



November 17<sup>th</sup>, 2020

Mr. Ken Brenner, Board President  
Upper Yampa Water Conservancy District  
3310 Clear Water Trail  
Steamboat Springs, CO 80487  
Via e-mail: [kpbrennersteamboat@gmail.com](mailto:kpbrennersteamboat@gmail.com)

**Re: City of Steamboat Springs – Upper Yampa Water Conservancy District Stagecoach Reservoir Pricing Policies & Municipal Rates**

Dear Ken:

We look forward to addressing The Upper Yampa Water Conservancy Board this week and are providing this letter as reference material for the presentation to be given by Kelly Romero-Heaney, Water Resources Manager. We value the partnership we have with the District and recognize the need to quickly get to work on issues of interest to our shared constituencies such as climate change, ecosystem degradation, and Colorado River Compact compliance in the Yampa River Basin. Finalizing our Stagecoach Reservoir contract would be a good first step in this direction.

As you know, The City of Steamboat Springs has requested a new 648 acre-feet contract for water from Stagecoach Reservoir. We believe this is a reasonable and manageable request, given that we have a perpetual obligation to provide water to our constituents. Further, 648 acre-feet represents only 4% of the 15,844 AF of uncontracted water in Stagecoach Reservoir and only 1.8% of its total storage.

Here we will outline some of the points we would like for you to consider as you deliberate on this request. They fall into two broad categories 1) demonstration of the City's need for an additional water contract 2) consistency and transparency around pricing and rate structure.

**1) The City must serve its customers in perpetuity.**

*Per House Bill 08-1141 Concerning Sufficient Water Supplies for Land Use Approval*, municipal and domestic water providers must ensure that adequate

water supplies are available to serve new development. If the City is to rely upon Stagecoach water for a portion of the above-mentioned long-term supply, then it requires contractual assurance that Stagecoach can serve these demands beyond 2041. Although the City prefers a perpetual contract or an allotment share for Stagecoach water, it would consider a term like that of the Colorado River District's 40-year term with a 35-year renewal option for municipal contracts. **The term of our contract is of the utmost importance in providing assurances to our shared constituents that they will have reliable water in the years to come.**

- 2) **The City is requesting up to 648 AF of new water to firm its Yampa Wells WTP (Municipal Well A) and several minor parks-related diversions.**

The City is in the process of expanding its Municipal Well A from a capacity of 0.8 MGD to 1.8 MGD to provide sufficient redundancy and supply to its customers. Municipal Well A (90CW160) is currently augmented by a combination of Hoyle & Knight stream credits and a 552 AF pool from Stagecoach Reservoir (09CW62). The additional 648 AF will augment Municipal Well A expansion and several minor parks-related diversions when the Yampa River is under administration. **Redundancy provides assurance.**

- 3) **Municipal & Industrial represent different classes of use.**

Although both municipal and industrial water users require long-term assurances, only a portion of municipal use is fully consumed while industrial use is either consumed (i.e. power generation) or re-timed (i.e. snow-making). The Steamboat Ski and Resort Corporation, an industrial customer, also agreed with this analysis at the October 15<sup>th</sup>, 2020 board meeting. **Pricing should differentiate between classes of use.**

- 4) **The District's Stagecoach contract policies should reflect its commitment to the health of the Yampa River.**

The community has benefitted immensely from the work of the Colorado Water Trust and the Yampa River Fund to develop creative strategies for securing and funding restoration flows from Stagecoach Reservoir. However, the absence of water that is decreed for environmental use in Stagecoach has threatened the reliability and longevity of these efforts. **A reliable legal mechanism for securing streamflow releases is warranted.**

5) **The District should identify a clear process for setting rates and terms.**

Ratemaking should have a clearly defined transparent process and associated policies. Since 2014, we have urged the District to adopt a defensible ratemaking policy. The District has provided documents that identify municipal rates ranging from \$28.90/AF to \$124.24/AF for Stagecoach Reservoir and it has set the current price for Yamcolo municipal water at approximately \$80/AF +CPI. **A clear process for determining how rates and terms are established and how interested parties can engage in the discussion will ensure that they are *Fair, Equitable, and Transparent.***

6) **A water market analysis should be conducted to help the District develop *Fair, Equitable, and Transparent* policies and rates that are defensible.**

This is standard practice among water conservancy districts and it would bolster the public's confidence in the District's term and rate-setting policies. Qualified firms, such as [WestWater Research, LLC](#) and [Jacobs Engineering](#), have been hired by water conservancy districts throughout Colorado for this type of analysis. **Conducting a water market analysis would ensure that the District is sustained financially while also establishing fair and equitable terms that comply with the *Colorado Water Conservancy District Act.***

In closing, we'd like to reiterate the Steamboat Springs City Council's interest in partnerships and water issues. To that end, we'd appreciate the opportunity to engage with you in an open and transparent dialog on the proposed *Stagecoach Reservoir Water Marketing Policy*. We have set a date of January 6<sup>th</sup> for that discussion and remain hopeful that it still works for you.

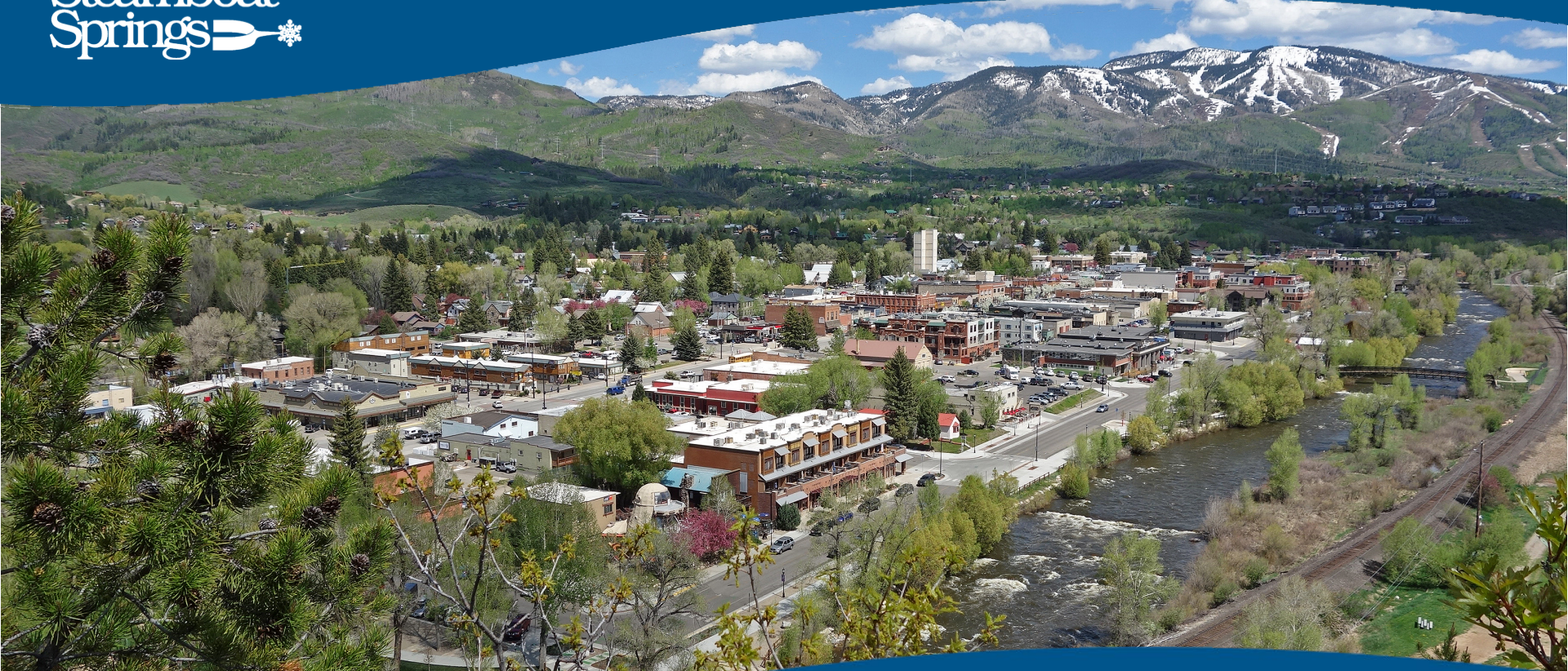
Sincerely,



Gary Suiter  
City Manager  
City of Steamboat Springs  
PO Box 775088  
Steamboat Springs, CO 80477  
[gsuiter@steamboatsprings.net](mailto:gsuiter@steamboatsprings.net)



Jason Lacy  
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Water Supply Needs & Stagecoach Contract Policies  
Kelly Romero-Heaney; Water Resources Manager

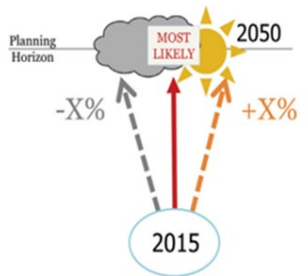
## The District's Vision

*An Upper Yampa River Basin with safe, secure water storage and supply for its customers that benefits all uses in the Basin.*

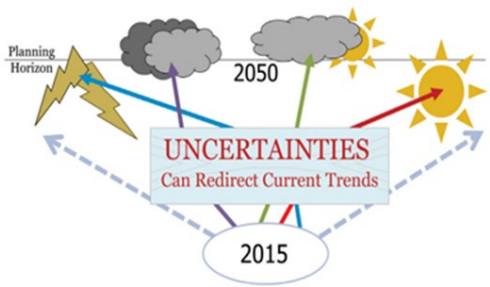
**...is a shared vision.**

# 2019 Water Supply Master Plan

Predict-and-Plan Method



Scenario Planning Method



Adapted from Global Business Network, 2012 & Marra, 2013<sup>7</sup>

Water Supply Master Plan

## Water Supply Master Plan

City of Steamboat Springs and Mount Werner Water & Sanitation District



August 16, 2019

AG File No. 18-116

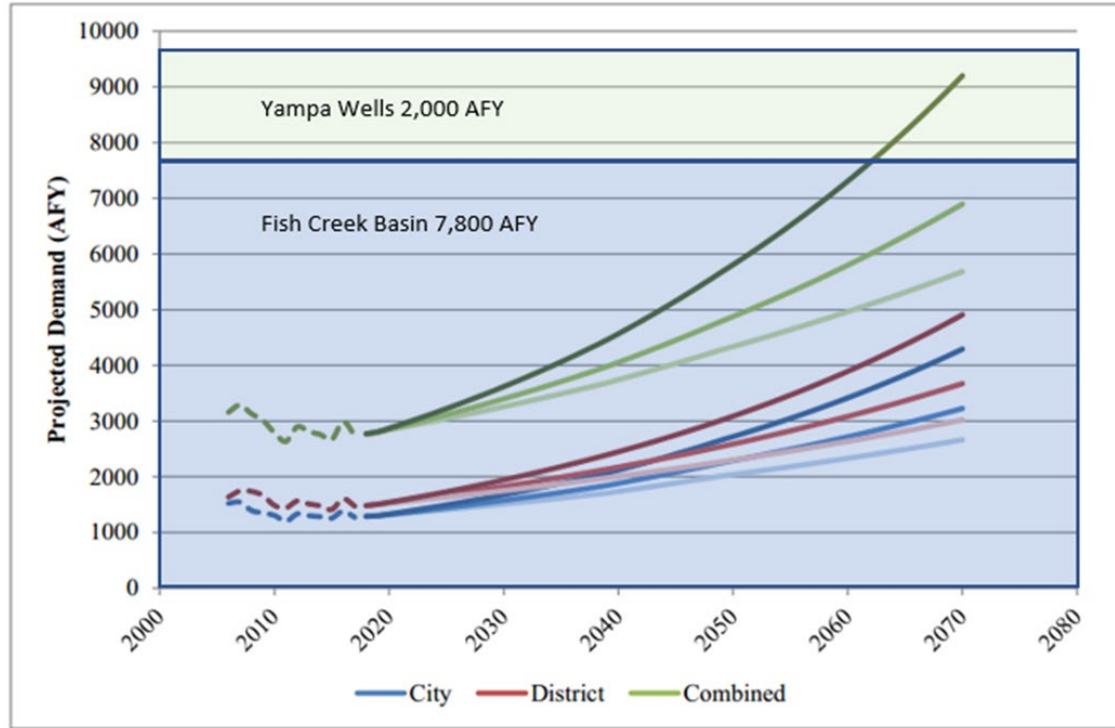
Prepared for:



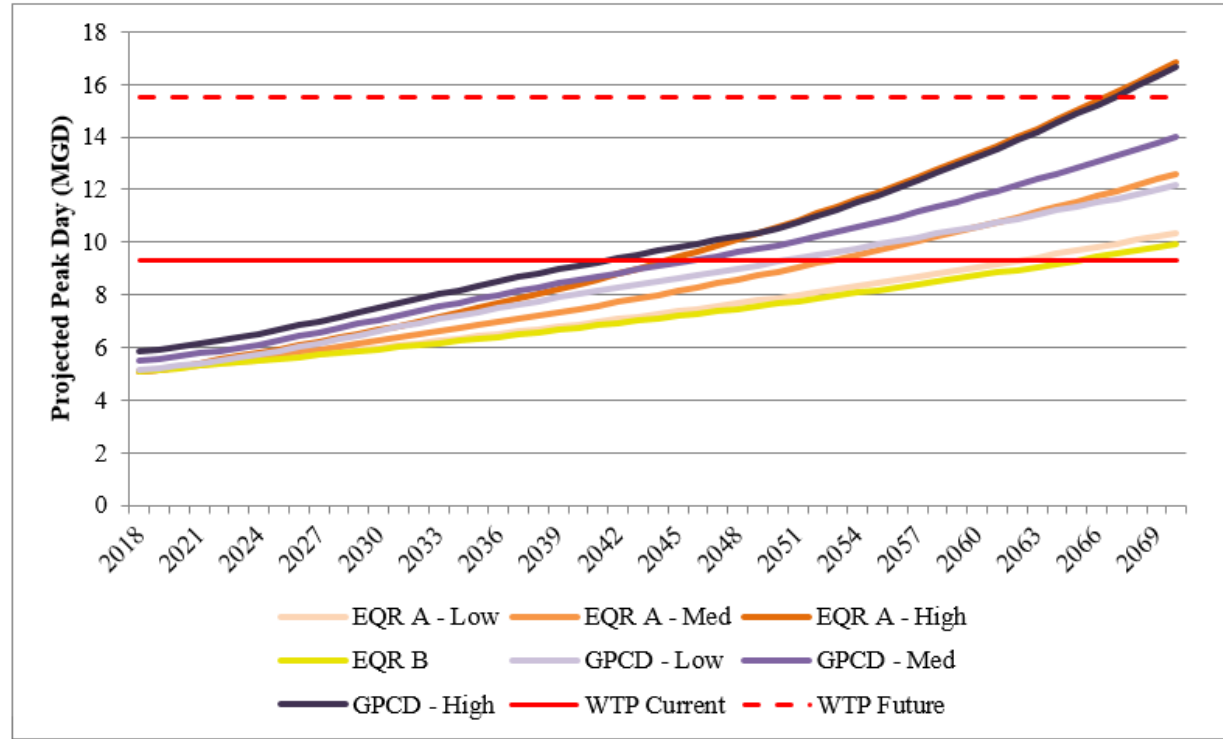
Prepared by:



- Fish Creek yield ranges from 7,800 to 10,450 ac-ft (WTP and distribution capacity limited)
- Yampa wellfield yield based on pumping capacity



- Combined capacity: 9.3 mgd current; 15.5 mgd future
- Current capacity exceeded 2040



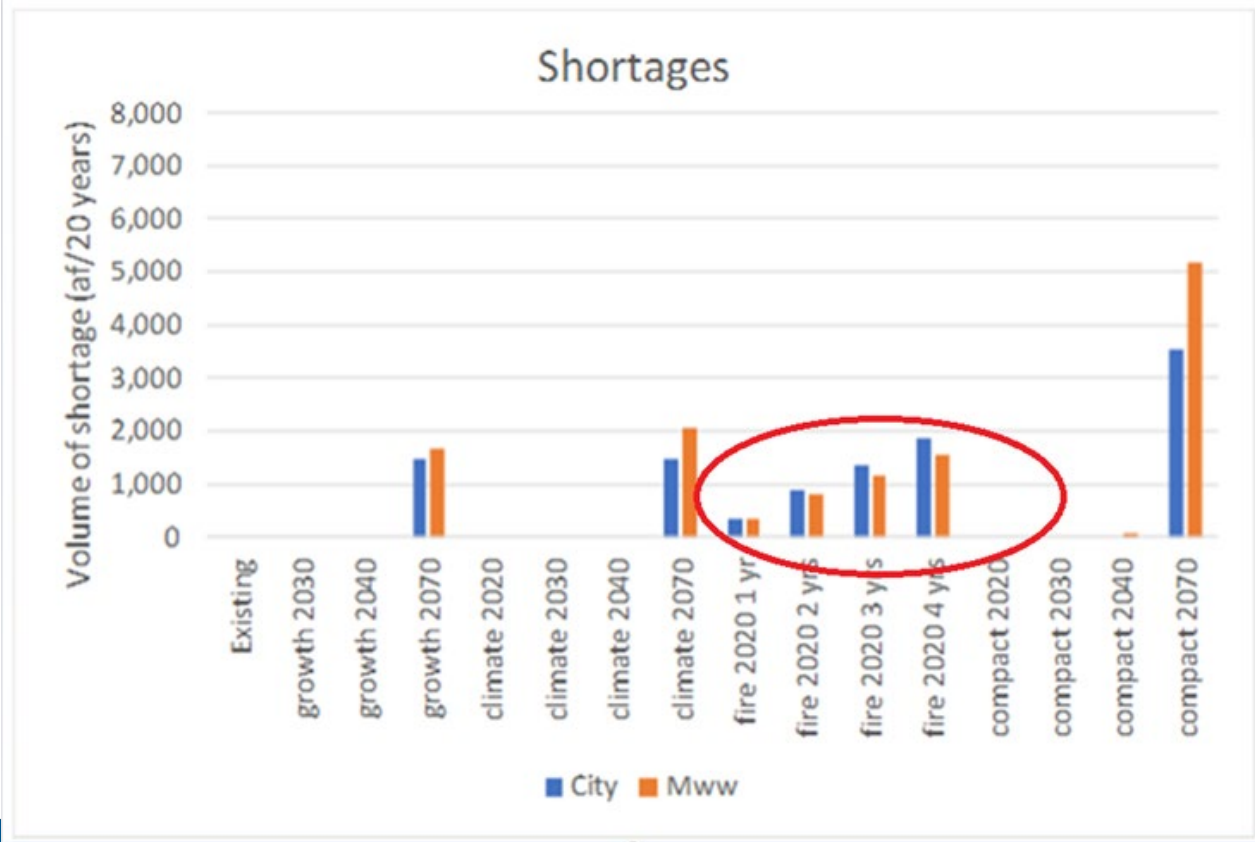


- Population Growth
- Colorado River Compact Call
- Climate Change
- Wildfire



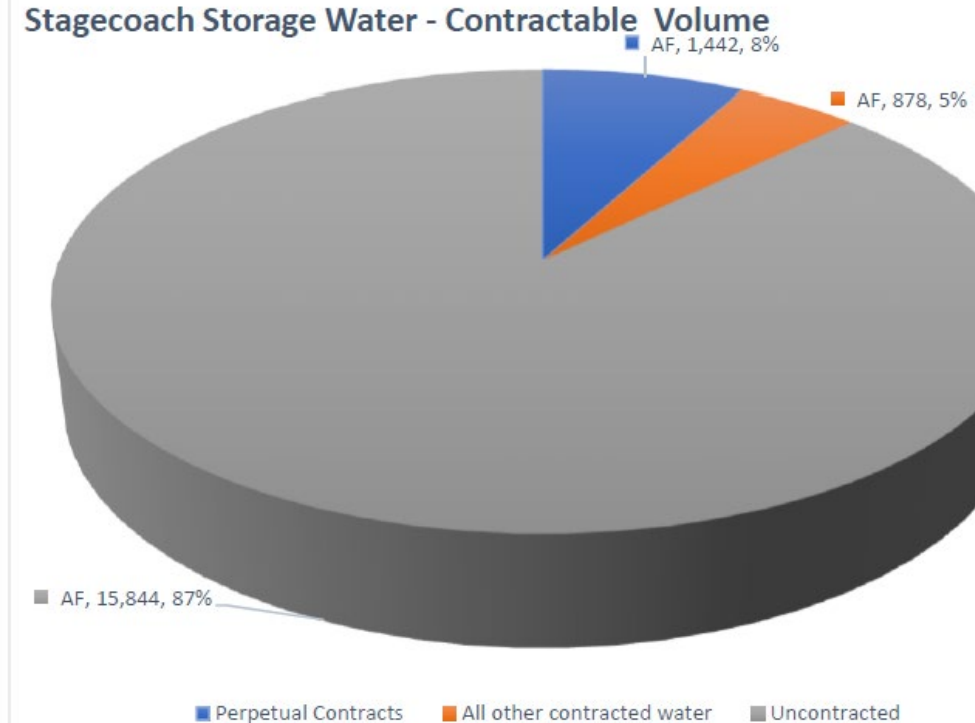
**Fish Creek Reservoir – September 2018**

- Near-Term Risk: Fire
- Long-Term Risk: Compact Call, growth, climate



➤ Up to **648 AF** to support municipal demands

\*Scale Matters: 3.5% of the 18,164 AF of uncontracted water in Stagecoach; only 1.8% of its total storage.



- Yampa Wells Expansion – Municipal Well A
- Minor Park Diversions – 9<sup>th</sup> Street Pumphouse, Casey's Pond & Ski Town Park, & Emerald Park
- Water Quality Flow - WWTF



## Municipal Well A - Water Demands

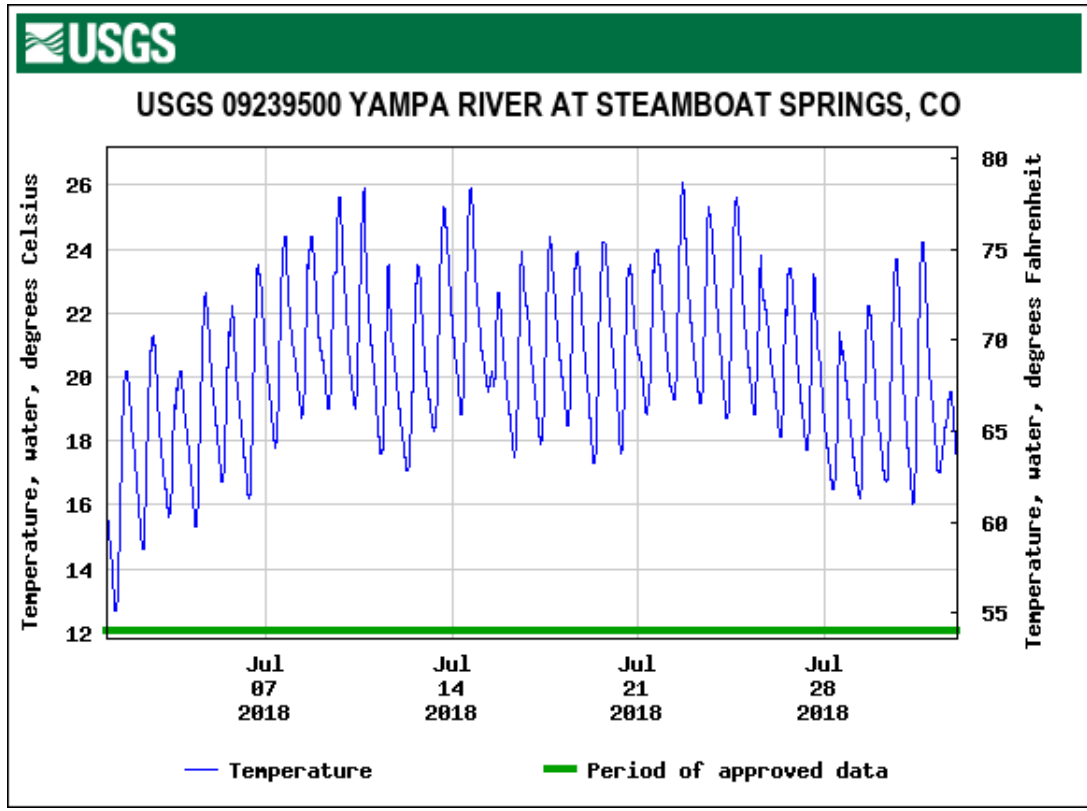
- Yampa Wells Expansion – 0.8 MGD to 1.8 MGD
- Volumetric Limit – 2,800 AF (09CW62)
- Total Augmentation needs:
  - Indoor Only = 110 AF
  - Indoor + Outdoor = 988 AF
- Perpetual Contract = 552 AF
- “New Contract” = 436 AF

- Casey's Pond & Ski Town Park
- Emerald Park
- 9<sup>th</sup> Street Pumphouse (Howelsen Park)



- Steamboat Springs Recreation In-Channel Diversion (RICD)







- The City needs either:
  - Allotment Contract
  - Perpetual Term
  - Long-term contract (i.e. 40-yr + 35-yr renewal)
- ***Proposed 2041 term*** does not provide adequate assurance for a municipal water supplier
- Per HB 08-1141  
*Concerning Sufficient Water Supplies for Land Use Approval*

- Rate-setting considerations:
  - Property taxes
  - Yamcolo Municipal Rate = \$81/AF
  - Municipal vs. Industrial use
  - Water market
  - Environmental Flows
    - How delivered?
    - Who Pays?
- Potential Solutions:
  - Define process for participation
  - Meet w/ Municipal/Domestic Water Providers – Jan. 6<sup>th</sup>, 2021

The District recognizes the importance of a long-term municipal water supply in creating a vibrant, diverse, and resilient local economy.



# STAGECOACH RESERVOIR

DRAFT WATER MARKETING POLICY



COLORADO WATER TRUST

COLORADO WATER TRUST  
UYWCD BOARD MEETING  
11/19/2020

# WATER TRUST'S INITIAL COMMENTS - no changes requested

- Issues to be addressed in environmental-specific documents:

## Issue 1

Request to provide comments on environmental contract form (¶ 3.a).

### Proposed Solution

UYCWD & CWT **work together** on creating a contract form.

## Issue 2

Clarify standards for verification of environmental need (¶ 4.c.).

### Proposed Solution

Address standards for environmental need in relevant **application** and **form contract**.

## Issue 3

Consider environmental and recreational separately (¶ 4.g.iii.).

### Proposed Solution

Address any relevant differences in **application** and **form contract**.



# WATER TRUST'S INITIAL COMMENTS – changes requested

- Changes to Policy requested to preserve BOD flexibility:

## Issue 1

Allow for renewal or extension of environmental contracts (¶ 4.g.iii).

### Proposed Solution

- Remove prohibition on renewal or extension or
- Add potential for BOD discretion.

## Issue 2

Create flexibility environmental payment structures taking into consideration other contract terms (¶ 4.g.iii).

### Proposed Solution

- Remove blanket “take-or-pay” requirement or
- Add potential for BOD discretion.

## Issue 3

Set pricing amounts considering other contract terms and overall benefits (¶ 4.h. & Appendix B).

### Proposed Solution

- Consider discretionary pricing for considering other contract terms and surrounding circumstances.



# POTENTIAL ENVIRONMENTAL CONTRACT TERMS

- Example 1: Annual mutual option to operate.

10-year term

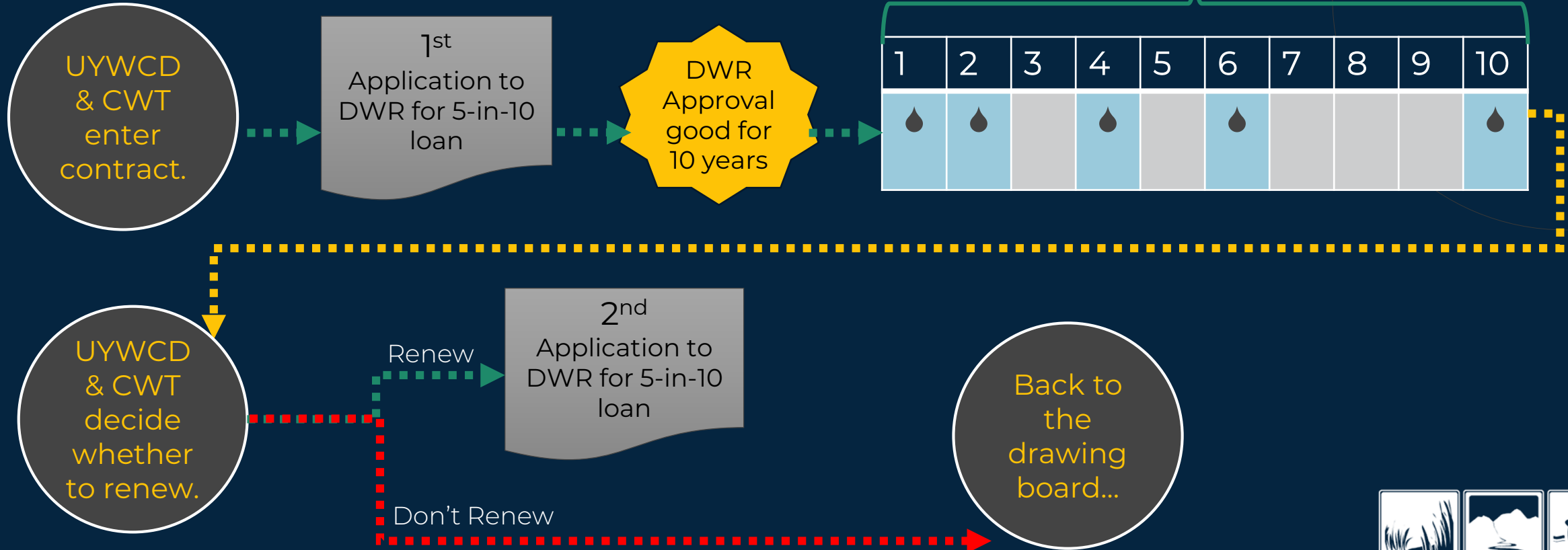
Operate?	1	Operate?	2	Operate?	3	Operate?	4	Operate?	5	Operate?	6	Operate?	8	Operate?	9	Operate?	10
Yes	💧	Yes	💧	No		Yes	💧	No		Yes	💧	No		No		Yes	💧





# POTENTIAL ENVIRONMENTAL CONTRACT TERMS

- Example 2: 5-in-10 year loan
  - Term: 10 years with annual mutual option
  - Renewal: 2 (optional)



# POTENTIAL ENVIRONMENTAL CONTRACT TERMS

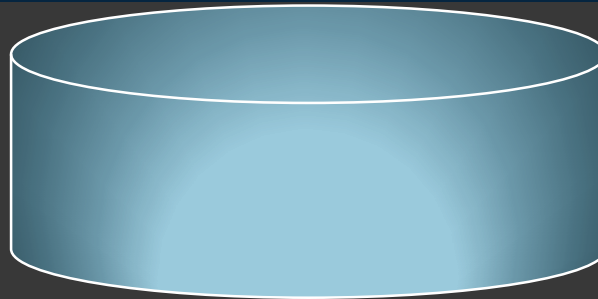
- Example 3: **Different buckets** within environmental pool.

## Annual Bucket



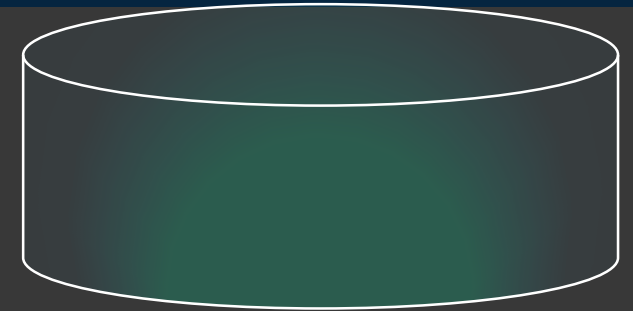
- Reserved.
- Take-or-Pay  
(pay whether or not taken)

## Dry-Year Bucket



- Not reserved  
(can be sold to others as needed)
- Pay-as-taken

## Drought-Year Bucket



- As-then-available
- Pay-as-taken





**THANK YOU**



Questions?



COLORADO WATER TRUST