



## Cache Valley Pilot Project Area

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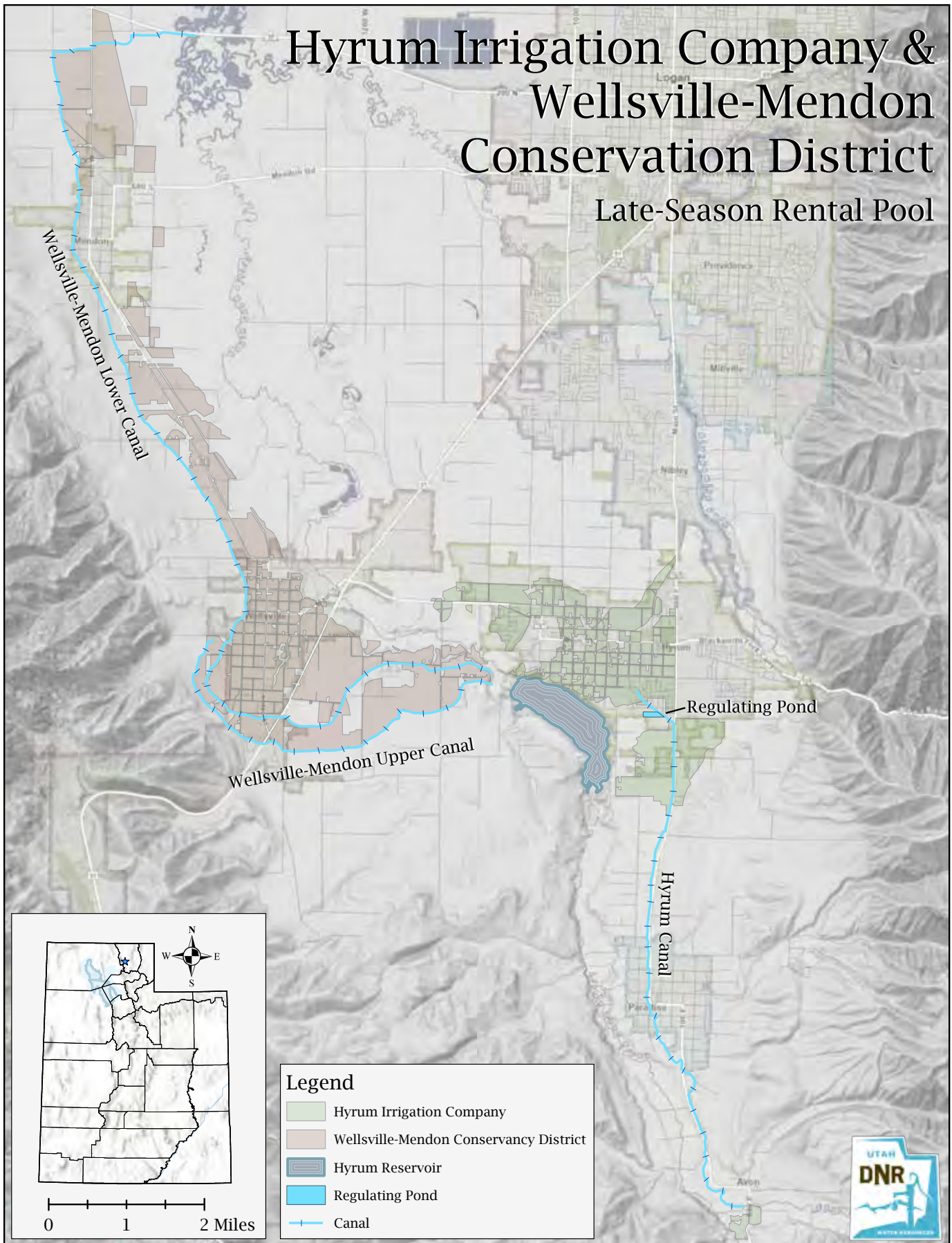
Facing rapid municipal growth and loss of irrigated lands, the Cache Water District (“CWD”) began studying the potential for water marketing in the Cache Valley and volunteered Cache Valley as a pilot area to explore whether water banking could address local issues such as inadequate late-season irrigation water, growth within ditch systems, and scattered water owners. The Cache Pilot Project investigated several local water needs and many potential water banking concepts in the Cache Valley. In particular, there was initial interest in exploring whether irrigation companies in Southeast Cache Valley could be “knitted together” to facilitate deliveries across a broader service area.

As outreach and discussions progressed, it became clear that there was a mismatch of supply and demand: all Cache Valley water users wanted water at the same time. It was determined that without a clear and available supply to meet demand, a water bank organized under the Utah Water Banking Act was likely not the best fit.

However, the discussions in Cache Valley were ultimately fruitful as two interested entities, Hyrum Irrigation Company (“HIC”) and the Wellsville-Mendon Conservation District (“WMCD”), determined that they had the correct configuration of supply and demand to create a late-season rental pool in Hyrum Reservoir.



# Hyrum Irrigation Company & Wellsville-Mendon Conservation District Late-Season Rental Pool



## Stakeholder Engagement, Outreach, and Communication

The Cache Pilot Project required significant outreach to local water users and water agencies. Early in the project, the Project Team engaged the CWD, who offered to spearhead and coordinate meetings to explore water banking. Some 50 irrigation companies and irrigation districts are represented within CWD's borders, and the district was instrumental in defining water marketing opportunities in the Cache Valley. CWD representatives organized local support for investigating water bank concepts and assisted engagement with local irrigation companies/districts and individual water users.

During project scoping, the Project Team held numerous meetings with local ditch companies, water districts, municipalities, and agencies. Stakeholders included the HIC, WMCD, CWD, South Cache Water Users Association ("SCWUA"), Porcupine Highline Irrigation Company, Paradise Irrigation Company, Hyrum City, and US Bureau of Reclamation.

### Hyrum Reservoir Late Season Lease Program

The Hyrum Lease Program was created by agreement between the SCWUA, HIC, and WMCD. The United States Bureau of Reclamation ("USBR"), as owner of Hyrum Reservoir, provided concurrence and acknowledgment of the agreement. The agreement permits HIC or HIC shareholders to lease Hyrum Project water to WMCD annually. WMCD then allocates leased water to individual WMCD water users. Individual HIC shareholders who wish to lease their water must do so through HIC.

- **Lease Agreement**

HIC and the WMCD negotiated a lease agreement that generally sets an annual process for how HIC is to alert WMCD as to whether they had surplus late-season water to lease and at what price.



The Hyrum Lease is administered through an annual schedule where the parties exchange relevant information like the amount of available water. The price of water transacted through the Hyrum Lease Program is annually negotiated between HIC and WMCD. HIC is responsible for the costs of delivering leased water from its point of delivery, and it is expected that the costs incurred by HIC for delivering leased water will be recovered through the negotiated lease price.

Due to dry conditions, water was not leased in the summer of 2022; with record-setting snowfall, water in the winter of 2022-2023 and above average snowfall in the winter of 2023-2024 conditions were more amenable to leasing. The local Stakeholders were happy with the results of the effort, and Cache Valley now has an additional tool to meet local water demand.

- **Federal Reservoir and other Regulatory Considerations**

Hyrum Reservoir is a Federal owned facility, and to ensure no Federal water contracts were needed to execute this concept, the parties invited the USBR to the discussion. It was determined that since both entities were members of the SCWUA, the entity that held the Federal Warren Act contract to store privately held water rights in the federal facility, a new federal contract was not needed. The members could simply trade their storage allocations amongst themselves. The agreement required the approval of SCWUA. The Project Team, HIC, and WMCD met multiple times with the USBR and SCWUA during the Pilot Project. The lease agreement was executed in March 2022.

No state regulatory approval is required to effectuate the lease agreement or water transfers. Since the water was being delivered to the same Place-of-Use and for the same Nature-of-Use irrigation, no Change Application was needed to change the parameters of HIC's water rights. Accordingly, the administrative burden of the lease pool was relatively small.

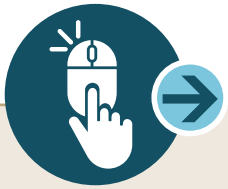


## Lessons Learned

While the Cache Pilot Project did not create a water bank, it was a successful Pilot Project and produced several valuable lessons informing broader water marketing strategies. It also resulted in a working water leasing contract that provides a template for other parties looking to arrange a similar water transaction.

A key lesson learned during the Cache Pilot Project is that water marketing strategies should be tailored to local needs. This project initially focused on forming pilot water banks in the Cache Valley. Following scoping and outreach with HIC and WMCD, it quickly became apparent that a water leasing program would provide similar benefits as water banks but could be established through a simpler process. Establishing a water bank would have required a water rights Change Application to the State Engineer and a water bank application to the Utah Board of Water Resources. The Hyrum Lease Program does not gain the benefits provided by a water bank, namely, protection from abandonment of the water rights or the ability to distribute water. However, in the case of HIC and WMCD, abandonment and distribution were not driving factors.

Another important lesson learned though the Pilot Project is that having an engaged and local champion, such as the Cache Water District, is invaluable in setting up water markets. CWD was instrumental in defining water marketing opportunities in the Cache Valley. CWD representatives organized local support for investigating water bank concepts and assisted engagement with local irrigation companies/districts and individual water users. As with the other Pilot Projects, the Cache Pilot Project showed that outreach and education during project scoping are critical to successful formation of a water market but can require significant effort.



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