

Reclamation and the District initiated contract negotiations in December 2004, but temporarily suspended negotiations when the subject of contract term and renewal became an issue. Reclamation subsequently determined the contract could contain a 40 year repayment term, at the end of which time the District's repayment obligations would be fulfilled. Contract negotiations resumed in June 2005 and both parties are close to a final contract. The final draft contract, hereafter referred to as the Contract is included as Appendix A.

2.5 Related Activities:

There are several water activities related to the ongoing rapid growth in La Plata County. The "La Plata-Archuleta Water District" has been proposed, but not enacted, to construct a rural water system for southeast La Plata County with possible expansion into Archuleta County. Such a district could treat and distribute water to rural areas to address water quality and quantity, fire protection, and other problems. Vallecito Reservoir would be a potential supply source for the water district.

A "Voluntary Shareholder Pool" has been authorized by District Court Decree (Civil Court case No. 03CV300 in District Court, La Plata County, Colorado). Some ranchers and farmers in the Pine River Irrigation District have begun the process to implement the "Voluntary Shareholder Pool" by forming a corporation to act as the pooling agent and requesting statements of interest to include their irrigated land in the Pool. In early 2006, the District Board of Directors approved a contract with the corporation. Participants in the Pool agree to commit a portion of their irrigation water for long-term lease to other uses. Revenues from the lease would go to individual Pool members and the District. Water provided by the Voluntary Shareholder Pool is not included in the 3,000 af of water being evaluated in this EA; and prior to its use, would have to comply with the Contract and be subject to future NEPA compliance and review under the 1920 Act.

A Donation Agreement is being considered between the District, the Southern Ute Indian Tribe, and the Colorado Water Conservation Board. Such an agreement would protect designated releases from Vallecito Reservoir for instream flow downstream from the reservoir and settle various water management questions. Water to be used for instream flow under the proposed Donation Agreement would be derived from a new reservoir refill right which would be sought by the parties to the Donation Agreement in Division 7 Water Court. Project water supplies and operations would not be affected by the Donation Agreement. The Donation Agreement and the Contract are not related and each is proceeding independently.

3. ALTERNATIVES

This section of the EA describes the Proposed Alternative and the No Action Alternative, as well as other alternatives considered.

3.1 No Action Alternative:

Under No Action, a contract to authorize use of Project water for miscellaneous purposes would not be entered into by the District and Reclamation. The non-irrigation uses of Pine River Project water might continue in non-conformance with Federal law. Another more likely outcome would be that the United States would attempt to resolve the existing uses by some other method, such as entering into a contract action to authorize only the existing M&I water uses. Under these scenarios, no additional water would legally be made available for future non-irrigation use from the Pine River Project by the District.

3.2 Proposed Alternative:

The Proposed Alternative is execution of the Contract (final draft Contract in Appendix A) to make available 3,000 af of Pine River Project irrigation water for other uses. There would be no provision for water distribution facilities.

Under the Proposed Alternative, the District would be authorized to use up to a total of 3,000 af of Project irrigation water for M&I and miscellaneous uses. Ultimately a total of 6,700 af could be used depending on future NEPA and 1920 Act compliance. Water provided under the Contract (described as "Leased Water" and defined in the Contract, and also referred to in this EA as "M&I Contract Water") would be released from Vallecito Dam to the Pine River or taken directly from Vallecito Reservoir or upstream tributaries. The Proposed Alternative is designed to meet increased non-irrigation water needs in the service area and would provide the following:

- Historic (existing) non-irrigation uses of Project water would continue and would be in conformance with Federal law. This represents approximately 400 af of individual water uses (individual uses being less than 20 af and termed a "minor use") and use of a total amount of 150 af by the Town of Bayfield and the Forest Lakes Metro District. The minor uses (as defined in the Contract) would be covered under individual "Application for Exchange" agreements, and the Bayfield and Forest Lakes uses would be addressed under separate Third Party Contracts⁵, subject to approval by Reclamation.
- Project water, totaling 1,600 af, would be made available by the District for future minor uses (less than 20 af per use) within the service area using the "Application for Exchange" as the approving document.
- Project water, totaling 850 af, would be made available by the District for future Third Party Contracts within the service area.

⁵ As defined in the Contract, a Third-Party Contract means a contract between the District and a Third Party Contractor, pursuant to the Reclamation/District Contract and subject to the approval of the United States, for the delivery of leased water. Minor uses are defined as those existing and future uses whose individual Leased Water allocations are equal to or less than 20 af and are not otherwise contracted for under a Third Party Contract.

The District would charge non-irrigation water users based on annual operation and maintenance costs; contract administration costs; and annualized system improvement costs, replacement costs, and water conservation activity costs associated with the Pine River Project. A portion of revenues would be paid to the United States to be deposited into the Reclamation Fund to the credit of the Pine River Project. Congressional authorization would be required for the District to use funds from the Reclamation Fund and the use of funds would be subject to evaluation under NEPA. Additional financial details are included in the Contract.

3.3 Other Alternatives Considered:

Consideration was given to having this EA provide complete NEPA compliance on additional future Third Party Contracts (for a total of 6,700 af). As stipulated in the Contract, an additional 3,700 af could be made available for M&I and other miscellaneous uses through future Third Party Contracts, subject to approval by Reclamation. This water could include water from the Voluntary Shareholder Pool, which could be used outside of the service area. The water beyond the 3,000 af in the Proposed Alternative might be needed to address needs outside of the service area. The alternative of providing NEPA compliance on the total 6,700 af was not selected because there is not adequate information on the impacts or needs for the use of the total amount of water. While these potential future contracts are mentioned in this EA, Reclamation does not believe that there is sufficient information on these potential future water uses, primarily as they relate to impacts to the basin hydrology, at this time to provide NEPA compliance and that future environmental analysis will be needed before they can be considered for approval. These Third Party Contracts would therefore be subject to future compliance efforts with NEPA, the 1920 Act, and other environmental regulations. If water beyond the 3,000 af in the Proposed Alternative is considered in the future, most of this water would likely be for Third Party Contracts. If this were to occur, it is anticipated that Reclamation would initiate NEPA and 1920 Act compliance on blocks of water rather than each individual contract.

Providing for the use of additional water, beyond the 6,700 af identified in the Contract, was also considered; however, it is believed that the amount of water provided under the Contract is adequate for future needs in the service area for many years. Therefore additional water was not considered in detail.

While the Southern Ute Indian Tribe has not at this time expressed interest in providing any of their water to meet the demands to be supplied by the Contract, it is recognized that at some point in the future, the Tribe could propose leasing some of their water to meet M&I demands in the area. If this were to occur it could result in reducing the demand for the District's water to be used for miscellaneous purposes which would mean that water would remain as Project irrigation water.