

MEMORANDUM

TO: Members, Clark Fork Basin Water Management Task Force (Task Force)
FROM: Gerald Mueller
SUBJECT: Summary of the May 18, 2009 Task Force Meeting
DATE: May 20, 2009

Participants

The following people participated in the Task Force meeting:

Task Force Members:

Harvey Hackett	Bitterroot
Fred Lurie	Blackfoot Challenge
Caryn Miske	Flathead Basin Commission
Brianna Randall	Clark Fork Coalition
Gail Patton	Sanders County Commission
Marc Spratt	Flathead Conservation District/Flathead Chamber of Commerce

Ex Officio Members

Senator Verdell Jackson Senate District 5

Agency

Tim Bryggman Montana Department of Natural Resources and Conservation (DNRC)

Staff:

Gerald Mueller Consensus Associates

Meeting Agenda

- April 6, 2009 Meeting Summary
- Legislative Recap
 - Task Force funding
 - 2009 Water Legislation
- Round Table Redux
- Hungry Horse Contracting Effort
- Conjunctive Management Conference
- Flathead Modeling Meeting
- Task Force Work Plan and Budget
- Public Comment
- Next Meeting

April 6, 2009 Meeting Summary

The Task Force made no change to the April 6, 2009 meeting summary.

Legislative Recap

Task Force Funding - Gerald Mueller reported that as a result of the most recent legislative session, the Task Force has two sources of funding for the coming biennium. One source is HB7, which states in Section 2(3), "If the Reliance Refinery Cleanup is fully funded in House Bill No. 2, then the grant request for the Montana Department of Natural Resources and Conservation (Reliance Refinery) project in subsection (2) is withdrawn and \$70,000 is granted to the Clark Fork River Basin Task Force for the water management plan project." The Reliance Refinery Cleanup was fully funded in HB2. According to Water Resources Division Administrator John Tubbs, to receive the \$70,000, the Task Force will have to make an application to the Reclamation and Development Grants Program administered by the Conservation and Resource

Development Division of DNRC. Mr. Tubbs also stated that the application will require a work plan and a budget. The second source of funding is the DNRC base budget which included \$8,369 annually for the Task Force.

2009 Water Legislation - Mr. Mueller passed out copies of the final status sheet for water bills introduced in the 2009 legislative session. See Appendix 1. The following bills previously discussed by the Task Force passed the legislature and were signed into law by the governor:

- HB 39 - This Water Policy Interim Committee (WPIC) bill addresses aspects of water right enforcement, including authorizing the Attorney General to bring suit to enjoin the waste, unlawful use, interference, or violation without being requested to do so by DNRC.
- HB40 - This bill modifies the DNRC water right permitting process.
- HB52 - This bill provides \$4.2 million to the Montana Bureau of Mines and Geology (MBMG) for conducting ground water studies in seven subbasins experiencing rapid growth. As it originally passed the legislature, it would have provided only \$900 thousand to MBMG. However, the governor used an amendatory veto to restore the funding to the original amount, and the legislature accepted the governor's amendments.
- SB22 - This bill creates a permanent, independent legislative committee to address water policy issues, the Water Policy Interim Committee (WPIC). WPIC appointments have been made, and its members are listed below in Appendix 2. WPIC's first meeting is scheduled for July 9, 2009 in Helena.
- SB120 - This bill revises the process for petitioning for a controlled ground water area, increasing the number of water right holders that must sign a petition and increasing the role of local governments in the petition process.
- SB200 - This bill restricts the use of domestic cleaning products containing phosphorus in basins for which the Montana Department of Environmental Quality (DEQ) has adopted numerical nutrient water quality standards.
- SB303 - This bill requires DNRC to recommend to the 2015 legislature basin water plans for the Clark Fork, Missouri, and Yellowstone river basins for inclusion in the State Water Plan. It also directs DNRC to create water user councils for the Missouri and Yellowstone to make recommendations to the department concerning each of the basin plans. The bill requires DNRC to continue to rely on the Task Force for recommendations regarding the Clark Fork River basin. Section 1 of SB303 contains two requirements not already addressed by the *Clark Fork Basin Watershed Management Plan*:

(b) an estimate of the amount of surface and ground water needed to satisfy new future demands; and

(c) analysis of the effects of frequent drought and new or increased depletions on the availability of future water supplies;

In response to the Task Force's request as a part of the Hungry Horse contracting effort, the DNRC has determined that 100,000 acre feet of water would supply the basin's need for additional water consumption for municipal and industrial uses for the next 50 years.

- SB396 - This bill exempts changes to the point of diversion from the DNRC change process under certain conditions.
- SB 343 - This bill authorizes the state to control aquatic invasive species, including eurasian watermilfoil, the quagga mussel, and the zebra mussel.

Two other water bills not previously discussed by the Task Force were enacted into law, SB465 and SB507. These bills addressed lands in the beds of navigable rivers and streams. SB465 clarifies that river or stream is navigable and its bed is owned by the state if it was adjudicated as navigable by a court of competent jurisdiction or it was surveyed to have meander lines as of the date of statehood. SB465 also provides that if an irrigation structure, a utility structure, or a bridge was placed on the bed of a navigable river or stream, the irrigation structure, utility structure, or bridge remains the property of the original owner or the original owner's successors

in interest or assignees. This bill allows adjacent land owners to use a ford of a navigable river or stream and to control noxious weeds in the navigable river or stream. SB507 states that the payment of property taxes on the bed of a navigable river constitutes adequate compensation for any past use of the riverbed and relieves the owner of adjacent property of the duty to compensate the state for past use of the riverbed. It also provides that users of the beds of navigable rivers and streams must file for authorization of the use on a form prescribed by DNRC for a lease, license, or easement by July 15, 2015.

Round Table Redux

The Roundtable was held on May 6, 2009. Gerald Mueller passed out a listing of the people who registered for the Roundtable together with a compilation of the evaluation forms completed by its participants. See Appendices 2 and 3. Forty-five people registered, including representatives of the basin's watershed groups, local governments, non-governmental organizations, conservation districts, and the Salish and Kootenai Tribes. The evaluations were generally positive. Based on the feedback, Mr. Mueller proposed that the Task Force convene another Roundtable, perhaps in the fall of 2009. He also suggested inviting the interested watershed coordinators to act as the planning committee for it.

Comment - Coordinators may need funding support to participate in another roundtable.

Comment - If we have another roundtable, we should offer stipends to participating coordinators.
Response - We consider doing so this time, but there were contract issues raised either by DNRC or the UM, so instead of stipends, we offered to pay travel. Only three people applied for travel reimbursement. We will look further into the stipend idea to assist watershed coordinators.

Task Force Action - Those members of the Task Force present at this meeting agreed to include another roundtable in its work plan and budget and with the approach of trying to involve Clark Fork River basin watershed coordinators in its planning.

Hungry Horse Contracting Effort

Gerald Mueller and Tim Bryggman reported on the contracting effort. During the first week of May, Mr. Mueller received a reply to the Task Force's February 17, 2009 letter to the Bureau of Reclamation (BOR) concerning the cost allocation study. This response, which was previously sent to Task Force members, is included below in Appendix 4. The letter confirms several important points:

- The cost allocation study will not determine if the amount of water requested by DNRC, 100 thousand acre feet, for additional municipal and industrial consumption is available in Hungry Horse for contracting with the state.
- The availability of water in Hungry Horse for the contract will be determined by the "multi-year" process previously described to DNRC and the Task Force. This process will include compliance with the National Environmental Policy Act and the Endangered Species Act.
- The cost allocation study will be a basis for, but will not determine, the price of water in the contract.

Mr. Bryggman discussed an April 16, 2009 letter from the Acting Regional BOR Direct, Timothy L. Personius, to Mary Sexton and a November 17, 2008 paper entitled, "Economics and Resource Planning Group Technical Service Center (Denver, CO) Staff Day and Cost Estimate for Preparation of Hungry Horse Project, Montana, Cost Reallocation Pacific Northwest Region Boise ID." The November paper was supplied to Task Force members prior to this meeting; it and a scanned copy of the April 16 letter are included below in Appendix 5. The paper and letter confirm that the BOR is at work on the cost reallocation study and plans to spend the entire

\$260,000 of the state appropriation for it. Because the requested contract would not change the amount of water stored in Hungry Horse, DNRC had asked the BOR to consider a simpler approach to the contract, perhaps based on its approach to contracting for water from Canyon Ferry reservoir, but BOR declined. While the proposed contract may not change the amount of water stored and released, it would create an arrangement for reservoir operations to mitigate impacts to hydropower and other downstream water users in ways that would require releases of volumes of water that would be smaller than the volumes of water consumed by future groundwater development. The rationale underlying this point is that, in the case of Avista, the goal is to accumulate revenue rather than water and the timing of water delivery can be at least as important as the amount of water delivered. DNRC hopes that the hydrologic modeling the BOR is conducting for the cost reallocation study will provide at least a portion of the answer about water availability and will be flexible enough to accommodate operational changes.

Question - I had thought that the price of water to the state under the contract would likely be less than drilling a new well. The answer provided by BOR to question of 11 in our February 17, 2009 letter states that the price will not be set by the cost reallocation study, but will await a later negotiation between the BOR and the state, correct?

Answer by Tim Bryggman - While the BOR has seemed to be contradictory regarding how the price will be set, we were not surprised by answer to question 11. Our understanding continues to be that once the cost reallocation study is finished and approved by Congress, that the state and BOR will begin negotiating the price. The state will have to bear the cost of this negotiation. The negotiation will likely be informed by the cost reallocation study and regional water markets. Currently, only hydropower pays for using Hungry Horse water. Our contract would provide a second source of payments for the Hungry Horse project. We assume that our payments would be an advantage to the BOR.

Question - Don't the utilities make headwaters payments?

Answer by Gerald Mueller - The hydropower utilities like Avista and PPL Montana do not pay for using water per se. Pursuant to federal law, they do make payments for the benefits they receive for the regulation provided by upstream storage projects. These benefits arise from the coordinated operation of the system of dams.

Question - Are there water right issues associated with the BOR's provision of Hungry Horse water downstream of Montana for the fishery?

Answer by Tim Bryggman - This concern has not been a big issue to date.

Conjunctive Management Conference

Gerald Mueller that planning is proceeding with for the June 8-9 conference. He recently met with David Shively to set the registration fee at \$40 to cover the conference food costs. All conference speakers have confirmed their participation, although MBMG has not yet decided specifically who will do so. Arrangements have been made to produce three of the four papers for the breakout sessions, and Mr. Mueller is contacting Steve Kilbreath of DEQ concerning the fourth which will address DEQ and DNRC pump test requirements. The conference brochure has been prepared and is being emailed to lists from past conferences. The brochure is available on the Task Force web page at:

http://dnrc.mt.gov/wrd/water_mgmt/clarkforkbasin_taskforce/default.asp

Mr. Mueller asked that Task Force members post notification of the conference and the brochure and registration form on their organization web sties.

Flathead Modeling Meeting

Marc Spratt introduced this topic. There are several hydrologic modeling activities either underway or pending for the Flathead basin. The BOR is conducting modeling as a result of the state's contract request and the compact negotiations between the state and the Confederated Salish and Kootenai Tribes. The EPA and the DEQ are conducting modeling for the Flathead nutrient TMDL. The University of Montana Flathead Lake Biological Station is conducting modeling of Flathead Lake. The Montana Department of Fish, Wildlife, and Parks is conducting modeling concerning fishery issues on the mainstem of the Flathead River and Flathead Lake. The USGS has modeled the South Fork of the Flathead River. MBMG may conduct modeling of the Flathead for its water investigation program of ground water a result of passage of HB52. These modeling efforts are apparently uncoordinated. It would appear to be useful, therefore, for the Task Force to hold a meeting and invite all of the groups conducting Flathead hydrologic modeling to compare model purposes and data sources, to identify data gaps, and to discuss data that needs to be collected on an ongoing basis.

Question - Are hydrologic models such as you are discussing generally calibrated?

Answer - Yes, models are built to reproduce existing data and then to answer "what if" questions.

Question - Could we hold such a meeting in conjunction with Flathead Community College (FCC) and the Flathead Basin Commission (FBC)?

Answer by Marc Spratt - Having FCC as a partner probably makes sense, and I will explore this with them.

Answer by Caryn Miske - I will explore this with the FBC. Since we are affiliated with the Flathead Lake Biological Station, we may function better as a participant than as a co-sponsor.

Task Force Action - Those members of the Task Force present at this meeting agreed to the exploration of holding a Flathead Basin modeling meeting later this year or early next year.

Task Force Work Plan and Budget

Gerald Mueller reviewed the following the Task Force budget submitted to the 2009 legislature:

Consultant and professional services	
Coordinator salary and expenses	\$20,000
Annual conference	\$10,000
Publications and education	\$4,000
Member mileage and meals	\$3,500
Annual total	\$37,500

Task Force members then listed topics that the group should consider for the following year. The list included:

- Municipal water rights;
- Regulation of ponds;
- USGS monitoring budget cuts leading to fewer water monitoring sites;
- Idaho's water management experience;
- DNRC's water right permit change rules;
- Implementation of HB40;
- Flood plain regulation;
- Water marketing and banking; and
- USFS water management policies.

Mr. Mueller stated that he will draft a grant application for the \$70,000 appropriated by HB7 and will circulate the draft to Task Force members for comments.

Public Comment

There was no additional public comment.

Next Meeting

The next meeting is scheduled for 9:30 a.m. on Monday, July 6, 2009 at a location to be announced.

Appendix 1

Bill Type - Number	Primary Sponsor	Status	Status Date	Short Title
HB11	Jon C Sesso	Chapter Number Assigned	05/06/2009	Treasure state endowment appropriations
HB25	Bill McChesney	(H) Died in Standing Committee*	04/28/2009	Department of Transportation water rights for wetland projects
HB26	Ken Peterson	(H) Died in Standing Committee*	04/28/2009	Revise stream access at bridges
HB39	Jill Cohenour	Chapter Number Assigned	04/01/2009	Revise water right enforcement laws
HB40	Jill Cohenour	Chapter Number Assigned	04/17/2009	Revise water right permit process
HB41	Jill Cohenour	Chapter Number Assigned	04/01/2009	Revise water quality laws for aquifer recharge or mitigation
HB52	Walter McNutt	Chapter Number Assigned	05/05/2009	Fund hydrogeologic study
HB135	Tony Belcourt	Chapter Number Assigned	05/05/2009	Revise laws implementing the Fort Belknap-Montana Water Rights Compact

HB161	Shannon Augare	Chapter Number Assigned	04/15/2009	Establish the Blackfeet-Montana Water Compact
HB181	Ken Peterson	Chapter Number Assigned	03/20/2009	Authorize design-build water and sewer districts
HB190	Kendall Van Dyk	Chapter Number Assigned	04/14/2009	Clarify bridge access law
HB201	Janna Taylor	(H) Died in Standing Committee*	04/28/2009	Fund Clark Fork River Basin Task Force
HB236	Deborah Kottel	(H) Died in Standing Committee*	04/28/2009	Require landlord to test private water source for fecal and E coli
HB275	Robin Hamilton	(H) Died in Standing Committee*	04/28/2009	Emergency streamflow for fisheries
HB285	Michele Reinhart	Chapter Number Assigned	03/25/2009	Authorize use of gray water in commercial and multifamily structures
HB379	Gordon R Hendrick	(H) Died in Standing Committee*	04/28/2009	Revise water law for changes
HB430	Anders Blewett	(H) Died in Standing Committee*	04/28/2009	Fine for barbwire fences across navigable water
HB455	Michele Reinhart	(H) Died in Standing Committee*	04/28/2009	Big sky rivers act
HB470	Jill Cohenour	(H) Died in Standing Committee*	04/28/2009	Clarify court cost awards for water proceedings

HB505	Michele Reinhart	(H) Died in Standing Committee*	04/28/2009	Revise lake shore laws
HB557	Tony Belcourt	Chapter Number Assigned	05/05/2009	Generally revise laws related to regional water systems
HB575	Bill McChesney	(H) Vetoed by Governor*	04/29/2009	Revise water laws relating to coal bed methane
HB632	Galen Hollenbaugh	(H) Died in Standing Committee*	04/28/2009	Transfer funds for water adjudication
HB665	Wayne Stahl	(H) Died in Standing Committee*	04/28/2009	Revise water discharge laws
SB4	David E Wanzenried	(S) Died in Standing Committee*	04/28/2009	Create standing water policy subcommittee of EQC
SB6	Ron Erickson	(S) Died in Standing Committee*	04/28/2009	Revise public water supply fee law
SB8	Ken (Kim) Hansen	Chapter Number Assigned	04/27/2009	Authorize regional water entities
SB17	Gary L Perry	(S) Died in Standing Committee*	04/28/2009	Require public water and sewer systems for certain subdivisions
SB22	Terry Murphy	Chapter Number Assigned	04/17/2009	Create Water policy committee
SB39	Carol C Juneau	Chapter Number Assigned	02/19/2009	Extend duration of reserved water rights compact commission

SB93	Larry Jent	(S) Died in Standing Committee*	04/28/2009	Clarify groundwater utilization laws in closed basins
SB94	Larry Jent	(H) Died in Standing Committee*	04/28/2009	Revise closed water basin permitting laws
SB95	John Brueggeman	Chapter Number Assigned	04/17/2009	Temporary nutrient criteria for discharge permits
SB101	John Brueggeman	(S) Died in Standing Committee*	04/28/2009	Certification for wastewater collection system operators
SB102	John Brueggeman	Chapter Number Assigned	03/25/2009	Revise public water supply laws
SB120	Ryan Zinke	Chapter Number Assigned	03/25/2009	Revise the controlled groundwater area petition laws
SB149	John Brueggeman	(S) Died in Standing Committee*	04/28/2009	Change of use for municipal or county water and sewer districts
SB200	Ron Erickson	Chapter Number Assigned	04/16/2009	Restrict phosphorous cleaning products in certain areas
SB201	Jesse Laslovich	Chapter Number Assigned	03/20/2009	Revise Crow Tribe water compact to allow change in use of escrow account
SB262	David E Wanzenried	Chapter Number Assigned	03/25/2009	Allow per unit assessment in water and sewer districts
SB303	David E Wanzenried	Chapter Number	04/29/2009	Update state water plan

Assigned

SB314	Rick Laible	(S) Died in Standing Committee*	04/28/2009	Clarify definitions for stream access laws--define natural, natural water body
SB324	Verdell Jackson	(S) Died in Standing Committee*	04/28/2009	Revise laws related to power generation water rights
SB396	Bob Story	Chapter Number Assigned	05/04/2009	Alter criteria for permitting certain changes to points of diversion
SB407	Rick Ripley	(H) Died in Standing Committee*	04/28/2009	Revise district court confirmation of federal water contracts
SB420	Verdell Jackson	(S) Died in Standing Committee*	04/28/2009	Challenge of certain water rights during adjudication
SB421	Verdell Jackson	(S) Died in Standing Committee*	04/28/2009	Clarify adverse affect in water law
SB422	Verdell Jackson	(S) Died in Standing Committee*	04/28/2009	Generally revise water use act
SB426	Jesse Laslovich	Chapter Number Assigned	04/17/2009	National bison range water compact
SB437	Gary L Perry	(H) Died in Standing Committee*	04/28/2009	Clarify fish pond licensure
SB440	Kelly Gebhardt	(H) Died in Standing Committee*	04/28/2009	Exempt air quality permits from MEPA review

SB461	John Brueggeman	(S) Died in Process*	04/28/2009	Change of use for certain water users
SB465	Bradley Hamlett	Chapter Number Assigned	05/06/2009	Clarify ownership of streambeds concerning property taxation
SB502	Jim Keane	(H) Died in Standing Committee*	04/28/2009	Environmental impact ombudsman
SB505	Keith Bales	(H) Died in Standing Committee*	04/28/2009	Temporary permit for CBM water
SB507	Bob Story	Chapter Number Assigned	05/06/2009	Use of river beds
SJ7	John Brenden	(H) Died in Standing Committee*	04/28/2009	Opposition to HR 2421
SR20	Christine Kaufmann	(S) Filed with Secretary of State	04/09/2009	Confirm DNRC director

Appendix 2

E-mail Contact List

Last Name	First Name	Organization	Email Address
Aasheim	Ryen	Big Blackfoot Chapter of TU	ryen@montanatu.org
Birzell	Megan	Clearwater Resource Council	megan@crcmt.org
Brenneman	Joe	Flathead County Commission	jbrenneman@flathead.mt.gov
Buentemeier	Ronald	Flathead Conservation Group	rbuentemeier@montanasky.net
Carnefix	Gary	Pacific Rivers Council	gary@pacificrivers.org
Connor	Maureen	Granite County	mconnor@co.granite.mt.us
Dinsmore	Jim	Granite Conservation District	dinsmorejim@hotmail.com
Elliott	Jim	Clark Fork Task Force	
Fassnacht	Deb	Watershed Education Network	deb@montanawatershed.org
Frissell	Chris	Pacific Rivers Council	chris@pacificrivers.org
Gardner	William	Montana Water Well Drillers Association	libdrill@centurytel.net
Gaut	Katie	Montana Water Trust	katie.gaut@montanawatertrust.org
Hackett	Harvey J.	Bitterroot	not provided
Hall	Nate	Avista Utilites	nate.hall@avistacorp.com
Hall	Barbara	Montana Water Trust	barbara.hall@montanawatertrust.org
Hinman	Nancy	U of Montana Geosciences	nancy.hinman@umontana.edu
Johnson	Rob	Bitterroot Water Forum	jbarcross@bresnan.net
Kolman	Joe	Montana Legislative Services (Water Policy)	Jkolman@mt.gov
Lurie	Fred. M.	Clark Fork River Basin Task Force & Blackfoot River Drainage	fmlurie@blackfoot.net
Matt	Clayton	Confederated Salish & Kootenai Tribes Natural Resources Department	clayton@cskt.org
McDonald	Brian	Blackfoot Challenge	brian@blackfootchallenge.org
McDowell	Will	Clark Fork Coalition	
Meyers	Renee	Watershed Restoration Coalition	
Miles	Daniel	Sanders County	dmiles@sanderscounty.mt.gov
Miller	Mike	Lower Clark Fork Watershed Group	mmiller@blackfoot.net
Miske	Caryn	Flathead Basin Commission	Cmiske@mt.gov
Mueller	Gerald	Clark Fork Task Force	Gmueller@montana.com
Newman	Chad E.	DNRC Dam Safety	cnewman@mt.gov
Patton	Gail	Salish County Board (Task Force Member)	
Pernichele	Al	Bitterroot Water Forum	pernichele@msn.com
Rana	Paul J.	Greater Woods Bay S. D. & Bigfork Storm water Committee	montanar@aol.com (?)

Randall	Brianna	Clark Fork Coalition	
Richey	Sarah	Missoula County Rural Initiatives	srichey@co.missoula.mt.us
Riley	Laurie	Bitterroot Water Forum	brwaterforum@bitterroot.net
Ringsak	Justin	Clark Fork Watershed Education Program	jringsak@mtech.edu
Robinson	Jim	Montana DNRC Water Management Bureau	
Schultz	Dave	Bitterroot Water Forum	schultz_dv@msn.com
Schwend	Ann	Montana DNRC Water Management Bureau	
Sexton	Mary	Montana DNRC	
Shively	David	UM Department of Geography	david.shively@umontana.edu
Spratt	Marc	Flathead Conservation District	marc@RLKHYDRO.com
Sturgis	Wendy	Lolo Watershed Group	wendysturgis@bresnan.net
Watson	Vicki	UM Environmental Studies	vicki.watson@umontana.edu
Whiting	Rhonda	N.W. Power Planning & Conservation Council	
Wilson	John	City of Whitefish	Jwilson@cityofwhitefish.org

Appendix 3
Clark Fork River Basin Roundtable
Participant Evaluations

Numeric Responses (1 Most Agreeable, and 5 Most Disagreeable)						
Returned Evaluation Form	Question 1a	Question 2a	Question 3a	Question 4a	Question 5a	Question 6a
#1	2	2	1	3	2	NR
#2	1	1	1	2	1	2
#3	1	1	1	1	1	2
#4	3	3	2	3	3	3
#5	3	2	2	4	1	2
#6	1	1	1	1	1	2
Average Response	1.8	1.7	1.3	2.3	1.5	2.2

1.a. The content of the conference generally met my needs. Average score - 1.8.

1.b. Why or why not?

- (1.a score - 2) Yes. Info sharing, networking opportunity, getting perspective on the “bigger picture”.
- (1.a score - 1) The representation, issues discussed, and format all worked very well.
- (1.a score - 1) First time to attend this type of conference. Very interesting.
- (1.a score - 2) Good starting pt., but we probably need more focus to get something concrete going from this dialogue.

2.a. The information about projects, activities, and challenges, and opportunities was useful. Average score - 1.7.

2.b. Why or why not?

- (2.a score - 2) Yes. Good sense of who is doing what, ideas for who else I could contact for specific questions, resources, etc.
- (2.a score - 1) The knowledge of facilitators and attendees.
- (2.a score - 2) Good to get a broad picture of what is going on.
- (2.a score - 1) Just the sharing and idea exchange.

3.a. The sub-basin working group session(s) was useful. Average score - 1.3.

3.b. Why or why not?

- (3.a score - 1) Yes. I had never met w/ these particular partners with an open agenda before - good to look at our subbasin for an hour, get to know each other’s histories, issues, brainstorm.
- (3.a score - 1) It kept things relevant, and was an effective division of labor.
- (3.a score - 1) Good mix of the usual (local) with new non traditional interested folks.

4.a. The plenary session that followed the working group session(s) was useful. Average score - 2.3.

4.b. Why or why not?

- (4.a score - 3) Good to get perspective, but not much was applicable to my issues and

concerns.

- (4.a score - 2) A good overview. It could have been “distilled” a bit more in order to focus the group on specific issues/action items to a greater degree.
- (4.a score - 4) May be better to compile and distribute - I think some folks started to zone out a bit.
- (4.a score - 1) I’m especially interested to have the proceedings.

5.a. The facilities and conference arrangements were satisfactory. Average score - 1.5.

5.b. Why or why not?

- (5.a score - 2) Noisy band during morning session but not a big deal. Theater room good for technical reasons but I’d like a more informal “in the round” so people could all see each other (instead of sitting in rows). Lunch bags are wasteful! Since we didn’t carry our lunch anywhere, food could have been on trays so people could select sandwich, chips, fruit.
- (5.a score - 1) UM is always nice!
- (5.a score - 1) The conference notes will be very useful. Thanks for compiling.
- (5.a score - 1) Good space for both the plenary and small groups - however - let’s reduce the amount of trash generated a bunch.
- (5.a score - 1) Great - and I’m a Bobcat!

6.a. The discussion of state and federal funding opportunities for watershed groups and activities was useful. Average score - 2.2.

6.b. Why or why not?

- (6.a score - 2) Useful, but too focused on restoration project funding. I’d suggest expanding to include funding opportunities for outreach, publications, education, research, etc.
- (6.a score - 2) More details on federal funding would have been useful.
- (6.a score - 2) Ann’s written summary was really nice rather than a recitation.
- (6.a score - 2) Very useful.

7. What suggestions do you have for future conferences?

- Very good conference - keep holding them!
- To get more groups/entities involved.
- Continue to seek the balance between quantity and quality water interests.
- Great resource to bring all entities, both agency & NGOs together and discuss ongoing projects, current issues and to brainstorm together.
- Overall - excellent, useful, information - a good beginning. It would be better to do more.

8. How did you learn about this conference?

- Via email.
- Mailed letter.
- The Task Force.
- From Task Force member and Bitterroot Water Forum.

9. What topics should be addressed if another conference is held?

- Coordination/prioritization of projects. Outreach/public involvement.
- Ground water, forest practices, water rights enforcement.
- Action oriented; small groups plan to attack climate change at the local level; TMDLs - specific actions that can be taken not to reduce point sources; developing joint education effort on a specific topic such as setbacks.
- Not sure.

Appendix 4
United States Department of the Interior

BUREAU OF RECLAMATION
Columbia-Cascades Area Office
1917 Marsh Road
Yakima, Washington 98901-2058

IN REPLY REFER TO

APR 30 2009

CCA-1100/PN-3322
WTR-4.00

Clark Fork River Basin Task Force
c/o Gerald Mueller, Task Force Facilitator
440 Evans
Missoula, MT 59801

Subject: Reply to Your Letter Dated February 17, 2009, Water Supply Availability Issues,
Hungry Horse Project, Montana

Dear Mr. Mueller:

The following responses to your questions are provided to further your understanding of the cost reallocation study. Since the study is currently underway and incomplete, some of our responses are necessarily general in nature and are not meant to be definitive at this point in time.

1. *Will the cost allocation study determine if 100,000 acre-feet are available in Hungry Horse Reservoir for the contract with the state?*

No.

2. *If the cost allocation will not determine whether this amount is available for contracting, what process will be used to do so, and when will that process be completed?*

Ultimately, the Bureau of Reclamations determination about the availability of 100,000 acre-feet from Hungry Horse Reservoir will be a function of the multi-year process outlined in our December 6, 2006, letter to the Montana Department of Natural Resources and Conservation (DNRC) and the Memorandum of Agreement executed between our respective agencies in June 2008. As described in these documents, one component of the cost reallocation process is an operations (or hydrologic) study, which will delineate the difference in existing demands and the demands forecasted by the request of 100,000 acre-feet of water for future municipal and industrial use. Additionally, we expect that the results of the process outlined for completion of environmental compliance under the National Environmental Policy Act and Endangered Species Act, etc. will inform our decision with respect to the availability of the requested water supply from Hungry Horse Reservoir.

3. *Is the analysis of future water needs in the Clark Fork Basin that DNRC has provided adequate for cost reallocation study? If it is not, what additional information is needed?*

The information provided for fixture water needs in the Clark Fork River basin provided by DNRC is adequate for the cost reallocation study. Reclamation intends to use the 100,000 acre-foot projection for the year 2060 as the demand for municipal and industrial water. Reclamation's

use of this water demand projection provided by the DNRC does not confirm or dispute its validity.

4. *We understand that recreation is not now a purpose assigned to recover Hungry Horse project costs. Will it be assigned costs in the current study?*

Recreation was not assigned any costs in the original cost allocation report. As part of the cost reallocation study, a decision will be made in consultation with Reclamation management as to the significance of recreation activities realized at Hungry Horse Reservoir and whether the benefits and costs realized warrant inclusion of the recreation purpose in the reallocation.

5. *Are recreation costs reimbursable? If they are, who would pay them?*

Based on Public Law 89-72, “not more than one-half the separable costs of the project allocated to recreation and exactly three-quarters of such costs allocated to fish and wildlife enhancement and all the joint costs of the project allocated to recreation and fish and wildlife enhancement shall be borne by the United States and be non-reimbursable.” The reimbursable portion of separable recreation costs would be paid by the managing partners, (e.g. Forest Service) providing the recreation benefits.

6. *Our understanding is that the cost of Hungry Horse operation to provide flows for threatened or endangered salmon species will not be included in the cost reallocation study because endangered species mitigation is a biological and not an economic issue. Is this correct?*

No, this is not correct. Threatened and endangered species mitigation flows are a biological issue, but because there may be costs to provide these mitigation flows, they are considered joint costs. Therefore, it is appropriate to analyze these costs in the reallocation study.

7. *Will any endangered species mitigation measures be included in the Hungry Horse cost reallocation studies? If some will be, what measures are they?*

Yes. At this time we anticipate that the costs of the temperature withdrawal structure and any costs associated with a change in operation would be included in the analysis.

8. *Are endangered species mitigation costs reimbursable?*

Mitigation costs are considered joint costs and will be assigned to nonreimbursable and reimbursable purposes.

9. *Will project costs, such as the cost of the temperature withdrawal structure, be assigned to the fishery?*

Presently, the costs of the selective withdrawal structure at Hungry Horse Dam are considered joint costs. As such, the costs are presently allocated to flood control and power according to the existing cost allocation.

10. *If the fishery is assigned project costs, will they be reimbursable, and who will pay them?*

In general, fishery mitigation costs are considered joint costs and will be assigned to nonreimbursable and reimbursable purposes.

11. *Our understanding is that the contract water price that the state would pay for the water will not be set by the cost allocation study; rather, it will be set through a negotiation between the Bureau and the state after the cost reallocation study is finished and approved by the Congress, is this correct?*

The cost reallocation study will not set the price under the contract for a water supply. Allocated costs and expected repayment are determined independently. The cost reallocation study will determine the project costs subject to reimbursement by each of the benefitting purposes, and as such will be used as a basis for price in accordance with Federal Reclamation law and policy.

12. *Are hydrologic modeling studies to provide inputs to the cost allocation study underway, and when will they be available for public review and comment?*

The hydrologic modeling/operation studies provide inputs to the estimation of benefits for the cost reallocation study. The hydrologic modeling/operation studies have begun, but results are not available for public review and comment. We will contact you when they are ready for review.

13. *We understand that additional consumptive use of water stored in Hungry Horse reservoir by the Confederated Salish and Kootenai Tribes will not be considered in the cost reallocation study. is this correct?*

Yes. The water requested as part of the Flathead Water Rights Settlement is a separate issue. At this time, Reclamation is assisting in the Flathead water right claims negotiations to evaluate Hungry Horse Reservoir as a potential water source for the Flathead settlement. There currently is no decision on whether water stored in the reservoir will be reserved for the settlement, and thus no stored water for the Tribes will be considered in the cost reallocation study. If an agreement is ultimately reached, any stored water at Hungry Horse Reservoir reserved for the settlement most likely will be addressed in the federal legislation approving the settlement.

If you have further questions, please contact Ms. Wendy Christensen at 509-575-5848 ext. 203.

Sincerely,
Gerald W. Kelso
Area Manager

Appendix 5
Economics and Resource Planning Group
Technical Service Center (Denver,CO)
Staff Day and Cost Estimate
For Preparation of
Hungry Horse Project, Montana, Cost Reallocation
Pacific Northwest Region
Boise, ID

November 17, 2008

Introduction

Information provided herein represents the Technical Service Center's (TSC) Economics and Resource Planning Groups estimate of staff days and costs required to prepare a cost reallocation for the Hungry Horse Project, Montana, Pacific Northwest Region.

Background

The Hungry Horse Project is located in northwestern Montana on the South Fork of the Flathead River 5 miles above its confluence with the Flathead. The project was authorized June 5, 1944 for the purpose of irrigation and reclamation of arid lands, for controlling floods, improving navigation, regulating the flow of the South Fork of the Flathead River, for the generation of electric energy, and for beneficial uses primarily in the State of Montana but also for other downstream areas. Construction was completed in July of 1953. The Act of May 29th 1958 (P.L. 85-428) amended the authorizing act to make Hungry Horse a Reclamation project subject to Reclamation laws.

The last cost allocation for the Hungry Horse Project was completed in March 1960 and approved by the Assistant Commissioner June 24, 1960. This allocation was based on the operation of Hungry Horse Dam providing joint use facilities and benefits for irrigation, flood control, power production and navigation. As the project has matured benefits are also being provided to recreation and fish and wildlife.

Recent legislation and interest by the State of Montana for providing additional M&I supplies has established a need for reallocation of project costs to determine repayment for the additional water supplies being provided from the 3,468,000 acre foot Hungry Horse reservoir. As a separate effort, the state is participating in the Flathead Reservation Indian Water Rights Negotiations that include discussions about the possibility of utilizing water released from Hungry Horse Reservoir.

Methodology

The most current Hungry Horse Project allocation (1960) allocated costs among the functions of power, flood control, and navigation using the Separable Cost Remaining Benefit methodology. This procedure requires the determination of the annual benefits and the annual costs of the least cost single-purpose alternative for each function. The lesser of these two becomes the upper limit of the amount that can be allocated to any function. From this limit to the allocation, the separable cost which is the amount traceable to the inclusion of any single function in a multiple-purpose project is subtracted. The separable costs include all costs added for increased size of structures and changes in design for a particular purpose over that required for all other purposes.

The separable cost is the difference in the total project cost and the cost of the project without the particular function involved. The balance of the costs referred to as remaining joint costs (total project less separable) is then prorated on the basis of the remaining benefit (justifiable expenditure less separable cost) for each function. The separable and remaining joint costs allocated to each function are then totaled to secure the total allocation to each function. This procedure allocates both capital and annual operating costs.

The reallocation of costs is a significant task and will require input and coordination from a number of technical disciplines, offices, and agencies including Bonneville Power Administration (BPA), the Army Corps of Engineers (COE), and the State of Montana. It is suggested that a meeting be convened early on in the process to initiate coordination, data gathering, and data development necessary to progress through the reallocation.

The following staff day and cost estimate is based on the assumption that the same allocation methodology used in 1960 will be used for this reallocation.

Data and Information Gathering

An activity manager in the Regional Office will assist in gathering and providing the needed data and information. The activity manager will also set-up the necessary meetings required to coordinate and update the Region, State of Montana, and other Federal agencies staff, both technical and management as well as oversee the funding for the reallocation study. (Wendy Christensen will be the project sponsor on behalf of the Upper Columbia Area Office and will serve as activity manager until one can be assigned in December.)

- Obtain incremental annual water supply provided by the project for identified purposes (annual acre feet). – Regional Office – Leslie Stillwater
- Obtain history of recreation visitation and primary recreation activities at the reservoir (i.e., boating, fishing, camping, etc.). – Regional Office Vicki Kellerman
- Provide documentation as to any repayment agreements with BPA., including credit amounts that have been applied to the allocated costs. – Regional Office – Michael Cobell
- Financial Records, Operation and Maintenance costs.

Tasks, Data Requirements, and Duration to Complete Hungry Horse Project Cost Allocation

Cooperation and coordination will need to take place between TSC economists and other disciplines in order to obtain the necessary cost and benefit data. The TSC economists will need to work with engineering staff (TSC or Region) to obtain cost data for single purpose alternative and multipurpose without construction costs. An estimate of engineering staff days is included in the estimate, as well as the duration of the task. Financial records will also need to be obtained from the Region to establish costs spent to date on the project.

Costs to Allocate

Construction costs – prepare a construction cost schedule, identifying the costs expended each year over the construction period and any additional capital investments since project completion

in 1953 for project features/components (Dam and Reservoir, Permanent Operating Facilities, Power Plants and related facilities, Recreation facilities, Service Facilities, Archeological investigations, Road and/or Highway Relocations, Fish and Wildlife Mitigation and Enhancement, etc.) **(2 months)**

Specific Costs – Identify and tabulate costs expended specifically for each individual purpose. **(2 weeks)**

Joint Costs – Identify and tabulate costs of project facilities used jointly by all purposes. **(2 weeks)**

Multi-purpose cost without a single purpose – Tabulation of multipurpose costs (investment by year of expenditure, and annual OM&R costs as of project completion date) in the absence of each of the following project purposes: irrigation, power, flood control, M&I water, and recreation. This would require a separate tabulation for each of the purposes. **(1 month)**

Single Purpose Alternatives – Costs (investment by year of expenditure, and annual OM&R costs as of project completion or on-line date) of most-likely Federal Single-purpose alternative sources of comparable benefits for each of the following purposes: irrigation, power, flood control, M&I water, and recreation. This would require a separate tabulation for each of the purposes. **(1 month)**

Interest during Construction (IDC) – Prepare project feature/component costs broken down by year of construction expenditure, to be used to calculate interest during construction. Accumulated disbursements for advance planning and preconstruction activities (not including general investigation disbursements) will be added into initial year of construction expenditures. **(2 weeks)**

Operation, Maintenance, &Replacement (OM&R) – Actual total annual OM&R costs, and a breakdown of those costs relative to project features/components such as: Dam and Reservoir, Separable M&I and irrigation water facilities if applicable, irrigation OM&R, power OM&R, and Recreation facilities. **(2 weeks)**

Estimation of Benefits

Irrigation Benefits will not be considered for allocation at this time.

Power benefits – Power generation benefits will be analyzed over a determined period of time (usually 100 years) on an annual basis. The Hungry Horse Project is operated as part of the Federal Columbia River Power System so it will be necessary to coordinate with BPA or the Grand Coulee Power Office to estimate average annual generation quantities. Benefit values would be estimated based on the marginal alternative costs of thermal power plants. The average annual generation amounts would be multiplied by the appropriate composite values per kWh to obtain average annual power benefits. **(6 weeks)**

Flood Control benefits – Contact would be made with the COE requesting an estimate of downstream flood damages prevented which can be attributable to Hungry Horse Dam. **(4 weeks)**

Recreation benefits – This purpose was not considered in the 1960 allocation either. Discussion and consideration for the opportunity or need to include it in this reallocation would need to take place. If included it would be necessary to obtain estimates of annual recreation and

visitor use by activity (fishing, boating, camping, etc.) historically and projected over a 100 year period. Apply use values obtained from studies done on similar projects to the recreation activity annual use estimates to arrive at annual recreation benefits provided. **(3 weeks)**

Fish and Wildlife benefits – This project benefit would need further consideration as to whether it would be included as a project purpose. Coordination with federal, state, and local resource agencies would be required to obtain estimates of quantifiable benefits provided by the project. **(2 weeks)**

Navigation benefits – May be negligible at this point in time due to downstream improvements but inquiries would be made to the COE to obtain current estimates. **(1 week)**

River Regulation benefits - Further research would be required to determine if this is still a benefit being provided as it may be captured in the aforementioned benefits. **(1 week)**

Allocation of Costs

After determining and calculating the various cost categories and benefits, a spreadsheet table will be developed which will be used to perform the reallocation process. This table will include for each identified purpose; total construction costs, IDC, and OM&R (annual and capitalized), benefits (annual and capitalized), single purpose alternative cost with separate IDC and OM&R costs, justifiable expenditure, separable cost, remaining benefits, the proportion of the remaining benefits as a percentage of the total remaining benefits, a proportion of the total remaining joint costs based on the percentage of remaining benefits, and the total costs allocated to each purpose being the sum of the separable costs and joint costs.

After allocating the project costs, any cost sharing contributions will be considered and applied to the allocated costs based on the contributing beneficiaries. Reimbursable and non-reimbursable costs will be identified. **(2 months)**

Repayment Analyses

Reclamation law or authorizing legislation most frequently establishes which purposes costs are reimbursable or non-reimbursable. Depending on the reimbursability of an allocated purposes cost, repayment schedules would need to be developed. Reimbursability would need to be determined early in the cost reallocation process. **(5 days)**

Cost Allocation Report

A report document will be prepared providing the necessary description, background, pertinent data tables, and allocation results. Appendices would also be prepared containing the necessary supporting data. **(3 weeks)**

The following table provides the list of tasks, technical discipline, staff day estimate and cost.

Tasks and Staff Day/Cost Estimates

FY2009							
TSC Code	Technical Discipline	Staff Days			Labor	Non-Labor	Total
		L1	L2	L3			
8668270	Economics						
	Prepare construction cost & schedule		5	15	18,360		
	Identify and tabulate specific costs		3	12	13,896		
	Identify and tabulate joint use costs		0	10	9,600		
	Derive multi-purpose costs without		5	10	13,560		
	Determine single purpose alternatives		3	12	13,896		
	Compute & prepare IDC tables		3	7	9,096		
	Standardize OM&R costs		0	7	6,720		
	Derive benefit estimates for:		0	0	0		
	Power generation		5	20	23,160		
	Flood control		2	8	9,264		
	Navigation		0	5	4,800		
	River Regulation		0	0	0		
	Recreation and fish & wildlife		5	20	23,160		
	Cost allocation		0	15	14,400		
	Repayment analyses		0	5	25,440		
	Report production		0	10	9,600		
	Meetings/Coordination		2	10	11,184	8,000	
	Review		0	5	4,800		
	Project management		0	5	4,800		
			0	0	0		
8668130	Waterways and Concrete Dams – Design single purpose alternatives and multi-purpose withouts		30	5	28,560	3,500	
8668170	Estimating, Specs,& Const. Mngmt. – Estimate single purpose alternatives and multi-purpose withouts		15	5	16,680	1,500	

	Total staff days & cost		78	186	\$240,336	\$13,000	\$253,336
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Level 2 labor rate (FY09) is \$792/day

Level 3 labor rate (FY09) is \$960/day