Exhibit A
SCOPE OF WORK

Water Leasing – Super Ditch Company
(Water Supply Reserve Account Grant Program and Alternative Permanent Ag Transfer Method Grant Program)

Task A. Detailed Economic Analysis of Leasing Market (Water Supply Reserve Account Grant Program)

Previous studies have examined the potential water demand by a range of possible lessees and the amount of water potentially supplied by irrigators. More detailed analysis of demand and supply is necessary to understand the potential leasing market in order to craft leases that are attractive to both municipalities and other water users and Arkansas Valley irrigators.

- From the demand side, this task will refine the range of water prices and terms that M&I water providers, energy and industrial users, environmental agencies, and other agricultural users would be willing to pay for additional raw water supplies from Lower Arkansas Valley.

- On the supply side, this task will identify the range of water prices and terms that Valley irrigators would be willing to accept to enter into leases with M&I water providers, energy and industrial users, environmental agencies, and other agricultural users.

Together, these tasks will identify the economic common ground between the two sides, and lend insight to the amount of water that might be available for transfer under varying prices and terms.

The primary approach to accomplish this task will be to model various lease scenarios building on the information previously developed by HDR and Honey Creek Resources. This will be accomplished by developing an interactive computer model of potential supplies, delivery locations, delivery options, storage, water quality, and demand schedules.

Deliverable: The economic analysis will be presented in a series of lease scenarios linking irrigator-lessors and municipal/water user-lessees. The lease scenarios will encompass a range of terms and conditions, consistent with the willingness of irrigators to lease water and water users to enter into leases.

Task B. Storage Facilities (Water Supply Reserve Account Grant Program)

A key component of the Super Ditch system that would likely be operated in conjunction with various transmission methods (i.e., exchanges or pipelines) is storage facilities. The participant ditches in the Super Ditch project have historically delivered water for agricultural irrigation in the Arkansas River Valley. As such, the water rights associated with the ditches generally restrict diversions to the April through October irrigation season, although some ditches participate in the Winter Water Program, which facilitates winter water storage for

subsequent use. In contrast, most customers of the Super Ditch project are likely to be municipal entities or other domestic water providers, which have year-round demands.

In order to effectively re-time the Super Ditch water to meet customer needs, it will be necessary to store the water at least part of the year in at least some years. Water will likely be diverted into storage during the irrigation season (a change of usage for certain water rights from direct flow to storage will be required). Stored water can then be released back to the river when necessary to facilitate exchange operations. Alternately, storage reservoirs may serve as forebays for pipeline/pumping facilities, with stored water pumped from the reservoirs and delivered to specified locations to meet customer needs.

The next phase of analysis will identify key storage options that could be readily incorporated into the Super Ditch system infrastructure. It is hoped that existing reservoirs could be used as much as possible. While it may be necessary to pursue changes in some of the associated water rights, this Scope of Work will only identify such issues. Storage identified as having the potential for inclusion in the Super Ditch system includes the following, among others:

- Winter Water Storage Program
- Timber Lake
- Gravel Pits
- Pueblo Reservoir "If and When" Storage

Deliverable. The analysis will include the identification of other storage, summarization of existing storage capacities and water rights, and a cost estimate for proposed or possible modifications to increase storage. This task will result in an alternatives analysis that can be used to make decisions about optimizing available and new storage options to deliver water from valley irrigators to municipal and other water users.

Task C. Technical Assistance for Ditch Companies (Water Supply Reserve Account Grant Program)

Essential to the success of the Lower Arkansas Valley Super Ditch Project is that there cannot be any injury to other water users, including those ditch company shareholders who choose not to participate. For example, the maintenance of proper flows in the ditches will be necessary to assure that the non-participating shareholders' irrigation allotments are not diminished. To answer this question, the ditch companies will need to examine their existing infrastructure, including the following:

- Existing ditch geometry (e.g., length, width, depth, channel shape, slope, etc.) and physical condition (e.g., lined or unlined)
- Carrying capacities of the ditches, based on the previous item
- Number, location, and physical characteristics of laterals
- Location and condition of check structures
- Number and location of diversion structures for on-farm deliveries
- Tailwater returns
- Cropping patterns

This information will help to determine restrictions on water transfers that may be

necessary to protect the interests of various shareholders, such as those drawing irrigation water from the tail ends of remote laterals. Some ditch companies have existing engineers capable of undertaking such an analysis, while others may need assistance. Part of the grant will go to support the ditch companies' investigations of internal operating issues related to shareholder participation in the Super Ditch Company. Providing resources to the ditch companies to do this will help ensure that shareholders have adequate information when deciding whether to authorize their ditches to participate in the Super Ditch Company. The ditch companies will use their own engineers, HDR, or other qualified water engineers to complete this task.

Deliverables. Engineering reports on the modification and/or operation of ditches necessary to participate in the Super Ditch Company while protecting the interests of non-participants. For example, the reports may identify additional or modified measuring devices, in-ditch or in-lateral check dams and other structural changes necessary to deliver leased water while protecting the deliverability of water to those ditch company shareholders who choose not to participate in the program. Separate reports will be prepared for each ditch.

Task D. Engineering analysis of potential injury in change of water rights (Water Supply Reserve Account Grant Program)

Under Colorado's prior appropriation water rights administration system, changes to existing water rights are only permitted (decreed) if there is a guarantee of "no injury" to existing water rights holders. That is, the owner of a water right for which a change is sought must ensure that other water rights holders will not experience a diminishment in the volume and flow rate of water historically available to meet their needs. Thus, there cannot be any injury to other water users resulting from operation of the fallowing-leasing program. This requirement can be met through restrictions imposed on the decreed change or through mitigation measures such as releases from storage to meet flow requirements at the appropriate time and place.

The implementation of the Super Ditch Company will involve an application(s) to the Division 2 Water Court. Types of water rights changes expected to be pursued include the following: allowable use (from agricultural to municipal/domestic/industrial); point of diversion; and direct flow-to-storage (and perhaps vice-versa). In addition, it will probably be desirable to adjudicate exchanges to facilitate the delivery of leased water. The question of potential injury to other, non-participating water rights will be central to the adjudication of these changes. Preparing, filing, and pursuing such water court applications are *not* part of this Scope of Work or Roundtable Request.

The purpose of this task will be to develop engineering information relative to the question of injury to other water rights. In particular, this task will provide engineering support to address the concerns of and answer questions from non-participating water rights owners located throughout the basin. The overarching goal of this task is to avoid litigation by developing consensus and collaboration for future water court applications necessary to implement the program.

Deliverables. Engineering analysis of potential injury from operation of the program and specific responses to concerns and questions raised by other water rights owners. Specific reports that address the potential for injury will be prepared for different water rights owners.

Task E – Economics (Alternative Permanent Ag Transfer Method Grant Program)

HDR's Final Engineering and Economic Feasibility Study of the rotational fallowing concept identified a three-tiered marketing approach corresponding to the reliability of water to be dedicated to the program.

1. Lessees in the dry year market would receive a consistent, highly reliable supply over a 40-year period, priced at a premium due to its reliability.
2. Participants in the average year market would be assured a consistent supply over this same time period, but with somewhat less reliability than the dry year lessees, and a corresponding lower price.
3. Those in the wet year market would primarily receive supplies in wetter years, resulting in an unpredictable supply from year to year, but with value to lessees having storage capabilities.

The potential prices to be paid by the lessees for water in each of the three tiers, equivalent to the price paid to the participants, is based on examination of raw water acquisition costs recently paid by a range of potential "customers", including municipalities, energy producers, and environmental uses. These costs could include water rights purchases and/or infrastructure needed to deliver the supply to the needed system. Based on the "avoided cost" approach, these costs form the basis of the water's value in each of the three markets.

This approach was developed with the intention of maximizing revenue from water leases and equitably distributing the proceeds across the participating ditch companies, each offering different levels of participation, different water yields, and different exchange capabilities. Though based on engineering and economic best practices, the proposed concept is relatively new and has not yet been fully considered by the potential irrigator participants, or by potential lessees. Further, many of the assumptions made during concept development are characterized by a high degree of uncertainty.

The following subtasks will further develop the Program's concept and refine the assumptions driving the results. In addition, the development of a Finance Plan is proposed for taking the next step in the creation of the Super Ditch Company to implement the program.

Subtask E-1 – Refinement of Rotational Fallowing Concept and Assumptions

This subtask will review the rotational fallowing concept as currently developed through interviews with potential lessors, including irrigators and ditch companies, and interviews with potential lessees. These interviews will be discussed with the Lower District, their legal counsels, and relevant agency representatives, including the CWCB. Based on these discussions and their review, the concept will be refined to the satisfaction of the Lower District and Steering Committee.

Potential refinements include the elimination or consolidation of one or more market tiers, alternative assumptions regarding the nature of irrigator participation and participation acreage, and/or variables yet to be determined.

Deliverable: Refined conceptual framework and assumptions, which may include a range of assumptions that would establish the outer boundaries of a successful water leasing program.

Subtask E-2 – Refinement of Critical Assumptions

To date, assumptions critical to the economic analysis have been:

- Appropriate prices and ranges for each market tier; additional review of avoided costs
- Participation rates and frequency of fallowing by ditch company

These assumptions will be re-examined in the course of the analysis as additional information becomes available and as the concept is refined.

HDR's Engineering and Economic Feasibility Study contained an overview of the avoided cost water supplies to municipal Front Range water providers. This subtask will further develop avoided cost information for municipal Front Range water providers and standardize such information on some comparable basis, such as raw water delivered to a water treatment plant. This analysis will also include necessary treatment to address the quality of leased water (see Task G below). It will also include delivery costs (see Task F below). The purpose of this analysis is to better understand the market in which water leasing must compete to succeed.

Deliverable: Estimates on a basis comparable to Lower Valley leased water including delivery costs and water treatment costs where applicable, perhaps presented as ranges, of the cost of raw water delivered to Front Range municipal water providers.

An additional assumption required for future analysis will be the selection of the rates of inflation and discounting, and whether inflation is measured through the CPI or other recognized price indices. In addition, this subtask will examine alternate or additional price escalation factors, such as the municipal water rates, the fair market value of Lower Valley water rights sold for dry up and transfer to municipal use, and other measures that may be relevant to the future lease value of water.

Needless to say, small reductions in negotiated rates of inflation or escalation can result in millions of dollars of foregone revenues, considering the compounding effects. This subtask will make recommendations on the inflation measure and the discount rate.

Deliverable: Development and evaluation of alternate price escalation factors for long-term water leases.

This subtask will assess alternative pay-out methods and evaluate their tax implications with respect to various organizational structures.

To date, the economic analysis has assumed that a potential lessee will pay for their water supply in equal annual payments, based on a take-or-pay contract structure. These payments would likely increase over time, perhaps related to inflation. There is a range of alternative pay-out methods, each with different tax implications, as demonstrated by PVID's "front-loaded" payment strategy. This subtask will examine three distinct strategies, including their tax implications and their acceptability to lessors and lessees.

Deliverable: Assessment of alternative pay-out methods and evaluation of their tax implications with respect to various lease structures.

This subtask will assist the engineering effort in determining the optimal location and size of infrastructure desired to increase Program yield and marketability.

Storage and pipelines in critical locations can increase reliable yield to the lease pool, and allow the ditch companies greater flexibility and control of their collective systems with respect to marketing their leases. As demonstrated in the previous phase of this study, the marginal benefits of storage capacity exceed the marginal cost for up to 27,000 additional acre-feet of additional capacity. Although conducted for illustration only, this demonstration showed the value of incremental analysis in determining the location and capacity of additional storage.

In addition to storage, economic analysis can assist the engineering analysis in determining the location and size of potential delivery pipelines, considering pipeline construction and O&M costs, and potential water quality impacts to receiving entities. These economic trade-offs will be initially addressed with incremental analysis, although optimization will be used if the number of potential options are too numerous to evaluate individually.

Deliverable: Economic optimization of additional storage facilities and pipeline configurations.

The long-term success of the rotational fallowing program will depend on its financial viability, including the ability to manage a range of legal and financial obligations while maintaining a positive cash flow. This task involves the development of a Financial Plan to manage these obligations while maintaining a positive cash flow, plus equitably distributing water lease revenues to their intended recipients.

Over a 40-year period, the Financial Plan model would examine:

- Future revenue generation and revenue allocation across participating ditch companies
- Potential operating, maintenance, and administrative costs of a super agency
- Program-related capital improvement projects and debt service, such as for storage and transmission facilities
- Financial reserves and debt reserve requirements
- Cash flow from year to year
- Potential allocation of operation and capital improvement costs across ditch companies
- Other variables to be defined

It is the intention that the Financial Plan could support future bond feasibility studies, as needed, assuming the Super Ditch Company would have bonding authority.

One of the primary benefits of having a comprehensive Financial Plan is its ability to incorporate all relevant assumptions and data underlying Program operations. It has the ability to quickly assess the financial impacts of a range of "what ifs?" with respect to participants, lessees, terms and conditions, capital improvements, and all other potential options.

Deliverable: Forty-year Financial Plan for the operation of the Super Ditch Company, including the spreadsheet model and its supporting documentation.

All of the deliverables for TASK E will be included in an Economics Technical Memorandum.

Task F – Pipeline Alternatives (Alternative Permanent Ag Transfer Method Grant Program)

HDR's Final Feasibility Study involved an assessment of the exchange capacity remaining in the Arkansas River between Pueblo Reservoir (upstream) and the John Martin Reservoir. This quantity was estimated as the minimum flow rate remaining after meeting all existing demand requirements, including minimum instream flows and downstream commitments. While it appears that there may be some capacity to exchange Super Ditch water upstream to Pueblo Reservoir, in reality, much of that capacity may be consumed by exchanges already adjudicated or pending in water court, e.g., Colorado Springs *et al's* Colorado Canal decreed exchange, and the Aurora-Highline Canal pending exchange.

The recent Boyle pipeline study looked at combining the alignments of four contemplated pipeline projects. Because the Arkansas River exchange capacity is quite limited, it will be necessary to find other means to transport water to the Project's customers. One such option is the construction of new transmission pipeline(s). This Task will build on the information in the Boyle study and identify the following with regard to water leases by the Super Ditch Company:

- Required pipeline capacities
- Number of pipelines to be constructed (i.e., would there be multiple pipelines taking water from various points along the Arkansas River, or would there be one major pipeline, with branches serving various customers)
- Location and timing of diversions to pumping facilities
- Pump station locations and capacity requirements (e.g., number of pumps, pump power requirements, etc.)
- Pipeline delivery locations
- Cost estimate, including materials, construction, O&M, right-of-way/easement acquisition, etc.

All pipeline configurations developed during this phase of analysis would be preliminary and subject to revision during final design. However, a level of detail would be achieved that is sufficient to meet any requirements for a water court application or local land use permit, as described below:

1. Refine the Pipeline Alignment for the preferred alternative (Timber Lakes)
   - Identify more hydraulically efficient alignment(s)
   - Research and identify environmental concerns and obstacles
   - Evaluate costs and availability of electrical power
   - Identify right-of-way corridors and significant property barriers
   - Recommend a preferred alignment

2. Refine Pump Station concepts
   - Further develop the pump station concepts – pumping head, pump size & no. of pumps per pump station, pump type

- Refine pump station siting based on hydraulic considerations, environmental obstacles, electrical, etc. (ID a range or radius of site locations for each pump station)
- Develop pump station layout concepts
- Develop intake facility (1st pump station) concepts

Deliverable: Recommended pipeline alignment, capacity, and configuration, preliminary cost estimate, and construction schedule for one or more pipelines that can deliver water from the Ft. Lyon Canal and upstream on the Arkansas River to northeastern El Paso County, i.e., to serve Pikes Peak Regional Water Authority.

Task G – Delivered Water Quality (Alternative Permanent Ag Transfer Method Grant Program)

It is likely that only raw water will be delivered to potential customers and that any treatment required will be their responsibility. The quality of the water delivered will likely have some influence on the price a customer would be willing to pay; therefore HDR will further examine the effects that a rotational fallowing program will have on the water quality of the Arkansas River and the basin as a whole. It is also expected that agricultural return flows will be decreased along the Arkansas River, thereby having an effect on the water quality.

The quality of water affects the treatability and has an effect on the value. The cost to treat raw water to potable quality will be examined for each of the above diversion points.

Deliverable: A Summary Report will be prepared covering Tasks F and G, which includes pipeline alternatives and recommendations, storage alternatives and recommendations, and water treatment alternatives and recommendations.

Task H – Comprehensive Report on Water Leasing Concept and Super Ditch Company (Alternative Permanent Ag Transfer Method Grant Program)

Much of the legal, institutional and technical work necessary for water leasing and the creation and operation of the Super Ditch Company has already been completed. This application covers most of the remaining work necessary for the Super Ditch Company to become operational, with the exception of water court change cases and substitute water supply plans, which are not eligible for funding.

The Lower District has undertaken development of water leasing as an alternative to agricultural transfers from the beginning with the thought that it could be an example or template for other rural areas in Colorado and the west. Recognizing that much valuable and transferable information has been prepared, the Lower District is willing to facilitate preparation of a comprehensive report on water leasing that would integrate the information from all of the various studies and work that has occurred to date and will occur if this request is funded.

Deliverable: Comprehensive Report on Water Leasing Concept and Super Ditch Company, with technical appendices, such as articles of incorporation, bylaws. The report would integrate technical, legal, and institutional information developed in support of the water leasing concept and creation of the Super Ditch Company in a manner that would provide useful background information, directly usable information, and a template or roadmap for others to

pursue the concept in other areas.

II. PERSONNEL

Honey Creek Resources (HCR) has done the economic analysis for the Rotational Land Fallowing-Water Leasing program to date. HCR will likely continue to be responsible for the economic analyses under this scope of work.

HDR has done the basic engineering for the Rotational Land Fallowing-Water Leasing program to date. However, recent changes in HDR staffing may necessitate the selection of another qualified engineering firm(s) to complete all or potions of this scope of work. For example, Boyle Engineering has done more recent work on pipeline alignments, and may be able to perform the pipeline, water quality, and/or storage analyses more efficiently.

The Comprehensive Report on Water Leasing Concept and Super Ditch Company will be prepared by Peter Nichols, Trout, Raley, Montaño, Witwer & Freeman, P.C., who has managed, co-authored or authored the various studies related to water leasing and the Super Ditch Company. He will be assisted by other attorneys who have worked on various aspects of the concept and implementation.

III. BUDGET

Water Supply Reserve Account Grant Program

The estimated level of effort required to complete the associated Scope of Services is provided by title, by task in the following tables:

	Task A Economic Analysis	Task B Storage Analysis	Task C Facility Analysis	Task D Injury Analysis
Project Manager	4 hrs	80 hrs	100 hrs	200 hrs
Senior Project Engineer		80	120	200
Project Engineer		120	120	200
Associate Engineer		90	120	185
Senior Economist	80	0	0	0
Associate Economist	40	0	0	0
Administrative Assistant		8	8	15
Total	124 hrs	378 hrs	468 hrs	800 hrs

	Task A Economic Analysis	Task B Storage Analysis	Task C Facility Analysis	Task D Injury Analysis
Project Manager ($190)	$760	$26,600	$19,000	$38,000
Project Engineer ($100)	$0	$11,600	$17,400	$40,000
Associate Engineer ($85)	$0	$7,650	$10,200	$15,725
Senior Economist ($135)	$13,500	$0	$0	$0
Associate Economist ($90)	$3,600	$0	$0	$0
Administrative Assistant ($75)	$0	$600	$600	$1,125
Other Direct Costs*	$1,000	$3,550	$3,500	$5,150
Total	**$18,860**	**$50,000**	**$50,700**	**$100,000**
LAVWCD	**$18,860.**	**$0**	**$50,700**	**$0**
WSRA		**$50,000**		**$100,000**

* Travel, lodging, reproduction and expenses

Alternative Permanent Ag Transfer Method Grant Program

Tasks E – F

The estimated level of effort required to complete Tasks E – F is provided by individual, by task in the following tables:

	Task E	Task F	Task G	Meetings	Reports	Total
Project Manager	10	140	100	120	45	405
Sr. Project Engineer	16	180	120	120	60	496
Project Engineer	40	180	120	120	40	500
Assoc Engineer	0	110	120	70	50	350
Sr Economist	200	0	0	60	50	310
Assoc Economist	200	0	0	40	40	280
Admin Asst		8	8	15	24	65
Total hours	**466 hrs**	**618 hrs**	**468 hrs**	**545 hrs**	**309 hrs**	**2406**

	Task E	Task F	Task G	Meetings	Reports	Total
Project Manager	1,900	26,600	19,000	22,800	8,550	78,850
Sr. Project Engineer	2,320	26,100	17,400	17,400	8,700	71,920
Project Engineer	4,000	18,000	12,000	12,000	4,000	50,000
Assoc Engineer	0	9,350	10,200	5,950	4,250	29,750
Sr Economist	35,000	0	0	10,500	8,750	54,250
Assoc Economist	24,000	0	0	4,800	4,800	33,600
Admin Asst	0	600	600	1,125	1,800	4,125
Total	**$67,220**	**$80,650.00**	**$59,200.00**	**$74,575.00**	**$40,850.00**	**$322,495.00**

Rates:

Project manager $190/hr
Sr. project engineer $145/hr
Project engineer $100/hr
Assoc engineer $85/hr
Sr. Economist $175/hr
Assoc. Economist $120/hr
Admin. Asst. $75/hr

Other Direct Costs (ODC)

Technology Charge	$ 5,000
Travel, lodging, and expenses	$14,725
Reproduction and Miscellaneous	$ 5,000
Total	$24,725

Total Cost Tasks E - G
Labor + Other Direct Costs = $322,495 + $24,725 = $347,220

Task H – Report on Water Leasing and Super Ditch Company

Attorneys from Trout, Raley, Montaño, Witwer & Freeman, P.C.: 200 hours at $190 per hour (average) = $38,000, plus reproduction costs of $2,000 for a total of $40,000.

Total Budget

Tasks	**Budget**
E – G: Engineering and Economics	$347,220
H: Comprehensive Report	40,000
Total Project/Program with matching	**$387,220**

Funding Sources

Funds Source	Task E Econ	Task F Pipeline	Task G Water Quality	Meetings	Reports	ODC	Task H Comp Report	Total
Alt Ag Grant	$0	$80,650	$59,200	$74,575	$40,850	$24,725	$40,000	**$320,000.00**
LAVWCD Matching	$67,220	$0	$0	$0	$0	$0	$0	**$67,220**
Total	**$67,220**	**$80,650**	**$59,200**	**$74,575**	**$40,850**	**$24,725**	**$40,000**	**$387,220.00**

IV. SCHEDULE

Water Supply Reserve Account Grant Program

Work on this project will commence upon receipt of a contract (assumed to be on or before January 31, 2009).

It is anticipated that draft reports will be completed by December 31, 2009. A final report will be completed four weeks from the time of receipt of comments.

Task	First 6 Months		Second 6 Months	
	1/09 – 3/09	4/09 – 6/09	7/09 – 9/09	10/09 - 12/09
A – Economic Analysis				
B – Storage Analysis				
C – TA for Ditch Cos				
D – Injury Analysis				
Final Reports				

Alternative Permanent Ag Transfer Method Grant Program

The Project is expected to take 15 months to complete once contracts are signed with the CWCB and contractors (assumed to be on or before January 31, 2009). Schedules by task are set forth below in tabular form.

Tasks E – Economics

Subtask	First 6 Months						Second 6 Months					
	1/09 – 3/09			4/09 – 6/09			7/09 – 9/09			10/09 - 12/09		
E-1. Refined Concept												
Progress Report												
E-2. Refined Assumptions												
Final Report												

Tasks F and G – Engineering

Task	First 6 Months						Second 6 Months					
	1/09 – 3/09			4/09 – 6/09			7/09 – 9/09			10/09 - 12/09		
F. Pipeline Alternatives												
Progress Report												
G. Delivered Water Quality												
Final Report												

Task H – Report on Water Leasing and the Super Ditch Company.

This task will be completed within 3 months of the completion of Tasks E through G.

Meetings and Presentations

The Lower District anticipates quarterly progress meetings with all contractors. The second quarterly meeting, approximately half-way through the project, will be more extensive in order to ensure that the project stays on schedule. CWCB staff will be welcome to attend any of these meetings and/or provide input or questions in advance. The Lower District and Project contractors will make a presentation of the Project upon completion to the CWCB Board or staff, as desired.

Payment

Payment will be made based on actual expenditures and invoicing by the water activity sponsor. The request for payment must include a description of the work accomplished by major task, and estimate of the percent completion for individual tasks and the entire water activity in relation to the percentage of budget spent, identification of any major issues and proposed or implemented corrective actions. The last 5 percent of the entire water activity budget will be withheld until final project/water activity documentation is completed.

All products, data and information developed as a result of this grant must be provided to CWCB in hard copy and electronic format as part of the project documentation.