

Reverse Auction: Seeking Water Rights to Sustain Critical Stream Flows

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Overview

- Current Conditions
- Ecology's Drought Relief Efforts
- 2015 Reverse Auction
 - What is a reverse auction
 - Eligibility Criteria
 - Bid Submission
 - Bid Evaluation
 - Bid Acceptance
 - Reverse Auction Dates
- Q & A



Current Water Supply Conditions

- 60% Proratable Supply
- 20% of average snowpack
- Below normal spring precipitation



Current Drought Relief

- Using existing \$500,000 appropriation for flow improvement
 - 16 Fish critical basins
- Additional drought relief funds may be appropriated for other efforts



Yakima Basin Impacts

- Critically low flows in tributaries
 - Summer fish habitat
 - Small catchments without snowpack
 - Diversionary rights for all creek water
- The reason for Ecology's reverse auction. . . .



What is a reverse auction?

Reverse Auction:

- A buyer (Ecology) announces interest in acquiring an item or class of items (water rights)
 - Ex. Buyer makes standing offer

VS

Standard Auction:

- A seller announces items for sale
 - Ex. Seller has a yard sale



Criteria

Criteria	Requirement
Water Right	Court Claim with Acquavella
Priority Date	May 10, 1905 or earlier
Purpose of Use	Irrigation
Point of Diversion	On a tributary to the Yakima, Naches, or Tieton Rivers upstream of Yakima
Acres	Must fallow at least 5 acres of irrigated land through the 2015 season
Bidder Cooperation	Demonstrate beneficial water use in past 5 years, work quickly to help Ecology temporarily transfer water right, allow site visits to confirm land fallowing



Bid Review

- Bid invitations sent on March 20th to senior water right holders with 10 or more acres of irrigation
- Confirm that the bid meets the criteria
- Bids meeting the criteria will be evaluated by:
 - Ecology
 - Washington Water Trust
 - Trout Unlimited
- All bidders will be notified



Auction Analogy

- Buying a house sight unseen
 - Looking for:
 - Age/condition of house
 - Location
 - Proximity to neighbors
 - Price
 - Square-feet



Evaluation Criteria

- Value of flow to instream habitat
- Seniority of the right
- Distance upstream from the confluence
 - Location, Location, Location
- Price



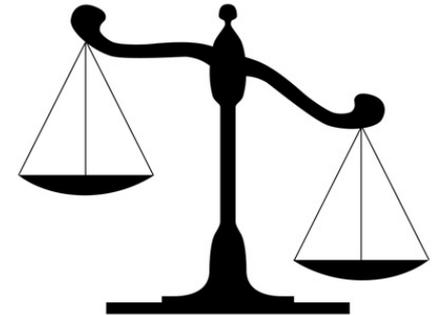
Bid Evaluation

- Compare bids to reserve price
 - Reserve price set by Ecology (just like Ebay)
 - Based on water value from past droughts and current leases
- Balancing act
 - Too high:
 - » 2nd round???
 - » May betray existing lessors
 - Too low:
 - » Too few leases → unsuccessful auction



Bid Evaluation

- Offered price per acre adjusted by:
 - Habitat value of streams
 - Water availability
 - Reliability based on the right's seniority



Habitat Value of Streams

Streams	Relative Habitat Value
Highest** value streams	120%
High* value streams	100%
other tributaries	60-70%

** Cowiche, Big, Swauk, Teanaway

* Manastash, Naneum-Coleman (above KRD),
Currier, Reecer, Lmuma



Water Availability: Manastash Creek Example

- 20 Classes of water users
 - 1871 to 1896
- Confirmed Water Rights
 - 87.9 cfs
 - 4600 acres
- 59 cfs on Monday
 - Classes 1-3, part of 4



Water Availability: Manastash Creek Example

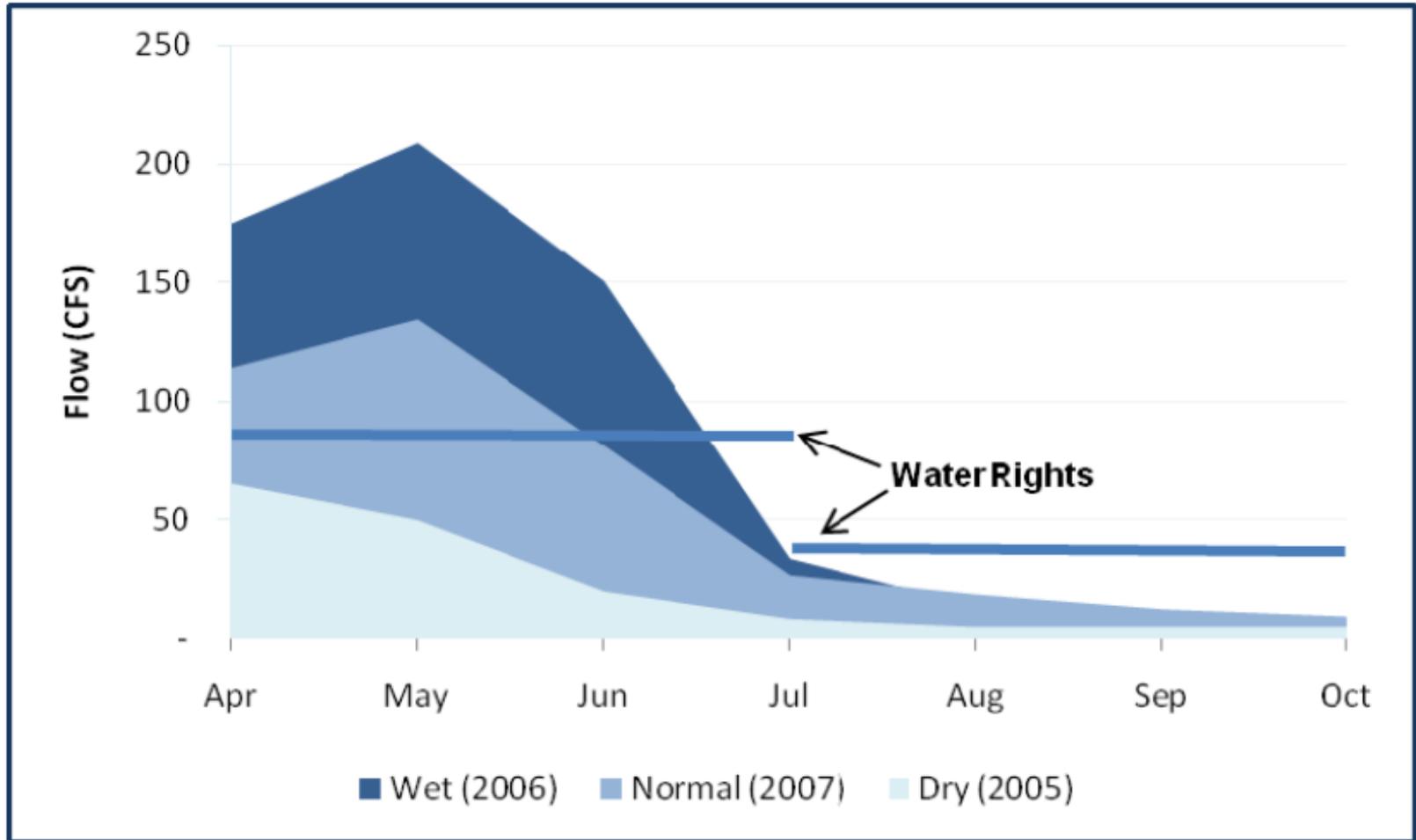


Figure 1: Monthly Manastash Creek Flows above Manastash Ditch



Water Availability: Manastash Creek Example

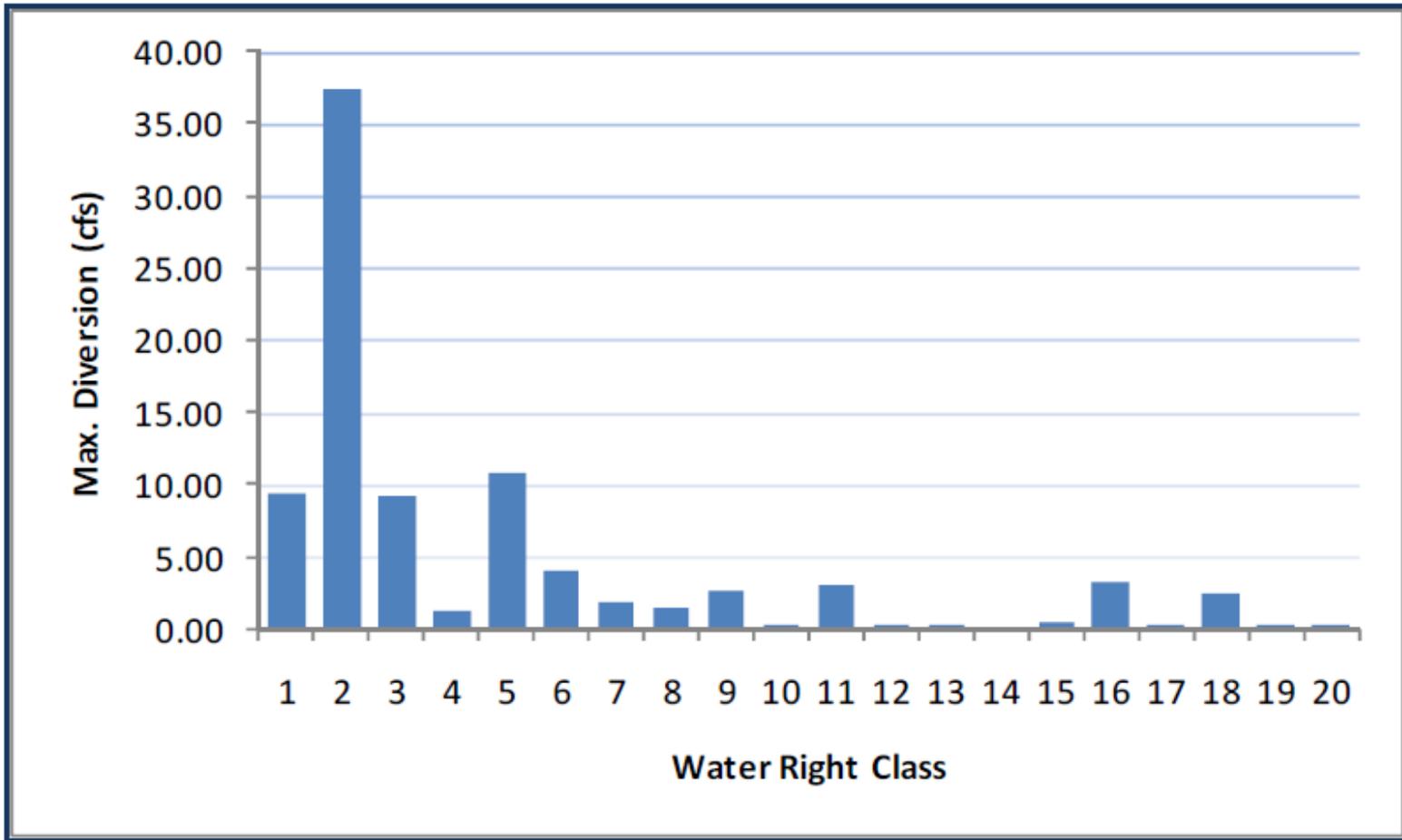


Figure 2: Maximum Instantaneous Diversion by Water Right Class



Water Availability: Manastash Creek Example

Table 3: Water Availability by Water Right Class and period – Dry Year

Class	Pre-July 1 (%)	Post-July 1 (%)
	100%	100%
2	98%	49%
3	86%	16%
4	84%	13%
5	79%	6%
6	71%	6%
7	64%	5%
8	63%	4%
9	55%	3%
10	54%	3%
11	49%	2%
12	47%	2%
13	47%	2%
14	47%	2%
15	47%	2%
16	45%	1%
17	44%	1%
18	39%	1%
19	37%	1%
20	37%	1%

Value Adjustment for Reliability

1872 Priority Date

Class	% of Max Price	Adjusted % of Max Price
1	100%	100%
2	100%	80%
3	38%	23%
4	38%	21%
5	38%	20%
6	38%	18%
7	38%	17%
8	38%	16%
9	38%	15%
10	38%	15%
11	38%	14%
12	38%	14%
13	38%	14%
14	38%	14%
15	38%	14%
16	38%	14%
17	38%	14%
18	38%	13%
19	38%	12%
20	38%	12%

1896 Priority Date

Lease Pricing

Range of lease pricing:

\$40 - \$147 per acre-foot consumptive use

Drought Leasing:

Location	2001 (\$ /acre)	2005 (\$/acre)	2015 (\$/acre)
Cle Elum	\$192	\$208	??
Ellensburg	\$288	\$313	??
Naches	\$317	\$344	??

- Average tributary lease of consumptive use
 - 2001 - \$115/ac-ft
 - 2005 - \$125/ac-ft
- Typical consumptive use for hay
 - Cle Elum 20" /yr
 - Ellensburg 30" /yr
 - Naches 33" /yr



Successful Bids



- All bidders will be called and notified by mail April 20-24.
- Ecology will countersign all successful bid forms and return copies to the bidders.
- A countersigned bid will serve as a diversion reduction contract.



Successful Bids



- WWT and TU will contact successful bidders to facilitate:
 - execution of lease agreements
 - temporary change orders with Yakima Superior Court (OPL)
- NOTE: The lease payment will be made at the end of the irrigation season

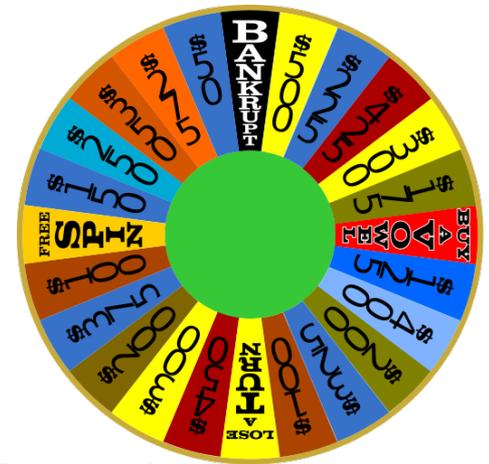


Bids Not Accepted

- Ecology will notify bidders by phone and follow up with a letter by April 24th
 - Bidders will be notified of their opportunity to participate in another round



Multiple Rounds?



- Another round may be held if the \$500,000 budget is not spent
- Ecology may revise its reserve price
- Unsuccessful bidders may modify and resubmit their bids
- Only first round bidders may bid



Important Dates



- **April 13-** Bids due!
- **April 14-20** - Ecology, Trout Unlimited, and Washington Water Trust will evaluate bids
- **April 20-24** - All bidders notified by mail
Round 2 may begin

****Check the website****



Thank You

- Ecology
 - Kelsey Collins: 509-575-2640,
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- Washington Water Trust
 - Greg McLaughlin: 509-925-5600,
greg@washingtonwatertrust.org
 - Jason Hatch: 206-675-1585x103,
jhatch@washingtonwatertrust.org
- Trout Unlimited
 - Justin Bezold: 509-881-5464,
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Yakima Basin Drought Response

- What else is Ecology doing?
 - Draft agreements with:
 - KRD to spill water in tributaries
 - YTID to deliver water to Cowiche Cr.
 - Preparing for worsening conditions
 - Talking with other irrigation districts
 - Planning for other possible relief efforts

