



MEMORANDUM

JULY 6, 2017

TO: ERIC KUHN, GENERAL MANAGER
CC: BOARD OF DIRECTORS
FROM: DAVE KANZER, P.E., DEPUTY CHIEF ENGINEER
SUBJECT: LOWER GUNNISON PROJECT (LGP) AND RELATED ACTIVITIES UPDATE

*This informational memo briefly summarizes activities related to the Lower Gunnison Project, the Regional Conservation Partnership Program and associated status updates; **No Board action is requested.***

Background and Status Update

Pursuant to an Alternative Funding Arrangement (AFA) with the Natural Resources Conservation Service (NRCS), the River District is directly managing \$8 million of directed federal funding to support agricultural water use efficiency projects in four 'focus areas' of the Lower Gunnison River Basin. In other words, the River District is acting as an NRCS agent under the Regional Conservation Partnership Program (RCPP) to select, manage and oversee agricultural water use efficiency improvement projects.

Because this expenditure of federal money is a 'federal action,' it requires the creation of a National Environmental Policy Act (NEPA) disclosure document. The Environmental Assessment (EA) being prepared by the consultant team (HDR) for the NRCS is nearing completion, in satisfaction of Watershed Act (PL 83-566) requirements, and an associated public meeting is now scheduled for July 17th in Montrose to solicit input.

The completion of the EA and related permitting should clear the way for at least three projects to begin construction this fall; these include:

- 1.) the Fire Mountain Canal Reconfiguration Project near Hotchkiss in the North Fork focus area, cooperatively funded with USBR salinity funding and CWCB planning monies with a combined cost of approximately \$4.6 million,
- 2.) the Phase I West Lateral piping project in Bostwick Park Water Conservancy District, estimated to cost approximately \$620,000, solely funded by RCPP, and
- 3.) the design and implementation of an improved intake/headgate structure for the Needle Rock Ditch Company, near Crawford, estimated to cost approximately \$380,000, cooperatively funded by CWCB and RCPP.

Other major LGP construction projects in the Uncompahgre Valley and the Crawford focus areas will begin construction in the fall of 2018.

Federal and State Funding Issues and Potential Additional RCPP Funding

River District staff has helped create three additional RCPP applications along with local partners for additional funding for the LGP and for two new areas: the Silt Water Conservancy District and the Fruitland Mesa Irrigation Company under the 2018 RCPP funding cycle. The approval decision was to be made on June 30 for these pre-applications but was delayed until some time later this month. The Board previously approved staff resources to support these initiatives.

It is important to note that the Board's willingness to enable staff to help with the direct management of federal funds, such as the RCPP, not only has direct benefits to the agricultural producers and water user groups in the project area, it can indirectly provide benefits to other parts of the River District. This is due to accounting rules regarding revenues, expenditures and budgetary limitations under TABOR

The federal funds that come into the River District's Enterprise from federal programs like the RCPP are considered revenues that are not subject to TABOR limitations. These federal funds can therefore, effectively expand the ability of the Enterprise to manage more grant funds from the state that would otherwise violate the ratio threshold of non-taxing revenue (i.e., outside state grant funding) to total allowable revenue (this includes taxing revenues plus federal 'revenues'). Under TABOR this ratio is limited to 10%.

In short, the management of federal funds enable the Enterprise to manage additional state funds (e.g., CWCB funding) regardless of location within the 15 counties of the River District. If and when federal funding is awarded and managed by the River District, this further allows the River District to help water districts that are restricted by TABOR accounting rules to implement state-funded projects and studies. Without any changes to TABOR, it appears that this issue will continue into the future, especially if state funding for Water Plan and Basin Implementation projects is expanded, it is likely that conservancy and special districts may become even more reliant on the River District for fiscal management services of state funds.

Paonia Reservoir Sedimentation Management Study

Although it is not directly related to the LGP, the *Sediment Management Evaluation for Short-Term and Long-Term Operations for Paonia Reservoir* is germane and merits a quick status update.

Bureau of Reclamation funding from the Colorado River Storage Project (CRSP) power revenue agreement (MOA) is supporting a multi-phase series of studies to investigate a short-term fix to the intake tower and inoperable bulkhead removal at Paonia Dam and to identify a long-term fix that will enable the dam to pass a sustainable amount of sediment to prolong the life and service of the Paonia Dam and Reservoir.

To date over \$1M has been spent on these efforts and unfortunately there has not yet been an US Army Corps of Engineers permit issued for the short term bulkhead removal and the temporary construction fix, rescheduled after a year's delay to this fall. Additionally, the NEPA process that will delineate a path forward for Reclamation and stakeholders is just beginning as an alternatives analysis Environmental Assessment, and we are a long way from selecting a preferred alternative for long-term solution.

The bottom line is that the existing dedicated financial resources will almost definitely fall short of being sufficient to fund both the short and long term fixes necessary to enable the Paonia Project to meet the needs of existing agricultural producers for more than approximately 10-20 years.

Selenium Issues in the Lower Colorado River (Grand Valley)

After some significantly good news in the Lower Gunnison where data shows that for the first time ever, we are very close to being in compliance with existing water quality standards for selenium, a full 5-10 years ahead of projections, there is a renewed focus on the Lower Colorado River.

Recently, the Colorado Water Quality Control Division has embarked upon a process to develop a Total Maximum Daily Load (TMDL) for the tributary segments on the north side of the Colorado River between Palisade and Loma. In response to this a cooperative stakeholder group has been convened under the leadership of the Grand Valley Drainage District and their consultant, SGM of Glenwood Springs.

As part of this process, it has become apparent that additional data collection and analysis is necessary to reduce uncertainty and to reduce risk to water users, especially to those that have point source discharge permits (e.g., storm water management entities, sand and gravel interests, waste water treatment plants). Although the issue is primarily related to unregulated irrigation percolation and run off, the point source dischargers are indirectly implicated under the Clean Water Act.

Specifically, the issue revolves around contaminant loads of selenium, iron and bacterial counts. Unfortunately, for the stakeholders there are not currently sufficient resources allocated to properly complete the TMDL and an associated watershed process to properly identify waste load allocations without excessive uncertainty. To meet the need for additional data collection, in particular, I recommend that the River District offer additional financial and technical resources to help protect water users and stakeholders in the northern Grand Valley.