<http://cwcb.state.co.us/IWMD/statutes.htm>

House Bill 06-1400 – Adopted the Interbasin Compact Committee Charter –

<http://cwcb.state.co.us/IWMD/statutes.htm>

Senate Bill 06-179 – Created the Water Supply Reserve Account –

<http://cwcb.state.co.us/IWMD/statutes.htm>

Statewide Water Supply Initiative

General Information - <http://cwcb.state.co.us/IWMD/>

Phase 1 Report - <http://cwcb.state.co.us/IWMD/PhaseIReport.htm>

EXHIBIT A

Evidence of Authority to Contract with CWCB

An Act

HOUSE BILL NO. 1211. BY REPRESENTATIVES Hamlin, Hilsmeier, Sears, Showalter, Younglund, Boley, Kirscht, Lucero, Ore, Spano, and Strahle; also SENATORS Woodard, Kadlecek, and P. Sandoval.

AUTHORIZING THE ESTABLISHMENT OF WATER AUTHORITIES.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Part 2 of article 1 of title 29, Colorado Revised Statutes 1973, as amended, is amended BY THE ADDITION OF A NEW SECTION to read:

29-1-203.2. Establishment of separate governmental entity to develop water resources, systems, and facilities. (1) Any combination of municipalities, special districts, or other political subdivisions of this state which are authorized to and do own and operate water systems or facilities may establish, by contract with each other, a separate governmental entity, to be known as a water authority, to be used by such contracting parties to effect the development of water resources, systems, or facilities in whole or in part for the benefit of the inhabitants of such contracting parties or others at the discretion of the board of directors of the water authority.

(2) Any contract establishing such separate governmental entity shall specify:

(a) The name and purpose of such entity and the functions or services to be provided by such entity;

(b) The establishment and organization of a governing body of the entity, which shall be a board of directors in which all legislative power of the entity is vested, including:

Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.

(I) The number of directors, their manner of appointment, their terms of office, their compensation, if any, and the procedure for filling vacancies on the board;

(II) The officers of the entity, the manner of their selection, and their duties;

(III) The voting requirements for action by the board; except that, unless specifically provided otherwise, a majority of directors shall constitute a quorum, and a majority of the quorum shall be necessary for any action taken by the board;

(IV) The duties of the board, which shall include the obligation to comply with the provisions of parts 1, 5, and 6 of this article;

(c) Provisions for the disposition, division, or distribution of any property or assets of the entity;

(d) The term of the contract, which may be continued for a definite term or until rescinded or terminated, and the method, if any, by which it may be rescinded or terminated; except that such contract may not be rescinded or terminated so long as the entity has bonds, notes, or other obligations outstanding, unless provision for full payment of such obligations, by escrow or otherwise, has been made pursuant to the terms of such obligations;

(e) The conditions or requirements to be fulfilled for adding or deleting parties to the contract in the future or for providing water services to others outside the boundaries of the contracting parties.

(3) The general powers of such entity shall include the following powers:

(a) To develop water resources, systems, or facilities in whole or in part for the benefit of the inhabitants of the contracting parties or others, at the discretion of the board of directors, subject to fulfilling any conditions or requirements set forth in the contract establishing the entity;

(b) To make and enter into contracts;

(c) To employ agents and employees;

(d) To acquire, construct, manage, maintain, or operate water systems, facilities, works, or improvements or any interest therein;

(e) To acquire, hold, lease (as lessor or lessee), sell, or otherwise dispose of any real or personal property utilized only for the purposes of water treatment, distribution, and waste

water disposal;

(f) To condemn property for use as rights of way only if such property is not owned by any public utility and devoted to such public use pursuant to state authority;

(g) To incur debts, liabilities, or obligations;

(h) To sue and be sued in its own name;

(i) To have and use a corporate seal;

(j) To fix, maintain, and revise fees, rates, and charges for functions, services, or facilities provided by the entity;

(k) To adopt, by resolution, regulations respecting the exercise of its powers and the carrying out of its purpose;

(l) To exercise any other powers which are essential to the provision of functions, services, or facilities by the entity and which are specified in the contract;

(m) To do and perform any acts and things authorized by this section under, through, or by means of an agent or by contracts with any person, firm, or corporation;

(n) To permit other municipalities, special districts, or political subdivisions of this state which are authorized to supply water to enter the contract at the discretion of the board of directors, subject to fulfilling any and all conditions or requirements of the contract establishing the entity; except that rates need not be uniform between the authority and the contracting parties;

(o) To provide for the rehabilitation of any surfaces adversely affected by the construction of water pipelines, facilities, or systems through the rehabilitation of plant cover, soil stability, and other measures appropriate to the subsequent beneficial use of such lands;

(p) To justly indemnify property owners or others affected for any losses or damages incurred, including reasonable attorney fees or that may subsequently be caused by or which result from actions of such corporations.

(4) The separate governmental entity established by such contracting parties shall be a political subdivision and a public corporation of the state, separate from the parties to the contract. It shall have the duties, privileges, immunities, rights, liabilities, and disabilities of a public body politic and corporate. The provisions of article 10.5 of title 11, C.R.S. 1973, shall apply to moneys of the entity.

(5) The bonds, notes, and other obligations of a water authority formed under the provisions of this section shall not be the debts, liabilities, or obligations of the original contracting parties or parties which may enter the establishing contract in the future.

(6) The contracting parties may provide in the contract for payment to the separate governmental entity of funds from proprietary revenues for services rendered by the entity, from proprietary revenues or other public funds as contributions to defray the cost of any purpose set forth in the contract, and from proprietary revenues or other public funds as advances for any purpose subject to repayment by the entity.

(7) (a) To carry out the purposes for which the separate governmental entity was established, the entity is authorized to issue bonds, notes, or other obligations payable solely from the revenues derived from the function, service, system, or facility or the combined functions, services, systems, or facilities of the entity or from any other available funds of the entity. The terms, conditions, and details of said bonds, notes, and other obligations, the procedures related thereto, and the refunding thereof shall be set forth in the resolution authorizing said bonds, notes, or other obligations and, as nearly as may be practicable, shall be substantially the same as those provided in part 4 of article 35 of title 31, C.R.S. 1973, relating to water and sewer revenue bonds; except that the purposes for which the same may be issued shall not be so limited and except that said bonds, notes, and other obligations may be sold at public or private sale. Bonds, notes, or other obligations issued under this subsection (7) shall not constitute an indebtedness of the entity or the cooperating or contracting parties within the meaning of any constitutional or statutory limitations or other provision. Each bond, note, or other obligation issued under this subsection (7) shall recite in substance that said bond, note, or other obligation, including the interest thereon, is payable solely from the revenues and other available funds of the entity pledged for the payment thereof and that said bond, note, or other obligation does not constitute a debt of the entity or the cooperating or contracting parties within the meaning of any constitutional or statutory limitation or provision. Notwithstanding anything in this section to the contrary, such bonds, notes, and other obligations may be issued to mature at such times not beyond forty years from their respective issue dates, shall bear interest at such rates, and shall be sold at, above, or below the principal amount thereof, all as shall be determined by the board of directors of the entity.

(b) The resolution, trust indenture, or other security agreement under which any bonds, notes, or other obligations are issued shall constitute a contract with the holders thereof, and it may contain such provisions as shall be determined by the board of directors of the entity to be appropriate and necessary

in connection with the issuance thereof and to provide security for the payment thereof, including, without limitation, any mortgage or other security interest in any revenues, funds, rights, or properties of the entity. The bonds, notes, and other obligations of the entity and the income therefrom shall be exempt from taxation by this state, except inheritance, estate, and transfer taxes.

(8) A separate governmental entity established by contract, if the contract so provides, shall be the successor to any nonprofit corporation, agency, or other entity theretofore organized by the contracting parties to provide the same function, service, system, or facility, and such separate governmental entity shall be entitled to all rights and privileges and shall assume all obligations and liabilities of such other entity under existing contracts to which such other entity is a party.

(9) The authority granted pursuant to this section shall in no manner limit the powers of governments to enter into intergovernmental cooperation or contracts or to establish separate legal entities pursuant to the provisions of section 29-1-203 or any other applicable law or otherwise to carry out their powers under applicable statutory or charter provisions, nor shall such authority limit the powers reserved to cities and towns by section 2 of article XI of the state constitution. Nothing in this part 2 constitutes a legislative declaration of preference for water systems or facilities owned by separate governmental entities over water systems owned by other or different entities.

SECTION 2. Safety clause. The general assembly hereby

finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Ronald H. Strahle
SPEAKER OF THE HOUSE
OF REPRESENTATIVES

Fred E. Anderson
PRESIDENT OF
THE SENATE

Lorraine F. Lombardi
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

Marjorie L. Rutenbeck
SECRETARY OF
THE SENATE

APPROVED _____

Richard D. Lamm
GOVERNOR OF THE STATE OF COLORADO

CONTRACT ESTABLISHING THE PROJECT 7
WATER AUTHORITY
AS A SEPARATE GOVERNMENTAL ENTITY

CERTIFIED TRUE COPY

Wella A. Hoff
Notary Public
My commission expires: 1/12/
May 1, 1984

This Contract establishing the PROJECT 7 WATER AUTHORITY made and entered into this 29th ^{September} day of August, 1977, by and among the parties to this contract which are the CITY OF DELTA, COLORADO, a municipal corporation of the State of Colorado ("Delta"), the CITY OF MONTROSE, COLORADO, a municipal corporation of the State of Colorado ("Montrose"), the TRI-COUNTY WATER CONSERVANCY DISTRICT, Montrose, Colorado, a Water Conservancy District of the State of Colorado ("Tri-County") and the TOWN OF OLATHE, COLORADO, a municipal corporation of the State of Colorado ("Olathe"); when specificity is not required, the individual parties hereto will be hereinafter referred to as a "Contracting Party" and all of such parties will hereinafter be collectively referred to as the "Contracting Parties",

W I T N E S S E T H :

WHEREAS, the Contracting Parties each own and operate water systems or facilities which supply treated water at retail to users located within the boundaries of the Contracting Parties, and

WHEREAS, each of the Contracting Parties either own adjudicated water rights or have contracted or are about to contract for the purchase or lease of raw water supplies, and

WHEREAS, the Contracting Parties now desire, pursuant to the provisions of CRS 1973, 29-1-203.2 ²⁰⁴ to establish a water authority as a separate governmental entity to purchase raw water, treat raw water through a treatment facility to be acquired and constructed by the Authority and to deliver such treated water to the Contracting Parties, and others, including but not exclusively the Menoken Water ^{DIST} Company, Montrose County, Colorado, and the Chipeta Water Company, ^{DIST} Montrose County, Colorado, through transmission lines to be acquired and constructed by the Authority.

NOW, THEREFORE, the Contracting Parties agree as follows:

1. Effective Date: This contract shall become effective when it has been duly executed on behalf of all the Contracting Parties.
2. Establishment of Project 7 Water Authority: The Contracting Parties do hereby establish a separate governmental entity to be known as Project 7 Water Authority ("Authority"), to be used by the Contracting

Parties to effect the treatment of raw water and the transmission thereof for the benefit of the inhabitants of the Contracting Parties and others.

2.1 Purpose: The purpose of the Authority is to conduct its business and affairs for the benefit of the Contracting Parties and their inhabitants and to provide at wholesale the treated water requirements of the Contracting Parties and others as hereinabove set forth.

2.2 Function or Service: The function or service to be provided by the Authority is the supplying of the wholesale treated water by:

- (a) Purchasing raw water from the Contracting Parties, the Uncompahgre Valley Water Users Association, Montrose, Colorado, and from other parties with whom the Authority contracts to furnish treated water.
- (b) Acquiring, constructing, owning, reconstructing, improving, rehabilitating, repairing, operating and maintaining water treatment plant or plants and water transmission systems or interests therein for the purpose of delivering raw water to the treatment facilities and treated water from the treatment facilities to Contracting Parties or others.
- (c) Selling at wholesale to the Contracting Parties or others, including but not exclusively, the said Menoken Water Company and Chipeta Water Company, treated water.
- (d) On recision or termination of this contract to vest all right, title or interest of the Authority in or to all of its property and assets in the Contracting Parties.

3. Board of Directors: The governing body of the Authority shall be a Board of Directors in which all legislative power of the Authority is vested.

3.1 Number: The number of Directors shall be five (5).

3.2 Appointment: The governing body of each of the Contracting Parties shall appoint one principal member and one alternate member to the Board of Directors. The four (4) members of the Board of Directors so appointed shall select the fifth principal member and the fifth alternate member to the Board of Directors who shall both reside within the boundaries of one of the Contracting Parties. Such alternate member shall act and vote only in the absence of the principal member appointed by the same body.

3.3 Term: Except as herein provided, each Director shall serve at the pleasure of the governing body of the Contracting Party by whom he was appointed. The fifth Director who is selected by the four (4) Directors appointed by the Contracting Parties shall serve for a term of two (2) years.

3.4 Vacancies: A vacancy occurring in the Board of Directors, whether such vacancy be the result of resignation, death, removal or disability

EXHIBIT B

Relationship of Project to SWSI Needs Assessment

have access to a physical supply of water through wells or small creeks. However, now that the Gunnison River Basin has been deemed over-appropriated by the Division of Water Resources, many users will need to develop sources of augmentation to provide legal protection against downstream senior water rights year-round. Although the current rural demand for augmentation water is estimated to be relatively small, there are many domestic water users that are at risk of being out of priority and curtailed. In addition, an assessment is needed to quantify the future demand for augmentation water storage in headwaters areas as growth pressures continue and more rural subdivisions are developed in the basin. Limitations on supply should be investigated based upon an analysis historical minimum supply conditions (e.g., during the drought of 2002 – 2004).

Task 3: Basinwide – Identify vulnerabilities to water supply shortages of Gunnison Basin municipalities.

Background: SWSI Phases I and II identified several municipalities in the Gunnison Basin that may not have the drinking water security and level of system redundancy that is recommended to protect against unforeseen shortages. These shortages could be drought related, infrastructure related and/or system related. Several significant examples exist in Gunnison Basin, including but not limited to the Towns of Ridgway (0.4 day treated water supply), Ouray (0.5 day treated water supply), Orchard City (not known), Hotchkiss (not known), Paonia (not known). One of the larger providers, the Project 7 system in Uncompahgre basin has only an estimated 30 day treated water supply. This drinking water treatment and distribution system is particularly important and potentially vulnerable as it serves up to ~~8000~~ ^{21,178} water taps, including 38,000 water users in 3 counties and is reliant on the Gunnison Tunnel as its predominant supply. If an extended outage occurs in this system, 38,000 people are at risk. Furthermore, this analysis should be performed using historical demand conditions related to minimum supply conditions as appropriate (e.g., during the drought of 2002 – 2004).

Task 4: Basinwide - Perform an independent review of the agricultural shortages identified in the SWSI report by enhancing spatial resolution, extending the period of record to include the recent extremely dry period of 2002-2004.

Background: The estimates of agricultural demand in the Gunnison Basin presented in the SWSI report should be reviewed for accuracy and as to the methodology that was used. It is believed that irrigation demands and irrigation shortages have been underestimated. The consequences of underestimating these amounts are two-fold: First, the need for additional water storage in the Gunnison Basin would be understated, and second, an understatement of agricultural shortages gives the impression that there may be water available for new appropriations when, in fact, there is not. It is important that the analysis be performed for stream segments where known critical shortages in water supply occur. It is important that this analysis be performed using historical records related to minimum supply conditions as appropriate (e.g., during the drought of 2002 – 2004).

VICTOR T. ROUSHAR
ATTORNEY AT LAW
P.O. Box 327
144 SOUTH UNCOMPAGRE AVENUE
MONTROSE, COLORADO 81402-0327

April 12, 2007

Rick Brown
Colorado Water Conservation Board
1313 Sherman Street
Denver, CO 80203

Re: Uncompahgre Valley Water Users
Association

Dear Mr. Roberts:

I am the attorney for the Uncompahgre Valley Water Users Association.

The Association is a non-profit corporation in good standing as shown by the records of the Colorado Secretary of State and has been in existence for more than 100 years.

The Association maintains its principal office at 601 North Park Avenue, Montrose, Colorado, 81401 and is the operating entity by virtue of a written agreement between the United States Bureau of Reclamation dated December 13, 1948 for that certain irrigation project, consisting of the Gunnison Tunnel, Taylor Park Dam and Reservoir and other works and structures which deliver irrigation water to approximately 80,000 acres of land in Montrose and Delta Counties.

The Association has the power and authority to contract with the State of Colorado and any of its political subdivisions, the United States of America, and any of its political subdivisions, and private persons, corporations, or other entities.

If you need any other information, please advise.

Very Truly Yours,



Victor T. Roushar

VTR:tmt

xc: Marc Catlin, U.V.W.U.A.

EXHIBIT C

Engineering Proposal and Basis of Fees



DEL-MONT CONSULTANTS, INC.
ENGINEERING ▼ SURVEYING

125 Colorado Ave. ▼ Montrose, CO 81401 ▼ (970) 249-2251 ▼ (970) 249-2342 FAX
www.del-mont.com ▼ service@del-mont.com

April 12, 2007

Dick Margetts, Manager
Project 7 Water Authority
69128 US Highway 50
Montrose, CO 81401

Marc Catlin, Manager
Uncompahgre Valley Water Users Association
601 N. Park Avenue
Montrose, CO 81401

Re: Civil Engineering Proposal
Feasibility Study – Off-System Raw Water Storage Reservoir

Gentlemen;

Del-Mont Consultants is pleased to submit the enclosed proposal to provide civil engineering services to determine the feasibility of constructing a raw water storage reservoir to enhance the reliability of the water supply to the Project 7 Water Authority. We understand that the Authority supplies drinking water to over 44,000 people in the urban and rural communities from Delta to south of Ridgway. The current raw water storage (Fairview Reservoir) capacity is 400 acre-feet, or just over three weeks reserve at winter production rates at the water treatment plant. The primary source of supply to the reservoir is the Gunnison Tunnel which operates continuously during the irrigating season, and intermittently during the off season as needed to refill Fairview Reservoir.

The annual plant output is in excess of 9000 acre-feet, and a reservoir approaching that capacity would be desirable in the event of a catastrophic tunnel failure.

PROJECT TEAM

The Del-Mont project team will include Jim Roberts, P.E., vice president of Del-Mont Consultants serving as Project Manager, Dennis Lambert, P.E., Lambert and Associates (geotechnical review), Brad Kieding, Walsh Environmental Scientists and Engineers (environmental review), and Pete Foster, P.E., Wright Water Engineers (water rights review).

SCOPE OF SERVICES

We propose to perform a feasibility study as defined by the following scope of services:

Task 1 – Identify Potential Sites

The rough terrain in the vicinity immediately south and east of Fairview Reservoir offers what would appear to be several potential reservoir sites. The high ridges are conducive to deep reservoirs with substantial volume potential. Upon initial inspection, there are 3 or 4 potential sites above the South Canal and another 3 or 4 sites below the South Canal.

Task 2 – Perform Initial Screening

Order of magnitude earthwork volumes and prospective storage volumes will be determined for all sites, and presented to the project proponents for initial screening. The most promising two or three sites will be identified for detailed study.

Task 3 - Perform Detailed Evaluation of Selected Sites

Detailed evaluation will involve field and office investigations and analysis of the selected sites. Specific areas of concentrated study are:

3.a. Geotechnical Considerations

A feasibility level geotechnical analysis will focus on the review of site characteristics as outlined in the Colorado Geologic Survey Special Publication #6 which includes, as applicable:

- Avalanche
- Landslide
- Rockfall
- Mudflow
- Debris Fan
- Unstable Slopes
- Potentially Unstable Slopes
- Seismic Effect
- Radioactivity
- Ground Subsidence, and
- Expansive soil and rock

The study effort will include a review of existing literature, geologic and topographic information. The review will include the best available topographic maps of the potential sites and recent aerial photograph stereo pairs for each site.

The study process will begin with a defect finding phase which would rule out a site from further consideration. The second phase would be an effort to determine the geotechnical engineering adequacy of the site for additional study.

The proposed budget does not include subsurface information obtained with a drill rig or backhoe and laboratory testing.

3.b. Environmental Considerations

A preliminary site assessment of potential sites will be performed for identification of environmental issues that could be relevant to site selection. Included in this section will be BLM permitting requirements for sites partially or wholly on BLM land. The scope of the preliminary assessment will be to identify the presence of jurisdictional wetlands and any other flora or fauna that may trigger permitting and mitigation. Actual wetland delineations will not be done.

3.c. Dam Safety Considerations

We will have preliminary discussions with the Division of Water Resources Dam Safety Engineer to make a preliminary assessment of factors pertaining to dam design such as:

- Hazard Classification
- Hydrology
- Embankment Design
- Spillway Design
- Outlet Structure Design



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Each potential site will require an order of magnitude determination of structure costs that will be heavily influenced by dam safety requirements.

3.d. Pumping and Transmission Requirements

Each site will be evaluated for means of transporting water from the South Canal to the reservoir, and from the reservoir to either Fairview Reservoir or directly to the water treatment plant. A desired secondary benefit to the reservoir is release to the UVWUA delivery system. The Water Users office will be consulted for guidance in determining the most effective means of making such releases either back into the South Canal or into one or more of the system laterals.

Many, if not all, of the potential sites will require pumping either into or out of the reservoir. Pumping and release rates will be estimated from requirements supplied by Project 7 and UVWUA, and pipelines, pumps and control structures sized accordingly.

Transport system alignments will be determined along with easement/right-of-way needs.

An initial assessment will be made of power supply and operation and maintenance requirements associated with each site.

3.e. Water Rights Considerations

We will meet with UVWUA personnel to develop an understanding of water rights currently owned by the UVWUA and used by Project 7 for potable water treatment. The review will include the Gunnison Tunnel decree and applicable exchange decrees.

The objective of this phase of the study is to be able to state an engineering opinion on the use of the water rights for the proposed reservoir, and to confirm the yield of the existing water for the potential reservoir.

We will also review or "brainstorm" additional water rights strategies to improve and enhance the water supply for Project 7 and the UVWUA, and provide engineering recommendations on additional water rights filings, if appropriate.

3.f. Cost Considerations

We will develop an opinion of construction and O&M costs associated with each alternative. Costs will be order of magnitude as best as can be determined without more extensive study.

Existing land ownership and costs associated with acquisition, permitting, or lease will be an element of the cost analysis.

Task 4 – Perform Comparative Analysis of Alternatives

Alternative sites will be compared and ranked, with cost being the primary factor. Costs will be expressed both as total cost and cost per acre-foot.

Task 5 – Report Preparation

A draft report will be prepared and submitted to the project participants for review and comment. A pre-final draft will then be forwarded to the Gunnison Basin Round Table for further comment. A final draft will then be submitted to the Colorado Water Conservation Board.



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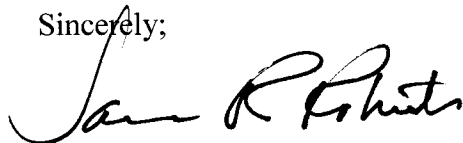
FEES

We will provide the services described herein for the following fee amounts. The services described above will be provided on a lump sum basis. The breakdown is provided for information only, and is not intended to represent a separate contract amount for each phase of the work.

Task 1 – Identify Potential Sites	\$4,500
Task 2 – Initial Screening	\$1,200
Task 3 – Detailed Evaluation	
3.a. Geotechnical	\$9,500
3.b. Environmental	\$7,500
3.c. Dam Safety	\$5,700
3.d. Pumping and Transmission	\$6,500
3.e. Water Rights	\$7,000
3.f. Opinion of Costs	\$7,200
Task 4 – Comparative Analysis	\$2,000
Task 5 - Report	<u>\$5,600</u>
Total Lump Sum Fee	\$56,700

The cost of our services will be invoiced monthly. Invoices are due and payable within 30 days. As is our usual practice, we reserve the right to charge interest at 1.5% per month on past due accounts and we reserve the right to stop work. Please call if you have any questions. We are available to discuss our proposal in detail if so desired.

Sincerely;



James R. Roberts, P.E.
Vice President

Agreed:

By: _____

Date: _____



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PROJECT 7 WATER AUTHORITY RAW WATER STORAGE

Project 7 receives raw water via the Gunnison Tunnel and South Canal with eventual storage in Fairview Reservoir. Although Project 7 does not own the water, they do own and operate Fairview.

Cerro Reservoir is located near Cerro Summit east of Montrose on Highway 50. Cerro is owned and operated by the City of Montrose.

Cerro Reservoir receives water seasonally from the Bostwick Park Water Conservancy District via the Cimarron Ditch. Currently Project 7 and the City of Montrose have agreed to hold Cerro as a back-up source.

The City will fill Cerro in the fall prior to the Cimarron "shut down". In the spring the City will allow any excess flow to flow down into Fairview Reservoir via a line owned and operated by the City. This arrangement has been in place since September 11, 2001.

Fairview Reservoir was designed to store 500 acre ft, but it is estimated that due to siltation and physical constraints only 350-400 acre ft are available. Cerro Reservoir has a design capacity of 800 acre ft, but is estimated to only have approximately 600 acre ft available.

Further, due to line sizes, Cerro is only capable of delivering approximately 7.5 acre ft/day to Fairview (2.5 MGD). The average daily production from the Water Treatment Plant over the past four months (October 06 – January 07) has been 5.44 MGD or approximately 16.2 acre ft/day.

The 400 acre ft from Fairview at 16.2 acre ft/day will provide 24-25 days storage. Obviously, if Cerro is 100% full and we can utilize 7.5 acre ft/day from Cerro, Fairview must still produce 8.7 acre ft/day or 46 days of storage.

The above scenario describes an ideal situation with both reservoirs full. It is not a likely scenario. Should the Gunnison Tunnel fail or not be available to deliver water to the South Canal, 24 days storage at our current average winter day flow is what is available from Fairview.