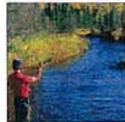




State CREP Incentive: PERC

Presented by Neeley Miller

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The approach outlined within this presentation has been developed in collaboration with comments from the full Demand Reduction Working Group, including the incorporation of elements put forward by the Idaho Power Company and the Idaho Ground Water Appropriators.

The goal is to establish a framework for a State-based program (PERC) parallel to CREP that would provide additional motivation and flexibility for landowners that may be interested in a voluntary curtailment program such as CREP.

With this goal in mind, we have attempted to provide several "paths" forward for interested parties (ensuring maximum flexibility).



Development of a broad-based PERC will provide needed flexibility for those interested in participating in a CREP-like program. Additionally, the PERC is designed to give participants the option to enroll in 1) CREP, 2) PERC, or 3) CREP AND PERC.

Existing CREP	→ =	→ \$\$
Proposed PERC	→ =	→ \$
CREP + PERC	→ =	→ \$\$\$



PERC Eligibility:

- Future CREP participants as well as those with existing CREP contracts would be eligible for the PERC program.
- Only total application acreages larger than 5 contiguous acres would qualify.
- Total PERC enrollment would be limited to 25,000 acres on the ESPA



All lands within the Eastern Snake Plain Aquifer (ESPA) boundary would qualify for the PERC as long as they meet the following irrigation requirements (same for CREP):

- The land must be physically and legally capable of being irrigated in a normal manner when offered for PERC enrollment (e.g. must have a valid water right)
- Irrigated by ground water (or surface water sources other than the main stem of the Snake River) at the rate of not less than ½ acre-foot per acre for 4 out of the 6 years, 1996-2001
- Irrigated within 24 months prior to the submission of a PERC offer

All other CREP eligibility requirements WOULD NOT apply for the PERC.



Monetary incentives (\$/acre) for the PERC would be based upon two elements:

- value of lands as defined in FSA rental rates
 - *Values are based upon 30% of the FSA values (FSA values range between \$110/acre - \$130/acre)*
- temporal aquifer response zones
 - *The above dollar amount would then be adjusted based upon temporal aquifer response zones with proximity to the Snake River.*
 - Zone 1 (0 to 5 miles) = 130%
 - Zone 2 (5 to 10 miles) = 120%
 - Zone 3 (10 to 20 miles) = 110%
 - Great than 20 miles = 100%



For example, let's say a particular PERC offer is located in an area where FSA has established rental rates of \$130/acre.

$$30\% \text{ land value adjustment} \times \$130 = \$39/\text{acre}$$

Additionally, let's assume this particular offer is also located 3 miles from the Snake River. Based upon the aquifer response zones this PERC offer would fall into Zone 1 (adjust above \$/acre value by 130%).

$$\$39 \times 130\% = \mathbf{\$50.70/\text{acre PERC Payment}}$$



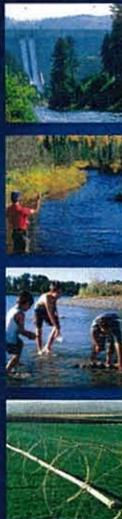
The PERC is designed to offer a **permanent retirement option** at the end of the 10 year contract.

- At the end of the PERC contract the State of Idaho may exercise the option to buy the water right based upon an appraised value at the time.
- If this option is exercised, these water rights would be held in trust by the Idaho Water Resource Board.
- All payments made over the duration of the contract would count towards the purchase price of retirement.

In addition to providing for additional motivation and flexibility for landowners in designing a PERC, we also wanted to focus on enhancing the **administrative tools for retaining those that enter the PERC program.**

Therefore, we propose:

- In the event of early termination participants would be required to refund all payments received plus interest (IWRB loan rate). In addition to repayment of all funds received, an early contract termination penalty is calculated using 25% of the estimated first year's annual payment. Termination during years 2-6 would involve an additional penalty consisting of 10% of the payment received for each year. Terminations after year 6 will not be allowed.
- Charging an administrative processing fee of \$500 per modification if an applicant decides to change or modify an existing PERC contract.



Questions/Discussion