



## MEMORANDUM

April 6, 2017

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**TO:** BOARD OF DIRECTORS  
ERIC KUHN, GENERAL MANAGER

**FROM:** DAN BIRCH, DEPUTY GENERAL MANAGER

**SUBJECT:** COLORADO RIVER COMPACT WATER BANK

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The examination of a compact water bank is reaching a turning point. We want to report on several matters and we expect to devote some time at your board meeting on presentations and further discussion. We have asked Mark Harris, manager of Grand Valley Water Users Association, to make a presentation on their 2017 and 2018 Conserved Consumptive Use Pilot Project and their recent proposal to undertake an outreach effort they term Beyond Conserved Consumptive Use.

We expect representatives from The Nature Conservancy, Tri-State Generation and Transmission, and perhaps others from the water bank workgroup will be present and offer their view and insights.

*Staff is not requesting Board action or direction at this time.*

### **GVWUA Conserved Consumptive Use Pilot Project (CCUPP) and Beyond CCUPP**

As we have reported previously, GVWUA is proceeding with a pilot project on their system. The total amount of the pilot may be \$2M or more over two years and include up to about 1,000 acres. Funding for the pilot is from a Colorado Water Conservation Board Alternative Transfer Methods grant, a grant from the System Conservation Pilot Project program, foundation funding and a small amount from the compact water bank group funding partners. Funding is secured for 2017 and is in process for 2018.

The GVWUA pilot represents a substantial step forward from earlier pilots:

- GVWUA acts as an intermediary with farm producers. They are compensated for their administrative costs and receive an additional amount that will be applied to infrastructure needs.
- In terms of cost and amount of land, the pilot represents an order of magnitude increase from earlier pilots.

Mark Harris will make a presentation on the pilot and offer details.

GVWUA is also putting forth a proposal for Beyond Conserved Consumptive Use. Under their proposal they would play a leadership role in advancing water banking discussions with other agricultural users and ditch companies throughout the west slope and with potential east slope

municipal customers. Mark Harris intends to keep the River District, the compact workgroup, and other interested parties in the loop in the discussions.

In essence, GVWUA intends to take on the role of advancing the nuts and bolts of banking, an unexpected development. After considerable thought and discussion, staff believes this is a sensible way to proceed.

Mark will also discuss their proposal for Beyond CCUPP and their thoughts and motivations. Mark is asking for a small amount of funding, \$5,000, from the Workgroup.

### **Compact Water Bank Workgroup**

We had a long meeting of the workgroup this Monday, the main purpose of which was to try to establish the future direction of the group's activities.

The view we put forth on behalf of the River District was that while we had made great strides in advancing the understanding of how banking could work for ditch companies and agricultural producers, the supply side, in nearly ten years we had not advanced our understanding on the demand side. We indicated our view that it was time to prioritize exploring the willingness of municipal providers, which benefit from banking, to pay for banking, and to participate in a program of demand management by reducing municipal use.

Front Range Water Council members were not in agreement with exploring the demand side. Their views included:

- The FRWC does not agree with paying for reduced west slope agricultural consumptive use and reducing their own municipal use in a program of demand management. Paying for it is sufficient in their view. We explained pre-compact users needed to be paid because they were not at risk and that it was not acceptable to the west slope solely to bear the burden of reduced use.
- Municipal providers do not have the financial resources to pay for banking.
- There is no foreseeable need for water banking, no present risk that needs to be mitigated, and no potential crisis that needs to be avoided.
- The real risk is from climate change and water banking cannot do enough to mitigate that risk.

We indicated that while we wanted to explore the demand side with the FRWC, if there was not a willingness to do so, we may need to carry on without them. Ultimately the direction was to form a small group to explore the issues that were raised during the meeting.

There was also discussion about supporting additional pilots and the consensus was that while a pilot may make sense in certain circumstances, such as in a mid to upper-valley ranching operation, additional pilots would not be the priority for the workgroup.