

**Alternative Agricultural Water Transfer Methods – Competitive Grant Program
Water Activity Summary Sheet
Agenda Item 30.c.**

Applicant: Colorado Water Institute--CSU

Water Activity Name: Poudre Basin Water Sharing Working Group Efforts Leading to Agreements South Platte Basin

Water Activity Purpose: Non-Structural

Drainage Basin: South Platte

Water Source: Cache La Poudre

Amount Requested: \$86,940

Matching Funds: \$10,000 (cash)

Staff Recommendation
Staff recommends approval of up to \$86,940 from the Alternative Agricultural Water Transfer Methods Program to help fund the “Poudre Basin Water Sharing Working Group Efforts Leading to Agreements South Platte Basin” project contingent upon resolution of the items in the issues/additional needs section of this summary.

Water Activity Summary:

The Poudre Basin Water Sharing Working Group (“Working Group”) is an informal association of individuals representing organizations with interests in sharing water between agricultural and municipal users in the Poudre Basin. The Working Group had their first meeting on February 14th, 2013 and a second on March 14th. The Working Group was formed after the Larimer County Agricultural Advisory Board (LCAAB) initiated discussions with multiple entities about water sharing and subsequent meetings between the LCAAB, City of Fort Collins Water Board and Water Utility in 2011 and 2012. Fort Collins has been direct to explore water sharing with agriculture as a part of their updated Water Supply and Demand Management Policy. The issue of water sharing requires the participation and discussion among a group of Poudre Basin water users.

The Working Group is currently made up of individuals and entities representing the principal water providers, irrigation companies and producers. The Colorado Water Institute (CWI) at Colorado State University (CSU) has agreed to facilitate the working group and has done so on a pro bono basis since its inception in November of 2012, but is now seeking funding for more intensive efforts. This proposal seeks funding assistance to convene domestic water providers and agricultural water organizations/stakeholders in the Poudre Basin as a working group to:

1. Provide stability and security for water providers.
 - a. Drought year firming and recovery
 - b. Limited increases in base supply
2. Provide security for the agricultural water supply and access to that supply in normal years.
3. Lead to the reduction of “buy and dry” and out-of-basin transfers.
4. Lead to regional cooperation and reduction of conflict.

Tasks within the proposal include:

1. **Develop a database that describes the water portfolios and demographics of the participating water providers** and irrigation organizations/shareholders, the irrigated lands protected by conservation easements and other data needed to inform the description and feasibility of particular water sharing mechanisms.
2. **Investigate the most promising site-specific water sharing mechanisms** that would be appropriate (economically and otherwise) for the Poudre Basin.

3. **Conduct a survey to determine the perceptions of water shareholders** regarding different water sharing techniques identified by the working group, and the likelihood of those irrigators or entities participating in future water sharing agreements.
4. Based on the above, refine the **descriptions of the most appropriate water sharing mechanisms**.
5. **Draft prototype agreements** between water provider(s) and ag water organization(s)/shareholders.
6. **Identify interested parties and encourage them in the execution of one or more agreements** and develop a process to monitor and evaluate the agreement(s) during their pilot period.

The focus will be primarily on drought year firming for water providers via innovative interruptible water supply agreements. These types of agreements can make a significant amount of water available for drought firming and they involve both owned and rented water. In return for agreeing to provide drought protection, irrigators seek rental water availability during normal water years, and fewer attempts to change agricultural decrees held by domestic providers. It is expected that an equitable pricing strategy will be developed for transfers not agreed upon previously. Other water sharing mechanisms that we hope to analyze and adapt to fit the situations found in the Poudre Basin include optimum shared use of infrastructure and modification of water management and delivery to maximize supply and reduce operational costs. This might include the identification and financing of infrastructure improvements such as recharge basins or the dredging of existing reservoirs or other ways of developing water supplies that could be shared. Other options such as water banking and potential new applications of that concept which has traditionally been thought of as requiring a new tax and therefore had less support may be explored. Finally, options will be discussed such as the practice of asking developers to purchase water shares and turn them over to the water provider. A “cash in lieu” option, for example, might be applied to further water sharing mechanisms. The group may explore using storage fees that might be applied to dredging or other infrastructure projects.

The team envisions a first phase that would address tasks 1-4 above: the creation and analysis of a database; the development of descriptions of appropriate water sharing mechanisms; a survey where water users/owners would evaluate different water sharing mechanisms, be asked about and the likelihood of their participating in specific water sharing agreements, the actual or potential use of conservation easements, and their perceptions about the potential pricing of water transfers, storage fees and other aspects of financing related to water sharing. This will be followed by a second phase which focuses on tasks 5-6 above which concern the development of prototype agreements and the initial implementation of one or more agreements and evaluation strategies for their pilot period(s).

Discussion:

Staff believes the applicant did a great job describing the project and how this effort seeks to contribute to the goal of minimizing the dry-up of irrigated agricultural lands. This proposal also meets the criteria and guidelines for the ATM program exceptionally well in that the proposal is bringing together willing agricultural and municipal users to explore water sharing strategies with the end goal of entering into agreements. Further, the fact that the Working Group has been meeting for several months to advance this topic is an indication that the members are truly invested in this effort.

Issues/Additional Needs:

None identified.

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 Criteria and Guidelines of the Alternative Agricultural Water Transfer Methods Competitive Grant Program, 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.