

Attachment L

Preliminary Project Cost Allocation

Attachment L to the ALP Project Final Supplemental Environmental Impact Statement (FSEIS) is a discussion of the preliminary cost allocation for the project costs associated with the Preferred Alternative and a range of expected cost sharing from Project beneficiaries.

ANIMAS-LA PLATA PROJECT

PRELIMINARY PROJECT COST ALLOCATION

1.0 Cost Allocations

The objective of cost allocations is to equitably distribute the costs of a multipurpose project among the purposes served. The Project has undergone a significant modification from its original configuration (i.e., limiting the use of project water to M&I only and making as the main purpose final fulfillment of an Indian water rights settlement), making it appropriate to reconsider how the project costs are allocated so that the end result is equitable both to the project beneficiaries as well as the United States. Accordingly, a preliminary cost allocation has been developed which reflects a contemporary view of what project costs should be deemed reimbursable to the United States pursuant to Administration policies. These policies include seeking reimbursement of project costs associated with recreation and fish and wildlife mitigation and may not be fully in accord with previous authorizations, including the Colorado River Storage Project Act. Nonetheless, the preferred alternative incorporates an updated version of the Animas-La Plata Project and, therefore, the preliminary cost allocation set forth here reflects the updated policy. It is anticipated that this preliminary cost allocation will be utilized in cost sharing negotiations with the project beneficiaries. The preliminary cost allocation is based on current estimates of project costs for the preferred alternative. Subsequently, a final cost allocation is to be prepared at the conclusion of construction of the project to account for the actual construction costs incurred.

1.1 Costs to be Allocated

Costs to be allocated consist of construction costs of Ridges Basin Dam, Durango Pumping Plant, the Inlet Conduit, Navajo Nation Municipal Pipeline, and the associated cultural resource and wetland and fish and wildlife mitigation costs associated with the implementation of the preferred alternative. Also included are costs of a Water Acquisition Fund and nearly \$68 million of other costs associated with previous investigations, planning, design, and environmental compliance (Sunk Costs) activities through Fiscal Year 1998. Costs for interest during construction and annual project operation, maintenance and replacement are also displayed. Table 1-1 summarizes the capital costs to be allocated in this analysis. Section 11.0 of Attachment E provides a summary of the annual operation, maintenance, and replacement costs of the Preferred Alternative.

Table 1-1
Total Capital Costs - Preferred Alternative

Item	Present Worth Cost (\$million)
<u>New Costs to Implement Refined Alternative 4</u>	
Ridges Basin Dam	\$145.0
Durango Pumping Plant	36.3
Ridges Basin Inlet Conduit	8.7
Water Acquisition Fund	40.0
Cultural Resources Mitigation	9.0
Wetlands and Fish and Wildlife Mitigation	<u>12.8</u>
Subtotal	\$251.8
 <u>Other Components</u>	
Navajo Nation Municipal Pipeline	\$ 24.0
 <u>Other Costs (Sunk Costs)</u>	
Project Costs Expended Through FY 1998	<u>\$68.0</u>
Total Project Costs	\$343.8
Interest During Construction	<u>87.7</u>
Total Capital Costs to be Allocated	\$431.5

1.2 Other Costs (Sunk Costs)

Planning, field investigations, land acquisition, and environmental compliance activities have been occurring on the Animas-La Plata Project for many years. These activities have been, for the most part, associated with the original project configuration consisting of features necessary to provide for the storage, transportation, and delivery of a substantial amount of irrigation and M&I water. Also included was a federally financed recreation development. As previously mentioned, through the end of fiscal year 1998, nearly \$68.0 million has been expended on the Project (sunk costs). Environmental compliance efforts since the end of fiscal year 1998 have been directed towards the downsized, all M&I water project as presented in the Administration Proposal.

Administration of the project financial records includes assigning these costs to the various project features. Nearly \$60 million of the total \$68.0 million of sunk costs have been assigned to the original structural features of the full size project. The remainder are associated with past wetlands and wildlife mitigation, water quality improvements, and cultural resources activities. Of the \$60 million assigned to the structural features, \$42.4 million has been assigned to the three structural components of the Preferred Alternative: Ridges Basin Dam; Durango Pumping Plant; and Ridges Basin Inlet Conduit.

1.3 Interest During Construction

Absent an up-front cost share payment, Reclamation requires initiation of repayment from project beneficiaries at the end of the construction period. From the time construction begins, interest during construction (IDC) accumulates on the expended construction costs. A 6 5/8 percent discount rate is used to compute IDC in the cost allocation and is based on the computed average interest rate payable by the Treasury upon its outstanding marketable public obligations, which are neither due or callable for redemption for 15 years from the date of issue. IDC is converted to the appropriate repayment rate for computing the repayment obligation. The actual repayment rate for M&I users will be determined when construction is initiated.

1.4 Annual Operation, Maintenance, and Replacement Costs

Annual operation, maintenance, and replacement costs are those expenditures necessary to assure the continued operation of the project throughout the 100-year feature design life. The annual expenditures include such items as personnel, equipment, pumping power, supplies, replacements, administration, and other costs necessary to keep the project in efficient and satisfactory operating condition. Consistent with the analysis done at the time of authorization, CRSP power rates corresponding to the year used for construction cost estimates, were utilized for estimating pumping costs rather than the marginal replacement costs to the regional power system. Section 11.0 of Attachment E provides of a summary of these costs.

1.5 Method of Cost Allocation

This preliminary allocation of costs among the benefitting entities of the ALP Project follows the project plan described in the Preferred Alternative (Refined Alternative 4). The Preferred Alternative is described as a M&I water supply project with additional reservoir storage to address water quality and recreation needs. M&I water will be provided to the following beneficiaries: the Animas-La Plata Water Conservancy District (ALPWCD), San Juan Water Commission (SJWC), Navajo Nation, Southern Ute Indian Tribe (SUIT) and Ute Mountain Ute Tribe (UMUT). Based on proposed legislation before Congress, two additional entities are included in an alternate cost allocation that would add the State of Colorado and the La Plata Conservancy District in New Mexico to those entities receiving project M&I water.

The allocation methodology used is based on the amount of water supply storage provided to each benefitting entity in Ridges Basin Reservoir. Costs that could be identified specifically for the provision of water to a single entity are identified as specific costs and assigned directly to that entity. An example of a specific cost would be the cost of the Navajo Nation Municipal Pipeline which serves only the Navajo Nation. The remaining costs are identified as joint costs and are shared among the participating entities based on the acre feet of water storage capacity each entity is provided in Ridges Basin Reservoir. An example of a joint cost would be the construction cost of Ridges Basin Dam, which serves all entities. The entities specific costs and

their share of the remaining joint costs are then added together to arrive at their total allocated costs.

Also incorporated into the allocation of costs is the determination of costs that are deemed reimbursable versus non-reimbursable by the project beneficiaries. Reimbursable costs are those project costs that, through some form of up-front cost sharing, repayment, or other financial consideration, are returned to the United States Treasury. Non-reimbursable costs are project costs that are absorbed by the United States under current law or policy. As noted earlier, in developing the preliminary cost allocation, the specification of reimbursable versus non-reimbursable costs is made pursuant to Administration policies.

1.6 Separable Joint and Specific Costs

The separable cost for any purpose of a multipurpose project is the difference between the cost of the multipurpose project and the cost of the project with that purpose omitted. Thus the separable costs for each purpose include the costs of those project facilities used solely for that purpose (specific costs) plus the difference in costs of the joint-use facilities that would change in size or design with the purpose omitted (separable-joint costs). Separable costs are determined by assuming each purpose in turn as the last purpose added to the multipurpose project.

Specific costs included in the Preferred Alternative cost estimate include:

ALPWCD	Valve and Manifold System added to the Durango Pumping Plant to allow City of Durango to utilize project pumps to pump directly to the City's terminal reservoir (\$552,000)
Navajo	Navajo Nation Municipal Pipeline (\$24 million)
SUIT	Water Acquisition Fund (\$20 million) and valving at Ridges Basin Dam Outlet to allow future connection of a M&I pipeline (\$3,500)
UMUT	Water Acquisition Fund (\$20 million) and valving at Ridges Basin Dam Outlet to allow future connection of a M&I pipeline (\$3,500)
Cultural Resources	Projected cultural resources costs (\$9 million) plus sunk costs (\$4.7 million)
Wetlands and Fish Wildlife Mitigation	Projected mitigation costs (\$12.8 million) plus sunk costs (\$2.8 million)
Recreation	Portion of cost of inactive pool within Ridges Basin Reservoir associated with sustaining an acceptable fishery

1.7 Remaining Joint Costs

The remaining joint costs are the costs remaining after the sum of the separable/specific costs for the various purposes are subtracted from the total project costs. The remaining joint costs are allocated to the project beneficiaries based on their respective percentage of maximum reservoir water supply storage.

1.8 Reimbursable versus Non-Reimbursable Costs

Current Reclamation laws and policies allow for project costs associated with certain purposes to be considered non-reimbursable. A contemporary determination of reimbursable and non-reimbursable project costs is justifiable based on the significant re-defining of the current project's purpose and limitation of water use as well as current Administration policies. The following is an updated proposal for reimbursable and non-reimbursable project costs:

1. For the new costs of implementation of the Preferred Alternative from Table 1-1, all the costs are determined to be reimbursable except those new costs for Cultural Resource Mitigation. These latter costs are non-reimbursable in accordance with Public Law 93-291 (88 Stat. 174). Therefore, of the \$251.8 million new costs, \$242.8 million is reimbursable and \$9.0 million is non-reimbursable. \$25 million of the new costs of Ridges Basin Dam and Reservoir are the result of adding a 30,000 af inactive pool to the reservoir to address water quality needs and recreation purposes. These costs are reimbursable, however allocation of these particular costs to the project beneficiaries varies depending on the purpose associated with the use of this pool as follows:¹

a. As a threshold matter, a substantial inactive pool within Ridges Basin Reservoir will allow areas with soils containing high concentrations of soluble selenium to be permanently inundated and not subject to leaching, significantly reducing the amount of selenium that enters the water column within the reservoir. A substantial inactive pool would also act as a sink for sediments, trace elements, and salts.

b. A 23,000 af inactive pool within Ridges Basin Reservoir provides only marginal usable cold-water fishery habitat. Significant gains (twenty fold) in usable habitat are realized by increasing the pool to 30,000 af. This increased inactive pool size assures that a cold-water fishery is sustainable.

c. Therefore, 23% (7,000 af/ 30,000 af) of the cost of the inactive pool will be allocated to recreation as fishery enhancement and should be reimbursable by the local non-Indian beneficiaries of the project. The remaining 77% of the cost of the inactive pool will be considered as the inactive pool portion necessary for water quality purposes. This portion will remain a joint cost and be allocated among all of the project beneficiaries.

¹It is intended that the tribal benefits provided which constitute a final settlement of the Colorado Ute Tribal water rights claims to the Animas and La Plata Rivers in Colorado would be paid for by the Federal government.

2. The cost (\$24 million) of the Navajo Nation Municipal Pipeline is considered reimbursable.
3. The sunk costs of \$68 million are a combination of reimbursable and non-reimbursable costs based on application of the following:
 - a. \$18.1 million of the sunk costs have been assigned to features that are no longer a part of the Preferred Alternative; these costs are proposed to be non-reimbursable as part of this analysis.
 - b. \$2.8 million of the sunk costs are assignable to past wetlands and fish and wildlife mitigation associated with the original project and are non-reimbursable under the authority provided in Section 8 of the Colorado River Storage Project Act of April 11, 1956 (70 Stat. 105) revised and amplified by the Fish and Wildlife Coordination Act of August 12, 1958 (72 Stat. 563). Provisions of these acts set up a feasible and comprehensive plan to provide for more effective integration of fish and wildlife conservation programs with Federal water resource developments, and other purposes.
 - c. \$4.7 million of the sunk costs have been assigned to cultural resources mitigation and are non-reimbursable in accordance with Public Law 93-291 (88 Stat. 174).
 - d. Of the \$42.4 million assigned to the three features of the original project that are still included in the Preferred Alternative, \$4.6 million was expended on activities that can be considered associated with the original project's larger sized features and are therefore proposed to be non-reimbursable in this analysis. These costs include: (1) acquisition of land that is no longer necessary for the present plan to relocate the natural gas pipelines in Ridges Basin; (2) cooperative agreement costs pertaining to the previous gas pipeline relocation plan; (3) traffic study; (4) specification preparation and construction proposal review for the larger Ridges Basin Dam; and (5) an appropriate share of distributed costs that are allocated to project features based on each features relative total cost. These latter costs are generally the costs of developing overall project plans and preparing environmental compliance documents. The remaining \$37.8 million is considered reimbursable in this analysis.

1.9 5-Entity versus 7-Entity Cost Allocation

The Preferred Alternative provides a M&I water supply to three Indian tribes and two non-Indian entities (5-entity plan). Legislation being considered in Congress allocates a portion of the two Colorado Ute Tribes water to the La Plata Conservancy District in New Mexico and to the State of Colorado. The addition of these two entities effects the allocation of costs of the project. Provided herein are preliminary cost allocations for both scenarios. The cost allocations for the 5-entity plan and the 7-entity plan are provided in Cost Allocations #1 and #2, respectively.

1.10 Reservoir Utilization Effects on Cost Allocation

The base cost allocation, represented in Cost Allocation #1, presents the reservoir water supply necessary to be provided to each respective entity based on the hydrology model that incorporated the non-binding uses of water by the Colorado Ute Tribes as described in the

FSEIS. A separate reservoir water supply determination was modeled to show the effects of moving some of the Colorado Utes' non-binding uses from the La Plata River basin to the Animas River basin. The resultant cost allocations are provided in Cost Allocation #3 for the 5-entity plan and Cost Allocation #4 for the 7-entity plan.

There are several reasons for considering a cost allocation based on different reservoir allocations. First, basing reservoir utilization solely on a hydrologic model which incorporates the non-binding use scenarios institutionalizes reliance on those uses and may result in conflict with other project participants should the Colorado Ute Tribes utilize their water supply in other ways. Second, the hydrologic model incorporating the non-binding use scenarios minimizes the reservoir utilization calculated for the other project participants. This, in turn, results in a risk of shortage to the other ALP Project participants and, in particular, may result in future conflicts with the Navajo Nation with respect to the exercise of its reserved water rights. Accordingly, a range of appropriate storage supplies is considered as part of the cost allocation and will be discussed with the project participants as part of the process to determine the appropriate cost allocation.

2.0 Preliminary Cost Allocation

The tables on the following 4 pages summarize the various configurations of the preliminary cost allocation.

ANIMAS-LA PLATA PROJECT

COST ALLOCATION # 1 (Apr. 1999 costs, including sunk costs of \$37.83M, 7 yr. const. period units=\$)

ALLOCATION BASED ON ANNUAL RESERVOIR WATER SUPPLY DEPLETIONS - 120,000 af Reservoir

	ALPWCD	SJWC	Navajo	SUIT	UMUT	TOTAL			
WATER SUPPLY (af)	5,200	20,800	4,680	39,519	39,519	109,718			
WATER DEPLETION (af)	2,600	10,400	2,340	19,760	19,760	54,859			
RESERVOIR SUPPLY	2,919	3,025	869	44,109	44,109	95,030			
PERCENT	3.07%	3.18%	0.91%	46.42%	46.42%	100.00%			
REIMBURSABLE							NON-REIMBURSABLE		
Item	ALPWCD	SJWC	Navajo	SUIT	UMUT	SUBTOTAL	Cult. Res.	Sunk Mitig.	TOTAL
Costs to be Allocated									450,199,280
Construction	(Reimb. Section 5 sunk costs of \$22.7m (plus IDC of \$3,378,075) have been waived. \$37.8m is allocated as reimb. \$7.5m of Sections 5 & 8 sunk costs are non-reimb. (Cult. Res.-\$4.722m and Mitigation.- \$2.777m). Specific reservoir cost of \$5.75m for inactive pool is allocable to non-Indian beneficiaries. Recreation costs of \$2.1m & Mitigation costs of \$10.7m were allocated as Remaining Joint Costs to all beneficiaries.								321,100,000
IDC									82,144,286
OM&R (Capitalized) ²									46,954,994
OM&R (Annual)									1,591,000
Specific Costs	4,391,549	3,821,997	26,766,998	20,004,562	20,004,562	74,989,668	17,884,216	3,619,578	96,493,462
Construction	3,369,500	2,932,500	24,000,000	20,003,500	20,003,500	70,309,000	13,722,000	2,777,203	86,808,203
IDC	1,022,049	889,497	2,766,998	1,062	1,062	4,680,668	4,162,216	842,375	9,685,259
OM&R (Capitalized)									0
OM&R (Annual)									0
Remaining Joint Costs	10,864,646	11,259,182	3,234,456	164,173,767	164,173,767	353,705,818			353,705,818
Construction	7,196,651	7,457,989	2,142,477	108,747,340	108,747,340	234,291,797			234,291,797
IDC	2,225,696	2,306,520	662,600	33,632,105	33,632,105	72,459,027			72,459,027
OM&R (Capitalized)	1,442,299	1,494,674	429,379	21,794,321	21,794,321	46,954,994			46,954,994
OM&R (Annual)	48,870	50,645	14,549	738,468	738,468	1,591,000			1,591,000
Total Allocations	15,256,195	15,081,180	30,001,454	184,178,329	184,178,329	428,695,486	17,884,216	3,619,578	450,199,280
Construction	10,566,151	10,390,489	26,142,477	128,750,840	128,750,840	304,600,797	13,722,000	2,777,203	321,100,000
IDC	3,247,745	3,196,017	3,429,598	33,633,167	33,633,167	77,139,695	4,162,216	842,375	82,144,286
OM&R (Capitalized)	1,442,299	1,494,674	429,379	21,794,321	21,794,321	46,954,994			46,954,994
OM&R (Annual)	48,870	50,645	14,549	738,468	738,468	1,591,000			1,591,000

²OM&R capitalized at 6.625 percent interest , 100 year period.

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COST ALLOCATION # 2 (Apr. 1999 costs, including sunk costs of \$37.83M, 7 yr. const. period units=)

ALLOCATION BASED ON ANNUAL RESERVOIR WATER SUPPLY DEPLETIONS - 120,000 af Reservoir

	ALPWCD	SJWC	LCD	Colorado	Navajo	SUIT	UMUT	TOTAL
WATER SUPPLY (af)	5,200	20,800	1,560	10,440	4,680	33,519	33,519	109,718
WATER DEPLETION (af)	2,600	10,400	780	5,220	2,340	16,760	16,760	54,860
RESERVOIR SUPPLY	2,919	3,025	1,560	10,440	869	38,109	38,108	95,030
PERCENT	3.07%	3.18%	1.64%	10.99%	0.91%	40.10%	40.10%	100.00%

Item	REIMBURSABLE							NON-REIMBURSABLE		TOTAL	
	ALPWCD	SJWC	LCD	Colorado	Navajo	SUIT	UMUT	SUBTOTAL	Cult. Res.		Sunk Mitig
Costs to be Allocated											450,199,280
Construction	(Reimbursable Section 5 sunk costs of \$22.7m (plus IDC of \$3,378,075) have been waived. \$37.8m is allocated as reimb. \$7.5m Sections 5 & 8 sunk costs are non-reimb. (Cult. Res.-\$4.722m and Mitig. -\$2.777m) Specific reservoir cost of \$5.75m for inactive pool is allocated to non-Indian beneficiaries. Recreation costs of \$2.1m & Mitigation costs of \$10.7m were allocated as Remaining Joint Costs to all beneficiaries.										321,100,000
IDC											82,144,286
OM&R (Capitalized) ³											46,954,994
OM&R (Annual)											1,591,000
Specific Costs	1,918,493	1,274,000	674,471	4,346,585	26,766,998	20,004,562	20,004,562	74,989,670	17,884,216	3,619,578	96,493,464
Construction	1,472,000	977,500	517,500	3,335,000	24,000,000	20,003,500	20,003,500	70,309,000	13,722,000	2,777,203	86,808,203
IDC	446,493	296,500	156,971	1,011,585	2,766,998	1,062	1,062	4,680,670	4,162,216	842,375	9,685,261
OM&R (Capitalized)											0
OM&R (Annual)											0
Remaining Joint Costs	10,864,646	11,259,182	5,806,388	38,858,137	3,234,456	141,843,365	141,839,642	353,705,816			353,705,816
Construction	7,196,651	7,457,989	3,846,103	25,739,307	2,142,477	93,955,868	93,953,402	234,291,797			234,291,797
IDC	2,225,696	2,306,520	1,189,478	7,960,352	662,600	29,057,571	29,056,809	72,459,025			72,459,025
OM&R (Capitalized)	1,442,299	1,494,674	770,807	5,158,478	429,379	18,829,926	18,829,432	46,954,994			46,954,994
OM&R (Annual)	48,870	50,645	26,118	174,787	14,549	638,024	638,007	1,591,000			1,591,000
Total Allocations	12,783,138	12,533,182	6,480,859	43,204,722	30,001,454	161,847,927	161,844,204	428,695,486	17,884,216	3,619,578	450,199,280
Construction	8,668,651	8,435,489	4,363,603	29,074,307	26,142,477	113,959,368	113,956,902	304,600,797	13,722,000	2,777,203	321,100,000
IDC	2,672,189	2,603,019	1,346,448	8,971,937	3,429,598	29,058,633	29,057,871	77,139,695	4,162,216	842,375	82,144,286
OM&R (Capitalized)	1,442,299	1,494,674	770,807	5,158,478	429,379	18,829,926	18,829,432	46,954,994			46,954,994
OM&R (Annual)	48,870	50,645	26,118	174,787	14,549	638,024	638,007	1,591,000			1,591,000

³OM&R capitalized at 6.625 percent interest , 100 year period.

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COST ALLOCATION # 3 (Apr. 1999 costs, including sunk costs of \$37.83M, 7 yr. const. period units=\$)

ALLOCATION BASED ON ANNUAL RESERVOIR WATER SUPPLY DEPLETIONS - 120,000 af Reservoir

	ALPWCD	SJWC	Navajo	SUIT	UMUT	TOTAL					
WATER SUPPLY (af)	5,200	20,800	4,680	39,519	39,519	109,718					
WATER DEPLETION (af)	2,600	10,400	2,340	19,760	19,760	54,859					
RESERVOIR SUPPLY	4,230	6,444	1,854	41,252	41,252	95,032					
PERCENT	4.45%	6.78%	1.95%	43.41%	43.41%	100.00%					
							REIMBURSABLE			NON-REIMBURSABLE	
Item	ALPWCD	SJWC	Navajo	SUIT	UMUT	SUBTOTAL	Cult. Res.	Sunk Mitig.	TOTAL		
Costs to be Allocated									450,199,280		
Construction (Reimb. Section 5 sunk costs of \$22.7m (plus IDC of \$3,378,075) have been waived. \$37.8m is allocated as reimb. \$7.5m of Sections 5 & 8 sunk costs are non-reimb. (Cult. Res.-\$4.722m and Mitigation.- \$2.777m). Specific reservoir cost of \$5.75m for inactive pool is allocable to non-Indian beneficiaries. Recreation costs of \$2.1m & Mitigation costs of \$10.7m were allocated as Remaining Joint Costs to all beneficiaries.									321,100,000		
IDC									82,144,286		
OM&R (Capitalized) ⁴									46,954,994		
OM&R (Annual)									1,591,000		
Specific Costs	4,391,549	3,821,997	26,766,998	20,004,562	20,004,562	74,989,668	17,884,216	3,619,578	96,493,462		
Construction	3,369,500	2,932,500	24,000,000	20,003,500	20,003,500	70,309,000	13,722,000	2,777,203	86,808,203		
IDC	1,022,049	889,497	2,766,998	1,062	1,062	4,680,668	4,162,216	842,375	9,685,259		
OM&R (Capitalized)									0		
OM&R (Annual)									0		
Remaining Joint Costs	15,743,914	23,984,345	6,900,524	153,538,517	153,538,517	353,705,818			353,705,818		
Construction	10,428,638	15,887,031	4,570,850	101,702,639	101,702,639	234,291,797			234,291,797		
IDC	3,225,247	4,913,355	1,413,619	31,453,403	31,453,403	72,459,027			72,459,027		
OM&R (Capitalized)	2,090,029	3,183,959	916,055	20,382,476	20,382,476	46,954,994			46,954,994		
OM&R (Annual)	70,818	107,884	31,039	690,630	690,630	1,591,000			1,591,000		
Total Allocations	20,135,463	27,806,343	33,667,522	173,543,079	173,543,079	428,695,486	17,884,216	3,619,578	450,199,280		
Construction	13,798,138	18,819,531	28,570,850	121,706,139	121,706,139	304,600,797	13,722,000	2,777,203	321,100,000		
IDC	4,247,296	5,802,853	4,180,617	31,454,465	31,454,465	77,139,695	4,162,216	842,375	82,144,286		
OM&R (Capitalized)	2,090,029	3,183,959	916,055	20,382,476	20,382,476	46,954,994			46,954,994		
OM&R (Annual)	70,818	107,884	31,039	690,630	690,630	1,591,000			1,591,000		

⁴OM&R capitalized at 6.625 percent interest , 100 year period.

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COST ALLOCATION # 4 (Apr. 1999 costs, including sunk costs of \$37.83M, 7 yr. const. period units=\$)

ALLOCATION BASED ON ANNUAL RESERVOIR WATER SUPPLY DEPLETIONS - 120,000 af Reservoir

	ALPWCD	SJWC	LCD	Colorado	Navajo	SUIT	UMUT	TOTAL
WATER SUPPLY (af)	5,200	20,800	1,560	10,440	4,680	33,519	33,519	109,718
WATER DEPLETION (af)	2,600	10,400	780	5,220	2,340	16,760	16,760	54,860
RESERVOIR SUPPLY	4,230	6,444	1,560	10,440	1,854	35,252	35,252	95,032
PERCENT	4.45%	6.78%	1.64%	10.99%	1.95%	37.09%	37.09%	100.00%

Item	REIMBURSABLE							NON-REIMBURSABLE		TOTAL	
	ALPWCD	SJWC	LCD	Colorado	Navajo	SUIT	UMUT	SUBTOTAL	Cult. Res.		Sunk Mitig
Costs to be Allocated											450,199,280
Construction	(Reimbursable Section 5 sunk costs of \$22.7m (plus IDC of \$3,378,075) have been waived. \$37.8m is allocated as reimb. \$7.5m Sections 5 & 8 sunk costs are non-reimb. (Cult. Res.-\$4.722m and Mitig. -\$2.777m) Specific reservoir cost of \$5.75m for inactive pool is allocated to non-Indian beneficiaries. Recreation costs of \$2.1m & Mitigation costs of \$10.7m were allocated as Remaining Joint Costs to all beneficiaries.									321,100,000	
IDC											82,144,286
OM&R (Capitalized) ⁵											46,954,994
OM&R (Annual)											1,591,000
Specific Costs	1,918,493	1,274,000	674,471	4,346,585	26,766,998	20,004,562	20,004,562	74,989,670	17,884,216	3,619,578	96,493,464
Construction	1,472,000	977,500	517,500	3,335,000	24,000,000	20,003,500	20,003,500	70,309,000	13,722,000	2,777,203	86,808,203
IDC	446,493	296,500	156,971	1,011,585	2,766,998	1,062	1,062	4,680,670	4,162,216	842,375	9,685,261
OM&R (Capitalized)											0
OM&R (Annual)											0
Remaining Joint Costs	15,743,914	23,984,345	5,806,266	38,857,319	6,900,524	131,206,724	131,206,724	353,705,816			353,705,816
Construction	10,428,638	15,887,031	3,846,022	25,738,765	4,570,850	86,910,245	86,910,245	234,291,797			234,291,797
IDC	3,225,247	4,913,355	1,189,453	7,960,184	1,413,619	26,878,583	26,878,583	72,459,025			72,459,025
OM&R (Capitalized)	2,090,029	3,183,959	770,791	5,158,369	916,055	17,417,896	17,417,896	46,954,994			46,954,994
OM&R (Annual)	70,818	107,884	26,117	174,784	31,039	590,179	590,179	1,591,000			1,591,000
Total Allocations	17,662,406	25,258,345	6,480,737	43,203,904	33,667,522	151,211,286	151,211,286	428,695,486	17,884,216	3,619,578	450,199,280
Construction	11,900,638	16,864,531	4,363,522	29,073,765	28,570,850	106,913,745	106,913,745	304,600,797	13,722,000	2,777,203	321,100,000
IDC	3,671,740	5,209,855	1,346,423	8,971,769	4,180,617	26,879,645	26,879,645	77,139,695	4,162,216	842,375	82,144,286
OM&R (Capitalized)	2,090,029	3,183,959	770,791	5,158,369	916,055	17,417,896	17,417,896	46,954,994			46,954,994
OM&R (Annual)	70,818	107,884	26,117	174,784	31,039	590,179	590,179	1,591,000			1,591,000

⁵OM&R capitalized at 6.625 percent interest , 100 year period.

3.0 Cost Sharing

Project beneficiaries will be responsible for paying the federally funded capital costs of the project that have been determined to be reimbursable pursuant to Federal law and policies. In addition, the project water users will pay their respective share of the annual operation, maintenance, and replacement costs associated with the project features.

The capital cost payment can be in the form of an up-front contribution or an annual repayment obligation, or combination of both. Up-front contributions reduce the amount of federally funded dollars and can reduce the amount of interest during construction. Annual repayment of costs would be pursuant to the Water Supply Act of July 3, 1958 (72 Stat. 319). An annual repayment obligation normally begins after construction is complete and carries with it a repayment interest charge. The repayment interest rate is the rate in effect at the initiation of construction. Pursuant to Reclamation law, the term of repayment can be as long as 50 years.

Annual operation, maintenance, and replacement costs of the project features are paid by the water users. At the time the Federal government is operating the project, these annual costs are paid in advance to the Federal government. The overall project plan is to transfer the responsibility for the operations and maintenance of the project features over to the Animas-La Plata Water Conservancy District (District) immediately following completion of construction of the project features. In this case, the water users will advance their respective annual operation, maintenance, and replacement charges to the District. Pursuant to a provision in the Colorado Ute Indian Water Rights Settlement Act of 1988, the United States will bear the annual OM&R costs allocable to the Colorado Ute Tribes' water until such time that the water is either used by a Tribe or pursuant to a water use contract with the Tribe.

The preliminary project cost allocations provide a range of cost sharing to be achieved from the project beneficiaries. To determine the specific obligations of each project beneficiary and how that obligation would be contracted for will require further detailed analysis and negotiations with the respective entities. The following table summarizes the range of payment obligations for each project beneficiary. Consistent with the various configurations of the preliminary cost allocations provided, a 5-entity and 7-entity cost sharing scheme are provided.

Table 3-1

Project Cost Sharing Summary- Reimbursable Capital Costs Only

<u>Entity</u>	<u>Cost Share Range</u>	
	<u>5-Entity</u>	<u>7-Entity</u>
ALPWCD	3.07 to 4.45%	3.07 to 4.45%
SJWC	3.18 to 6.78	3.18 to 6.78
Navajo Nation	.91 to 1.95	.91 to 1.95
SUIT	46.42 to 43.41	37.09 to 40.10
UMUT	46.42 to 43.41	37.09 to 40.10
La Plata Cons. District		1.64 to 1.64
State of Colorado		10.99 to 10.99