January 10, 2012

The Honorable Ken Salazar
Secretary of the Department of the Interior
1849 C. Street N. W.
Washington, D.C. 20240

Re: Colorado Big Thompson Project (CB-T)

Dear Secretary Salazar:

There is an urgent issue that Grand County would like to bring to your attention with regard to the Colorado Big Thompson Project (CB-T) and would respectfully ask for your assistance in directing decisions that will lead to positive solutions for Colorado and the federally operated CB-T Project. The issue is the clarity in Grand Lake.

GRAND LAKE CLARITY

We assume that you have been made aware of the clarity issue with Grand Lake, Colorado’s largest natural lake and the efforts that are underway to address the problem, but as a reminder we offer the following. When Congress authorized the CB-T Project, it directed that the project be operated under the Manner of Operations of Project Facilities and Auxiliary Features section of Senate Document 80 (SD-80). Under that section, SD-80 states “the project, therefore, must be operated in such a manner as to most nearly effect the following primary purposes:

2. “To preserve the fishing and recreational facilities and the scenic attractions of Grand Lake, the Colorado River, and the Rocky Mountain National Park.”

Grand County believes that the intent of the east slope and west slope negotiators of SD-80 and of Congress is that the CB-T Project be operated in a manner that always maintains and never compromises the environmental, aesthetic and economic values of Grand Lake, the Colorado River and Rocky Mountain National Park. Minutes of the Board of County Commissioners, at the time, the CB-T Project was being proposed almost verbatim restates the primary purposes listed in SD-80.
Grand County further believes that, unless corrected, the current water quality/clarity problems in Grand Lake are a violation of the intent and promise of SD-80.

Before the CB-T Project, Grand Lake had a documented clarity of 9+ meters (29+ feet). Over the years of operation, Grand Lake’s clarity has been reduced to less than 1 meter (3 feet) at times while at the same time algae has been produced in abundance. Several years ago algae toxin in Grand Lake reached a level which required a public health advisory to be issued and access to the water in Grand Lake to be restricted. The reduced clarity occurs with pumping water from Granby Reservoir into Shadow Mountain Reservoir then backwards through the system into Grand Lake and then diverted through the Alva B. Adams Tunnel. The critical time is July through September each year.

Grand County has been working closely with the Bureau of Reclamation (BOR), Northern Colorado Water Conservancy District (Northern) and other stakeholders to address this issue and find a solution. Various nutrient and clarity studies are ongoing, a few stop pump periods have been implemented, and structural alternatives suggested. In 2011, due to high runoff on both the east and west slopes, the CB-T system saw little pumping in the critical period. As a result Grand Lake reached the highest clarity that has been documented for decades of 7+ meters (23+ feet).

The reduced or stop pumping that occurred this season is not a solution that can be relied upon on a regular basis due to the water delivery needs on the Front Range that vary drastically from year to year. However, the BOR, Northern and Grand County have been pursuing a process that might identify a permanent solution to the clarity problem.

The entities entered into a Memorandum of Understanding in 2011 to complete an appraisal study. This study was required by the BOR as the first step to addressing system problems in any of its operations. According to the BOR, the appraisal study is intended to determine the BOR’s responsibility, if any, for solving the Grand Lake clarity problem. The determination is completely internal to the BOR. Grand County and Northern funded the appraisal study and are participating as stakeholders in the preparation of the study. The study is not yet complete but it would be surprising if the study does not conclude that the operation of the CB-T project is the primary cause of the clarity and algae problems.

If, at the end of the clarity study, the BOR’s CB-T Project is found to be the cause of clarity issues, at the end of the appraisal study process, the next step is a feasibility study. The BOR’s policy states that it would provide half of the funding for a feasibility study but other participants would be required to fund the other half. The BOR guidelines do state that the participants can request the BOR fund the entire feasibility study if requested and approved. At the present time, the feasibility study is estimated to cost over $2M. The funds for the step would be necessary in 2013.
If the feasibility study identifies an acceptable solution for the clarity problem, funding would be an issue. Congress would have to appropriate the monies for both the feasibility study as well as any determined solution. We understand that budgets are tight and appropriations difficult, but would offer the following information that could help to justify these expenditures.

The total cost of the CB-T project was $170 million even though the original estimate in 1935 was $44 million. Northern was required to fund half of the cost of the project, but their share was later capped at $28.9 million. This debt to Northern was financed over a 40 year period, commencing in 1962 with final payment occurring in 2002. The cap benefitted Northern and all of its customers in eastern Colorado.

The proceeds for power production were allocated to the BOR’s repayment of the cost of the project and operation and maintenance. It is our understanding that operation and maintenance requires about 10% of the revenue generated from power production. The power production since the retirement of the debt has generated substantial revenue for the U.S. Treasury in addition to financing annual operation and maintenance. In reviewing the financial reports published by the BOR (http://www.usbr.gov/gp/aop/cbt/cbtintpg.cfm) from 2003 to 2010 we have been able to roughly calculate the revenue attributable to CB-T power generation. We took the total revenue generated by the western system, divided it by the total number of gigawatt-hours (GWh) produced by the entire system, thus determining a rough cost per GWh for that year. Following is the information that we believe represents a close approximation of the revenue generated.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NET INCOME FROM ELECTRIC POWER GENERATION</th>
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</thead>
<tbody>
<tr>
<td>2003</td>
<td>$ 9,522,197</td>
</tr>
<tr>
<td>2004</td>
<td>$10,026,058</td>
</tr>
<tr>
<td>2005</td>
<td>$11,481,184</td>
</tr>
<tr>
<td>2006</td>
<td>$17,094,124</td>
</tr>
<tr>
<td>2007</td>
<td>$16,015,480</td>
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<tr>
<td>2008</td>
<td>$17,037,981</td>
</tr>
<tr>
<td>2009</td>
<td>$17,931,715</td>
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<tr>
<td>2010</td>
<td>$19,264,683</td>
</tr>
<tr>
<td>2011</td>
<td>$15,797,863 (projected)</td>
</tr>
<tr>
<td>Total</td>
<td><strong>$134,171,285</strong></td>
</tr>
</tbody>
</table>

While the eastern slope of Colorado has continued to receive benefits promised from the obligation under Senate Document 80, the western slope, and particularly Grand County has not. The aesthetic degradation of Grand Lake is a national problem that directly affects the economic viability of the County, the Town of Grand Lake, and the State of Colorado. Over one million
visitors travel through the western gate of Rocky Mountain National Park annually to see the beauty of Colorado’s largest natural lake. However, at the height of the tourist season, Grand Lake can be as green as pea soup. We have included a booklet containing information and photographs to illustrate the situation.

Grand County acknowledges the need to continue delivering surplus Colorado River water to the east slope as intended by SD-80, but at the same time we understand that SD-80 also requires a solution to the clarity in Grand Lake be found and implemented in the near future. In order to meet that challenge, funding is critical. Estimates demonstrate that the revenues produced by the CB-T project are more than adequate to meet the entire cost of the feasibility study and any structural or non-structural alternative that will be selected, while having ample remaining funds to provide operational and maintenance costs. Grand County will not wait decades for a solution to this issue and your assistance in securing funding is critical. We would respectfully ask for your approval and support for the BOR to fund the entire feasibility phase of their process and to prepare to pay the cost of any solution that may be found feasible.

We apologize for the length of this letter. The issues surrounding Grand Lake and Senate Document 80 are complicated and cannot be discussed simply, as you well know. We appreciate the ability to share our perspective and would respectfully ask for your assistance in moving toward a positive outcome for this most critical issue as soon as possible. If we are unable to move forward with the feasibility study due to lack of funding, it could have ramifications that affect Colorado and its future.

We would welcome the opportunity to meet with you and your staff to better clarify this issue if that would be beneficial to you. Time is of the essence and we appreciate your assistance.

Sincerely,

Nancy Stuart, Chairman
Gary Bumgarner, Commissioner
James L. Newberry, Commissioner

Lurline Underbrink Curran,
Senate Document 80 Representative

Cc: Anne Castle, Department of the Interior
Michael L. Conner, Commissioner, BOR
Michael J. Ryan, Regional Director, Great Plains Region, BOR
Michael P. Collins, Eastern Area Manager, BOR
The Honorable Mark Udall
The Honorable Michael Bennet
The Honorable Jared Polis
The Honorable Governor John Hickenlooper
The Honorable Senator Jean White
The Honorable Senator Jeanne Nicholson
The Honorable Representative Claire Levy
The Honorable Representative Randy Bumgardner
Eric Wilkinson, Northern Colorado Water Conservancy District
Eric Kuhn, Colorado River Water Conservation District
Peter Fleming, Colorado River Water Conservation District
Barbara Green, Esq., Sullivan, Green, Seavy.
David Taussig, Esq., White & Jankowski
Stan Cazier, Middle Park Water Conservancy District
Town of Grand Lake
Greater Grand Lake Shoreline Association
Three Lakes Watershed Association
Al White, Director, State of Colorado Tourism Office