

DNR MEMO

June 10, 2007

TO: Jasper Fanning
Dan Smith

FROM: Ann Bleed

SUBJECT: Benefits of NRDs Purchase of Surface Water Above Harlan County Lake

In our discussion Friday you asked for further clarification on the value of the NRD's purchase of surface water to enhance Compact compliance. Analysis of the benefits of the purchase provided to Don Blankenau and others in March indicated that the NRD's purchase at a total cost of \$8,550,000 would provide an average benefit of 19,800 acre feet at the Frenchman Creek gage at a cost of \$436 per acre feet alone. The analysis did not calculate a benefit of the water at the Guide Rock gage because the accounting was not yet finalized.

After several meetings with the Bureau of Reclamation on the accounting, per instructions from the AG's office on May 15 I sent an accounting sheet to Don Blankenau, Dave Cookson and Justin Lavene. This accounting sheet assumed only the consumptive use portion of the purchased water would be protected for Kansas. Since that time I have also developed an accounting sheet that would protect all of the purchased storage water. The following analysis is based on these accounting sheets and the previous sheet calculating the benefits of the purchased water. If all the water entering Harlan County Lake for Kansas was passed through the Lake this year, there would be another 8,000 to 13,000 acre feet of accounting benefit make the total per acre foot of benefit cost of \$260 to \$315 per acre foot of benefit, depending on how the accounting is done. The 8,000 acre feet of benefit at Guide Rock assumes that only the consumptive use portion of the purchased water is protected for Kansas. The 13,000 acre feet of benefit result assumes that the consumptive use portion of the natural flow water is protected, but all of the storage water is protected for Kansas. Depending on the final agreed upon accounting, these numbers could change.

The remaining issue relates to how much of the purchased water delivered to Harlan County Lake will be or should be released this year. The fact that Kansas Bostwick may not need all of this water obviously complicates the picture. If keeping more in the Lake would mean we would not be in a water-short year in the future, it would probably be worth storing the water. However, this is a gamble. Thus, in my opinion, we should try to get as much credit as possible in the accounting for this year and therefore we should pass as much water through the Lake as possible, either for Kansas Bostwick or for Kansas downstream of Hardy. However, as I understand the Bureau of Reclamation's position, we could not release project water unless it was for irrigation of Bureau of Reclamation Project land.

If I can be of any further help, please do not hesitate to call.

C: David Cookson
Justin Lavene
Brad Edgerton
Jim Williams
Pam Andersen