July 16, 2013

RE: Odessa Groundwater Replacement Program Questionnaire: Parcel(s)

You and/or your entity have been identified as a Landowner within the Odessa Special Subarea that may be eligible to participate in the Odessa Special Subarea Groundwater Replacement Program (OGWRP) by receiving groundwater replacement. The following communication is being sent in order to provide background information on the OGWRP, to explain the current status of OGWRP activities, to highlight topics still under discussion and to get Landowner feedback to help confirm eligible land and interest in participating in the OGWRP.

Your input is crucial in the District's efforts to assemble economical delivery design alternatives that meet Landowner's needs and interests. As such, we encourage you to fill out and return the enclosed questionnaire.

Background

In the 1960s and 1970s, the Washington State Department of Ecology (Ecology) issued temporary permits for groundwater irrigation in the Odessa Subarea assuming that development of the Columbia Basin Project (CBP) would continue and that CBP surface water would eventually serve most of these lands.

Since that time, the State of Washington, CBP irrigation districts, including the East Columbia Basin Irrigation District (District), and local constituents have advocated that the United States Bureau of Reclamation (Reclamation) investigate providing CBP water to groundwater irrigators to help reduce demands on the Odessa aquifer.

From 2002 to 2004, the Columbia River Initiative (CRI) was developed under Washington's former Governor Gary Locke to meet the water needs of growing communities and their rural and agricultural economies along the main-stem of the Columbia River in a manner that reduces the risk to fish resulting from out-of- stream use of water.

In the CRI, the State recognized the opportunity the CBP provides to address the declining Odessa Subarea aquifer. As part of the CRI, the State, Reclamation, and the three CBP irrigation districts signed a Memorandum of Understanding (MOU) in December 2004.

The CRI MOU describes the studies and activities needed to explore opportunities for delivery of water to additional existing groundwater-irrigated lands within the Odessa Subarea. In 2005, Congress funded Reclamation to investigate these opportunities.

The State agreed to partner with Reclamation and, in December 2005, provided $4 million to cost - share the Odessa Subarea Special Study (OSSS) through an agreement between Ecology and Reclamation. Other studies and actions of this partnership include the Lake Roosevelt Incremental Storage Releases Project (LRIRP) which allocates 10,000 acres of CBP irrigation water annually to lands in the Odessa Subarea within CBP boundaries that currently irrigate with an eligible state groundwater right. The Coordinated Conservation Program makes replacement CBP groundwater available through the conservation efforts of the three CBP irrigation districts. The amount of water made available through the OSSS, LRIRP and Coordinated Conservation will be sufficient to replace over 87,000 acres of groundwater-served acres within the CBP boundaries.

In 2006, the Washington State Legislature passed the Columbia River Basin Water Resource Management Act, which set up the Columbia River Basin Water Supply Development Account. Expenditures from this account may be used to assess, plan, and develop new storage, improve or alter operations of existing storage facilities, implement conservation projects, develop pump exchanges, or implement any other actions designed to provide access to new water supplies within the Columbia River Basin for both in-stream and out-of-stream uses (Revised Code of Washington [RCW] 90.90.010 [2][a]).

In response, Ecology created the Office of Columbia River to manage development of new water supplies. RCW 90.90.020(3)(a) directs Ecology to focus its efforts to develop water supplies for the Columbia River Basin including alternatives to groundwater for agricultural users in the Odessa Subarea aquifer. Under the direction provided through this Act, Ecology has participated in and cost–shared Reclamation's efforts to evaluate replacement options for current groundwater irrigation.

In 2006, Reclamation released the Initial Alternative Development and Evaluation, Odessa Subarea Special Study, a pre-appraisal-level investigation of water delivery and supply options for the Study Area, completed through a Project Alternative Solutions Study (PASS).

This was the first stage of alternative formulation and evaluation by Reclamation. The PASS was conducted over a 7-month period with the assistance of two teams – the Objectives Team and the Technical Team. Four water delivery alternatives and six water supply options were evaluated and carried forward through an appraisal-level study in March 2008, which resulted in a report entitled, Appraisal-Level Investigation Summary of Findings.

The appraisal-level study covered the same Study Area as the Odessa Subarea Special Study. Alternatives from the Summary of Findings were carried into feasibility-level analysis and evaluated in the Draft Environmental Impact Statement–Odessa Subarea Special Study, Columbia Basin Project, Washington, which was released October 2010.

The Final Environmental Impact Statement– Odessa Subarea Special Study, Columbia Basin Project, Washington (Final EIS), dated August 2012 (INT-FES 12-40), and the final Record of Decision (ROD) were prepared pursuant to the National Environmental Policy Act of 1969 (NEPA), as amended, the Council on Environmental Quality's (CEQ) Regulations for Implementing the Procedural Provisions of NEPA (40 Code of Federal Regulations Parts 1500 - 1508), Department of the Interior Policies, and Reclamation's NEPA handbook.

The ROD documents the U.S. Department of the Interior, Reclamation's selection of the Modified Partial-Replacement—Banks Alternative (Alternative 4A) (known herein as the preferred alternative), identified in the Final EIS, for implementation. The Regional Director for Reclamation's Pacific Northwest Region is the responsible official for the decision made in the ROD.

The District was created in 1939 as part of the CBP. The District entered into a Repayment Contract in 1945 relating to supplying water for the irrigation of lands within the District. A Repayment Contract was signed between the US government and the District in 1968 when the District administration was taken over from the USBR by the landowners. The District is organized under the laws set forth in Title 87 of the Revised Code of Washington (RCW), and has the authority to operate and maintain Reclamation facilities, to deliver irrigation water with these facilities and to apply levies, tolls, assessments and fees.

The District's Board of Directors has voted to implement the preferred alternative as outlined in the ROD to deliver groundwater replacement to 70,000 acres. The implementation of the ROD preferred alternative will also consider the delivery of the water available through the LRIRP and Coordinated Conservation.

Background documents referenced in this section are available at the following RECLAMATION website: http://www.Reclamation.gov/pn/programs/ucao_misc/odessa/

Eligibility Criteria

The primary criteria to be eligible to receive groundwater replacement from the CBP under the preferred alternative are the following:

- Landowner holds a qualified State-issued ground water permit or certificate for the land lying within the Odessa Subarea prior to April 2, 2013.
- Land must lie within the current CBP boundaries.
- Land must be of suitable land classification to receive CBP water.
- Landowner must be able to enter into a Contract with the District.

Current Status of Program Activities

The District has opened a Development Office to help direct, among other activities, the preferred alternative groundwater replacement implementation. This office currently consists of a Development Coordinator and two engineering technicians who will be joined shortly by a staff engineer and a GIS technician. The District will continue to staff the Development office to meet the needs of the OGWRP. The immediate objectives of the Development Office are to (1) complete design work to expand the East Low Canal (ELC) and related infrastructure to increase its conveyance capacity to accommodate groundwater replacement and (2) develop groundwater replacement delivery alternatives from the ELC that maximize benefits for interested landowners.

Reclamation has submitted a secondary-use permit request to Ecology to access water covered under the 1939 Reclamation Water Right. This request is going through public commenting and is expected to be drafted in August 2013. The permit will allow Reclamation to access, and the District to deliver, additional water required for groundwater replacement via the Banks Lake, Main Canal and ELC conveyance system. The District will use all allotted water under this and other permits to deliver groundwater replacement through the systems designed, constructed and operated by the District to lands that meet the eligibility criteria.

Alongside OSSS groundwater replacement efforts, the District plans on delivering additional water covered under the LRIRP (10,000 acres) and Coordinated Conservation Program (currently at 5,700 acres and expected to increase to 8,000 acres worth of water). These allotments would allow the District to deliver water to approximately 88,000 acres of eligible land. These deliveries maximize the use of existing facilities for groundwater replacement.

On May 8, 2013, House Bill 1416 was passed that amended State law to make Local Improvement Districts (LIDs) a more functional financing option for irrigation districts. The bill provides the District and District Landowners with one of several financing options that may help in implementing the preferred alternative.

Governor Inslee signed legislation enacting the state budget effective July 1, 2013 which includes roughly $31 million for Odessa groundwater replacement early-action activities. The District will use the majority of these funds to commence construction activities, including ELC widening, additional siphon construction and additional gate installation, in the winter of 2013. Remaining funds will be used for project administration. Further funding may be required to fully widen the ELC to the Scooteney Wasteway (end of the ELC) and install all five new siphon barrels and other required infrastructure necessary for implementation of the OGWRP.

The District and Ecology are currently drafting a grant agreement that would serve as the mechanism with which State funding is allocated to the District for early-action activities. This agreement is expected to be signed by both parties in August 2013.

The District and Reclamation have begun discussions about the Contract to be signed between the two entities that will afford the District the authority to deliver water authorized under the secondary-use permit to be granted by Ecology to Reclamation for use of the Reclamation's water under their Lake Roosevelt Storage Certificate. A Contract will need to be finalized before the District is able to deliver water.

Continuing Topics of Discussion

The District is exploring different financing options to pay for the infrastructure that will be required to deliver groundwater replacement from the ELC to eligible lands. These options include the use of Local Improvement Districts (LIDs), revenue bonds, grants, federal loans and private financing options.

The question of Reclamation Reform Act (RRA) applicability and the acreage limitations (960 acres of Class 1 equivalency) it could impose on landowners is an important topic. This regulation is likely to be a requirement landowners will have to abide by to receive a water delivery contract.

Lands not presently included in the CBP will need to gain inclusion in the CBP prior to becoming eligible to receive water. The District and USBR intend to process inclusion request in a bulk process, rather than individually, to more efficiently include lands which is a public process. Lands that indicate interest in the project will have their inclusion status checked according to the information landowners provide in the enclosed questionnaire. We will inform those landowners of their inclusion status for each eligible parcel they indicate on the questionnaire.

Another relevant issue is the District's ability to access reserved power for future ELC pumping plants (lower rate power than that for commercial use). Discussions around this are on-going between the District and Reclamation and may influence Reclamation or District ownership of pump facilities. Reserved power cost savings are significant enough to influence the decision on facility ownership.

Some landowners have voiced the desire for maximum flexibility in using ground replacement water and the District hopes to respond as fully as possible. One option being explored is recognizing the use of seasonal transfers of water rights allowing for rotations of service acreages. Discussions of allowing expanded areas of use to reflect previous seasonal transfers are continuing between the District, Ecology and Reclamation.

The preferred alternative includes an "in-fill" option to allow some groundwater irrigators in areas distant from the ELC to move their water right to previously disturbed lands closer to the canal. The water right would need to be within CBP boundaries prior to transferring it closer to

the canal. The transfers should assist in allowing more economical delivery facilities constructed to serve the maximum amount of land.

The timeframe for providing groundwater replacement is dependent on numerous factors. Early actions to increase existing infrastructure to accommodate additional flow are expected to commence this winter and last two and three years depending on contracting, funding, and other factors. Work to design groundwater replacement delivery systems will be iterative. This letter and questionnaire fall under the first iteration to determine what feasible options the District should pursue to provide groundwater replacement. Once a delivery design option is established, funding for the construction will need to be considered. As the District proceeds with construction of delivery infrastructure, it will be necessary to comply with NEPA, State Environmental Policy Act (SEPA), Endangered Species Act (ESA) and other regulatory requirements. This may necessitate supplemental environmental review before some actions are taken. With that, the District believes that construction of delivery systems may begin in as soon as two years. Phased approaches for the construction of delivery systems will also be considered.