Reverse Auction: Seeking Water Rights to Sustain Critical Stream Flows

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Water Acquisition, Water Resources Program
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

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Right</td>
<td>Court Claim with Acquavella</td>
</tr>
<tr>
<td>Priority Date</td>
<td>May 10, 1905 or earlier</td>
</tr>
<tr>
<td>Purpose of Use</td>
<td>Irrigation</td>
</tr>
<tr>
<td>Point of Diversion</td>
<td>On a tributary to the Yakima, Naches, or Tieton Rivers upstream of Yakima</td>
</tr>
<tr>
<td>Acres</td>
<td>Must fallow at least 5 acres of irrigated land through the 2015 season</td>
</tr>
<tr>
<td>Bidder Cooperation</td>
<td>Demonstrate beneficial water use in past 5 years, work quickly to help Ecology temporarily transfer water right, allow site visits to confirm land fallowing</td>
</tr>
</tbody>
</table>
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:
    » 2\textsuperscript{nd} 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

<table>
<thead>
<tr>
<th>Streams</th>
<th>Relative Habitat Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest** value streams</td>
<td>120%</td>
</tr>
<tr>
<td>High* value streams</td>
<td>100%</td>
</tr>
<tr>
<td>other tributaries</td>
<td>60-70%</td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th>Class</th>
<th>Pre-July 1 (%)</th>
<th>Post-July 1 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>2</td>
<td>98%</td>
<td>49%</td>
</tr>
<tr>
<td>3</td>
<td>86%</td>
<td>16%</td>
</tr>
<tr>
<td>4</td>
<td>84%</td>
<td>13%</td>
</tr>
<tr>
<td>5</td>
<td>79%</td>
<td>6%</td>
</tr>
<tr>
<td>6</td>
<td>71%</td>
<td>6%</td>
</tr>
<tr>
<td>7</td>
<td>64%</td>
<td>5%</td>
</tr>
<tr>
<td>8</td>
<td>63%</td>
<td>4%</td>
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<tr>
<td>9</td>
<td>55%</td>
<td>3%</td>
</tr>
<tr>
<td>10</td>
<td>54%</td>
<td>3%</td>
</tr>
<tr>
<td>11</td>
<td>49%</td>
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</tr>
<tr>
<td>12</td>
<td>47%</td>
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</tr>
<tr>
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<tr>
<td>14</td>
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<tr>
<td>15</td>
<td>47%</td>
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</tr>
<tr>
<td>16</td>
<td>45%</td>
<td>1%</td>
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<td>17</td>
<td>44%</td>
<td>1%</td>
</tr>
<tr>
<td>18</td>
<td>39%</td>
<td>1%</td>
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<tr>
<td>19</td>
<td>37%</td>
<td>1%</td>
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<tr>
<td>20</td>
<td>37%</td>
<td>1%</td>
</tr>
</tbody>
</table>
## Value Adjustment for Reliability

<table>
<thead>
<tr>
<th>Class</th>
<th>% of Max Price</th>
<th>Adjusted % of Max Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>2</td>
<td>100%</td>
<td>80%</td>
</tr>
<tr>
<td>3</td>
<td>38%</td>
<td>23%</td>
</tr>
<tr>
<td>4</td>
<td>38%</td>
<td>21%</td>
</tr>
<tr>
<td>5</td>
<td>38%</td>
<td>20%</td>
</tr>
<tr>
<td>6</td>
<td>38%</td>
<td>18%</td>
</tr>
<tr>
<td>7</td>
<td>38%</td>
<td>17%</td>
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<td>8</td>
<td>38%</td>
<td>16%</td>
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<td>9</td>
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<td>15%</td>
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<td>10</td>
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<td>20</td>
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</table>

**1872 Priority Date**

**1896 Priority Date**
Lease Pricing

Range of lease pricing: $40 - $147 per acre-foot consumptive use

Drought Leasing:

- 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, kesi461@ecy.wa.gov

• 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, jbezold@tu.org
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