



## MEMORANDUM

April 12, 2011

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**TO:** BOARD OF DIRECTORS  
ERIC KUHN, GENERAL MANAGER

**FROM:** DAN BIRCH, DEPUTY GENERAL MANAGER

**SUBJECT:** YAMPA RIVER WATER MARKETING POLICY

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In January the Board took action to set initial pricing of our Elkhead water supply and directed staff to prepare a Yampa River Basin water marketing policy for Board action, a draft of which is attached.

*Staff requests and recommends the Board approve the attached policy.*

For the most part staff wanted to maintain consistency between our Colorado River Basin and Yampa River Basin supplies. However, because of the unique nature of our Elkhead supplies, there are a number of substantive differences. These include:

- Unlike our Colorado River supplies, there are no “Hydrology Assumptions” and no firm yield estimates associated with Elkhead. Accordingly, these sections have been omitted.
- We reduced the application fee to \$250 from \$400. The higher fee may discourage applications from smaller, agricultural users.
- The maximum quantity available for contract without Board approval was raised from 100 acre-feet to 500 acre-feet. Given the relatively large amount of supply available, we didn’t think this imprudent and it’s at least conceivable with the expansion northward of natural gas and petroleum plays, we might see a substantial demand for supplies like we have seen from Encana.
- In January the Board set the rate for agricultural water at \$25 per acre-foot per year. We’ve set this price for interim contracts (one to five years) only. We didn’t think it wise to encumber water for up to 75 years at such a discounted price.

Attachment