

**Cheyenne HPA CN-3
January 26, 2010
Participant Comments (C), Questions (Q) and District Responses (R)**

Wayne Bossert briefly covered the HPA process from the beginning. Then Wayne and Ray Luhman covered the developing 2010 AWEP application – essentially an application that would provide HPA landowners with an option (voluntarily) to permanently retire irrigated acres for a NRCS practice payment. The use of this program could be at least a partial solution to achieving any reduction goal eventually set by the group. GMD 4 needed to know if this HPA wanted to be included in the 2010 application or not.

Q: If CN-3 agreed to be included, this would be a voluntary application on behalf of anyone interested, right?

R: Yes.

Q: What will the practice payment rates be?

R: GMD 4 would like the group's input, but early values (based on all the WTAP applications) are suggesting a 3-tiered rate proposal based on the amount of irrigation water applied – the highest rate would be about \$2,300-2,400 per acre; the mid rate at \$1,700-\$1,800 per acre; and the lowest rate at \$1,400-\$1,500 per acre. The 3 tiers of water use suggested are: 1.1 AF/Ac and more (high); .8 – 1.09 AF/Ac (medium); and .79 and less AF/Ac (low) – 1/3 payable each year over a 3-year period. However, there are no guarantees that these will be the final cutoffs and/or rates.

C: I don't think these rates are high enough.

Q: How likely is it that the state will come in and regulate pumpage if nothing more is done locally?

R: Impossible to answer – too many wildcards. The chief engineer told our board last month that the “public interest” is one such wild card that could move things ahead. An impairment complaint is another. Legislative action is a third. Moreover, any of these activities may or may not include local stakeholders. Suggested that each person ask themselves: how sure are you that none of these will happen?

Q: What are the downsides of asking to be included?

R: No downsides could be seen. The voluntary program is an opportunity for those interested. AWEP and the HPA process are independent of each other so agreeing to AWEP does not commit the group to any further HPA activity – unless the group wants to be involved.

C: I think we should ask the board to be included in the developing AWEP application – I don't see that we have anything to lose.

Q: Will partial place of use acres be allowed?

R: No. The entire place of use must be converted.

Q: What are the time frames likely?

R: If all goes well, conversions would start in 2011, but could be deferred to 2012.

Q: What are the tax implications of a successful application?

R: The NRCS payments will be capital gains and how these are handled will be between you and your accountant.

Q: How will the irrigated acres and tier rate be determined?

R: Not decided yet, but likely similar to WTAP – taking the last six years of water use reports, throwing out the high and low, and averaging the remaining four. Averages may be calculated thusly for acres irrigated (converted acres to be paid on) and acre inches per acre applied (setting the tier rate per acre).

Wayne and Ray continued discussing the broader aspects of the HPA area and covered the model run done based on the last meeting's request. The model suggests that a 52% reduction in current average pumping will stabilize the water table declines from that point forward.

In regard to again actively discussing goals the group discussed taking a wait-and-see approach based on how AWEP fares in the HPA – if NRCS offers it.

Q: What about the economic model results? How do these results factor in?

R: Along with the hydrologic model and economic model was developed. It suggests that there are differing economic impacts to the region depending on how the HPA goes about reducing the water use for any single goal. The least economic impact was for all water rights to reduce enough to achieve the goal – rather than completely eliminating sufficient irrigated acres to achieve the same goal, or, converting sufficient irrigated acres to CRP to meet the goal. This being said, the methods to require everyone to conserve to meet any goal (to experience the least economic impact) are vastly different and don't lend themselves to voluntary payments.

C: Voluntary practice payments and regulatory approaches are not mutually exclusive. To the extent voluntary programs (AWEP) reduce the total water use first, regulatory programs become less onerous for the remaining water users.

Directions:

1. The group wants to ask the board to be included in the developing AWEP application at a total program payment cost in CN-3 HPA of not to exceed \$2,000,000, with the understanding that the specific conditions discussed could change.

2. Depending on how the 2010 AWEP process goes in CN-3 HPA, the group will reconsider meeting again to continue discussing a possible water conservation goal and ways to achieve the goal.