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DATE: May 15, 2026
TO: David Reynolds & John Wenzel
FROM: Karp Neu Hanlon, P.C.
RE: Drought Conditions During Water Year 2026

The Town's principal municipal diversion is the New Castle Water Works System and Pipeline (a/k/a New Castle Pump and Pipeline or Municipal Intake) located on East Elk Creek. It is decreed for 3.67 c.f.s., absolute, with a junior enlargement right in the amount of 10 c.f.s., conditional, known as the New Castle Water System First Enlargement.¹ The senior New Castle Pump and Pipeline water right has a Division of Water Resources administration number of 14494 and the junior right can only operate in the springtime under "free river" conditions or when augmented by another senior water right on Elk Creek.

Looking back at DWR's call records available online, the senior New Castle Water Works System and Pipeline water right has never been called out of priority (with the exception of 2002 discussed below). Given the current drought conditions, we anticipate that New Castle Water Works System and Pipeline right may be called out of priority, at least in part, this year. A call impacting the senior New Castle Water Works System and Pipeline water right can occur on the Colorado River or on Elk Creek. Each situation is discussed below.

The senior New Castle Water Works System and Pipeline water right has Priority Administration No. 14494.0. While relatively senior, it is junior on the Colorado River to the Cameo calling right which has Priority Admin No. 12858.0. The Cameo right is a group of water rights that divert in Debeque Canyon and provide irrigation water in the Grand Valley. The senior New Castle Water Works System and Pipeline water right is, at least in part, an Historic User Pool (HUP) protected water right. HUP protected water rights are those water rights on the West Slope placed to beneficial use prior to October 15, 1977. The HUP, or "Historic Users Pool," consists of a 66,000 acre-foot pool of water stored in Green Mountain Reservoir. When a water right is HUP protected, it benefits from releases at Green Mountain Reservoir that have the effect of lowering or eliminating the Cameo call. Current forecasts, however, indicate there will be limited water available in the HUP because Green Mountain Reservoir will not achieve fill this year. This is an unprecedented situation at Green Mountain Reservoir as the 66,000 acre-feet HUP has never failed to fill. Forecasts for 2026

¹ Under pending Case No. 25CW3130, the Town is seeking to make 1.86 c.f.s. of the junior enlargement right absolute.

suggest the HUP will fill to less than 10,000 acre feet. This will potentially have widespread consequences and may result in a reduced water supply to users on the West Slope who have historically enjoyed full year supplies.

In most years, the Town can continue to divert senior New Castle Water Works System and Pipeline water right even with a Cameo call on the Colorado River on account of its HUP beneficiary status. This year, if the Town loses the ability to claim augmentation under the HUP, the Town can augment a Cameo call on the Colorado River under the Town's plan for augmentation using the Town's contract with the Bureau of Reclamation for water stored in Ruedi Reservoir and released for the benefit of the Town. Under this contract, the Town is required to submit a written schedule of its anticipated monthly demand for the following year by June 1. We will work with Zancanella & Associates to develop this schedule.

Regardless of conditions on the Colorado River, the senior New Castle Water Works System and Pipeline water right is subject to calls from senior water rights on East Elk Creek or Elk Creek downstream of the confluence with East Elk Creek. You may recall that prior to 2002, the Division of Water Resources ("DWR") had historically administered this water right as the senior right on Elk Creek (regardless of use). In 2002, DWR retabulated the water rights on Elk Creek and found that the senior New Castle Water Works System and Pipeline water right was not the senior right on Elk Creek but rather the senior *domestic* right. This meant that several irrigation water rights on Elk Creek, such as the senior priorities in the Coryell, Ware and Hinds, and Connally Ditches, have priority over the senior New Castle Water Works System and Pipeline. While there are several priorities decreed to the Coryell, Ware and Hinds, and Connally Ditches, not all are senior to the senior New Castle Water Works System and Pipeline. The following priorities are senior to the senior New Castle Water Works System and Pipeline: Priority Nos. 15, 57, and 136 in the Ware and Hinds Ditch (20.8 cfs); Priority Nos. 11 and 27 in the Coryell Ditch² (5.2 cfs); and Priority No. 25 in the Connally Ditch (1.6 cfs) – for a total of 27.6 cfs must flow in Elk Creek before the Town can take water under its senior right.

The water supply for Castle Valley Ranch was developed in Case No. 87CW373. Under this plan for augmentation, water is diverted at the New Castle Water Works System and Pipeline and augmented by the senior Coryell Ditch water right. As noted above, the senior Coryell water right is only junior to the most senior Ware & Hinds water right. The Town owns approximately 1.7 cfs in the Coryell Ditch which allows diversion in that amount at the Municipal Intake even if the divert senior New Castle Water Works System and Pipeline water right is out of priority. In 2002, the Division of Water Resources allowed the Town's ownership in the Coryell Ditch to be used throughout the Town's water system. We will seek similar treatment this year. The Town has recently diverted 2.6 cfs during hot summer days to meet Town water needs. So the Coryell Ditch water right alone will not fulfil the Town's water requirements without significant water conservation (gap of about 1 cfs).

² The Town owns a portion of Priority No. 11 but third parties own the remainder, and Priority No. 27 is owned entirely by third parties.

Water rights decreed to the Red Rock Ditch are used for raw water irrigation in Castle Valley Ranch, however, are junior to mostly all of the Ware and Hinds Ditch water rights. We expect the Red Rock Ditch to be dry and/or out-of-priority for most of the season. As a result, the Town should not expect to fill the raw water irrigation pond at Castle Valley Ranch with any Red Rock Ditch water after the Ware & Hinds senior call comes on.

If the senior New Castle Water Works System and Pipeline water right is out of priority and the Town's interest in the Coryell Ditch is insufficient to meet the Town's water needs, the Town can implement its plan for augmentation (Case No. 2002CW395). Under the Town's plan for augmentation, the Town may pump water from the Colorado River (River Pumps) either to the water treatment plant or to fill the raw water irrigation pond. Over the last few years, the Town has experimented with treating Colorado River water as part of the Town's domestic water supplies. Depletions from water pumped from the Colorado River and used in Town is augmented with water stored in Ruedi Reservoir under contracts with the Bureau of Reclamation. The augmentation plan identifies the Town's replacement obligations from reservoir storage. We will work with Zancanella & Associates to update the Town's release schedule taking into account likely operations under the augmentation plan.

The Town will want to use the River Pumps first to place water in the raw water irrigation pond (which will prevent filling that pond with water from the Coryell Ditch water right). Using the pumps is not inexpensive. The Town pays a "peak power" charge to operate the pumps because they are not used in most years. The Town has an agreement with Lakota Canyon Ranch where the homeowners association pays any pumping costs to deliver water to Lakota. The Town should also investigate whether pumping costs can be offset by Castle Valley Ranch associations that do raw water irrigation. The Town should send letters to these HOAs informing them of the need to operate the River Pumps this year, which will trigger the Town's right to recover certain pump costs. That way the HOAs can decide early on water conservation measures to limit their potential expenses. My office can assist with the preparation of notice letters.

The Town should consider whether additional Coryell water can be leased from other owners of Coryell Ditch water such as T C Midwest LLC. We recommend that the Town reach out to T C Midwest LLC and inquire about leasing Coryell Ditch water for this year. It does not appear that the T C Midwest property is currently irrigated. Leasing additional Coryell supplies would reduce the Town's dependence on its Colorado River supplies, which can be more difficult to treat and more expensive to pump.

The Town has two other locations where water is used for irrigation separate from the Town's domestic water system – Frank Breslin Park and Grand River Park. Frank Breslin Park uses a well to irrigate the park area. Grand River Park uses a pump in the Rippy Pond and a well to irrigate park areas. Water use at both parks are augmented under Case No. 2013CW3085. In most years, augmentation of the park irrigation is accomplished with dry up credits from the Buster Pump and Pipeline. Unfortunately, the Buster Pump and Pipeline is only a reliable augmentation supply when

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the HUP is operating. As such, water usage at both parks will need to be augmented by water stored in Ruedi Reservoir under contracts with the Bureau of Reclamation. We will work with Zancanella & Associates to update the Town's release schedule.