Agriculture Storage Meeting

I. There is a total of 564,417 acre feet of storage capacity in the East Slope storage system for which space is allocated for Project water, Replacement and Firm Contracts, and Winter Water storage. The remaining space, if and when available may be leased for storage by agriculture, municipal and industrial users.

II. The Bureau plans to market storage of non-Project water within the total storage space in the East Slope system to the extent it is not needed for storage of Project water.

III. The proposed marketing plan is based on the following spill priority from the East Slope Reservoirs in order of first to spill.

1. Non-Project water stored by entities outside the Southeastern Colorado Water Conservancy District.
2. Non-Project water stored under temporary storage contracts.
3. Non-Project water stored under long term contracts except M&I water stored in the space provided in the district’s allocation principles.
4. Winter water storage accumulations in excess of 70,000 acre-feet.
5. Water which is neither Project water nor return flow from Project water stored by municipal entities in the space provided by the districts allocation principles.
6. Remaining winter water storage accumulations.
7. Project water accumulated from the Arkansas River and its tributaries.

IV. The Bureau proposes to negotiate long term storage contracts but still plans to make temporary storage contracts available.

V. The storage service rate will be interest free for irrigation entities and include an interest component at a rate of 3.046 percent for municipal and industrial entities.

VI. Derivation of storage service rate.

A. Total cost of East Slope storage system ($108,181,208) divided by total capacity constructed by Bureau (564,417 acre-feet) equals $191.67 per acre-foot.

B. OM&R cost for East Slope storage system equals $140,000 divided by total capacity constructed by Bureau 564,417 acre-feet equals $0.25 per acre-foot.
C. M&I storage rate amortized over 50 years at 3.046 percent interest equals \((\$191.67)(0.0392056)\) equals $7.51 per acre-foot per year plus an OM&R cost of $0.25 per acre-foot equals $7.76 per acre-foot per year.

D. Irrigation storage rate amortized over 50 years at no interest equals \((\$191,67/50 \text{ years})\) equals $3.83 per acre-foot per year plus and OM&R cost of $0.25 per acre-foot equals $4.08 per acre-foot per year.

E. The Bureau proposes to discount the above storage rate based on the probability of the requested storage space being available without spilling.

1. With an assumed discount of 25 percent the resulting M&I storage rate equals \((\$191.67)(0.75)(0.0392056)\) plus OM&R $0.25 equals $5.89/acre-foot.

2. With an assumed discount of 30 percent the resulting irrigation storage rate equals \((191.67)(0.70)/50\) plus OM&R $0.25 equals $2.93/acre-foot.

3. With an assumed discount of 30 percent M&I storage service outside the District's 163,100 acre-foot storage allocation \((0.0392056)(\$191.67)(0.70) + .25 = \$5.51\).

F. Bureau proposes a combination base payment plus a service charge to obtain the total rate for storage service. The base annual installment would be 50 percent of rate plus OM&R and the service charge would equal the remainder of the rate assuming each acre-foot of water was in storage for 180 days of the year.

1. M&I rate equals $2.82 per acre-foot plus $.25 OM&R = $3.07 base installment, plus \((2.82)/180\) equals $.016 per acre-foot day.

2. Irrigation rate equals $1.34 per acre-foot plus $.25 OM&R = $1.59 base installment, plus \((1.34)/180\) equals $.0074 per acre-foot day.

3. M&I rate outside of 163,100 acre-foot allocation. Base installment equals $2.63, plus $.25 OM&R = $2.88 service rate \((2.63)/180 = .015\) acre-foot/day.

VII. Temporary storage contracts will be available to meet occasional short term storage needs. The temporary contracts are not intended to be used to satisfy re-occurring needs.

The terms of the temporary storage contracts will be in accordance with the laws, regulations, and policies in effect at the time under current policy. These contracts will be limited to 2000 AF for M&I and 10,000 AF for agricultural water. The length of the temporary contracts will not exceed one year. The rates or rate structure are also subject to change.

We propose to charge $0.021 per acre-foot day of actual storage for M&I storage and $0.011 per acre-foot day of actual storage for agricultural storages. There will be a $1000 fixed charge at the time the contract is executed to cover administrative costs. This $1000 will be applied against the storage charges but will be non-refundable.
VIII. The above rates are a result of several alternative rate setting alternatives studied in the Project Office. The rates are tentative. The proposed rates must be included in a basis for negotiation of contracts and submitted to the Washington Office for approval. We have not attempted to establish rates for entities outside the District. The $0.25 per acre-foot O&M charge will be adjusted periodically to reflect the actual O&M costs. No refunds will be given if the storage is not used or the water is spilled.

$10.00 per Contract

Temporary Contract

Service charge

41 per Acre ft. Day
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Mr Frank Milenski
President, Catlin
Canal Company
PO Box 352
Rocky Ford CO 81067

Dear Mr Milenski:

The development of a marketing program for storage of non-Project water in the Fryingpan-Arkansas Project east slope reservoirs is nearing completion. We are currently negotiating with the Southeastern Colorado Water Conservancy District to remove some impediments to this program that now exist in the contract between the district and the United States. As soon as these negotiations are complete we will send the proposed marketing program to the Commissioner for approval. This marketing program was discussed at the Agriculture Long Term Water Storage meeting in Pueblo, Colorado on July 18, 1985. A summary of the proposal, as presented at the July 18 meeting, is attached.

In order for us to complete our marketing program we need to know how much storage space to reserve in the category that would be subject to spill prior to any spilling of winter water. This was requested by the Bureau at the meeting and as of this date we have had no response. Please provide us with a statement by September 10 of the amount of space in this category that you want reserved for your use.

At the same meeting the Bureau also requested comments on the proposed long term storage proposal. Please also provide us in writing any comments you have regarding this proposal by September 10, 1985.

Sincerely yours,

Raymond H. Willms
Project Manager

Enclosure

cc: Mr Charles L Thomson
General Manager, Southeastern
Colo Water Conservancy District
PO Box 440
Pueblo CO 81002

Kevin B. Pratt
Fairfield and Woods
1600 Colorado National Bldg
950 Seventeenth Street
Denver CO 80202
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