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## Deschutes Water Exchange [abstract]

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## **Deschutes Water Exchange**

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Gail L. Achterman is the executive director of the Deschutes Resources Conservancy (DRC), a locally-created, private non-profit organization dedicated to restoring streamflows and improving water quality in the Deschutes Basin of Central Oregon. Before joining the DRC in 2000, she spent nearly 20 years in private law practice with Stoel, Rives LLP where she focused on natural resources and environmental law. From 1987 to 1991 she left Stoel River to serve as Assistant for Natural Resources to Oregon Governor Neil Goldschmidt, where she was responsible for policy development and implementation in all Oregon natural resource, energy and environmental agencies.

She is a fourth generation Oregonian. She received her BA from Stanford University in economics in 1971, her JD from University of Michigan in 1974 and her MS in natural resource policy and management from the University of Michigan in 1975. She currently is a member of the Oregon Transportation Commission, the President's Board of Advisors of Oregon State University and the Advisory Board of the Sustainable Ecosystem Institute. From 1981 to 1985 she served on the Oregon Water Policy Review Board, the predecessor of Oregon's Water Resources Commission. She was President of the Board of Directors of 1000 Friends of Oregon, a land use advocacy organization, from 1998-2000.

### **ABSTRACT**

The Deschutes Water Exchange (DWE) exists to advance the mission of the DRC: to restore streamflow and improve water quality in the Deschutes Basin. The DWE will create the market mechanisms needed to allow all Deschutes Basin water users to trade among themselves to meet their respective, varying needs over time. This will provide the DRC, and other conservation buyers, the tools they need to acquire water rights efficiently for streamflow restoration. At the same time, it should allow other new water uses to be met without increasing (and perhaps even by decreasing) total water withdrawals. Because the DRC's mission guides the operation of the DWE, streamflow restoration is its prime focus. The DWE will promote active water market development for all types of transactions, not just water acquisition by conservation buyers. The DWE will engage in a full range of water market transactions because the accumulation of market transactions should create the critical mass of water reallocation needed to meet the changing needs in the Basin without increasing water withdrawals. In addition, water market operations should generate net

revenue for the DWE, which can then be invested by the DRC (its parent corporation) in streamflow restoration.

### **Products and Services**

***Water Information Services*** - The DWE will develop a comprehensive database on water rights in the Deschutes Basin. The DWE will provide water rights information to all interested parties. This would include information on water rights ownership, transfers, sales, permit applications, well permits, court decrees and streamflow records. The DWE also will promote water rights donations. This will require changes in tax laws to assure that donations are tax deductible and that farmland property tax exemptions can be maintained.

***Brokerage & Administration Services*** - The DWE will be prepared to guide clients throughout the transfer process using its unique water information service. Willing sellers and buyers will come together through the DWE to make water transactions. The DWE will provide all the due diligence, deal structure, negotiation, documentation and closing services for these transactions.

***Annual Water Leasing Program*** - The DRC and local irrigation districts have offered an Annual Water Leasing Program since 1998. Continuing the leasing program will allow conservation buyers to test whether it is more cost-effective to lease, than to buy water rights. The DWE plans to work with local electric utilities starting in the 2002 irrigation season to offer to lease water rights and buy-out irrigation power use at a single price to the landowner. This may encourage greater participation in the leasing program.

***Groundwater Mitigation Program*** - As discussed above, the Water Resources Commission is anticipated to adopt rules in November 2001 that will require all new groundwater permits in the Upper Deschutes Basin to mitigate for impacts to surface water flows. The DWE will act as a broker of mitigation credits, acquiring credits from instream flow restoration projects and selling them to groundwater permittees.

***Acquisition and Marketing of Storage*** - Stored water can be marketed to users who need it, either for out-of-stream use or as instream mitigation for other out-of-stream uses. The water can be stored in reservoirs or aquifers. Research on other water exchanges and water banks shows that most successful banks utilize storage to reallocate water on an annual basis. Most of the existing water storage in the Basin is in federal reservoirs and it is unlikely that the DWE would be able to market water from them. Beyond the federal reservoirs, numerous small storage ponds and reservoirs exist throughout the basin on private lands. It may be possible to obtain and market additional water supplies from these facilities. The DWE plans to investigate the total amount of unallocated reservoir storage space in the Basin and contract with reservoir owners to broker the storage for instream flow releases.

Water can also be stored in groundwater aquifers. The first step in the project would be to prepare a groundwater recharge operation plan to address management, roles and to determine the net storage available for withdrawal. The DRC could administer the recharge program and bank the stored water.