

Rio Grande Inter-Basin Roundtable
c/o San Luis Valley Water Conservancy District
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July 19, 2013

Mr. Michael King, Executive Director
Colorado Department of Natural Resources

Ms. Rebecca Mitchell, Section Chief
Water Supply Planning Section
Colorado Water Conservation Board

Reference: Continental Dam & Spillway Restoration Project
Santa Maria & Continental Reservoir Company

Gentlemen:

The Rio Grande Inter-Basin Roundtable (R.G.R.T) has determined that the single, most critical water issue confronting the Rio Grande Basin (Basin) is the current unsustainable management of surface and ground water. The R.G.R.T. has made the decision that water activities that address this issue be favorably considered for funding from the Water Supply Reserve Account, SB 2005 -179 (WSRA Funds), providing the proposed water activities meet the SWSI findings for the Basin and the CWCB & IBCC Criteria and Guidelines for funding.

The **Continental Dam & Spillway Restoration Project** (Project) is the second phase of a larger rehabilitation of the Santa Maria and Continental Reservoirs in Hinsdale County, Colorado. The overall rehabilitation is the result of a broad engineering and feasibility study that was partially funded by the WSRA some 5 years ago, and is a demonstration of how WSRA funds were envisioned to be made available for essentially scoping and project definition followed by subsequent on-the-ground projects. The rehabilitation has been divided into two phases to better accommodate funding and construction management.

Santa Maria Reservoir (Santa Maria) is located in the crater of an old volcano. The reservoir was constructed in 1910 and is operated in conjunction with Continental Reservoir (Continental) by the Santa Maria Reservoir Company (SMR). Santa Maria receives regulated discharges from Continental Reservoir through a century-old conveyance system of a pipeline, a siphon and an open ditch. Prior approved WSRA funds (\$463,750 and a CWCB Loan of \$1,405,000) will be used to upgrade this conveyance system by rehabilitating and stabilizing the siphon and implementing critical repairs to the canal (Phase 1). The second phase of rehabilitating these reservoirs is to replace the spillway on Continental's dam and address seepage through the left abutment of the dam. This Phase 2 Project will lift storage restrictions on the reservoir, from 15,000 acre-feet to the original design capacity of 26,700 acre-feet.

Ninety percent of the water managed by SMR goes through the Rio Grande Canal, serving some of the best water rights in the San Luis Valley. The remaining 10% goes through the Monte Vista Canal. SMR has 5,400 shares of outstanding stock, mostly split in groups of 10 shares, with 225 stockholders. A total of 70,000 acres are irrigated by this two-reservoir system.

Both Continental and Santa Maria play a major role in providing the necessary water needed to keep the agricultural entities of the Rio Grande Basin operating and maintaining economic growth and stability. Thus, the inability of these reservoirs to store and supply their capacity of water could greatly impact the economic growth and stability of the San Luis Valley (SLV). It is important that Continental can store at its full storage capacity to meet the critical role that both Continental and Santa Maria play for the entire Rio Grande watershed and in assisting the state in meeting its Rio Grande Compact obligations.

The Rio Grande Basin is currently experiencing a serious drought, existing water supplies are over appropriated, the SLV's unconfined aquifer is critically depleted, and the State needs to meet its Rio Grande Compact obligations. Without the much needed repairs to Continental, the Rio Grande Basin will be hindered in meeting tomorrow's water needs.

By the Project addressing the problems at Continental multiple consumptive and non-consumptive needs are being met:

- It supports DWR's management of Colorado's Rio Grande Compact water.
- It helps improve water management in the upper Rio Grande watershed by allowing cooperative management with the other reservoirs in the Basin;
- It will improve SMRC's ability to meet the water needs its shareholders who are irrigators in the SLV;
- It will provide more storage for the upcoming and existing Sub-districts so they can replace stream depletions to the Rio Grande caused by groundwater use in the SLV;
- It improves flood control;
- It will preserve the wildlife habitat found in and around Continental Reservoir.
- It enhances the reservoirs popular year-round recreational uses, including: fishing, boating, ice fishing, snowmobiling, hiking, camping, duck and geese hunting in the fall, horseback riding, archery, and cross country skiing;

The Request for WSRA funding is shown below, together with all sources of funding for the Project:

Total Project Cost	\$ 4,055,000	
CWCB Loan Request	\$ 3,071,600	75% of the total project cost
WSRA (Basin)	\$ 51,000	5% Basin match to Statewide request
WSRA (Statewide)	\$ 962,750	
<u>TOTAL WSRA REQUEST</u>	<u>\$ 1,013,750</u>	

As can be seen, the SMR is making a major contribution to the cost of the Project of some 75%, with their stockholders unanimously supporting this significant loan commitment which will result in the Annual Assessment for the Shareholders to go from \$43.00 to \$71.00 per share.

At the regular meeting of the Rio Grande Interbasin Roundtable on July 9 2013, the Roundtable voted unanimously to recommend that the request for WSRA funds be sent to the CWCB for approval. The Roundtable approved \$51,000 be granted from the Basin Account and \$962,750 be granted from the Statewide Account.

For a further breakdown of the tasks, their costs, and the Project's schedule, please refer to the Application document.

The funding of this WSRA request will enable SMR to achieve the 25% to 75% grant-to-loan funding formula from CWCB. Therefore, the R.G.R.T urges the CWCB to approve this request for funding of \$1,013,750 from the WSRA Rio Grande Basin and Statewide Accounts. This project provides multiple benefits to local stakeholders and achieves significant improvements in Colorado's efficient management of Compact-entitled waters.

The R.G.R.T. appreciates the support of the Department of Natural Resources, the Colorado Water Conservation Board and the Interbasin Compact Commission in assisting in meeting the needs of all users of Colorado's water and in fostering intrabasin and interbasin communications and discussions. We believe that the above project will assist in this effort.

Sincerely,



Mike Gibson
Chair, Rio Grande Interbasin Roundtable

Attachment (1)

cc: Santa Maria Reservoir Company