

May 18, 2009

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Ken Bierly, Deputy Director

**SUBJECT: Agenda Item J-1: Deferred Water Conservation Project
June 2-3, 2009 OWEB Board Meeting**

I. Introduction

The Deschutes River Conservancy submitted a grant application (209-4034) requesting \$3,922,352 to cost share in a \$14 million irrigation canal piping project that would result in a significant volume of conserved water (approximately 19.6 cfs). This staff report provides information about the application, explains the review conducted, and recommendation from staff.

II. Background

The Central Oregon Irrigation District (COID) is one of eight districts that serve patrons throughout the Deschutes basin. Established in 1918, the COID is a Municipal Corporation of the State of Oregon. The COID system consists of two main canals: the Pilot Butte Canal, which runs north, through Bend, Redmond, and Terrebonne; and the Central Oregon Canal, which runs east, through Bend, Alfalfa, and Powell Butte. Both canals divert water from the Deschutes River.

The COID provides water for about 45,000 acres within an 180,000-acre area in Central Oregon. More than 700 miles of canals provide agricultural and industrial water to the Terrebonne, Redmond, Bend, Alfalfa, and Powell Butte areas. In addition, COID provides water to the City of Redmond and numerous subdivisions; in Bend, many parks and schools receive water through the COID system.

COID has evaluated water loss from their canal system. The project proposes to pipe 2.25 miles through an area determined to be underlain by porous broken basalt. In an evaluation of water supply and demand by the Deschutes Water Alliance, this project was identified as having the second highest cost effective conservation value of 14 projects identified. The proposed piping project is part of a larger project (Juniper Ridge Project). The application seeks funds to bury a nine-foot diameter steel pipe through fractured bedrock. This is expected to result in 19.6 cfs of legally protected conserved water upon completion of the project. The applicant has agreed to return 100 percent of the conserved water for instream flows.

III. Project Review

The application was pulled from the regular grant review process. The application was reviewed by the Water Conservation Work Group and the Region 4 Review Team (RRT).

The Water Conservation Work Group reviewed the application and discussed it in light of alternative approaches to conserve and protect in-stream flows. The Water Conservation Work Group recognized that the application as proposed provided a cost effective way to protect a significant volume of conserved water. They recommended the application be seriously considered for funding.

The Region 4 RRT evaluated the ecological value of the application. The RRT unanimously recognized the significance of the conserved water in the Middle Deschutes. They recognized that the 19.6 cfs would have a senior water right and it would be left in the river past the point of diversion at all times. There is a stream gauge just downstream of the diversion to ensure the instream right is being met. The RRT determined this amount of water was a significant, measurable contribution to the Middle Deschutes River. The application would add additional permanent water to protect the habitat necessary for all stages of aquatic life. The RRT supported the application moving forward. The RRT expressed concern about the effects of large dollar requests such as this application would have on their availability to recommend projects for funding from their region. The RRT is interested in the outcomes from the Water Conservation Work Group.

IV. Changes in Funding Request

Since the application was submitted, the partners have developed a revised funding approach resulting in a decreased request to OWEB. With the availability of stimulus funding, the applicant has revised their funding request. (Attachment A) The original request to OWEB was for \$3,992,352 with \$2 million to be awarded from the 2009-2011 biennium and the remainder awarded from the 2011-2013 biennium. The current request is for \$1 million from the 2007-2009 biennium and an additional \$1 million from the 2009-2011 biennium.

COID seeks \$1 million from OWEB at the June meeting to finalize their financing package for the project. The \$1 million request is seen as a critical commitment to stabilize their funding package, which is based on loans, district bond financing, and other funds. The benefits of the project will not be diminished with the reduced funding request. The benefit of 19.6 cfs is a very good bargain under the revised funding request.

COID recognizes that the Board cannot commit funds from future biennia budgets, and understands they will have to appear before the Board next biennium to request additional funding.

V. Recommendation

Staff recommend the Board award \$1 million in capital funds to grant application 209-4034.

Attachment

A. COID Revised Funding Request