Historical Buy and Dry-up

- **Colorado Springs**
  - $$$$$
  - Share Holder
  - Share Holder
  - Share Holder

- **Aurora**
  - $$$$$
  - Share Holder
  - Share Holder
  - Share Holder
  - Share Holder

- **Others**
  - PBWW
  - Pueblo West
  - Fountain
  - Etc.

- **Colorado Canal**
  - Share Holder
  - Share Holder
  - Share Holder
  - Share Holder

- **Rocky Ford Canal**
  - Share Holder
  - Share Holder
  - Share Holder
  - Share Holder

- **Others**
  - Las Animas
  - Highline
  - Holsom
Historical Buy and Dry-up

• One time deal
  – Shareholders are paid off and water is transferred to municipal use

• Land permanently dried up
  – No more irrigation
  – Limited/no further agricultural productivity
  – Weed and erosion problems occur despite revegetation statute

• Cities (purchasers) realize the appreciating value of the water over time
Economic Impact of Buy and Dry

• “Business as usual” thru 2030 (SWSI)
  – 102,000 acres dried up since 1950s (34%)
  – Add’l 22,000 to 72,000 acres by 2030 (57%)

• Economic value of Lower Ark irrigation
  – $430/ac/year (Thorvaldson et al., CSU)
  – $9.5 million to $31 million / year lost

• Transfers will happen bcs other uses more valuable than ag use
  – So, recognize reality, redefine the game
Water Leasing

- **Colorado Springs**
  - $$$$$$
  - $H_2O$
- **PPRWA**
  - $$$$$$
  - $H_2O$
- **CDOW/Parks**
  - $$$$$$
  - $H_2O$
- **Other/Ag**
  - $$$$$$
  - $H_2O$

- **Ft. Lyon**
  - Share Holder
  - Share Holder
  - Share Holder
- **Rocky Ford Highline**
  - Share Holder
  - Share Holder
  - Share Holder
- **Catlin Canal**
  - Share Holder
  - Share Holder
  - Share Holder
Water Leasing

• Creates additional new crop - water
  – Predictable source of revenue for farmers and ranchers

• Annual, multi-year short and long-term leases

• Land not permanently dried up
  – Agricultural productivity continues long-term
  – Most water remains in irrigation use every year
  – Community/economic activity continues

• Shareholders realize the appreciating value of the water
What water leasing must do to succeed

• Maximize the short- and long-term value of irrigation water to the Lower Valley
  – For cities, provide an attractive, reliable, cost-competitive alternative source of water
  – For irrigators, provide an economically attractive alternative to farming or selling
“Super Ditch Company”

- Mechanism to lease water from irrigators who are willing to forgo irrigation to municipalities and other users
- Created, Controlled and Owned by participating irrigators
  - Managed by Board of Directors elected by participating irrigators
  - Collective negotiation levels playing field with municipal users
  - Irrigators may participate to extent they wish
  - All irrigators treated equally
    - % non-irrigated, lease revenue / ac-ft
- Responsible for leasing water, obtaining water court approval, administering leases, and 1041 permits
- Determine which lands will not be irrigated each year based on supply, lease demand, and hydrology
- Incorporated May 7, 2008
Irrigated Acreage for Leasing

Map 2. Irrigated Acres For Proposed Lower Arkansas Rotational Land Fallowing - Water Leasing Program
Primary Ditch Systems within Area of Interest

Arkansas River Ditch System Schematic
Ditch Rights within Area of Interest
Ditch Yields at Headgate

Estimated Available Water for Lower Arkansas River Ditches of Interest

- ROCKY FORD HIGHLINE
- OXFORD FARMERS DITCH
- OTERO CANAL
- HOLBROOK CANAL
- FORT LYON STORAGE and CANAL
- CATLIN CANAL
- BESSEMER DITCH
Municipal Water Supply Considerations

- Increasingly limited opportunities for large new water projects and trans-basin projects
- “Buy and dry” increasingly culturally, socially, and politically unacceptable
- **Leasing should become a favored alternative**
  - Path of least resistance for cities?
  - “Win-win” for cities and irrigators
  - Least environmental impact
  - Ag/commercial community benefits
  - Works well with conservation
Overview Water Leasing

• Advantages
  – Municipalities / other users get water they need at competitive cost
  – Irrigators realize current value of water w/o selling
    • Plus realize appreciating water value in future
    • Can continue farming and ranching
  – Supports long-term regional rural economy

• Challenges
  – Willingness of users to consider FMV water leases
  – Cooperation among ditch companies + shareholders
    – End municipal predation + manipulation
Challenges (cont)

• Delivery of water to lessees
  – Exchanges
  – Infrastructure
  – Storage
• Water Court -- Change of water rights
  – Injury standard
  – Engineering expense
  – Time, cost, uncertainty
Strategies

• Term Sheets - 2010
  – PPRWA – 8,000 ac-ft/yr
  – Aurora – up to 10,000 ac-ft/yr

• Pilot Program
  – 2012
    • Fountain, Security, et al.
      – 500 ac-ft
  – 2013
    • Colorado Springs
      – 2000 ac-ft

• Administrative Tool
Conclusion

- Simple idea, great potential, success depends upon willingness water buffaloes to accept a new paradigm to meet future needs
- Moving forward to make concept a reality
- Confident that challenges can be met