



Oregon

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Oregon Watershed Enhancement Board

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MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Lauri Aunan, Grant Program Manager
Rick Craiger, Central Oregon Regional Program Representative
Ken Bierly, Deputy Director

**SUBJECT: Agenda Item H: OWEB Grant Award Recommendations
Region 4, Central Oregon
September 16-17, 2008 OWEB Board Meeting**

I. Introduction

This staff report describes the Central Oregon Regional Review Team recommendations, special issues, acquisitions, and staff recommendations for funding.

II. Background and Summary

Applicants submitted 18 applications for a total request of \$4,158,460. The Central Oregon Regional Review Team (RRT) recommended 12 applications for approximately \$3.6 million and favorably reviewed the one water Acquisition application. Because the demand for funding exceeds available funds, staff recommend eight applications for a total award of \$2,963,618: \$2,817,086 for Restoration; \$70,000 for Acquisition; and \$76,532 for Technical Assistance. No applications for Assessment were submitted for Region 4.

III. Regional Review Team Recommendations

The RRT met in Redmond on June 27, 2008, to review the applications received in this grant cycle. All Restoration and Technical Assistance 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.

The Region 4 RRT recommended for funding two Technical Assistance applications (one with conditions). The RRT recommended for funding 10 Restoration applications, one with conditions and two with minor to moderate budget reductions.

IV. Acquisitions

One water lease application was submitted in Region 4.

A. Deschutes River Limited Term Water Leasing (209-102)

The Deschutes River Conservancy (DRC) has developed a program of short term leases with individual water right holders within the irrigation districts in the Deschutes Basin. The

leasing program provides one to five year in-stream leases from individuals within each district. While the portfolio of leases changes from year to year, the amount of flow added to the middle Deschutes River (below Bend) is significant. The leasing program has added up to 75 cubic feet per second (cfs) additional flow to the reach of stream most affected by irrigation withdrawals. The application proposes to provide from 58 to 65 cfs of flow for the \$70,000 requested.

The leasing program is part of a larger effort to increase flows, which include permanent instream transfers. The temporary leasing program was funded with federal funds previously. The DRC is working to obtain new authorization of federal legislation for the program, however has not yet obtained a funding allocation.

1. Ecological Benefits

The Deschutes River and its tributaries are highly manipulated for the purpose of managing water for use by irrigators. Streamflow depletion results in elevated stream temperatures which can be lethal for fish. This is especially common in the Deschutes River below Bend and in the lower 2.5 miles of Tumalo Creek. Due to the relatively small volume of water left instream below the major irrigation diversions in Bend, solar heating warms water temperatures quickly on hot summer days. Persistent low flows also have a significant impact on riparian health and instream channel complexity in these reaches. Instream flow restoration will benefit a number of important species including redband trout, Bull trout, rainbow trout, and non game species such as the large scale sucker and chiselmouth. Increased streamflows will also improve riparian and wetland conditions benefiting both the American Beaver and Columbia spotted frog.

This application is a resubmit of application 208-104, from the October 2007 grant cycle. For that review, the RRT noted the Middle Deschutes River is identified as being water quality limited for stream temperature and temporary instream leases can address this factor, as well as temporarily improve channel complexity and riparian function. They also noted the project will benefit multiple native fish species as well as beavers and the Columbia spotted frog. In this cycle, the RRT again recognized the clear benefits of significant increase in flow from the limited term leases.

The Oregon Water Resources Department (WRD) provided a review of an assessment of the reliability of the transfer to provide instream benefits. According to WRD, the water leases proposed for this project are generally available throughout the irrigation season. For the last ten years of the leasing program, WRD had to proportionally regulate the North Unit Irrigation District 1913 water rights during dry periods, which is about five percent of the total leasing program. All other mainstem Deschutes River leased water has been satisfied in full. The leases that have a priority date of 1905 and older will be met 100 percent of the time during the irrigation season on an average year. The Deschutes River and the canals which divert the water from the river and tributaries are monitored by continuous flow monitoring recording devices. The proposed leases will benefit areas identified as high priorities in the Oregon Plan Streamflow Restoration Priorities.

The RRT and Board Subcommittee were, however, concerned about the relatively short duration of the ecological benefits. The RRT and Board Subcommittee felt that the

project would provide sound ecological benefit, but would be a medium priority for funding.

2. Capacity to Sustain the Ecological Benefits

The DRC has the capacity and track record to oversee the temporary leases. The DRC has worked with the Oregon Water Resources Department to ensure the leases are honored and managed.

3. Educational Benefits

The DRC has an active outreach program to promote the benefits of protecting water in stream.

4. Partners, Project Support and Community Effects

The project is supported by the Oregon Water Resources Department and the cooperating irrigation districts.

5. Legal and Financial Terms

OWEB funds are requested for 44 percent of the \$158,000 price to lease the water. DRC has secured additional funding from the Deschutes Water Alliance, and are seeking additional match from the National Fish and Wildlife Foundation. The legal review of the water rights shows no conflict or concerns about the legitimacy of the rights. The water rights were not appraised, however DRC provided a copy of an external evaluation of water rights transactions that shows the values of water rights in the west. The values proposed for lease are well within the values identified in the external evaluation of the Columbia Basin Water Transactions Program.

6. Conclusion

There was considerable discussion by the Subcommittee concerning the relative value of OWEB investments in short term instream water leases. Permanent instream transfers offer a stronger ecological value, but occur infrequently and can be high cost for modest flow levels. The Subcommittee discussed the value of utilizing short term water leases as a bridge to longer term or permanent instream transfers. It is not yet clear whether instream lease programs, like that of DRC, will lead to increasing opportunities to fund permanent instream transfers. The Subcommittee believed that the ecological benefits offered through this proposal clear relative to the amount of funding requested. The Subcommittee observed that OWEB support for the application this year would allow time for the Board and staff to further consider the appropriate long-term role for OWEB with respect to funding instream flow protection. Staff concur with this recommendation and will discuss the broader policy issues associated with instream leases and transfers with the Board at future meetings.

V. Staff Recommendation

A. Capital Applications

- *Restoration.* The RRT recommended funding for 10 Restoration applications for a total of \$3,537,464. Because the demand for funding exceeds available funds, staff recommend that the Board fund only five of the 10 Restoration applications, for a

total of \$2,817,086. Three applications make up the bulk of this recommended amount:

- 209-4012, Coe Branch Dam Removal and Irrigation Diversion Improvement (\$528,040). The RRT recommended this as the top priority. The removal of this barrier will provide access for Endangered Species Act-listed bull trout and winter steelhead to three miles of upstream habitat. The 2002 U.S. Fish and Wildlife Service draft Bull Trout Recovery Plan describes restoring passage at Coe Branch as a number one priority.
 - 209-4014, South Fork Beaver Creek Uplands Enhancement (\$542,720). This application takes a comprehensive approach to watershed improvement by proposing treatment of 40 aspen stands by removing encroaching juniper; spring development to troughs outside the aspen stands; and treatment of 60 small headcuts on tributaries to Beaver Creek. The result of restoration activities will include reducing grazing on wet meadows and riparian areas; improving aspen recruitment, expansion and survival for rare aspen stands; and ensuring maintenance of wet meadow complexes, followed by riparian plantings. This is a remote area. Transportation and freight costs will be high due to the distance from Prineville to the project area, and many sites are not accessible by road. This area forms the top of the North Fork Crooked River watershed.
 - 209-4010, Phase 3 to complete the Middle Deschutes Streamflow Restoration (\$1,438,649) project. The previous two phases, also supported by OWEB grants, piped 3.9 miles of the main irrigation canal of the Swalley Irrigation District just north of Bend, enabling the District to transfer 23 cfs of senior water rights instream to the Middle Deschutes River. This third phase will pipe 1.2 miles and allow another 6.7 cfs of permanent instream water to be transferred to the Middle Deschutes. The total of all three phases will be 30 cfs transferred to the river. The RRT struggled with the high cost of this project, but recommended it for funding based on its significant ecological benefit.
- *Acquisition.* Staff recommend that the Board fund one water lease acquisition application for \$70,000, on the condition that staff continue discussions with DRC to identify long term benefits from the effort

B. Non-Capital Applications

- *Technical Assistance.* Staff recommend funding for the two Technical Assistance applications recommended by the RRT.
- No Assessment applications were submitted in Region 4.

Attachment A shows the applications, funding amounts, conditions (if any), and priority rankings recommended for funding to OWEB staff by the RRT. The table also indicates, by means of shaded entries, the OWEB staff recommendations to the Board. For some applications, the

amount shown in the table is the staff or RRT funding recommendation rather than the amount requested in the application.

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

Staff recommend the Board approve the staff funding recommendation as contained in Attachment A to this report.

Attachments

- A. Applications Recommended for Funding
- B. Applications Not Recommended for Funding

Region 4 - Central Oregon
Technical Assistance Projects Recommended for Funding by the RRT
April 21, 2008 Grant Cycle

Staff Recommendations to the Board are Highlighted in Gray			
Project #	Project Name	Total Amount	Priority
209-4013	Weed Management Planning Tool for Landowners	26,625	1
209-4011	North Fork Sprague Technical Assistance 2008^	49,907	2
Total Technical Assistance Projects Recommended for Funding to Staff by RRT		\$76,532	
Total Technical Assistance Projects Recommended for Funding by Staff to Board		\$76,532	

^ Fund with Conditions

Region 4 - Central Oregon
Acquisition Project Receiving a Positive Rating for Ecological Merit by the RRT
And Recommended for Funding by OWEB Staff
April 21, 2008 Grant Cycle

Staff Recommendations to the Board are Highlighted in Gray		
Project #	Project Name	Total Amount
209-102	2009 Deschutes River Instream Leasing^	70,000
Total		\$70,000

^ Fund with Conditions

Region 4 - Central Oregon
Restoration Projects Recommended for Funding by the RRT
April 21, 2008 Grant Cycle

Staff Recommendations to the Board are Highlighted in Gray					
Project #	Project Name	Capital Funds	Non-Capital Funds	Total Amount	Priority
209-4012	MFID - Coe Branch Dam Removal and Irrigation Diversion Improvement	528,040	0	528,040	1
209-4005	2008 Sevenmile Creek Passage, Screening, and Instream Flow Protection	16,781	0	16,781	2
209-4002	Thomas Creek Restoration*	290,896	0	290,896	3
209-4014	South Fork Beaver Creek Uplands Enhancement Project	542,720	0	542,720	4
209-4010	Middle Deschutes Streamflow Restoration Project Phase 3*	1,438,649	0	1,438,649	5
209-4007	Glaze Riparian Restoration Project	51,545	3,500	55,045	6
209-4001	Clover-Snyder Creek Juniper Cutting^	86,436	0	86,436	7
209-4003	Wapinitia Native Range Restoration	47,957	0	47,957	8
209-4008	Evans Creek - Hutson Drive Culvert Replacement	450,000	0	450,000	9
209-4004	Flymon Stewardship Project	78,440	2,500	80,940	10
Total Restoration Projects Recommended for Funding to Staff by RRT		\$3,531,464	\$6,000	\$3,537,464	
Total Restoration Projects Recommended for Funding by Staff to Board		\$2,817,086	\$0	\$2,817,086	

* Listed Amount Reflects Recommended Reduction ^Fund with Conditions

Region 4 - Central Oregon
Technical Assistance Projects NOT Recommended for Funding by the RRT
April 21, 2008 Grant Cycle

Project #	Project name	Total Amount Requested
209-4006	Establishment of a Water Transaction Program for the Upper Klamath Basin	42,300

Region 4 - Central Oregon
Restoration Projects NOT Recommended for Funding by the RRT
April 21, 2008 Grant Cycle

Project #	Project name	Total Amount Requested
209-4000	Jespersen Groundwater Conservation and Wetland Project	107,437
209-4009	Sprague River Landowners Riparian Restoration	139,626
209-4015	Tule Smoke Wetland Restoration	74,770
209-4016	Precision Farming Applications for Improved Nutrient Management	92,802