

EVALUATION PROCESS AND APPLICATION FOR PROJECTS OR WATER UTILIZATION ALTERNATIVES PROPOSALS TO BE FUNDED UNDER THE ARIZONA WATER SETTLEMENTS ACT

SUMMARY OF PROCESS

Pursuant to the Arizona Water Settlements Act of 2004 (AWSA), P.L. 108-251, the New Mexico Interstate Stream Commission (ISC) will accept applications for the New Mexico Unit of the Central Arizona Project (NM Unit) or water utilization alternatives that meet water supply demands to be funded with funds available under the AWSA. Application submission and evaluation will be in a two-tiered format. Applications for proposals satisfying both tiers may be considered by the ISC for further review and possible funding as the State develops a plan for developing AWSA water and available funding.

Tier-1: Tier-1 applications must provide, as best and with as much detail as the applicant is able, the information required in Section 1. Applicants seeking an optional preliminary review of an application must submit the Tier-1 application by May 1, 2011. Final Tier-1 applications must be submitted no later than June 30, 2011. **Applications to develop AWSA water or funding will not be accepted after June 30, 2011.**

Tier-2: Only those applications that satisfy Tier-1 requirements will be eligible for Tier-2 consideration. Applicants seeking an optional preliminary review of a Tier 2 application must submit the by October 14, 2011. Final Tier 2 applications must be submitted by December 15, 2011. Only those applications that qualify for Tier-2 consideration will be eligible for selection by the ISC for initial funding and/or further study and assessment.

Individuals and entities eligible to submit applications include: (i) local governments or municipalities; (ii) soil and water conservation districts, irrigation districts or commissions, acequias, or other political subdivision of the State of New Mexico; (iii) institutions of higher education or a consortium of such institutions; (iv) non-profit organizations or associations; (v) private individual/s; (vi) corporations; and (vii) federal agencies.

Section 1. Tier-1 Applications

Tier-1 applicants must use the Tier-1 application form. The application and schedule is attached or is available on the ISC's website at http://www.ose.state.nm.us/isc_colorado_gila_sanfran_committee.html. The preferred method to submit Tier-1 applications is electronically via email to craig.roepke@state.nm.us. Alternatively, ten (10) hardcopies may be delivered via postal mail or courier service with a postmark or courier service's time and date stamp dated on or before 5:00 pm MST on June 30, 2011. Hardcopy applications may be requested from the New Mexico Interstate Stream Commission, Attn: Craig Roepke, P.O. Box 25102, Santa Fe, NM 87504-5102. Completed hardcopy applications should be sent to the New Mexico Interstate Stream Commission, Attn: Craig Roepke, P.O. Box 25102, Santa Fe, NM 87504-5102, or delivered to the ISC at 407 Galisteo Street, Bataan Memorial Bldg. in Santa Fe.

Comprehensive responses to each criteria listed should be supported by the best available science and scientific data, studies, models, and, where applicable, cite state, regional, or other water plans. Where such data and information is not available, applications should include best estimates and describe how such information would be obtained. Applications that do not include the requested information will not satisfy Tier-1 standards and, therefore, will not be eligible for Tier-2 consideration.

Tier-1 Evaluation Panel. The Tier-1 Evaluation Panel will consist of technical staff representing New Mexico Environment Department,; New Mexico Energy, Minerals and Natural Resources Department; New Mexico Department of Game and Fish; Office of State Engineer, and ISC. ISC shall also provide legal counsel. The Panel will evaluate each application according to the Tier-1 criteria below.

Tier-1 Evaluation Method. The Tier-1 Evaluation Panel will evaluate Tier-1 applications against the Tier-1 criteria and will score the application on a pass/fail basis. An application failing any of the criteria shall be judged to have failed the Tier-1 evaluation. The Panel will complete initial evaluations by July 31, 2011 and submit the Panel's final evaluations to the ISC by August 29, 2011.

Optional Preliminary Review. Applicants may request an optional preliminary review by submitting the application with a request for a preliminary review by May 1, 2011. The Tier-1 Evaluation Panel will conduct the preliminary review and responses will be mailed to applicants no later than June 1, 2011. The preliminary review will only examine the application for completeness; i.e., look for missing required responses or information. At the sole discretion of the Panel, the Panel may indicate where information or data should be clarified or strengthened. The Panel's response to a preliminary review does not guarantee or certify that an application is complete or that it satisfies Tier-1 criteria. Request for a preliminary review does not constitute application submission by the June 30, 2011 deadline; an applicant must submit a final Tier-1 application by the June 30, 2011 deadline for full consideration by the Tier-1 Evaluation Panel.

TIER-1 CRITERIA

1. State whether the proposal is for the "New Mexico Unit," a "water utilization alternative," or both. A "New Mexico Unit" is a project or activity that will develop additional water from the Gila basin above that allocated to New Mexico prior to the 2004 AWSA and require the Secretary of the Interior to exchange CAP water for any additional depletions in New Mexico. A "water utilization alternative" is a project or activity that does not develop additional water from the Gila basin above that allocated to New Mexico prior to the 2004 AWSA or does not require exchange of CAP water for additional depletions by New Mexico in the Gila basin. (see Exhibit A. **Interstate Stream Commission Gila Policy Statement, September 2004, and 2004 Arizona Water Settlements Act, Section 212 (i)**)
2. Describe how the proposal will meet a "water supply demand" in the Southwest New Mexico Water Planning Region, comprised of Catron, Grant, Hidalgo and Luna Counties. The 2004 AWSA requires a "New Mexico Unit," a "water utilization alternative," or both to meet a

water supply demand in the Southwest New Mexico Water Planning Region. The proposal must identify the demand that will be met and how the proposal will meet the demand identified. (see Exhibit A. **Interstate Stream Commission Gila Policy Statement, September 2004, and 2004 Arizona Water Settlements Act, Section 212 (i)**)

3. Describe how the proposal considers the Gila environment and describe how any negative impacts might be mitigated. The ISC Gila Policy requires full consideration of the Gila environment. If the proposal impacts the Gila environment, the proposal must describe the impact, whether negative or positive, or both. The proposal must indicate how negative impacts are to be mitigated. (see Exhibit A. **Interstate Stream Commission Gila Policy Statement, September 2004, and 2004 Arizona Water Settlements Act, Section 212 (i)**)

4. Describe how the proposal considers the historic uses of and future demands for water in the Southwest New Mexico Water Planning Region and the traditions, cultures and customs affecting those uses. The proposal must demonstrate how it conforms to the ISC Gila Policy to fully consider historic uses of and future demands for water in the Basin and the traditions, cultures and customs affecting those uses. Describe any impacts on historic uses of and future demands for water in the Basin and the traditions, cultures and customs affecting those uses, whether negative or positive, or both. The proposal must indicate how the negative impacts are to be mitigated. (see Exhibit A. **Interstate Stream Commission Gila Policy Statement, September 2004, and 2004 Arizona Water Settlements Act, Section 212 (i)**)

TIER-1 SCHEDULE (New July 14, 2011 deadline):

<u>Date</u>	<u>Action</u>
March 23, 2011	: Commission Approval of process and criteria
May 1, 2011	: Submission of preliminary Tier-1 proposals for review
June 1, 2011	: Review and return of preliminary Tier-1 proposals
July 14, 2011	: Final Tier-1 submission deadline
August 16, 2011	: Evaluation panel review and ranking of Tier-1 proposals complete
August 23, 2011	: Deadline for request for reconsideration of evaluation panel rankings
August 30, 2011	: Response to request for reconsideration
September 1, 2011	: Evaluation panel submission to Commission of ranking of Tier-1 proposals
September 28, 2011	: Commission action on Tier-1 proposals

(TIER-2 TIER-2 PROCESS, CRITERIA, APPLICATION, AND SCHEDULE ARE TO BE FINALIZED AND NOT CURRENTLY AVAILABLE.)

**TIER-1 APPLICATION TO THE NEW MEXICO INTERSTATE STREAM COMMISSION
FOR NEW MEXICO UNIT OR WATER UTILIZATION ALTERNATIVE
UNDER THE ARIZONA WATER SETTLEMENTS ACT**

APPLICANT INFORMATION (PRINT OR

DATE:

<p>1. Legal Name: Gila San Francisco Water Commission</p>	<p>2. Organization: Gila San Francisco Water Commission</p>			
<p>3. Address (street, city, county, state, and zip code): Gila San Francisco Water Commission P.O. Box 898 Silver City, Grant County NM 88062</p>	<p>4. Name, email, and phone number of contract person: Hugh B. McKeen mmckeen@gilanet.com (575) 533-6423</p>			
<p>5. TYPE OF APPLICATION (check one): <input checked="" type="checkbox"/> Final <input type="checkbox"/> Preliminary for review <input type="checkbox"/> Revised</p>	<p>6. TYPE OF APPLICANT (CHECK BOX): <input type="checkbox"/> local governments or municipalities <input checked="" type="checkbox"/> soil and water conservation districts, irrigation districts or commissions, acequias, or other political subdivision of the State of New Mexico <input type="checkbox"/> institutions of higher education or a consortium of such institutions <input type="checkbox"/> non-profit organizations or associations <input type="checkbox"/> private individual/s <input type="checkbox"/> federal agency (ies) <input type="checkbox"/> Other (specify)</p>			
<p>7. BRIEF PROJECT DESCRIPTION: Fulfillment of short-term agricultural water demands through distribution management: A mechanism for delivery to agricultural users in the Gila/San Francisco basin, allowing for temporary, fluctuating consumption of water through short-term leases during times of low water availability.</p>				
<p>8. AREAS AFFECTED (describe by county, municipality, township, etc. as applicable): Catron, Grant, Hidalgo and Luna counties</p>				
<p>9. TOTAL FUNDING REQUESTED (in \$1,000): See 14A</p>				
2012:	2013:	2014:	2015:	2016:
2017:	2018:	2019:	2020:	2021:
<p>10a. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION ARE TRUE AND CORRECT, THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED REQUIREMENTS AND ASSURANCES IF THE PROPOSAL IS ACCEPTED.</p>				
<p>10b. TYPED OR PRINTED NAME OF AUTHORIZED REPRESENTATIVE: Hugh B. McKeen</p>		<p>11. TITLE: Board Member, GSFWC; Chairman, Catron County Commission</p>	<p>12. PHONE NUMBER: (575) 533-6423</p>	
<p>13. SIGNATURE: <i>/s/ Hugh B. McKeen</i></p>			<p>DATE: 07/14/11</p>	

14. Evaluation criteria. Comprehensive responses to criteria A through D should be supported where possible by the best available science and scientific data, studies, models, and, where applicable, cite state, regional, or other water plans. Where such data and information is not available, applications should include best estimates and describe how such information would be obtained. Applications that do not include the requested information will not satisfy Tier-1 standards and, therefore, will not be eligible for Tier-2 consideration. Use Form 14a if needed.

A. State whether the proposal is for the “New Mexico Unit,” a “water utilization alternative,” or both.

The Gila San Francisco Basin Distribution Management of Short-Term Agricultural Water Demands is a New Mexico Unit project in that CAP waters will be consumed through management of delivery of supplemental water for irrigation, stock ponds and wells for temporary and fluctuating use during times of drought and dry months; additionally this project is a water utilization alternative, in that the management itself does not in itself consume water but optimizes CAP water usage. This project proposes to utilize up to 75% of stored and surface CAP waters for the irrigation portion of the available CAP water.

B. Describe how the proposal will meet a “water supply demand” in the Southwest New Mexico Water Planning Region, comprised of Catron, Grant, Hidalgo and Luna Counties.

The water to satisfy irrigation needs of farmers and ranchers of the Gila and San Francisco basins of southwestern New Mexico is severely limited by the water rights restrictions set by the Arizona v California Decree; these water supply demands are increased by droughts and an insufficiency of water rights availability. Lack of water rights restricts the potential for agricultural expansion, while ongoing drought conditions means that more water is required to meet the irrigation needs that already exist.

An adequate supply of water is essential to ensure continued economic vitality and quality of agricultural production in the Gila/San Francisco Basin. Variability’s in weather result in inconsistent surface and ground water supplies, which severely constrain agricultural production.

Gila San Francisco Basin Distribution Management will also help the supply demand for agriculture and food production by offsetting the rising costs of agricultural pumping and associated infrastructure costs. For more detailed explanation, see Form 14A, Question 14 D.

Continued at 14A.

C. Describe how the proposal considers the Gila environment and describe how any negative impacts might be mitigated.

No direct environmental impact is anticipated on the Gila environment due to this project. This project involves private agricultural acreage only. Note that this project will necessarily partner with other AWSA diversion/water retention projects to maximize efficiency of water delivery. Some impact on the Gila environment is inevitable in the construction of any new diversions/water retention projects; however each such project will individually address impact and implement appropriate mitigation measures when necessary.

D. Describe how the proposal considers the historic uses of and future demands for water in the Southwest New Mexico Water Planning Region and the traditions, cultures and customs affecting those uses.

This project fully supports the historic agricultural use of land in the Gila-San Francisco and other water basins of Catron, Grant, Hidalgo, and Luna Counties of New Mexico, and enables such use to continue in the future, providing additional opportunities for growth. Local ranching and farming based traditions, cultures and customs are preserved as the water that will support continued agricultural practices is made available as needed.

Paleo-Indians were probably the first inhabitants of the Gila-San Francisco Basin area, some 10,000 years ago. Farming was a main subsistence activity. Acequias/community ditches, established in the 1700's as the first water distribution management systems, are one of the oldest forms of continuous government in the United States. Today, these acequias and community ditches contribute significantly to the farming in the four county area.

Continued at 14A

Exhibit A. Interstate Stream Commission Gila Policy Statement, September 2004, and 2004 Arizona Water Settlements Act, Section 212 (i)

INTERSTATE STREAM COMMISSION GILA POLICY STATEMENT, SEPTEMBER 2004:

The Interstate Stream Commission recognizes the unique and valuable ecology of the Gila Basin. In considering any proposal for water utilization under Section 212 of the Arizona Water Settlements Act, the Commission will apply the best available science to fully assess and mitigate the ecological impacts on Southwest New Mexico, the Gila River, its tributaries and associated riparian corridors, while also considering the historic uses of and future demands for water in the Basin and the traditions, cultures and customs affecting those uses.

2004 ARIZONA WATER SETTLEMENTS ACT, SECTION 212 (i)

(i) NEW MEXICO UNIT FUND- The Secretary shall deposit the amounts made available under paragraph (2)(D)(i) of section 403(f) of the Colorado River Basin Project Act (43 U.S.C. 1543(f)) (as amended by section 107(a)) into the New Mexico Unit Fund, a State of New Mexico Fund established and administered by the New Mexico Interstate Stream Commission. Withdrawals from the New Mexico Unit Fund shall be for the purpose of paying costs of the New Mexico Unit or other water utilization alternatives to meet water supply demands in the Southwest Water Planning Region of New Mexico, as determined by the New Mexico Interstate Stream Commission in consultation with the Southwest New Mexico Water Study Group or its successor, including costs associated with planning and environmental compliance activities and environmental mitigation and restoration.

FORM 14A

USE THIS FORM TO COMPLETE ANSWERS TO CRITERIA 1 THROUGH 4. NUMBER EACH ADDITIONAL RESPONSE WITH THE CORRESPONDING CRITERIA NUMBER AND SUB-CRITERIA. USE AS MANY PAGES AS NEEDED.

Question 9, Total Funding Requested.

Funding needs cannot be estimated until CAP water unit projects have been identified, CAP water volume storage capacity has been determined and water demand users have been categorized according to type of use, delivery requirements and demand volume. However, items that will need to be budgeted for include but may not be limited to:

- Office space (may not be year-round); office furniture and electronics
- Utilities
- Telecommunications (phone, internet)
- (Insurance)
- Demand management team salaries & benefits (manager, secretaries, financial person, field person)
- Delivery system management - contractor
- Public education

Grant Soil & Water Conservation District is the fiscal agent for Gila San Francisco Water Commission.

Question 14, Evaluation Criteria.

B. Water supply demand (continued).

This project will meet the water supply demand for a source of supplemental water to counter the inconsistent availability of water from existing water rights for irrigation purposes. It also addresses a primary purpose of the CA 14,000 ac. ft. of water by offsetting the hardships caused by the Arizona v California Decree. Because the demand is generally of a temporary and short-term (annual) nature, acquisition of new water rights is an expensive and illogical solution. This project provides an alternative for these water supply demands.

The ISC 1994 "Regional Water Planning Handbook" (Handbook) and the 1999 "Acceptance Criteria" instruct regions to develop strategic alternatives to meet water shortage challenges. The Gila San Francisco Regional Water Commission (GSFWC) Joint Power Agreement, which formed the GSFWC, identifies the desire to promote development of additional water supplies through, among other things, demand management. Further, the parties to the JPA agreed to develop a method of allocating the available supply among themselves and to facilitate leasing of water from the New Mexico Unit (GSFWC Section II: Purposes). The GSFWC board has voted to support this proposal.

Gila San Francisco Basin Distribution Management will lease CAP/AWSA water to the Gila/San Francisco Basin agricultural producers through a water distribution process that provides access to

CAP water and AWSA funds for expanding production in crops and lands for food production. In addition, it could allow the agricultural producers the option to sell or lease their water rights to municipalities and industries when appropriate.

D. Historic and future uses (continued).

Irrigated agriculture by non-Indians has been in widespread use since the mid-1800s, and by 1875 a number of ditch systems had been established on the Gila River. By 1890, most land suitable for irrigation with surface water was under cultivation.

The first cattle were introduced to the region by the Spanish explorer Onate in 1642. Area ranching initially used natural streams and springs and later developed springs, wells and stock tanks

After 1940, irrigation using groundwater began and farm development in New Mexico picked up substantially in the 1950's. This resulted in the creation of many farming enterprises where only livestock grazing was feasible prior to 1940.

Agricultural water from groundwater has become extremely expensive due to rising costs of power to pump the water and the costs of wells and well maintenance.

Water lift, or distance from the static surface level of the water in a well to the ground surface, is the economic baseline for agricultural well use. Currently in Virden the lift is approximately 60 feet. To pump an acre foot of water to the surface costs approximately \$30 in electricity. In Lordsburg, where lift is 300 feet, electrical cost for pivot irrigation of two 120 acre circles is \$15,000/month. More of the four county area will face a lift of 300 feet than the 60 feet at Virden, where the static surface level is shallower due to the nearby Gila River. There are additional costs of obtaining water rights, digging a well and maintaining it, as well as the almost assured increase in electrical and other fuel costs in the future, making pumped groundwater is extremely expensive for most agricultural producers.

It is estimated that the price of CAP waters, at approximately \$130 per acre foot, would provide a significant reduction in cost for agricultural users. In removing the variables of well maintenance and increased utility costs, *Gila San Francisco Basin Distribution Management* CAP waters would reduce financial risk and provide the security to agricultural producers by knowing in advance what the costs will be for the coming year.

With a new source of affordable water through *Gila San Francisco Basin Distribution Management*, farmers will have a higher chance of making a profit. This could also result in an increase in the variety of crops produced, very likely including a return to food crop production for local markets, as well as development of specialty markets, such as for organic and "green" foods. The chance to increase profits could also attract new agricultural producers to stay in business as well as attract new producers to the area, increasing agricultural economic base of Southwest New Mexico where the climate is most conducive for extended agricultural production.

Gila San Francisco Basin Distribution Management will also help the farmers who currently grow hay to continue to produce hay for their own use and for local markets, especially given the spiraling price of hay and the demand for hay by area livestock producers.

Increased hay production will, in turn, help area livestock producers through reduced transportation costs for hauling local hauling hay (vs. from outside the area/region). In addition, as with the farmers, livestock producers will also benefit from more affordable pumping costs for delivering water to their livestock. Livestock produces the largest cash receipts of any crop in the area except for Luna county. (Source: 2010 Statistical Abstract, Southwest Ne Mexico Council of Governments). Hence any assistance and support to livestock production and associated farming can contribute significantly to four county economy.