

Water Supply Reserve Account – Grant and Loan Program
Water Activity Summary Sheet
March 18-19, 2015
Agenda Item 17(d)

Applicant: Lower Arkansas Valley Water Conservancy District

Fiscal Agent: Lower Arkansas Valley Water Enterprise Fund

Water Activity Name: Phase II, Repurposing of Water Supply for Multiple Beneficial Use

Water Activity Purpose: Multipurpose Water Rights Purchase/Implementation

County: Bent, Crowley, Otero, Prowers, Pueblo

River Basin: Arkansas

Water Source: Arkansas River

Amount Requested/Source of Funds: \$25,000 Arkansas Basin Account
\$275,000 Statewide Account
\$300,000 Total grant request

Matching Funds: Basin Account Match (\$25,000) = 8.3% of total grant request
Basin Account & Applicant Match (\$1,219,000) = 406% of total grant request
Applicant Match (\$1,194,000) = 80% of Phase II total project costs (\$1,494,000)
(refer to *Funding Summary/Matching Funds* section)

Staff Recommendation:
Staff recommends conditional approval (refer to <i>Issues/Additional Need</i> section below) of up to \$25,000 from the Arkansas Basin Account, and \$275,000 from the Statewide Account to help fund the project titled: Phase II, Repurposing of Water Supply for Multiple Beneficial Use

Water Activity Summary: This water activity is a purchase of a total of 558 paired Colorado Canal and Lake Henry/Lake Meredith water shares. The shares are decreed for any beneficial use and represent 442 acre/feet per year in average historic consumptive use. The purchase has been divided into two phases. The first phase is the purchase of 408.6 paired shares; 126.6 of Colorado Canal/Lake Henry shares, and 282 of Colorado Canal/Lake Meredith shares. Phase I is being preliminarily funded with a bridge loan, but long-term funding is being sought from the Colorado Water Conservation Board Water Project Loan Program, making this project a grant/loan combination.

Phase II, is the purchase of 149.4 paired Colorado Canal/Lake Henry shares. The shares are currently being used for industrial purposes by Ordway Cattle Feeders, LLC. The purchase of these shares frees them up for a variety of beneficial uses, including recreation and environment, agricultural, and municipal/industrial use. These shares represent 152.39 acre/feet per year of average historical consumptive use.

The water rights being purchased in both phases will be stored in Lake Henry and Lake Meredith, providing environmental and recreational use. When needed, they will benefit agriculture by being used for augmentation replacement for Rule 10 and Rule 14 plans, as well as for replacement water for lease/fallowing projects. After the Arkansas Valley Conduit is complete, they can be used when water is short for the conduit, benefitting municipal/industrial users.

Discussion: The CWCB loan request will be presented at the May 2015 CWCB meeting.

Issues/Additional Needs: Additional funding sources include an anticipated loan from CWCB to finance Phase I, therefore staff recommends **conditional** approval based upon applicant successfully securing the aforementioned loan to fully fund all phases of this project.

Threshold and Evaluation Criteria:

The application meets all four Threshold Criteria

Tier 1-3 Evaluation Criteria:

The application has undergone detailed review and evaluation subject to the Supplemental Scoring Matrix and satisfies the Evaluation Criteria.

Tier 1: Promoting Collaboration/Cooperation and Meeting Water Management Goals and Identified Water Needs:

- a) Because this water is decreed for any beneficial use, and will be available for lease to multiple users, it addresses multiple needs, consumptive and non-consumptive needs, and multiple interests. It restores the possibility of multiple uses to water that was being used by an industrial user.
- b) This project addresses an environmental/recreational gap, in that water will be stored in Lake Henry until needed elsewhere, increasing water levels in a chronically low reservoir that used to be enjoyed by wildlife and recreational users alike. These uses may be restored, although an exact measurement is not possible. This need, in general, was identified in the Arkansas BIP.
- c) This project will address the “double” agricultural gap caused by an increased need for augmentation and the double-counting of municipal return flows as current supply for Ag and future supply for Ag and M/I.
- d) The water will also be available for municipal/industrial uses, trades, and exchanges, adding flexibility and stability to the region’s water supply system, especially after the Arkansas Valley Conduit is constructed as water holds a senior exchange right.
- e) A major use of the water will be for augmentation required by Rule 10 and Rule 14 Plans, addressing critical compact issues, and meeting this growing need. This intra-basin need is articulated in the BIP.
- f) Another future use of the water will be as replacement of return flows for lease/fallowing projects.

Tier 2: Facilitating Water Activity Implementation:

- a) Grant funding assures that this water activity may proceed in a timely manner. The purchase and broadening of use of the shares, while limiting the up-front costs, ensures its viability and affordability to future users. Grant funding constitutes less than 8% of the combined phases I and II, but assists the up-front funding required. The applicant will be funding over 79% of this grant project (phase II), and over 90% of the combined project, through matching and loan funds.

Tier 3: The Water Activity Addresses Other Issues of Statewide Value and Maximized Benefits:

- a) This activity does help sustain agriculture, by providing a means for augmentation as required by Rule 10 and Rule 14 Plans, at the same time addressing a problem related to compact compliance.
- b) It also helps meet environmental and recreational needs.
- c) This activity can assist in the implementation of CWCB’s Lease/Fallowing Pilot Project program, providing replacement water for fallowed lands.
- d) The water rights purchase also keeps the use of these shares in the Arkansas Basin, available to Agriculture, preventing Ag dry-up, meeting statewide and basin values and goals.

Funding Summary/Matching Funds:

	Phase I	Phase II	
Lower Ark Valley WCD	\$48,000	\$1,194,000	
Basin Grant Funds		\$25,000	
Statewide Grant Funds		\$275,000	
CWCB Loan	\$2,535,000		
Total	\$2,583,000	\$1,494,000	\$4,0770,000

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.