

EXHIBIT E

PETITION FOR ESTABLISHMENT OF
SPECIAL IMPROVEMENT DISTRICT NO. 4
OF THE
RIO GRANDE WATER CONSERVATION DISTRICT
(Conceptual Plan of Water Management)

CONCEPTUAL PLAN OF WATER MANAGEMENT
Special Improvement District No. 4 (San Luis Creek Response Area)
of the
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I. BACKGROUND AND BASIS FOR THE PLAN OF WATER MANAGEMENT.

The proponents of Special Improvement District No. 4 of the Rio Grande Water Conservation District (“Subdistrict”) propose to form a special improvement district of the **Rio Grande Water Conservation District (“District”)** to ensure the replacement of injurious depletions to senior water rights and to conserve and stabilize the water supply and groundwater storage for existing irrigation and other beneficial uses within the area generally included within the boundaries of the San Luis Creek Response Area as designated by the Colorado Division of Water Resources. The proponents anticipate that the proposed Subdistrict will be governed by a **Board of Managers (“BOM”)** that will develop, adopt and administer a **Plan of Water Management (“Plan”)** for the Subdistrict. This document sets forth a conceptual Plan in general terms pursuant to section 37-48-123(2)(g), C.R.S.

Participation in the Subdistrict is strictly voluntary. The San Luis Creek Response Area Subdistrict will include only those members who, after reviewing this conceptual Plan and other information made available to all interested well users, and otherwise being fully apprised of the ramifications of joining the Subdistrict, sign the petition seeking formation of the Subdistrict. **Land petitioned into the Subdistrict will remain a part of the Subdistrict for as long as the Subdistrict is in existence.** Information is readily available at public meetings of the San Luis Creek Response Area Subdistrict workgroup, public well owner informational meetings, online at www.rgwcd.org, by contacting Rio Grande Water Conservation District staff or by contacting any member of the San Luis Creek Response Area Subdistrict workgroup.

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Participation in the Subdistrict is limited to lands served by wells that are located within Water Division No. 3 that can legally withdraw groundwater for a legal beneficial use. Where a well is used as a source of water for augmentation, substitution, or exchange for another water right, such other water right must be diverted within Water Division No. 3 for a beneficial use located within Water Division No. 3.

By voluntarily petitioning land into the Subdistrict, Landowners explicitly authorize, and agree to abide by, any groundwater allocations or limits imposed by the Board of Managers either by individual well or by farm plan. Landowners further understand and agree that the Board of Managers may impose economic disincentives or penalties, up to exclusion from the ARP, reasonably necessary to further the goals or objectives of the Plan of Water Management or to comply with Colorado law. These covenants, as specifically set forth in the Individual Petition, will run with the land petitioned into the Subdistrict and bind all current and future owners of Subdistrict Lands.

II. SUBDISTRICT TERRITORY.

Pursuant to section 37-48-123(2)(d), C.R.S., the Subdistrict territory generally includes lands irrigated in whole or in part by non-exempt wells withdrawing groundwater which is decreed or permitted for irrigation use from within the boundaries of the San Luis Creek Response Area of the Rio Grande Decision Support System groundwater model (“RGDSS Model”) where the landowners of such lands, or representatives legally authorized to act on behalf of the landowners, sign the Petition seeking formation of the Subdistrict. “Landowners” and “Subdistrict members”, as used throughout the conceptual Plan, refers to the owners of lands

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and appurtenant wells that are included within the Subdistrict. Subdistrict lands do not need to be contiguous.

Where a single well serves multiple landowners, such well shall be included in the Subdistrict only if the owners signing a petition to join the Subdistrict own and petition into the Subdistrict separately-held land that is serviced by the well and agree to assume complete responsibility for all the obligations of the fees and obligations of the well, including but not limited to all associated Subdistrict fees assessed against the well. Such owners must provide written notification of one-hundred percent designation of the proportionate well impact responsibilities to the District prior to Subdistrict formation. The Board of Managers will promulgate Subdistrict rules and regulations governing Subdistrict contracts with non-Subdistrict wells for review and approval of the Board of Directors of the District.

A map of Subdistrict lands is included as Exhibit A. A legal description of the lands included in the Subdistrict is included as Exhibit B. A list of the current Subdistrict wells, with corresponding Well Identification Numbers (“WDID”), providing groundwater to subdistrict lands is included as Exhibit C.

III. OVERALL OBJECTIVE AND PLAN GOALS OF THE SUBDISTRICT.

The overall objective of this Plan is to provide a community-oriented water management alternative to individual plans of augmentation or state-imposed regulations that would limit the use of wells within the Subdistrict that is a system of self-regulation that promotes responsible groundwater use. The operation of this Plan will comply with the requirements of SB 04-222, codified at section 37-92-501(4), C.R.S. and any rules and regulations promulgated by the Colorado Division of Water Resources.

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Two central goals must be achieved in order for the Subdistrict to operate without state-imposed limitations on the use of Subdistrict Wells. First, the Subdistrict must replace or otherwise remedy injurious depletions to senior surface water rights resulting from groundwater withdrawals from Subdistrict Wells or, by contract, from other groundwater withdrawals within the San Luis Creek Response Area. The Subdistrict will calculate and project, on an annual basis, the injurious depletions caused by groundwater withdrawals from Subdistrict Wells pursuant to State of Colorado, Division of Water Resources Rules Governing the Withdrawal of Ground Water in Water Division No. 3. The Subdistrict, through the District, will acquire replacement water supplies in order to offset injurious stream depletions or remedy such depletions by means other than providing water, to the full extent required by law.

Second, the Subdistrict must maintain, or if necessary, recover a sustainable water supply in the confined aquifer system underlying the Subdistrict for irrigation and other beneficial uses, with due regard for the daily, seasonal and long term demands on the aquifers, to the full extent required by law. This may require the Subdistrict to impose annual groundwater withdrawal allocations and limits on Subdistrict Wells and/or economic disincentives or penalties for Subdistrict Wells that operate outside of the Plan. **As a condition of participation, the Subdistrict will require acceptance of these and other non-monetary limitations, which will be imposed if the Board of Managers determines such limitations necessary to achieve one or more of the Plan objectives.**

Subdistrict members that divert groundwater from the underlying aquifer systems for beneficial uses presently operate pursuant to well permits and/or decrees recognized under Colorado law. **If the Subdistrict is unable to achieve its goals as described above, then**

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Subdistrict members, including Contract Wells, which divert groundwater will be subject to the State's administrative rules and regulations, including complete curtailment of groundwater withdrawals by the State of Colorado.

IV. EFFECT OF SUBDISTRICT AND PLAN OF WATER MANAGEMENT

Proponents anticipate the Subdistrict can provide a wide range of benefits to Subdistrict members and the San Luis Valley as a whole, including: prevention of material injury to senior surface water rights that may result from groundwater use; stabilization and maintenance of a sustainable groundwater supply; operation of a compliance plan which meets the criteria set under State of Colorado, Division of Water Resources Rules Governing the Withdrawal of Ground Water in Water Division No. 3 or other laws or rules requiring well administration; and, providing an alternative to individual plans for augmentation approved by the Water Court as a condition for the continued operation of wells.

Neither the creation of the Subdistrict nor this Plan will alter any vested surface or groundwater rights. Nor shall the creation of the Subdistrict or this Plan expand any existing beneficial use of a water right or allow a water right to be used for a beneficial use not defined in a valid decree or permit.

Water rights acquired or retired by the District on behalf of the Subdistrict will only be used to protect water users, including, without limitation, for replacement of injurious stream depletions to senior surface water rights resulting from Subdistrict Well withdrawals and to protect and enhance the water supply for the groundwater users within the Subdistrict. Acquired or retired water rights will not be used for purposes inconsistent with the Plan or at locations outside of Water Division No. 3.

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If a Subdistrict member elects to temporarily reduce the amount of land under groundwater irrigation in order to achieve the goals of the Plan, and such reduced irrigation is for conservation purposes or to assist in the remedy of injurious depletions to senior water rights, such reduced irrigation will not be considered to be a period of non-use for purposes of abandonment or reductions in the water right, as provided by law. *See, e.g.,* section 37-92-103, C.R.S.

V. SUBDISTRICT GOVERNANCE.

The Subdistrict is a political subdivision of the Rio Grande Water Conservation District and subject to the supervision of the District Board of Directors. A five member Board of Managers will be selected in the manner provided for in the Petition for Establishment of Special Improvement District No. 4 of the Rio Grande Water Conservation District and will govern the Subdistrict.

A. Subdistrict Bylaws, Rules and Regulations

One of the first objectives of the Board of Managers will be to adopt Subdistrict bylaws, rules, regulations and/or guidelines to facilitate the operation of the Subdistrict pursuant to section 37-48-112(2).

B. Compensation and Reimbursement

The Board of Managers is a strictly volunteer, non-compensated position. However, the Managers will be entitled to their actual mileage (reimbursed at approved IRS rate) and transportation expenses when away from their respective places of residence on Subdistrict Business. The Board of Managers will adopt bylaws to govern reimbursements of the Board of Managers.

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C. Size and Composition of the Board of Managers

The Board of Managers will be constituted and initially comprised of five (5) members and one (1) District appointed *ex officio* member. The Board of Managers will publish vacancies, seek applicants, and otherwise attempt to fill open seats in a timely manner, but may operate with as few as three (3) members at any given time.

In addition to the regular members, a representative of the Rio Grande Water Conservation District's Board of Directors will serve as a non-voting *ex officio* member of the Board of Managers. The primary role of the *ex officio* member will be to act as a liaison between the District Board and the Board of Managers. The *ex officio* member will be appointed by, and serve at the pleasure of, the District Board.

D. Eligibility to Serve on the Board of Managers.

To be eligible to serve as a regular member of the Board of Managers, an individual must either be a landowner or a full-time employee of a Landowner charged with the management and operation of farming, ranching or other activities on Subdistrict land that involve the beneficial use of water from Subdistrict Wells. If duly designated by the landowner, the employee will serve in a representative capacity on the Board in the Landowner's absence. The landowner may revoke the designation at any time by written notice to the Subdistrict. Additionally, the land within the subdistrict must be current on all assessments and in good standing with the subdistrict to permit a landowner or representative serve on the Board of Managers.

There are no restrictions on the Board of Directors in determining who may be appointed to serve as the *ex officio* member. The *ex officio* member may be a member of the District Board of Directors and may be unaffiliated with the Subdistrict.

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E. Procedure for Appointing Board of Managers Members.

Regular members of the Board of Managers will be appointed by the District Board of Directors. Any individual interested in serving on the Board of Managers may submit an application to the District Board within thirty (30) days of the date the vacancy is published. Applications must be in writing and clearly document the applicant's eligibility to serve on the Board of Managers. The District Board will appoint individuals from the pool of eligible applicants who, in its judgment, will adequately and fairly represent the interests of the Subdistrict and its members. Following formation, the inaugural Board of Managers may elect to develop a list of aspirational qualifications to guide the District Board's appointments to the Board of Managers.

The *ex officio* member of the Board of Managers will be appointed by the District Board. The District Board may, but is not required to, publish notice of the vacancy and accept applications for the position if it concludes that a member of the District Board will not serve in that capacity.

F. Term of Service.

Terms of the regular members serving on the inaugural Board of Managers will be staggered so as to ensure that the Subdistrict is governed by knowledgeable and experienced members at all times. Two (2) members will serve initial terms of two (2) years, two will serve initial terms of three (3) years, and the remaining member will serve initial terms of four (4) years. Thereafter, members of the Board of Managers will serve four (4) year terms.

The *ex officio* member will be appointed to a term of indeterminate length, but as part of its ongoing supervisory obligations the appointment must be confirmed by the District Board at

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least every second year. The District Board may remove or replace the *ex officio* member at any time, with or without cause.

There is no limit on the number of terms an individual may serve as a regular or *ex officio* member of the Board of Managers. However, a regular member wishing to continue serving on the Board of Managers following the expiration of his or her current term must reapply for the position following publication of the vacancy and solicitation of applications from other eligible Landowners. The incumbent member will retain his or her seat only if reappointed by the District Board following a review of all timely-submitted applications.

G. Election of the President of the Board of Managers

The Board of Managers will select from among its members one member to serve as president of the Board and may select such other officers as it deems necessary. Each Manager shall have one vote.

H. Attendance and Participation

The Board of Managers will adopt bylaws governing meeting conduct and procedures and such other matters the Board of Managers deem necessary, in conformance with this Petition.

VI. DEVELOPMENT OF THE PLAN OF WATER MANAGEMENT

After formation of the Subdistrict, the Board of Managers will use this conceptual Plan to develop a detailed Plan of Water Management. Following a public hearing, the detailed Plan will be presented to the Board of Directors of the District for consideration and adoption as the official Plan of the Subdistrict pursuant to the terms of section 37-92-501(4)(c), C.R.S. Once District Board approved, the Plan of Water Management will be submitted for consideration and approval by the State Engineer in accordance with section 37-92-501(4)(c), C.R.S.

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The Plan will be implemented in the first year of Subdistrict operation and every year thereafter.

VII. ANNUAL REPLACEMENT PLANS (“ARP”)

The Annual Replacement Plan (“ARP”) for each year will be prepared by the Board of Managers and submitted to the District Board and State Engineer for review and approval. The ARP will describe in detail how the Subdistrict proposes to meet the Plan objectives and any State-imposed or Court-imposed requirements during the upcoming plan year. The Subdistrict must operate during the plan year in accordance with terms and conditions in the approved ARP.

VIII. FINANCING THE SUBDISTRICT

The Plan will require that Subdistrict members contribute financially to the Subdistrict to ensure success of the Plan. The Plan must generate sufficient revenues to fund the operations of the Subdistrict which may include, without limitation: replacement or remedying of any injurious depletions calculated to occur to senior surface water rights as the result of Subdistrict and contract well groundwater withdrawals, and, if necessary, the retirement or temporary fallowing of sufficient acres within the Subdistrict to reach a sustainable water supply in the confined aquifer system underlying the San Luis Creek Response Area in compliance with duly enacted and approved State rules and regulations.

The Subdistrict may utilize any combination of one or more of the financing methods that are available to a Subdistrict under section 37-48-123(2)(e), C.R.S. or any subsequent amendments thereof, and may do so without an election. The Subdistrict may utilize a water activity enterprise.

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The Subdistrict shall set fees based on a detailed annual budget developed by the Subdistrict Board of Managers concerning the operation of an ARP of the next calendar year. The budget shall specifically describe the revenues required to pay for each of the planned expenditures, and the nature and amount of each of the specific fees or assessments proposed to generate such revenues. The Subdistrict will be limited to expenditures in the amounts and for the purposes specified in the budget, including the establishment of a reasonable reserve fund, unless an amended budget is adopted, after proper notice, in accordance with the provisions of Colorado law.

At the present time, the Subdistrict expects to rely primarily upon an annual Administrative Fee and an annual Groundwater Withdrawal Fee to finance the operation of the Subdistrict and its Plan, although the Subdistrict may need to utilize other methods to allow the District, on the Subdistrict's behalf, to acquire water rights, construct improvements or finance other large investments. The Subdistrict will assess an Administrative Fee and a Groundwater Withdrawal Fee that will be evaluated, and if appropriate, adjusted by the Board of Managers annually in response to the demands of the Plan. The method used to calculate the Groundwater Withdrawal Fee will ensure that landowners who withdraw the least amount of groundwater from Subdistrict Wells will pay the lowest Groundwater Withdrawal Fees.

Only Subdistrict lands and associated water use (i.e., those lands upon which groundwater is put to a beneficial use, where the landowners or representatives legally authorized to act on behalf of the landowners sign the Petition seeking formation of the Subdistrict), will be subject to assessment by the Subdistrict. Wells that are operating within a court approved plan for augmentation, prior to or after Subdistrict formation, or operated as a

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decreed alternate point of diversion for surface water, will not be subject to assessment to the extent the impacts from the groundwater withdrawals are fully replaced under the plan for augmentation. Groundwater withdrawals outside of an approved plan for augmentation will be subject to assessment.

The total Administrative and Groundwater Withdrawal Fees will be submitted to the District for approval and then certified to each County with Subdistrict Land for addition to the tax rolls for collection in accordance with Colorado law. **In the event of non-payment, these financing methods may result in a lien on a constituent's property.**

A. Administrative Fee.

The Subdistrict will assess an annual Administrative Fee. The expected range of the Administrative Fee (in 2016 dollars) is \$400 to \$900 per Subdistrict Well WDID to provide sufficient revenue to fund the operations of the Subdistrict, including; cost of providing staff, engineering, legal and office space; a reasonable reserve fund; and, to repay the District the sum agreed upon by the Subdistrict and the District for expenses which are incurred during the Subdistrict formation process and paid up front by the District. The Administrative Fee will be assessed against the land on which Subdistrict Wells are located or land benefited by Subdistrict Wells, and will be calculated on a per well ID ("WDID") basis.

Pursuant to Subdistrict rules and regulations duly adopted and approved by the Board of Managers of the Subdistrict and the Board of Directors of the District, the Subdistrict may allow reduced or eliminated Administrative Fees for wells that are inactive or abandoned pursuant to a Subdistrict conservation plan.

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B. Groundwater Withdrawal Fee.

Costs of acts and improvements under the Plan will be funded by a Groundwater Withdrawal Fee assessed on the gross withdrawal of groundwater by Subdistrict Wells. The expected range of Groundwater Withdrawal Fee (in 2016 dollars) is \$5 to \$65 per acre-foot of groundwater withdrawn. The gross annual withdrawal of groundwater from Subdistrict Wells will be determined using the official records of the state of Colorado where these are available. The Groundwater Withdrawal Fee may be a two-part fee, based on impact to the sustainability of the confined aquifer and broad classes of wells net impacts on surface streams and senior surface water rights. If a well is operating under a decreed plan for augmentation, administratively approved Substitute Water Supply Plan or similar plan, it will not be assessed a Groundwater Withdrawal Fee with the exception of any amount of groundwater withdrawn that is protected by the Plan rather than by the plan for augmentation. The Subdistrict may assess the Groundwater Withdrawal Fee one year in arrears. The Groundwater Withdrawal Fee may be assessed based on a rolling average of groundwater withdrawals of up to the most recent five (5) years.

The Groundwater Withdrawal Fee will be determined by the Board of Managers on an annual basis, in an amount necessary to fund the Subdistrict's acts and improvements (as summarized in section X below). The total Groundwater Withdrawal Fees assessed for a given year will be limited to the amount shown by specific items in the budget, as required, to provide sufficient revenue for that year for the Subdistrict acts and improvements specified in the budget, including, but not limited to: protection of senior surface water rights; funds to support a portfolio of water and/or cash to cover post plan depletions; permanent retirement and/or annual

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fallowing of lands; establishment of a reasonable reserve fund; and, any necessary infrastructure improvements.

Pursuant to Subdistrict rules and regulations duly adopted and approved by the Board of Managers of the Subdistrict and the Board of Directors of the District, the Subdistrict may allow reduced or eliminated Groundwater Withdrawal Fees for a Subdistrict Well owner who provides replacement water, land or facilities for the benefit of the Subdistrict pursuant to a Subdistrict conservation plan.

C. Variables That May Affect Subdistrict Member Fees

The amount of fees paid by individual Subdistrict Members will vary from year-to-year and from member-to-member based on some or all of the following factors:

1. the volume of groundwater withdrawn from the member's Subdistrict Wells;
2. the number of Subdistrict Wells owned and/or in use by the member;
3. the actual average per acre-foot rate paid by the Subdistrict to acquire water, forbearance or other agreements needed to fully remedy injurious depletions attributable to Subdistrict Wells;
4. the administrative, legal, and engineering costs incurred by the Subdistrict;
5. costs incurred by the District on behalf of the Subdistrict during the formation process for which the District requires reimbursement;
6. the amount of money required to be held in reserve or the cost to the Subdistrict to otherwise guarantee replacement of post plan depletions from

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Subdistrict Wells in the event the Subdistrict Wells are no longer allowed to make withdrawals;

7. the nature and extent of the actions the Subdistrict is required to take to comply with the State's aquifer sustainability rule; and
8. any special projects or acquisitions the Board of Managers deems necessary or desirous to further Plan objectives, such as the purchase of senior surface water rights, the purchase and retirement of groundwater irrigated parcels, the construction, repair or improvement of ditches, pipelines, reservoirs or other infrastructure needed to further Plan objectives, or the construction and maintenance of a network of monitoring wells to verify and improve RGDSS groundwater model predictions.

The Administrative and Groundwater Withdrawal Fees will be adjusted by the Board of Managers annually and will be set so that the amount of revenue the Subdistrict collects from its members does not exceed the amount reasonably required to fund Subdistrict operations and to establish and maintain a reasonable contingency fund, as shown in the annual budget of the Subdistrict.

D. Post Plan Depletions

The current version of the RGDSS Model shows that depletions from wells in the San Luis Creek Response Area can take as long as 10 years from the date of groundwater withdrawal to fully accrue to the surrounding rivers and streams. **The Subdistrict will be required to establish a portfolio consisting of water, cash, line of credit, guarantor, forbearance or other financial mechanism to guarantee remedy of these post plan depletions attributable**

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to groundwater withdrawals from Subdistrict Wells in the event the Subdistrict Wells are no longer allowed to make withdrawals. The portfolio will be funded through the

Groundwater Withdrawal Fee. The Division of Water Resources has indicated that Subdistricts will have to demonstrate that they have such a portfolio in place as a condition of the Division of Water Resources' approving any ARP.

As noted above, the financial mechanism used by the Subdistrict to guarantee replacement of post plan depletions will be funded through the Groundwater Withdrawal Fee. The obligation to set aside money to remedy post plan depletions will continue until the Subdistrict has acquired sufficient permanent replacement supplies or other long-term remedies to fully remedy depletions attributable to Subdistrict Wells that have yet to accrue to the surface system or a subsequent version of the RGDSS Model shows that no such injurious post plan depletions exist.

Should wells not be allowed to continue to withdraw groundwater because Subdistrict Objectives and Goals are not being met, the Subdistrict may continue to assess fees until all injurious depletions caused by past groundwater withdrawals from Subdistrict wells have been remedied. Further, if the Board of Managers does not submit an ARP that provides a remedy for injury caused by post plan depletions, the Board of Directors of the District may develop an ARP to remedy those post-plan depletions and set Administrative and Groundwater Withdrawal Fees in such amounts as are necessary. In such circumstances, the Board of Managers or Board of Directors may base the Groundwater Withdrawal fee on some previous time-period of groundwater withdrawals per Subdistrict or Contract Well.

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Landowners who own wells that have been removed from the Subdistrict's ARP for noncompliance, as provided for in Section X below, will be required to replace or otherwise remedy any post plan depletions attributable to those wells that have yet to accrue to the surrounding rivers and streams.

E. Contracting

To the extent permitted by law, the Subdistrict may contract or enter into cooperative agreements with other well owners, water users, mutual ditch or reservoir companies, water user's associations, subdistricts, governmental entities and other persons or entities within or without the boundaries of the Subdistrict to advance the Plan Goals and Overall Objective.

To the extent permitted by law, in accordance with rules to be adopted by the Subdistrict and approved by the District, the Subdistrict may recommend and request that the Board of Directors of the District contract with well owners that are not members, within or outside of the San Luis Creek Response Area, of the Subdistrict to further the Subdistrict Goals and Objectives. Such contracts may be subject to inclusion fees, different Administrative and Groundwater Withdrawal Fees than those charged to Subdistrict Landowners, and/or additional terms and conditions as the Board of Managers may deem necessary to meet the goals of the Subdistrict. Subdistrict rules adopted for this purpose must provide that the Subdistrict Board of Managers may only contract with well owners to include wells in the Plan if the impacts from the wells can be determined using the methodologies the Subdistrict will use to calculate injurious depletions from Subdistrict wells, or otherwise have an approved alternate method of calculating injurious depletions.

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The Subdistrict may recommend and request that the Board of Directors of the District contract with willing surface water rights holders to purchase or lease water for recharge, storage, or other means of augmentation or replacement to address stream depletions from the operation of Subdistrict wells, and to purchase or lease lands associated with such water. The Subdistrict may also recommend and request that the Board of Directors of the District contract with surface water right holders to purchase or lease any available surplus augmentation credits from qualifying court approved plans for augmentation.

The Subdistrict is under no obligation to contract with non-members.

IX. ACTS AND IMPROVEMENTS

In order to further the goals and objectives of the Plan, the Subdistrict intends to implement some or all of the following non-exclusive list of acts or improvements:

1. Engineering, geological, legal and other studies and analyses of the various means available to meet the goals of the Plan and desirable ways of implementing those means.
2. Calculation and replacement or remedy of injurious stream depletions to senior surface water rights.
3. Through the District, negotiation and implementation of forbearance agreements to protect senior surface water rights.
4. Through the District, purchase, rental, lease or other acquisition of water rights, irrigated lands and/or reservoir storage, either within or without the exterior boundaries of the Subdistrict.

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5. Through the District, construction, acquisition, improvement and operation of ditches, head gates, and other facilities to make the best use of available water and to improve groundwater recharge.
6. Infrastructure improvements to maximize the diversion, storage, recharge, delivery and use of water available.
7. Monitoring and calculation of increases and decreases in groundwater levels and/or aquifer pressures and development of a means to maintain aquifer sustainability.
8. Pursuit of changes of water rights, exchanges, plans of water management, plans for augmentation, substitute water supply plans or other judicial or administrative proceedings to implement or to defend the Plan or otherwise to protect the interests of the Subdistrict.
9. Accounting for the operation of the Plan and assisting in its operation and administration.
10. Economic or other penalties for violating Subdistrict rules or regulations, up to and including subjecting non-complying Subdistrict Wells to the State's administrative rules and regulations by removing the wells from one or more of the Subdistrict's annual replacement plans
11. A program or programs of temporary fallowing or other conservation measures including providing economic incentives, potentially in cooperation with federal programs, to remove acreage from production, on an ongoing basis, to achieve reduction in water consumption necessary to achieve the goals of the Plan.

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12. Provide economic incentives for Landowners or non-members to provide replacement water, land, or facilities for the benefit of the Subdistrict.
13. Calculation of increases and decreases in groundwater conditions.
14. Education and research into water conservation, water use efficiency, improved water management, and public education on agricultural water use.
15. Data collection and analysis programs designed to verify and improve RGDSS Model predictions, further refine the calculation of stream depletions caused by groundwater withdrawals, or otherwise help the Subdistrict achieve Plan objectives.
16. Installation of stream gauges or construction of monitoring wells to directly measure stream depletions, verify RGDSS groundwater model predictions, and/or further the Plan objectives.
17. Work in cooperation with USDA-NRCS to develop annual water supply forecasts based on SNOTEL and snow course data. Determine historical stream flow volumes based on paleo dendrochronology or other methods to correlate precipitation to rim inflows.

This is a non-exclusive list of acts and improvements. The Subdistrict may elect to implement any other act or improvement that, in the discretion of the Board of Managers, is either necessary or desirable to further Plan objectives.

A. Calculation and Replacement of Injurious Stream Depletions Resulting from Subdistrict Well Withdrawals.

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The Subdistrict will comply with the current and future requirements of the Rules Governing the Withdrawal of Ground Water in Water Division No. 3 to calculate depletions to surface streams caused by the withdrawal of groundwater through Subdistrict Wells. The Subdistrict will similarly comply with the current and future requirements of the Rules Governing the Withdrawal of Ground Water in Water Division No. 3 to predict the time, location and amount of replacement water to surface water streams. The Subdistrict may utilize other appropriate methodologies to aid in the calculation of stream depletions resulting from Subdistrict well withdrawals and the calculation of benefits from recharge or other operations.

B. Measurement of Hydrostatic Pressure in the Confined Aquifer.

In order to monitor and measure the artesian pressure in the Confined Aquifer to comply with the requirements of section 37-92-501(4), C.R.S., and any duly adopted State rules and regulations, the Subdistrict may identify or assist in the identification of one or more Confined Aquifer monitoring wells and, where appropriate, identify other features useful to monitor the hydrostatic pressure in the Confined Aquifer in areas where the aquifer is affected by the groundwater withdrawals of Subdistrict wells. The Subdistrict may also develop and implement a monitoring program for measuring the changes in the artesian pressure in the Confined Aquifer system within areas affected by the groundwater withdrawals of Subdistrict wells or take such other measures to develop data and information to determine and monitor the hydrostatic pressure. The Subdistrict may cooperate with other Subdistricts or entities in the San Luis Valley to monitor, recover and/or maintain artesian pressure in the Confined Aquifer throughout

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the San Luis Valley as this Subdistrict alone cannot regulate and/or maintain artesian pressure in the entire Confined Aquifer.

C. Accounting Mechanism to the State Engineer.

The Subdistrict shall submit to the Division Engineer all information required by Rules Governing the Withdrawal of Groundwater in Water Division No. 3 or as otherwise required by the Division Engineer through approval of the Plan of Water Management or future ARPs.

D. Appeal Procedures

In order to ensure that all Landowners receive fair and equal treatment, the Board of Managers will consider appeals by such Landowners if the Subdistrict Fees are considered inaccurate or in error. The Board of Managers may hear any such appeal or may choose to appoint a hearing officer to hear any such appeal and make a recommendation to the Board. The Board of Managers may institute reasonable requirements regarding time limitation of appeals and other reasonable limitations. If it is determined that an error was made, an adjustment will be made in computing the subsequent year's Subdistrict Fees or be refunded. The Board of Managers may develop Subdistrict rules and regulations to govern such appeals or for any other appeals as the Board of Managers deems necessary. In the absence of such regulations, the provisions of the Colorado Administrative Procedures act will apply.

X. SUBDISTRICT TERM AND DISSOLUTION

The Subdistrict will operate for an indefinite period to achieve replacement of injurious depletions to senior surface water rights resulting from groundwater withdrawals and to insure that the aquifer systems are in a sustainable condition. At such time the operation of groundwater wells in the Subdistrict is not causing injurious stream depletions to senior surface

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rights, the groundwater supply in the aquifer system within the Subdistrict is sustainable, with due regard to the daily, seasonal, and long-term demands on the groundwater supply, all other purposes for which the Subdistrict has been organized are permanently accomplished, and all obligations, including post plan injurious depletions, of the Subdistrict have been satisfied, the Subdistrict can be dissolved. It is unlikely that such a state will ever be achieved and, therefore, it is anticipated that the Subdistrict will operate in perpetuity.

XI. CURRENT DATA REGARDING SUBDISTRICT IMPACTS

Exhibit G - Response area summary attached hereto.

Exhibit H – Rule 8.1.5 and 8.1.6 Annual groundwater withdrawal memo attached