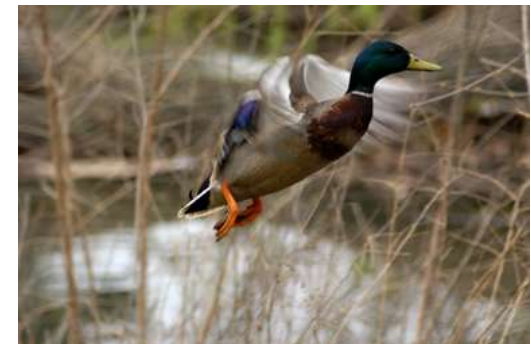


October 21 | 2010

Tools for Alternative Transfers: Ducks and Corn

Matt Lindburg, P.E.



We have a great project team!

coloradoCorn



- Colorado Corn Growers Association
- Ducks Unlimited
- Aurora Water
- Lower South Platte Co-op
- Colorado Water Resources Research Institute
- Lawrence, Jones, Custer, & Grasmick, LLP
- Harvey Economics
- Brown and Caldwell
- Colorado Water Conservation Board

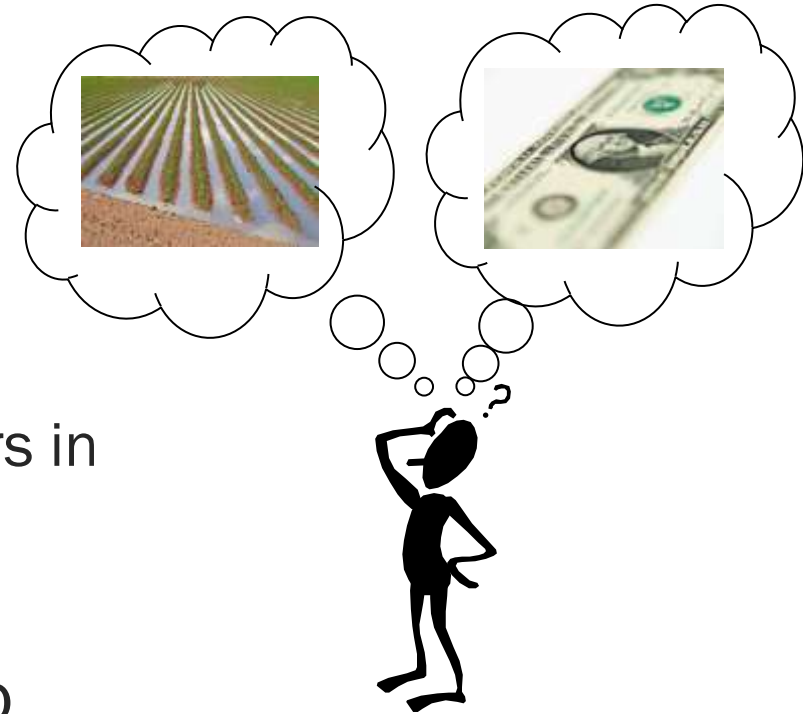


Brown AND
Caldwell



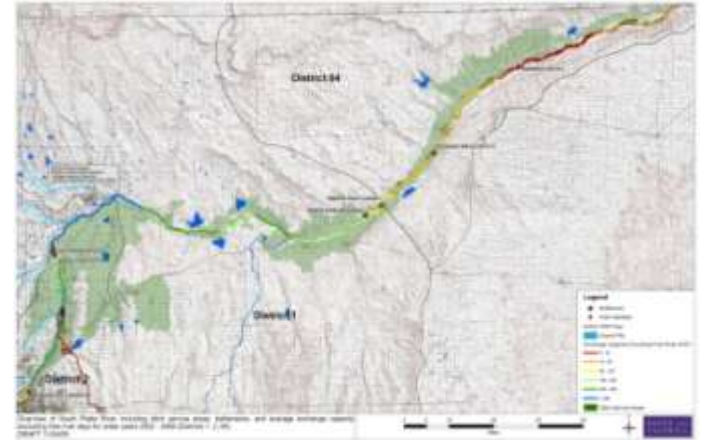
Project Goals

- Our project goals are to
 - Develop Business Plan tools for alternative transfers
 - “Tee up” actual alternative transfers in demonstration projects
- To meet these goals, we need to understand engineering, economic, and legal issues



What are we doing?

- Conducted technical analyses
 - Mapping and data analyses
 - Assess feasibility of methods
 - Exchange capacity
- Researched alternatives
 - What is administrable?
 - What is legally feasible?
- Identified barriers 
- Developed an economic evaluation tool 
- Writing a guidance document 
- Conducting demonstration projects



Analysis of Different Methods

Method	Does the legal framework currently exist?	If so, what is required to implement the measure?	Has the measure been implemented successfully?	What legal changes could improve the process?
Interruptible Supply Agreements	✓	Application to the State Engineer	✗	Standardized approval criteria
Rotational Fallowing	✓	Change in water rights	✓ (some)	Unclear
Water Banks	✓	Sponsoring water conservancy district, rulemaking, etc.	✗	Unclear
Reduced Consumptive Use	Potentially...	Change in water rights	✗	Clarification in statutes
Purchase and Leaseback	✓	Contract	✓	None

Barriers



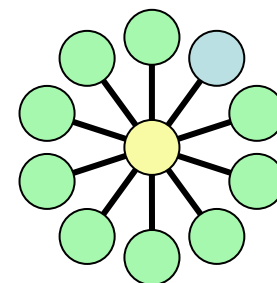
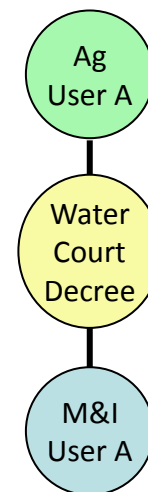
and Solutions



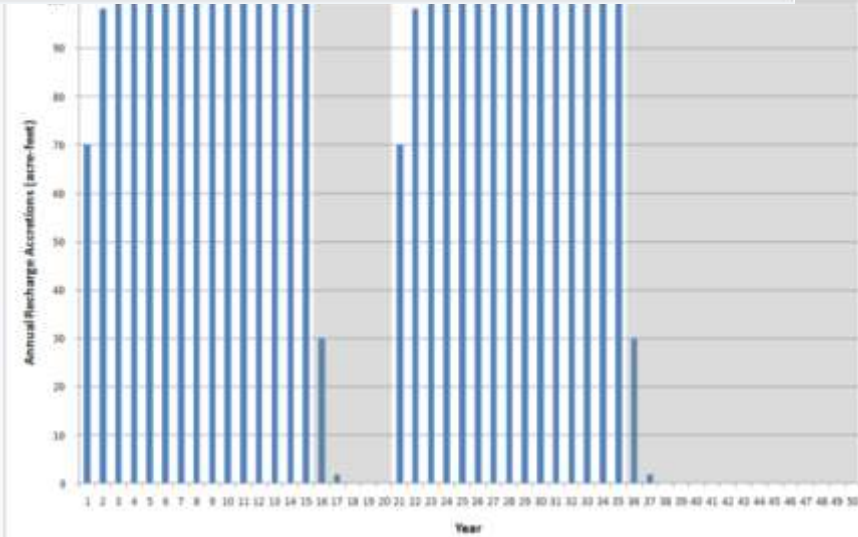
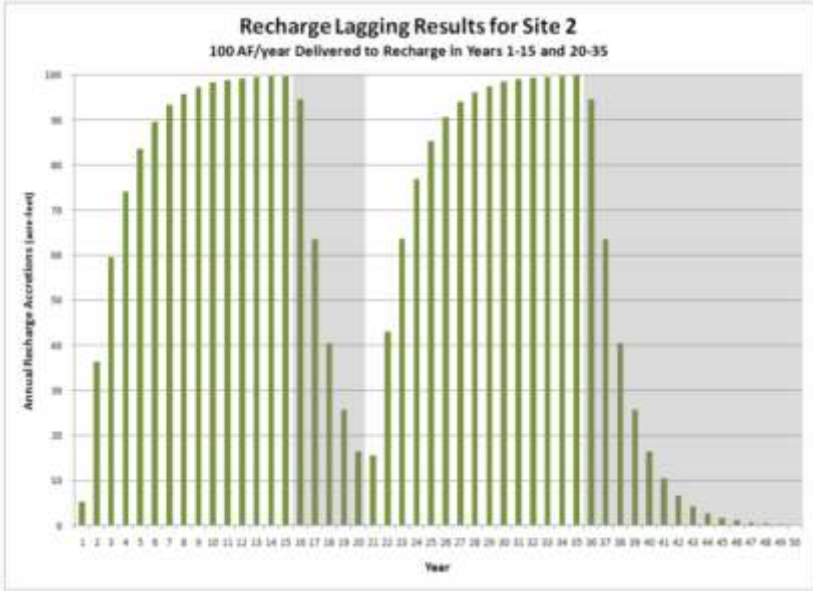
- High transactional cost → • Reduce transaction cost
- Reluctance to commit → • Keep options open
- Excessive complexity → • Reduce complexity
- Poor communication or mistrust → • Encourage meaningful communication
- Values differences → • Allow for value differences
- Power imbalance → • Address power imbalance

Demonstration Project – Private Water Market

- **Contract Driven:** Ag and M&I User, Ducks Unlimited
- **Base CU:** Ag user permanently sells 10% of CU to M&I user
- **Flex CU:** Contract allows lease of remaining 90% of CU to M&I user or Ducks Unlimited on variable basis
- **Recharge Site.** Ag user installs recharge site in cooperation with Ducks Unlimited - habitat and return flow management
- **Ag User Management:** Ag user manages deliveries, dry up to deliver CU to M&I user
- **Water Court Application.** Parties cooperate in and share the cost of water court change case adjudicating 100% of CU to M&I and Ducks uses in addition to existing irrigation use
- **ROFR:** Ag user may sell 90% to another buyer subject to ROFR for M&I partner

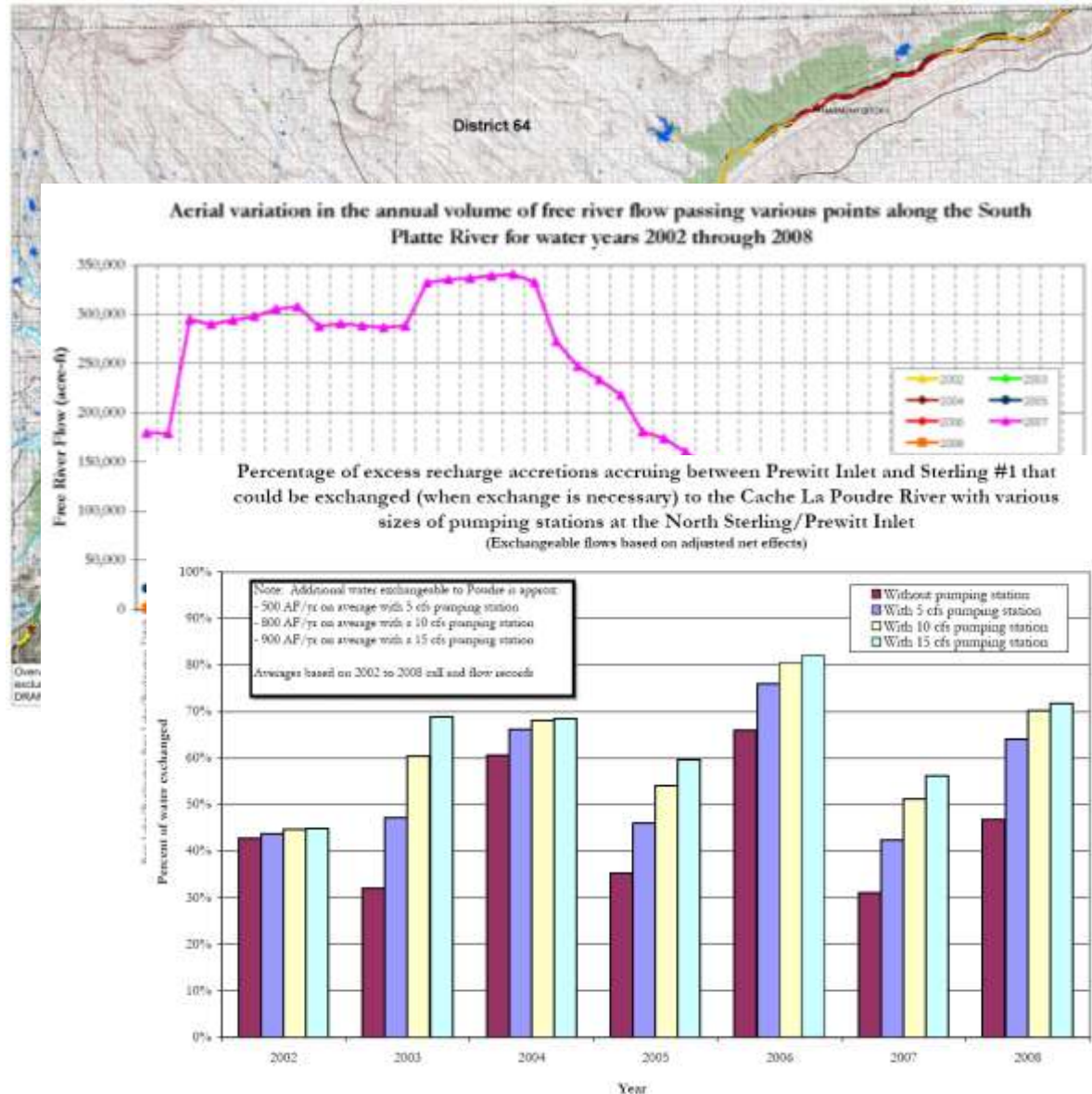


Demonstration Project – Private Water Market



Demonstration Project – Marketing Mechanism

- Lower South Platte Co-op
- Project components
 - Assess available excess recharge credits
 - Exchange capacity
 - Free river
 - Infrastructure that could enhance exchange capacity



Demonstration Project – Interruptible Supply

- Between an agricultural producer and a small town
- Could be useful as town grows
- May be a good example project for sharing water locally on the lower South Platte

Economic evaluation tool - AgLET

- Ag Transfer Deals:
 - ✓ Sound complicated
 - ✓ Can be intimidating
 - ✓ Represent a resource commitment with too many unknowns
- Both parties must be comfortable with full implications, especially the financial aspects

Ag	1.0 Intro
	1.1 Instructions
L	2.1 Farm Information
	3.1-3.3 Ag Transfer Proposal
E	
	4.1 Financial Summary
T	

Economic evaluation tool - AgLET

- Considerations
 - Simple vs complicated – need to balance
 - Roll-out – let's train the trainers first
- Next steps
 - Additional training sessions
 - CSU Extension will be the long term home for AgLET



Guidelines for alternative transfers

- Written for agricultural producers interested in alternative transfers
- Provides information on steps needed and the process for currently accepted methods
- Will need to be updated as time goes on
- Will be housed at CSU Extension



Questions

