



COLORADO RIVER DISTRICT

PROTECTING WESTERN COLORADO WATER SINCE 1937

Colorado River Water Bank Work Group **Upper Basin Demand Management Economic Study in Western Colorado**

After significant stakeholder engagement and over a year in the making the Colorado River Water Bank Work Group (WBWG) presents the BBC Research Study “Upper Basin Demand Management Economic Study in Western Colorado.” The WBWG is the outcome from an initial meeting in 2008 between the Colorado River District (CRD) and Southwestern Water Conservation District (SWCD) boards in which the two organizations met to discuss the potential impacts of a Colorado River Compact curtailment on the West Slope. Ultimately, this meeting led to the development of the WBWG in 2009 and currently consists of the CRD, SWCD, The Nature Conservancy (TNC), Tri-State Generation and Transmission (Tri-State), Uncompahgre Valley Water Users Association (UVWUA), Upper Gunnison River Water Conservancy District (UGWCD), and the Grand Valley Water Users Association (GVWUA). The State of Colorado also participates in the WBWG in an advisory role and has provided grants to the WBWG for specific projects and studies. Throughout the process we have engaged agricultural producers, Native American tribes in Colorado, and the Bureau of Reclamation when appropriate. The WBWG wants to investigate possible solutions that strike a balance between urban, agricultural, environmental and industrial needs and Colorado’s Compact obligations under the Law of the River.

The WBWG’s effort is aimed at avoiding long-term agricultural dry up and water supply disruptions for all Colorado River water users within the state, either by providing replacement sources for post compact “critical” water uses, or by exploring the use of a voluntary and compensated market approach to temporarily reduce consumptive uses of Colorado River Basin water in Colorado to avoid Compact curtailment. The collective concern is that without a well-defined, well-thought out evaluation of the possible options ahead of time, if we were to approach a Compact compliance situation, West Slope agriculture would be subject to buy-and-dry transactions fueled by investment interests or even involuntary forced sales to major front range utilities with junior water rights that permanently separate water from the land.

Over the last decade, the WBWG has commissioned numerous studies and investigations into the feasibility of compact compliance, water banking, agronomic responses to irrigation practices, and water pricing/valuation. The latest report “**Upper Basin Demand Management Economic Study in Western Colorado**” by BBC Research and Consulting delves into the potential economies of scale of implementing a Demand Management program in western Colorado. The BBC team worked with the WBWG and the agricultural community to identify and develop two scenarios for a potential demand management program involving Western Colorado agricultural water users. These two scenarios, “moderate and aggressive,” establish some book ends to the



economic conversation with the 500,000 Acre Feet Upper Basin Storage account authorized through the Drought Contingency Plan legislation in Lake Powell and the other Colorado River Storage Act reservoirs on one end, and the 2,000,000 Acre Feet the Risk Study indicates will actually be needed to make a meaningful contribution to preventing or significantly delaying a Compact compliance event on the other end. It is important to note that this study only looks at the impacts of fallowing West Slope agriculture which, if a demand management program is created in Colorado, will only be one piece of the solution; for a demand management program to succeed water must be contributed from conserved consumptive use in all water use segments from all regions that consume the waters of the Colorado River. This study in no way implies what a demand management program should be, but rather what the potential economic impacts of such a program might be if implemented in a similar fashion.

The WBWG's diligent work over the last decade has resulted in numerous studies which provide valuable data about types of solutions available to preserve communities, agriculture, power production, and the ecological health of the river. While this study may be the last official WBWG project, the findings from all of the WBWG inquiries will lead to informed discussions about the next steps which will need to be answered prior to deciding whether implementation of a demand management program is feasible and desirable for water users in western Colorado. On behalf of the WBWG here is the BBC Research Study "Upper Basin Demand Management Economic Study in Western Colorado."

On behalf of the Colorado River District, we want to thank all of our partners for many, many hours of work and for their financial contributions that have made this project successful.

Sincerely,

The Colorado River District Team.

Disclaimer: The purpose of this report is to provide insight from an economic inquiry into the feasibility of voluntary, temporary and compensated demand management within western Colorado. It is not intended to represent the group's, or any of its individual members, endorsement of the implementation of a demand management program or the structure of such a program on Colorado's western slope or in Colorado as a whole.