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HAND DELIVERED

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Gila/San Francisco Water Commission
Silver City, New Mexico

SUBJECT: The flawed process is wasting your time, effort, and money

Dear Mr. Chairman and Commission members:

I appreciate Chairman Gutierrez's consideration of my request to summarize my letter report to the New Mexico Interstate Stream Commission. He indicated that he would distribute my letter report to all of you and would schedule my presentation later. He invited me to speak to you today during the public comment section of your agenda.

The facts I have been able to extract from the flawed planning process for this major water development effort clearly show that the development concepts are fatally flawed or are not feasible. It's not rational to believe a Gila River diversion project to export Gila River water to the east side of the Continental Divide will ever be built because:

- The usable water yield will be low and unreliable
- The minimum annual yield will be zero
- You will not be willing and able to pay the construction costs and the ongoing annual costs

My letter report summarizes the overwhelming evidence that the net yield of usable water will be no more than a fraction of the 14,000 acre-feet per year junior water right. Yield depends on the supply of water that is legally available for diversion. The ISC's secret model and the directly comparable model output data the ISC furnished to me in response to my Inspection of Public Records Act request are considerably different, as shown in the attached graph. These differences are a problem and are evidence of the flawed process. However, both show that the legally available water supply over five years from 1999 through 2003 is so low that the net yield would be very low or zero. It will only get worse.

Consider your legacy if the project were to be constructed and the first years of the water supply were similar to the historical water supply starting in 1999.

The yield of usable water will be reduced by losses during storage in reservoirs. The reservoir sites are poor. The losses will be high. Releases of stored water for fish and wildlife habitat mitigation will require significant volumes of water, and these under the federal environmental law regime will be satisfied first. The absolute best case in any year would be 10,000 acre-feet of usable water. In an extended dry period no worse than we have recently experienced, the yield will be zero.

G.K. Baum's estimate of the "cost of service" in the first year of operation, produced for you, is \$20,226,871, with "delivery costs" of \$6,842,871. I assume the G.K. Baum "delivery cost" is a variable cost for 10,000 acre-feet per year delivery and the O&M cost and the debt service are fixed costs.

The table below shows the unit costs for different values of annual delivery, using G.K. Baum's costs for the initial year of operation. The table compares these unit costs to existing water rates for Deming and Silver City, which are only \$2.28 and \$4.20 per thousand gallons, respectively.

Annual yield in acre-feet	\$ per acre-foot	\$ per 1000 gallons	Compared to Deming water rates	Compared to Silver City water rates
10,000	\$2,023	\$6.21	272%	148%
7,000	\$2,596	\$7.97	349%	190%
4,000	\$4,030	\$12.37	542%	294%
2,000	\$7,376	\$22.64	991%	539%

The water is much too expensive for any irrigation that is expected to produce crops that are worth more than the water. The costs are extremely high for a municipal raw water supply. Infrastructure to make this raw water supply usable is not included in the Gila River diversion costs. The costs of the Gila River water are in addition to the communities' drinking water costs. Any assumption that local governing bodies would be willing to sign a 20-year commitment to pay these costs seems unrealistic. As you think about this, please don't forget that the actual costs are virtually certain to be much higher.

On the other hand, almost \$90 million in existing federal appropriations is available to meet water supply demands in the four counties of southwest New Mexico with the vast quantities of groundwater that are available. These groundwater supplies will last much longer than the lifetime of the proposed Gila River diversion infrastructure. The federal monies will do everything that needs to be done or is reasonable to do.

Will water development fervor or clear-eyed risk and benefit assessment and fiscal stewardship prevail? In the short term, it's your choice and the choice of the governing bodies that you represent. If you do nothing, this proposal will be

officially killed within five to ten years, but with much additional waste between now and then. You are in a position to stop this waste of money, time, and human effort. All you have to do is to tell the New Mexico Interstate Stream Commission, this fall, that you are not willing or able to pay these huge increases for little or no tangible benefit or value.

If you say no, you can gain the benefit of approximately \$90 million, which is sufficient to meet all your drinking water supply and delivery system needs for the foreseeable future, with little or no risk.

I urge you to pay for improved groundwater supplies and drinking water infrastructure with the federal funds that Senator Domenici obtained for you and stop the unproductive waste of funds by the flawed process that is doomed to fail.

Sincerely,

/s/

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Attachment

Gila River Annual Divertable Water Supply 1993 through 2012

- Sum of daily model output—IPRA response—February 18, 2014
- Sum of daily results of secret model—July 2013 - extended
- Sum of daily results of locked model—August 18, 2004

