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MEMORANDUM

March 21, 2012

To: Board of Directors  
From: Bill Emslie, Project Engineer  
Subject: Surplus Water Leasing Policy

*Policy?*

**Background**

At the February 23, 2012, Board meeting a request was made for a future agenda item to discuss Platte River's policy as to the lease of surplus water. The lease of surplus water involves both surplus effluent and surplus Windy Gap units.

**Surplus Water Supply**

Platte River has an allocation of 160 units of the Windy Gap Project. These units were transferred in 1974 to Platte River from Estes Park (40 units), Fort Collins (80 units) and Loveland (40 units). This water was purchased by Platte River at the time because it was available from the municipalities and Platte River had a need for a fully consumable water supply to provide cooling for future generating units within the Platte River drainage basin. Initially, 5,150 acre-feet of the Windy Gap water was planned for use at Rawhide Unit 1. An additional 4,060 acre-feet was identified and held in reserve for future generation units at the Rawhide Energy Station. This left approximately 6,790 acre-feet as surplus Windy Gap water.

It is unlikely that future coal units will be constructed at Rawhide, but the water held in reserve can be used for other types of generation, such as gas-fired combined cycle generation. Even with the use of all water identified for current and future generation, Platte River still has surplus Windy Gap water. In the past, the Board has wanted to hold this Windy Gap water for potential future use by the four cities, but this surplus Windy Gap may be leased to the cities or others subject to Board approval. Board Resolution 7-94 established this policy.

In addition to surplus Windy Gap water, Platte River has surplus reusable effluent resulting from its Windy Gap order and the Reuse Agreement with Fort Collins. Under the Reuse Agreement Platte River receives 4,200 acre-feet of reusable effluent in exchange for a like amount of Windy Gap water. In addition, Platte River is entitled to the return flows from the first use of Windy Gap water by Fort Collins. These return flows provide approximately 1,115 acre-feet of additional reusable water. Rawhide Energy Station's current annual average use is 3,400 acre-feet. Platte River has annual augmentation requirements up to 309 acre-feet. The surplus after Platte River's needs averages 1,606 acre-feet per year and is calculated as follows:



500,000  
 225  
 750,000  
 7000  
 377

Annual Reusable Effluent Sources	Quantity (acre-feet)
Water generated by Reuse Agreement	4,200
Anticipated return flows from MOU with Fort Collins and Anheuser-Busch, Inc.	615
Anticipated Windy Gap return flows	500
<b>Total annual reusable effluent</b>	<b>5,315</b>
<b>Annual reusable effluent water use</b>	
Annual average effluent pumped to Rawhide via 24" pipeline for cooling	3,400
Annual allocation for augmentation	309
<b>Total annual effluent use</b>	<b>3,709</b>
<b>Net annual average surplus reusable effluent 5,315 AF - 3,709 AF</b>	<b>1,606</b>

Platte River has marketed this surplus effluent over the years with a limited degree of success. The following is a summary of effluent leased to date:

Windy Gap Year	Acre-Foot Leased	Revenues	Average Price/AF
1997	9	\$ 270	\$ 30
2001	2,000	\$ 30,000	\$ 15
2006	1,400	\$ 42,000	\$ 30
2007	1,000	\$ 47,000	\$ 47
2009	1,538	\$ 123,852	\$ 81
2010	163	\$ 19,376	\$ 119
2011	167	\$ 19,825	\$ 119
2012 (to date)	121	\$ 30,198	\$ 251
2013 (to date)	97	\$ 24,362	\$ 252
<b>Total</b>	<b>6,494</b>	<b>\$ 336,882</b>	

4/1 - 6/1

contains  
 750 ac to pit  
 temporary hole

① Primary use for Augmentation - as as all the in our region

\$300 ② AG

③ Oil & Gas Well Developer  
 @ reusers  
 @ Windy Gap

Traditionally two markets existed for the lease of surplus effluent: agricultural and augmentation. Agricultural water is considered single use and typically rents for approximately \$10 to \$40 per acre-foot. Augmentation water requires a reusable source and prices vary, but can be up to \$500 per acre-foot. Historically, demand for reusable water in Northern Colorado has been limited; therefore, Platte River has been compelled to lease any excess water for single use when it cannot be leased as reusable. Platte River's reusable rental rate was raised in 2010 and 2012 to be more in-line with market prices as requests increased for water for specific augmentation needs that required a reusable source of water. Platte River's current rental rate for reusable water is \$300 per acre-foot. Although this rate is higher than past rates charged by Platte River for reusable water, it is still on the low end of the current rental price range for reusable augmentation water in this region. Because of this, demand continues in the limited augmentation market for Platte River's reusable water in spite of the recent price increases.

### **Surplus Water Lease Policy**

The demand for lease of water has changed significantly over the past year due to local oil and gas well development. A number of entities have started leasing their surplus water for this purpose. A recent article in the *Coloradoan* addresses this topic. It can be found at <http://www.coloradoan.com/apps/pbcs.dll/article?AID=/201203110505/NEWS01/120310012>.

Both reusable and single use water have been leased. The use of Colorado-Big Thompson (C-BT) water for this purpose has led to the development of an Oil and Gas Well Development policy by the Northern Colorado Water Conservancy District. This policy restricts the use of C-BT water to within the boundaries of the District. It also restricts the first use of Windy Gap water to within the boundaries of the District and Municipal Subdistrict. Because of this policy, the demand for other sources of reusable and single use water is expected to increase.

A request was recently made of Platte River for lease of all its surplus reusable effluent for oil and gas development. There has also been a request for lease or possible purchase of some of Platte River's surplus Windy Gap units, probably for this purpose. Platte River's surplus effluent is in demand because a large portion of the effluent is reusable and can be used to extinction anywhere within the State of Colorado, thereby making it an ideal supply of water for oil and gas well development. Windy Gap return flow water may also be used for oil and gas well development anywhere within the State of Colorado.

Because of the desirability of Platte River's surplus reusable effluent for oil and gas well development, the Board may wish to develop a policy addressing leases for this purpose. The Board may also wish to consider such use on a case-by-case basis.

Attached to this memo are Platte River's current water policy resolutions 07-94 and 25-09.

A discussion and brief presentation have been scheduled for the March 29 Board meeting. Should you have questions; staff will be prepared to respond.

Attachments