

August 30, 2007

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Ken Bierly, Deputy Director
Rick Craiger, Central Oregon Regional Program Representative

**SUBJECT: Agenda Item F: OWEB Grant Award Recommendations
Region 4, Central Oregon
September 18-19, 2007 OWEB Board Meeting**

I. Introduction

This staff report describes the Central Oregon Regional Review Team recommendations, regional issues, a water acquisition application, and staff recommendations for funding.

II. Background

The Central Oregon Region received three Technical Assistance applications requesting \$98,702, 31 Restoration applications requesting \$4,596,159, and one Water Acquisition requesting \$7,375. The Central Oregon Regional Review Team (RRT) met at the Central Oregon Community College office in Redmond on July 20, 2007, to review the applications received in this grant cycle. All applications were reviewed for technical merit and given a “do fund” or “no fund” recommendation by the RRT. The RRT then prioritized the applications recommended for funding.

III. Regional Review Team Recommendations

The RRT recommended funding for two of the three Technical Assistance applications totaling \$69,662. The RRT recommended funding 17 Restoration applications totaling \$3,293,189. The RRT did not recommend the Acquisition application as having demonstrated ecological benefits.

IV. Regional Issues

The Middle Deschutes Streamflow Project, Phase II (207-319) was approved in September of 2006 and awarded \$500,000 from the 2005-2007 budget with the expectation that the remainder (\$987,250) would be funded from the 2007-2009 biennium capital funds after receipt of a progress report.

In the same manner, the Board awarded the East Fork Irrigation District a grant (207-107) for \$900,000 in March of 2007 to increase late season flows in the East Fork of Hood River by 50 percent, improve access to nearly five miles of salmonid habitat, and restore water quality in 7.5 miles of Neal Creek. The grant application was for \$1,400,000. The Board recommended the applicant return to the September 2007 meeting for award of the remaining \$500,000 from 2007-2009 capital funds.

The requested progress reports on the two grants partially funded from last biennium are attached to this report. (Attachment C) This staff report includes funding recommendations for these two grants along with the grant applications recommended by staff from the April 2007 grant cycle.

OWEB staff have been discussing the possibility of entering into a Special Investment Partnership (SIP) agreement with a number of the restoration partners in the Deschutes Basin. (See Agenda Item J.) Various ecological outcomes for the SIP have been discussed, including increased stream flow in the middle Deschutes and improved anadromous fish habitat above the Pelton-Round Butte complex of dams. Three projects recommended for funding by the RRT in this staff report address these same outcomes: (1) 208-4028, Tumalo Feed Canal Conservation Project – Phase I; (2) 208-4032, Metolius River Fish Habitat Enhancement; and (3) 208-4033, Lake Creek Culvert Removal Project. The total funding recommended for these projects is \$1,910,725. The projects are ranked 2, 11, and 14 respectively from the region. If a Deschutes SIP is developed, the combination of these grants with a previous allocation of approximately \$1.5 million for the Middle Deschutes Streamflow Project, Phase II will amount to nearly \$3.5 million from the 2007-2009 budget. The RRT recommendations show that the projects are competitive, however there is concern among the RRT members that there is a disproportionate amount of funding going to instream projects as opposed to upland projects.

V. Water Acquisition Application

Farmers Irrigation District Water Acquisition (208-102)

The Oregon Water Trust (OWT) requests \$7,375 (total project costs of \$14,750) for a five-year lease of 50 acres of a 1906 water right to be initiated in the 2008 irrigation season. The project is proposed in partnership with the Farmer's Irrigation District (FID). The goal of this project is to establish a district leasing program to improve stream flow in the Hood River.

1. Ecological Benefits

The ecological value of a proposed instream water lease or transfer project is evaluated based on a project's ability to increase instream flow to address the conservation needs of priority habitat and species, and/or to improve water quality in a water quality limited stream reach. Projects to address the conservation needs of priority habitat and species are evaluated in part by reference to the Oregon Plan Streamflow Restoration Priorities (2001) and by evaluation by the appropriate Regional Review Team (RRT).

According to the application, the project would improve flow in the lower 11.25 miles of the Hood River by transfer of 0.62 cubic feet per second (cfs) to instream use. This reach of the river provides passage for a variety of priority fish species. The Hood River watershed is not identified as a priority as an Oregon Plan Streamflow Restoration Priority. The application does claim, however, that additional water in this reach of the river, along with a decrease in irrigated acreage may have a significant water quality benefit.

The RRT was asked to review the application to determine if the project has the ability to increase instream flow to address the conservation needs of priority habitat and species and improve water quality. Generally, the RRT did not think the water quantity of 0.62 cfs was sufficient relative to the existing flow (typically 400 cfs) to have a significant effect on the habitat for priority fish species. They questioned the efficacy of a five-year lease and

wondered why it was not a permanent proposal. They commented that the area is not within a streamflow priority area and the water right is met every year.

The Oregon Water Resources Department (OWRD) reviewed the assessment of the reliability of the transfer to provide instream benefits. According to OWRD, the water right proposed for instream lease is generally available throughout the irrigation season (April 15 to October 1). Even in low water years or drought years, the full amount allowed by this right is likely available. In the last 10 years, these water rights have likely been met in full. OWRD submitted a letter saying that a transfer is likely to be approved pending application submittal and review by OWRD.

The water rights would be held in trust for the people of Oregon by the OWRD. Regulation has not typically occurred on Hood River. If regulation were to occur, water rights with 1906 priority dates would not likely be included in any regulation.

FID would measure their water withdrawals and will reduce their diversion by an appropriate proportion to account for those portions of their water right proposed for protection. OWT will work with FID to ensure that these numbers are tracked and recorded over the five-year period of the proposed lease.

2. Financial Partners and Project Support

OWEB funds are requested for 50% of the cost of the instream lease. FID is donating half of the value of the water right.

A letter of support was received from the Hood River Watershed Group. The application states that the project is also supported by the Oregon Department of Fish and Wildlife.

3. Effect on Local and Regional Community

These water rights are appurtenant to lands no longer used for irrigated agriculture and are now primarily rural residential. Adjacent properties are used for production of a variety of high value crops, including blueberries and apples. The water rights transfer should not have any effect on the local tax base.

The project is not expected to have a negative impact on the local and regional economy. FID currently does not collect an assessment on these acres, causing loss of revenue for infrastructure maintenance. Providing funds to FID will improve the District's ability to continue to operate, and provide irrigation water and jobs within the community.

4. Legal and Financial Terms

According to the option agreement, OWT and FID will work together to submit an instream lease application to OWRD, once the funding is secured. The final order from OWRD, approving the transfer, is expected to be in effect for use during the 2008 through 2012 irrigation seasons.

Because the cost of an appraisal is \$5,000 to \$10,000 and would depend largely on comparables provided by OWT, the applicant has proposed an alternative method of valuation. Valuation was based on the average cost of water in the Hood River Basin. The cost per acre is \$59. This approach was found to be sufficient by OWEB's review appraiser.

The legal aspects of the project were reviewed by the Department of Justice (DOJ). In summary, DOJ confirmed the water right is not currently subject to forfeiture, would be properly subject to a short term instream lease, and that it would not cause injury to other users.

5. Conclusion

The RRT concluded that the project would not appreciably increase stream flow to address the conservation needs of priority habitat and species or improve water quality in a water quality limited stream reach. Because of this, staff recommend that the Board not fund OWT's request for \$7,375 toward the five-year lease.

VI. Summary

Staff recommend funding for both of the Technical Assistance applications and for 11 of the 17 Restoration applications recommended by the RRT.

Attachment A shows the proposals, funding amounts, and priority rankings recommended as “do fund” to OWEB staff by the RRT. The table also indicates, by means of shaded entries, the OWEB staff “do fund” recommendations to the Board. For some “do fund” projects, the amount shown in the table is the staff funding recommendation rather than the RRT's recommendation.

Attachment B shows those applications not recommended for funding at this time by the RRT or by OWEB staff.

VII. Staff Recommendation

Staff recommend the Board approve:

- A. The staff funding recommendation as contained in Attachment A to this report;
- B. An additional \$500,000 in capital funds for the East Fork Irrigation District Project (207-107); and
- C. An additional \$987,250 in capital funds for the Middle Deschutes Streamflow Project – Phase II (207-319).

Attachments

- A. Projects Recommended for Funding
- B. Projects Not Recommended for Funding
- C. Progress Reports on Grants 207-319 and 207-107

Region 4 – Central Oregon
Technical Assistance Projects Recommended for Funding by the RRT
April 23, 2007 Grant Cycle

Staff Funding Recommendations to the Board are Highlighted in Gray

Project #	Project Name	Total Amount	Priority
208-4013	Lower Grass Valley Canyon Creek Restoration Action Plan	19,662	1
208-4031	TSID Fish Screening & Passage - Phase I	50,000	2
Total Technical Assistance Projects Recommended for Funding to Staff by the RRT		\$ 69,662	
Total Technical Assistance Projects Recommended for Funding by Staff to the Board		\$ 69,662	

Region 4 – Central Oregon
Restoration Projects Recommended for Funding by the RRT
April 23, 2007 Grant Cycle

Staff Funding Recommendations to the Board are Highlighted in Gray

Project #	Project Name	Non-Capital Funds	Capital Funds	Total Amount	Priority
208-4012	Drews Creek Fish Passage Project		100,000	100,000	1
208-4028	Tumalo Feed Canal Conservation Project - Phase I *		1,579,125	1,579,125	2
208-4022	Reconnecting the Sprague River to the Floodplain & Riparian Wetlands *		27,948	27,948	3
208-4007	Dry Creek Instream Restoration		81,156	81,156	4
208-4021	Lower Mill Creek Stream Enhancement	500	29,650	30,150	5
208-4016	Sediment Control in the North Sherman & Grass Valley Canyon WSCs		74,972	74,972	6
208-4019	Riparian Management on the South Fork Sprague River		97,158	97,158	7
208-4017	Barnhart Riparian Project		92,457	92,457	8
208-4008	Sprague River Spring Reconnection **		25,058	25,058	9
208-4014	Ant Creek Watershed Juniper Removal		111,621	111,621	10
208-4032	Metolius River Fish Habitat Enhancement	7,210	252,190	259,400	11
208-4034	Prineville Reservoir Southern Watersheds Restoration Project *	1,000	383,285	384,285	12
208-4000	Company Hollow Junction Instream Restoration		19,825	19,825	13
208-4029	Juniper Thinning/Removal Project (over 3 years)		62,470	62,470	14
208-4033	Lake Creek Culvert Removal Project	1,000	62,800	63,800	14
208-4027	McFarland Ranch & Refuge/Drew's Creek Restoration		78,931	78,931	16
208-4018	Modoc Irrigation Efficiency Project *		204,833	204,833	17
Total Restoration Projects Recommended for Funding to Staff by the RRT		\$ 9,710	\$ 3,283,479	\$ 3,293,189	
Total Restoration Projects Recommended for Funding by Staff to the Board		\$ 7,710	\$ 2,471,335	\$ 2,479,045	

*Listed Amount Reflects Recommended Reduction ** Fund with Conditions

Region 4 – Central Oregon
Technical Assistance Not Recommended for Funding by the RRT and OWEB Staff
April 23, 2007 Grant Cycle

Project #	Project Name	Total Amount
208-4026	Shady Pine Wetland Enhancement	29,040

Region 4 – Central Oregon
Restoration Projects Not Recommended for Funding by the RRT and OWEB Staff
April 23, 2007 Grant Cycle

Project #	Project Name	Total Amount
208-4001	Herbicide Use Reduction Program for Dryland Crop	113,316
208-4002	Lower Fifteenmile Instream Restoration	17,510
208-4003	Roofwater Harvest to Save Groundwater	34,592
208-4004	Middle McKay Bank Stabilization	65,703
208-4005	Phase II LCR Fish Passage	171,275
208-4006	Cove Palisades Constructed Wetlands	279,510
208-4009	Corbett Jack Creek Water Conservation	30,700
208-4010	Marshall Irrigation Conservation	63,813
208-4011	Indian Creek Juniper and Grazing Management	89,307
208-4015	Improve Grass Stands for Watershed Health	46,909
208-4020	Shitike Creek Restoration Project	150,000
208-4023	Flymon Stewardship Project (INELIGIBLE)	80,000
208-4024	Sprague River Off-Channel Habitat	71,823
208-4025	Juniper Hills Preserve Old Field Restoration	57,849
208-4030	Esau Canyon Erosion/Sediment Control Project	18,576

Region 4 – Central Oregon
Acquisition Projects Not Receiving a Positive Rating for Ecological Merit by the RRT and OWEB Staff
April 23, 2007 Grant Cycle

Project #	Project Name	Total Amount
208-102	Farmers Irrigation District Instream Leasing Program	7,375

East Fork Irrigation District Grant 207-107

	<p><u>Hood River Watershed Action Plan</u></p> <p><u>~ Project Summary Sheet ~</u></p>	<p>Action Plan (2002-2006) Priority Level: HIGH</p>
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Name: Central Lateral Pipeline Project (HR Action Plan Project FP-3).

Proponent: East Fork Irrigation District (EFID) of Odell, OR.

Main Financial & In-Kind Partners: Oregon Watershed Enhancement Board, Confederated Tribes of the Warm Springs, Hood River County, USFS Title II, ODEQ, USF&WS, Hood River Watershed Group and USDI Bureau of Reclamation.

Watershed Goals and Expected Outcomes:

- ~Increase late summer East Fork Hood River flows up to **3.44 cfs** (about 50% increase) to benefit ESA-listed steelhead and other aquatic life;
- ~Remove diversion dam that impedes access to **4.8 mi.** of upstream steelhead habitat, and remove old fish screen that is downstream passage problem;
- ~Eliminate the annual introduction of **3,700 tons** of glacial sediment to Neal Creek, and restore water quality in the creek's lower **7.5 miles**.

Project Description: When entirely completed in 2009, the new 4.3 mile Central Lateral Pipeline and inverted siphon underneath Neal Creek will replace a 100 year old system which utilized 1.3 miles of open ditches and 2.1 miles of Neal Creek to convey 42 cfs of irrigation water from the district's East Fork Hood River water source to the Lower Eastside Lateral.

At an anticipated cost of \$4.5 million, Lower Phase A and B will result in the installation of 8,950 feet of buried 30" steel pipeline and an inverted siphon to carry water under Neal Creek and into the Lower Eastside Lateral. The district will complete construction of "Lower Phase – A" in November 2007 by installing 4,150 feet of 30" pipeline at a cost of \$1.6 million. Installation of the final 4,800 feet of pipe (including a 170 foot inverted siphon below Neal Creek, and a discharge/pressure reduction structure leading to Eastside Lateral) will occur during summer / fall 2008 at an estimated cost of \$2.9 million under Lower Phase B. Use of the new irrigation pipeline for supply of water to the Lower Eastside Lateral will commence in March 2009. Finally, the Central Lateral Pipeline project will be completed between July 15 and September 15 of 2009 under Lower Phase C. Project culmination will entail the removal of the old fish ladder, fish screen and diversion structures on Neal Creek, and restoration of those sites.

East Fork Irrigation District Grant 207-107

At this point, all intended project water savings, water quality and habitat improvement objectives will be met, and expected outcomes will result.

Project Photos:



Figure 1. Highly turbid “conveyance reach” of Neal Cr (*old system*).



Figure 2. EFID CLPP “Upper Phase” work in 2003 (*new system*).



Figure 3. EFID CLPP “Lower Phase” work during 2007 (*new system*).



Figure 4. Eastside Lateral Diversion and old fish ladder (to be removed in 2009 to complete project).

In conclusion, EFID would like to thank all the many cooperators who have made this important watershed enhancement project possible. Without your faithful assistance, we would not be seeing a light at the end of the tunnel at this moment. Thank you again!