




Colorado River District

Protecting Western Colorado Water Since 1937

MEMORANDUM

4/4/2018

TO: BOARD OF DIRECTORS
ANDY MUELLER, GENERAL MANAGER
PETER FLEMING, GENERAL COUNSEL

FROM: JOHN CURRIER, P.E. CHIEF ENGINEER 

SUBJECT: WEST DIVIDE WCD OPTION CONTRACT FOR LEASE OF RUEDI RESERVOIR WATER

ACTION REQUESTED: Board authorization to renew a 10 year option contract with West Divide Water Conservancy District for the lease of 900 acre-feet of Ruedi Reservoir water consistent with the terms and conditions of West Divide's current option contract which expires June 30, 2018.

STRATEGIC INITIATIVE(S): 4. Colorado River Supplies
7. Water Needs/Project Development
12. Financial Sustainability

In 2008 West Divide Water Conservancy District (West Divide) leased 100 acre-feet of Ruedi Reservoir water from the River District. Simultaneously they entered into option contract to lease an additional 900 acre-feet of the River District's Ruedi water. This option contract expires June 30, 2018. West Divide desires to renew the option contract for an additional 10 years.

The primary terms and conditions of the existing option contract are:

1. West Divide pay the River District, on an annual basis, 10% of the River District's current contract price regardless of whether or not West Divide exercises the Option.
2. If West Divide requires the use of a portion of the 900 acre-feet, they will lease the water in 100 acre-foot minimum blocks at the current contract price.
3. In the event there is a bona-fide third-party offer to lease any portion of the 900 acre-feet which the River District can't honor due to this option contract, West Divide is obligated to either lease the entire remaining block, or release any uncommitted portion of the 900 acre-foot block back to the River District.

These primary terms and conditions would apply to a renewed option contract.

Discussion

This option contract provides future water supply certainly for West Divide and continues a near-term revenue stream for the River District Enterprise without jeopardizing future River District water marketing efforts. Presently, excluding the 900 acre-feet subject to the option contract, there remains 7,699 acre feet in the available marketing pool (out of a total 11,413 acre feet marketable supply). Therefore, staff recommends renewing this option contract.