

## Council Meeting Staff Report

August 17, 2016

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<b>Agenda No.:</b>	5.D.
<b>Indexes (Council Goals):</b>	BCC - N/A
<b>Presenters:</b>	Jack Richardson
<b>Legislative File:</b>	8030-16

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### Title

Approval of Contract No. 16-WC-40-625 with the United States Bureau of Reclamation for Lease of the 2016 Allocation of San Juan/Chama Project Water

### Recommended Action

**I move that the Los Alamos County Board of Public Utilities approve Contract No. 16-WC-40-625 between the Incorporated County of Los Alamos and the United States Bureau of Reclamation for lease of the County's 2016 allocation of San Juan/Chama Project water.**

### Staff Recommendation

Staff recommends approval of the lease agreement per the motion as presented.

### Body

Since taking over the Contract for the San Juan-Chama Project from the Department of Energy in 1998, the County has leased its annual allocation back to the Bureau of Reclamation. The Bureau has used this water to augment the total water supply to the Middle Rio Grande Valley (endangered minnow habitat low flows and/or irrigation needs) at its discretion.

The Department of Public Utilities has developed a cost effective plan to develop facilities and use the County's allotment, but until facilities are put in place to actually divert the water, we cannot claim it for use. We have leased storage space in Abiquiu Reservoir to store slightly less than one year's allocation of water but that space is currently subleased to the City of Santa Fe. Contractually, the water can only be released to a downstream user, so merely letting it go down the river is not a legal option for the County. If the water is not used by December 31st each year we must forgo the delivery but still pay for it. The Bureau has offered \$49.00 per acre-foot for the water which totals \$58,800.00 for the entire 1,200 acre-foot allocation for 2016. Furthermore, to give the Bureau maximum flexibility in the use of the water, there is a waiver included in the contract deferring the release date from 31 December 2016 until 30 September 2017. The per acre-foot payment offered by the Bureau is based on previous years costs for operation and maintenance of the system with previous annual payments varying between \$47.00 and \$50.00 per acre-foot.

Upon approval of the contract, the Bureau will make a non-refundable payment of \$5,880.00 for 10% of the full County allotment of 1,200 acre-feet. The remaining 90% will be paid at the end of the water delivery year and after a full accounting of all deliveries. If at the end of the year the full allotment has not been released then the final payment for this leased water will be reduced to that percentage actually released. The contract allows for this flexibility.

### Alternatives

The County's contract with the Bureau of Reclamation gives the Bureau first right of refusal for any third party lease of San Juan-Chama Project water, plus the Bureau must approve any such leases. The County is also not allowed to make a profit from leasing its allotment of San Juan-Chama Project water to a third party. The practical alternatives are that the County must either put our 2016 allocation into storage at Abiquiu lake, which would require a contract renegotiation with the City of Santa Fe and the elimination of the annual storage fee the City of Santa Fe pays to the County for

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that storage (10-year average = \$2,198.00), or forgo delivery if we elect to not lease to the Bureau. Foregoing delivery but not leasing back to the Bureau would result in the loss of the lease back payments pursuant to this contract while still being contractually required to pay the Bureau for the allotment water released in 2016.

**Fiscal and Staff Impact**

Unbudgeted income of between \$5,880 guaranteed minimum to \$58,800 contractual maximum.

**Attachments**

A - Contract No. 16-WC-40-625