

RRWCD ACQUIRES 15,000 ACRE-FEET OF WATER FOR COMPACT COMPLIANCE PIPELINE;

CWCB APPROVES \$60 MILLION LOAN APPLICATION

On Tuesday, January 22, 2008, the Republican River Water Conservation District (RRWCD) signed the second of two contracts to purchase designated ground water rights that will produce nearly 15,000 acre-feet of water per year for a Compact Compliance Pipeline. The Pipeline project will be designed to deliver water to the North Fork of the Republican River at the Colorado-Nebraska state line to assist the State of Colorado to comply with the Republican River Compact. Also on January 22, the Colorado Water Conservation Board voted unanimously to approve a \$60 million loan application by the RRWCD with a 2 percent interest rate over 20 years to finance the Pipeline project. The loan requires approval by the Colorado General Assembly, but the application has cleared a major hurdle. To assure the Colorado Water Conservation Board that the RRWCD could repay the loan, the RRWCD Board of Directors voted to increase 2008 use fees from \$5.50 to \$14.50 per irrigated acre on irrigation diversions, although the Board intends to review the use fee structure this year before the 2008 use fees will be due. Final engineering design for the Pipeline project has already begun, with a projected date for delivery of water beginning in July 2009.

The RRWCD Board of Directors reviewed other projects to assist Colorado to comply with the Compact, including a project to import water from the South Platte River basin, and concluded that purchasing existing designated ground water rights for the Pipeline project is the one that is most likely to receive approval from the Republican River Compact Administration under the terms of the 2002 Final Settlement Stipulation

between the States of Kansas, Nebraska, and Colorado and could be built and operational in time to avoid curtailment of diversions under the State Engineer's proposed Compact Rules or possible legal action by the State of Nebraska or the State of Kansas. The RRWCD Board looked at a project to import water from the South Platte River proposed by South Platte Resources, LLC, but concluded that the South Platte project would cost three to four times more than the Pipeline project using existing designated ground water rights, would be twice as expensive to operate on an annual basis, and would require a minimum of three to four years to obtain approval of the Division 1 Water Court for a change of use of the water rights offered in the proposal, which would not be in time to prevent curtailment of diversions in the basin. The water rights offered by South Platte Resources, LLC, would cost \$6,000 per acre-foot of historical consumptive use, which is more than double the cost of designated ground water rights. At \$6,000 per acre-foot, it would cost \$90 million to purchase 15,000 acre-feet of historical consumptive use water from the South Platte River, and this does not include the cost of the pipeline, storage tank, pumping plant, or easements required to deliver the water from the South Platte to the North Fork of the Republican River. In addition, the annual yield of the South Platte rights and the quality of the South Platte water had not been addressed in the proposal.

In recent years, Colorado has exceeded its Compact allocations by about 11,000 acre-feet of water per year. The designated ground water rights that have been purchased should allow Colorado to stay within its Compact allocations for at least 25 years. The Pipeline project will be designed and operated to deliver only the amount needed each year for Compact compliance; the remainder will be banked for future years.

The agreements signed with Cure Land, LLC, and Lanus and Karan Harsh, totaling nearly \$50 million, include the purchase of designated ground water rights that have been used to irrigate more than 9,500 irrigated acres north and east of Laird, Colorado. The use of these rights will be changed to supply water for the Pipeline. The agreement with Cure Land, LLC, also includes easements for new wells, a storage tank, a maintenance yard, a control building, collector pipelines, and the main conveyance pipeline. Cure Land, LLC, also agreed not to object to changes of the rights sold to the RRWCD for the Pipeline project and agreed that additional wells could be drilled on its property if the Ground Water Commission approves an amendment to its rules and regulations to allow new Compact Compliance wells.

The Board of Directors of the RRWCD was extremely pleased to get these particular rights for the following reasons:

- 1) These rights are located in a deep and productive part of the Ogallala aquifer, which will provide a long-term water supply for the Pipeline project.
- 2) The location of these rights will minimize pipeline construction costs and the agreement with Cure Land, LLC, will allow the rights to be consolidated so that six to eight new wells can be constructed to keep costs to a minimum. Engineering and construction costs to build the twelve and a half-mile pipeline project are projected to be \$21 million.
- 3) The RRWCD was able to acquire virtually all of the designated ground water rights located within a block of land nearly six miles by six miles in size, which

will allow the flexibility to consolidate the rights without potential injury to other well owners.

Financing for the down payment for the rights to designated ground water was obtained by a \$5 million loan from Farm Credit of Southern Colorado. That loan will be paid back in less than one year using RRWCD funds currently in certificates of deposit as they mature. The remaining financing for the \$71 million project will come from the loan from the Colorado Water Conservation Board and RRWCD revenues. Plans are to have the Pipeline project completely paid off within twenty years. Annual water use fees for irrigation use will be increased from the current \$5.50 per irrigated acre to \$14.50 per irrigated acre to pay for the project, although the Board intends to review the rate structure for water use fees later this year. Other water use fees will probably go up proportionally, but the Board deferred a decision on an increase in those use fees to review the current rate structure.

The Pipeline project is scheduled to begin construction in the fall of 2008, with the goal of having the Pipeline project in place to begin delivery of water in July 2009. This is a very aggressive schedule for a project of this magnitude, but is critical to prevent curtailment of wells under the State Engineer's proposed Compact Rules or as the result of legal action brought by the State of Nebraska or the State of Kansas to enforce the terms of the Compact.

For more information, contact Stan Murphy at the RRWCD office, 410 Main Street – Ste 8, Wray, CO, 970-332-2552, rrwcd@centurytel.net.