



**COLORADO**

**Colorado Water  
Conservation Board**

Department of Natural Resources

1313 Sherman Street  
Denver, CO 80203

P (303) 866-3441  
F (303) 866-4474

Jared Polis, Governor

Dan Gibbs, DNR Executive Director

Rebecca Mitchell, CWCB Director

**TO:** Colorado Water Conservation Board Members

**FROM:** Andrew Rickert, Interstate, Federal and Water Information Section

**DATE:** May 15, 2019

**AGENDA ITEM:** 24b. Litigation Fund: Requests for Authorization

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## Background

Section 37-60-121(2.5) of the Colorado Revised Statutes provides that the Colorado Water Conservation Board is authorized "to expend ... a total sum not to exceed the balance of the litigation fund, which is created for the purpose of engaging in litigation ... to defend and protect Colorado's allocations of water in interstate streams and waters; and to ensure the maximum beneficial use of water for present and future generations by addressing important questions of federal law ..."

The Attorney General issues an annual request to the Board for litigation fund authorizations. Adequate funding for the litigation fund is essential to allowing the Office of the Attorney General, State Engineer, and CWCB to prepare for and participate in ongoing and future negotiations and litigation in order to defend Colorado's rights and apportionments as provided by the compacts.

**\*\*2019 letter from Attorney General requesting the use of litigation funds for FY20 Attached\*\***

## Staff recommendation

CWCB Staff recommends that the Board authorize the expenditure of a total of \$1,452,700 for litigation-related activities in FY2019-20 as follows:

- |                            |           |
|----------------------------|-----------|
| 1) Colorado River Basin:   | \$695,000 |
| 2) Republican River Basin: | \$110,000 |
| 3) Rio Grande Basin:       | \$647,700 |

Staff also recommends that the Board:

- 1) Direct the CWCB Director and Staff to expend these funds consistent with the request by the Office of the Attorney General; and,
- 2) Direct the CWCB Director, CWCB Staff, and Office of the Attorney General to comply with the annual reporting requirements as specifically provided for in Section 37-60-121(2.5).



PHIL WEISER  
Attorney General  
NATALIE HANLON LEH  
Chief Deputy Attorney General  
JUNE TAYLOR  
Chief Operating Officer  
ERIC R. OLSON  
Solicitor General



RALPH L. CARR  
COLORADO JUDICIAL CENTER  
1300 Broadway, 10th Floor  
Denver, Colorado 80203  
Phone (720) 508-6000

**STATE OF COLORADO  
DEPARTMENT OF LAW**

May 15, 2019

**Request for Expenditure from Litigation Fund for FY20  
Federal and Interstate Water Unit Legal Expenses**

Dear Colorado Water Conservation Board Members:

Section 37-60-121(2.5)(a)(III), C.R.S., authorizes the Colorado Water Conservation Board (“CWCB” or “Board”) to expend money from its Litigation Fund, at the request of the Attorney General, for the costs to defend and protect Colorado’s allocations of water in interstate streams and rivers. Pursuant to that authorization, I request you approve the expenditure of specific funds from the Litigation Fund for Fiscal Year 20 (“FY20”) to continue our efforts to effectively protect Colorado’s interests in the Colorado, Republican, Rio Grande, and Arkansas River Basins in the upcoming year. I believe these expenditures, as itemized below, are necessary to participate fully in all processes, including negotiation and litigation, where Colorado’s interests in these interstate rivers could be affected.

Previous years’ funding requests for work to defend and protect Colorado’s interests in these river basins were based on our then-current best estimates of the work required in the upcoming year. Because such work is heavily dependent on court decisions and case and project management practices beyond the control of the attorneys, it is difficult to accurately project the timing of litigation related costs for the entire year. As a result, certain funds authorized for expenditure in a basin in a given year are not always fully expended by the close of that year. This is the case for the Colorado, Republican, and Rio Grande Basins this year, as it is anticipated that the funds you authorized for Fiscal Year 19 (“FY19”) will not be fully expended by June 30, 2019.

In an attempt to provide some clarity between accounting divisions at the Department of Natural Resources and Department of Law, we “zero out” the remaining FY19 authorizations and make new requests for each basin for the funds needed in FY20. Below is the estimated reconciliation between funding authorizations and actual expenditures for each basin for FY19, and a discrete funding authorization request for each basin for FY20. Attached to this letter is a summary table of the basins which reflects the FY19 authorization, actual expenditures through March 31, 2019 for personnel expenses on the Colorado River, and for operating, travel and contractor expenses in each of the basins. The Table also includes *estimated* expenditures through June 30, 2019, and a separate

summary of the funding request for FY20. As the table shows, the FY20 authorizations as outlined in this letter are partially offset by the unexpended funds authorized for FY19.

**Request for approval of expenditure for the Colorado River Basin**

The Colorado River remains the only river basin originating in Colorado that is not over-appropriated in some parts of the basin. Colorado continues to be involved in basin planning investigations, National Environmental Policy Act and Endangered Species Act processes, 7-State and federal negotiations for coordinated reservoir operations, drought contingency plans, demand management, international negotiations, Animas La-Plata negotiations, and generally defending the state's allocations of water in the Colorado River system. Such activities require sound legal analysis and detailed technical knowledge to inform decision making.

In May 2018, the Board approved \$428,000 to support legal staff (2 1/2 FTE Attorneys and 1 FTE Paralegal) at the Department of Law ("DOL"). Additionally, the Board authorized an expenditure of \$150,000 for expert consulting work to coordinate ongoing efforts on the Glen Canyon Dam Long Term Experimental and Management Plan (LTEMP), and to inform ongoing legal positions regarding reservoir guideline negotiations, compact compliance investigations, and interstate negotiations. Finally, the Board approved an additional \$65,000 for travel and operating expenses, including the potential to purchase database software as needed to maintain consistency in managing the Colorado River databases. Actual FY19 expenditures for DOL were influenced by limited expenditures for consultants and operating costs. FY19 expenditures for DOL legal staff are estimated to be approximately \$417,367. Contract expenditures are estimated to be closer to \$36,000 due to pauses in studies as the seven Colorado River Basin States worked to finalize the Drought Contingency Plan. Operating and travel costs are estimated to be approximately \$26,025.

For FY20, we anticipate maintaining a full staff of 2 1/2 FTE attorneys and 1 FTE paralegal to address the issues arising in the Colorado River basin, including but not limited to: (1) participating in intra- and inter-state demand management investigations; (2) implementing the Upper Basin and Lower Basin Drought Contingency Plans; (3) preparing for Renegotiating the 2007 Interim Guidelines; (4) implementing the Glen Canyon Dam Long Term Experimental Plan; (5) operating of the Aspinall Unit consistent with the 2012 Record of Decision; (6) operating the Animas-La Plata Project; (5) Endangered Species Act and Salinity Control Act considerations; (7) implementing the Upper Colorado River Basin Fund MOA; (8) serving as legal members of the Upper Colorado River Commission legal committee; (9) water rights administration throughout the basin as it relates to the compacts; and (10) any ongoing or upcoming litigation that could implicate Colorado's interests in the Colorado River system. This is a significant amount of work and thus will entail an increase in funds to accommodate possible increases in state

benefit requirements and salaries. Moreover, we anticipate continuing the contracting work associated with implementation of the Glen Canyon Dam LTEMP and Upper Basin Drought Contingency Plans, consideration of demand management and compact compliance matters within Colorado, and preparation for renegotiation of the 2007 Interim Guidelines. Finally, DOL remains in the process of evaluating whether it needs to secure additional software to manage the Colorado River Database. As such, the request for operating expenses again includes consideration for software, if needed. For these reasons, we estimate the need to expend \$450,000 for DOL legal staff, \$180,000 for contract costs, and \$65,000 for travel and operating costs. **We request the Board authorize the expenditure of \$695,000 for FY20 for the Colorado River Basin.**

#### **Request for approval of expenditure for the Republican River Basin**

In May 2018, the Board approved requests for expenditure of \$104,500 from the Litigation Fund to “continue to defend Colorado’s use and allocation of water under the Republican River Compact.” These funds have paid for negotiation meetings, travel, and other expenses related to compact administration among Nebraska, Kansas, and Colorado. They have also paid for consultant fees that were less than anticipated as compact administration modeling becomes more routine following resolution of key issues among the compacting states.

The Board authorized an additional \$38,500 to assist the State Engineer’s Office in developing, evaluating, and defending compact compliance rules for the entire basin. Because such rules did not come to fruition until midway through FY19, the majority of those funds were left unexpended. Contract expenditures for Republican River Basin work for FY19 are estimated to be approximately \$47,000.00, and operating and travel costs are estimated to be approximately \$1,700.00, for a maximum total of \$48,700.

For FY20, continued case work and work of expert consultants to implement the accounting consistent with settlements and court decisions will be necessary. Moreover, the DOL will require funds for additional consultant contracts and travel expenses over and above that contemplated for ongoing interstate discussions continue to defend the proposed compact compliance rules as they make their way through the water court process for consideration and approval. **To pay for these efforts, we request the Board authorize the expenditure of \$110,000 for FY20 for the Republican River Basin.**

#### **Request for approval of expenditure for the Rio Grande Basin**

In May 2018, the Board approved a request for expenditure of \$533,300 for retaining expert consultants, providing for travel and operating expenses associated with Rio Grande litigation and settlement negotiation among Texas, New Mexico, Colorado and the United States. Progress on this original action was initially slow, but has accelerated as the case has been set for trial and is currently in the middle

of the discovery process. The litigation team has contracted with expert consultants in ground water, hydrogeology, Rio Grande administration, and agricultural engineering to inform the claims at issue in the case. They have begun initial investigations but did not expend as much time and effort as initially anticipated due to delays in deciding the outcome from pending briefings and oral arguments. Overall expenses in FY19 for interstate litigation work in the Rio Grande Basin is estimated to total approximately \$115,200 for contract consulting work, and \$19,150.00 for operating and travel expenses, for a total estimated FY19 expenditure of almost \$135,000.

Also in May 2018, the Board authorized expenditure of \$140,000 related to modeling the Upper Rio Grande. The Rio Grande Basin requires modeling updates to evaluate and improve the state's general understanding of ground water flow in the Upper Rio Grande between Del Norte and South Fork, and to further assure compliance with the pending rules. At that time, the Rules Governing the Withdrawal of Ground Water in the Rio Grande Basin were pending before the Division 3 Water Court. These rules were necessitated in part to promote effective and efficient compliance with the Rio Grande Compact and state water law. Due to initial delays in contracting and commencing the modeling work, not all requested funds have been expended in FY19. Expenses in FY19 are estimated to total approximately \$45,000.

For FY20, we expect the interstate litigation to continue at a faster pace in time and activity. Trial is set for the fall of 2020, with briefings and motions practice likely to be a significant activity throughout. Additionally, the parties are in the middle of discovery processes, and are expected to review and evaluate various models by the end of the calendar year. We therefore anticipate the need for travel/operating costs to manage documents, conduct discovery, prepare briefs, and attend arguments before the Special Master and potentially the U.S. Supreme Court. We also anticipate the need to provide a portion of the funding for the Special Master costs (unrelated to fees), and to participate in on-going settlement and litigation planning meetings among the parties. Moreover, Colorado will continue to retain the expert consultants pursuant to current contracts for the upcoming year. **We estimate Rio Grande litigation and settlement negotiation costs to total up to \$569,500 for FY20.**

For FY20, we also estimate the Upper Rio Grande Ground Water flow work to continue for both hydrogeological and ground water modeling expertise with a cost of approximately \$78,200.

**Considering the interstate litigation and the depletion modeling, we request the Board authorize a total FY20 expenditure for the Rio Grande Basin of \$647,700.**

**No Request for the Arkansas River Basin**

At this time, we do not anticipate any need for litigation fund expenditures for the Arkansas River Basin.

**Conclusion**

The efforts highlighted above are essential to accomplish the work at DOL in support of the CWCB, the Division of Water Resources, the Department of Natural Resources, and Colorado's Compact Commissioners in ongoing negotiations, investigations, and litigation to protect Colorado's rights to and interests in interstate streams and rivers. We therefore request and recommend that CWCB authorize the above-identified expenditures for FY20.

We further recommend that the CWCB's authorizations allow the funds to be used in FY20 if not expended in FY19, and allow the Board Director, in consultation with the State Engineer and DOL staff, to allocate funds between these activities based on actual costs and litigation necessities.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Weiser", with a long horizontal flourish extending to the right.

Phil Weiser  
Colorado Attorney General

**Federal and Interstate Water Unit  
Litigation Fund Expenditures  
Current and Projected (FY19 & FY20)**

Project by Basin		Funding Needs FY19	FY 19 Expenses through 3/2019	FY19 Estimated Expenses through 6/19	Approx. Available Funds FY 19	Funding Needs FY20	Difference
<b>Colorado River</b>							
	Personnel*	\$428,000.00	\$312,866.19	\$104,500.00	\$10,633.81	\$450,000.00	
	Operating**	\$45,000.00	\$4,049.51	\$2,000.00	\$38,950.49	\$40,000.00	
	Travel	\$20,000.00	\$15,177.09	\$4,800.00	\$22.91	\$25,000.00	
	Contracting	\$150,000.00	\$27,769.33	\$7,500.00	\$114,730.67	\$180,000.00	
	<i>Colorado River Total</i>	<b>\$643,000.00</b>	<b>\$359,862.12</b>	<b>\$118,800.00</b>	<b>\$164,337.88</b>	<b>\$695,000.00</b>	<b>-\$530,662.12</b>
<b>Republican River</b>							
	Interstate Compact Admin Matters						
	Operating/Travel	\$9,500.00	\$660.18	\$500.00	\$8,339.82	\$2,500.00	
	Contracting	\$95,000.00	\$27,308.00	\$8,000.00	\$59,692.00	\$30,000.00	
	<i>Total</i>	<i>\$104,500.00</i>	<i>\$27,968.18</i>	<i>\$8,500.00</i>	<i>\$68,031.82</i>	<i>\$35,000.00</i>	<i>\$33,031.82</i>
	Intrastate Compact Admin Matters						
	Operating/Travel	\$3,500.00	\$0.00	\$500.00	\$3,000.00	\$5,000.00	
	Contracting	\$35,000.00	\$0.00	\$11,600.00	\$23,400.00	\$70,000.00	
	<i>Total</i>	<i>\$38,500.00</i>	<i>\$0.00</i>	<i>\$12,100.00</i>	<i>\$26,400.00</i>	<i>\$75,000.00</i>	<i>-\$48,600.00</i>
	<i>Republican River Total</i>	<b>\$143,000.00</b>	<b>\$27,968.18</b>	<b>\$20,600.00</b>	<b>\$94,431.82</b>	<b>\$110,000.00</b>	<b>-\$15,568.18</b>
<b>Rio Grande</b>							
	TX v. NM and CO						
	Contracting	\$300,000.00	\$78,707.07	\$36,500.00	\$184,792.93	\$502,000.00	
	Operating^/Travel^^	\$90,800.00	\$14,134.12	\$5,000.00	\$71,665.88	\$65,000.00	
	Special Master^^^	\$2,500.00	\$0.00	\$0.00	\$2,500.00	\$2,500.00	
	<i>Total</i>	<i>\$393,300.00</i>	<i>\$92,841.19</i>	<i>\$41,500.00</i>	<i>\$258,958.81</i>	<i>\$569,500.00</i>	<i>-\$310,541.19</i>
	Upper Area GW Model **	\$140,000.00	\$16,800.00	\$45,000.00	\$78,200.00	\$78,200.00	
	<i>Total</i>	<i>\$140,000.00</i>	<i>\$16,800.00</i>	<i>\$45,000.00</i>	<i>\$78,200.00</i>	<i>\$78,200.00</i>	<i>\$0.00</i>
	<i>Rio Grande Total</i>	<b>\$533,300.00</b>	<b>\$109,641.19</b>	<b>\$86,500.00</b>	<b>\$337,158.81</b>	<b>\$647,700.00</b>	<b>-\$310,541.19</b>
<b>TOTALS</b>		<b>\$1,319,300.00</b>	<b>\$497,471.49</b>	<b>\$225,900.00</b>	<b>\$595,928.51</b>	<b>\$1,452,700.00</b>	<b>-\$856,771.49</b>

\* Personnel expenses for Colorado River contemplate increases in benefits and merit pay to the extent authorized for the Department of Law.

\*\* The Operating Costs for FY 20 contemplate the potential purchase of database software if needed to maintain Colorado River databases.

\*\*\* Travel Colorado River matters for FY20 has been increased in anticipation of added work associated with implementation of Demand Management feasibility investigations.

^ For FY 2020, the Unit anticipates database development, document production and court reporting/transcript costs to comprise part of the Operating Costs.

^^ Travel for the interstate Rio Grande litigation may be extensive due to discovery activities in other states.

^^^ The Special Master has been replaced by a federal judge. The Unit does not anticipate having to pay fees, but may endure some of his expenses.

\*Upper RG Model refers to a small scale model for the area from Del Norte to near South Fork. The model will be used to estimate stream impacts from ground water withdrawals so that well owners can come into compliance with the Ground Water Rules approved in Water Division No. 3, and to continue to improve the State's understanding of the flow of groundwater within the Rio Grande Basin.