

# Water: ‘We don’t know what’s going to happen in five to 10 years’

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She had worried for years that outsiders would come for the valley’s water.

Crown’s draft application, published online, sought to transfer the ranching family’s water right to trust and allow for future water use from the Chewuch River, near Winthrop, to the mouth of the Columbia River, more than 500 miles downstream.

The Lundgren Limited Family Partnership’s claim dates back to 1907, according to the legal notice.

A 1910 agreement with the Chewuch Canal Co. allows the Lundgren partnership to transport water using the company’s canal, which snakes across the landscape for more than 13 miles and delivers water to about 185 shareholders with farms, ranches and homes in the Winthrop area.

The draft application sought to place in trust the right to as much as 97 percent of the canal’s flow at any one point in time.

After the local paper, the Methow Valley News, published stories about the potential deal, “it was the talk of the town, at least in my circles,” said canal shareholder Betsy Smith, of Winthrop.

Those circles have changed for Smith, who is a veterinarian and the matriarch of a sheep-ranching family.

The construction of Highway 20 in the late 1970s, which spills past granite spires in the North Cascade mountain range, now connects the valley with Washington’s urbanized west side. A migration of money and burst of second-home construction amid the Methow’s dry Ponderosa pines followed, changing the complexion of the bucolic valley.

The Methow has become a hub for climbers and skiers. In summer, tourists swarm the streets of Winthrop, carrying ice cream cones between the saloons and general stores fashioned as an homage to the American West.

“The economy now isn’t necessarily based on agriculture,” said Casey Smith, 27, son and scion of BCS Livestock, the sheep-ranching operation. “It’s based on recreation and tourism. But it’s beautiful here because it’s a green landscape.”

Still, many livelihoods depend on irrigation.

An early May visit found those who work the land in the throes of “frantic springtime,” as Roger Rowatt, the president of the canal company, called the beginning of the irrigation season.

Days before, Rowatt, a miller, farmer and cabinetmaker who sports a white ponytail and an arrowhead goatee that points to his chin, kicked off the frenzy when he opened a sluice gate on the Chewuch River, allowing water to flow into the canal and down to shareholders.

“It’s a dry year,” said Brian Larson, a local orchard manager scrambling to fix a water pump before new trees arrived for planting. “Water is everything.”

A few miles away, the Smiths were coaxing sheep into a neighbor’s pasture.

“We graze on all irrigated pasture. Without that, we wouldn’t have food for the sheep,” Casey Smith said.

To him, water is a community resource. It galls him that someone would try to remove the “lifeblood” from the place he loves.

“We don’t know what’s going to happen in five to 10 years. Having water will be increasingly valuable as the climate here gets warmer, drier and hotter,” he said. “One of the things that surprises me is that anybody that would be from this community, and embraces their community, would try to sell their water rights to someone far away.”

Like others, Rowatt fears water sold away will be removed from the Methow forever because it’s more valuable for agriculture in prime growing areas that can produce a higher yield for each acre.

“To sell out water and dry out an agricultural community to line the pockets of investment bankers, yeah, that bothers me,” he said.

Water, a public resource, shouldn’t necessarily go to the highest bidder, Rowatt said.

Peterson says the community misunderstanding.

The application reflected the Lundgrens’ historic water claim, not the amount of flow Crown hoped to utilize, he said. Leaving water in the stream would help Chewuch River fish, he said. Water deposited with Crown could be leased or purchased by valley residents, too.

“If they wanted to preserve a community asset, this is the way to do it,” he said.

He balked at concerns over Crown’s private-equity backing.

“To say that somebody coming from New York with money must inherently be a bad thing ignores the realities of everyday life anywhere in America,” he said.

Earlier this year, Don Lundgren, who was attempting to sell the water right, told a reporter he did not understand the interest in his water deal and declined to make further comment.

## ‘Aggressive acquisition’

As Crown pursued water, the Ecology Department grappled with its acquisitions.

The department’s Office of the Columbia

River, whose mission is to aggressively pursue water solutions and find new supply for the basin, approved the company’s original trust water rights agreement in 2016.

Peterson credited Tom Tebb, the office’s leader, for helping develop his concept.

“We’re trying to facilitate the movement of water to its highest, best use,” Tebb said.

Other parts of the agency have closely scrutinized Crown’s water transfers, overturning local water decisions that were favorable to Crown. Ecology also opposed parent company Crown West Realty in court when it attempted to place millions of dollars of water into trust from wells at another of its real estate holdings, a Spokane industrial park.

Crown’s activities have stirred internal debate within Ecology.

“Overall, I think it is not a good sign that our Trust/Banking programs attracted Wall Street attention,” wrote Ying Fu, of the agency’s Spokane office, in an email thread about Crown Columbia’s Methow deal. Fu expressed concern that profits would be made on water held in “state sponsored ‘banks.’”

Dave Christensen, Ecology’s water resources policy and program development manager, last winter commissioned the University of Washington’s Evans School of Public Policy to study water marketing.

“We are hearing (and have) concerns that continued aggressive acquisition and marketing will cross the threshold into outright speculation (if it hasn’t already gotten there),” Christensen wrote in a memo to staffers.

Christensen said in August the agency was investigating whether the trust water-rights program was contributing to potential speculation or being used for purposes outside of the Legislature’s original intent to improve stream flows and to allow water-rights reallocation. The department also is evaluating water banking, he said, and would make policy recommendations on the programs next year.

Jewell, the policy adviser for Washington’s counties, said he grew concerned over how water markets were operating in his last job as a Kittitas County commissioner. In his county about a decade ago, as development boomed, local, private water markets were able to command high prices without much competition. Jewell helped the county start its own water bank to compete and lower prices. He said the Ecology Department needs to be more proactive as companies acquire and consolidate resources.

“Ecology has really been a spectator in watching these water markets develop, and I honestly think pretty naive, in not taking a more active role in managing the system,” Jewell said. “If they don’t get ahead of this developing market, they could find themselves on the outside looking in pretty quickly.”

## Dust settles in the Methow

Perhaps it’s the Methow’s beauty that has protective valley residents spoiling for civic showdown.

“There’s a history in the Methow of organizing,” said Rob Crandall, a canal shareholder who operates a nursery for native plants. “You’re not going to steamroll us.”

“That’s their happy place,” Peterson said with an eye roll.

The community has doomed many a development project with serious financial backing, perhaps because the projects had serious financial backing.

In the 1970s, valley residents fought plans for a ski resort. Over decades, opponents wore down the Aspen Ski Co., ran a Bellevue group out of \$12 million and town, too, and then boxed out a developer who had pivoted the ski project to a 560-home resort and golf course.

The project was ultimately doomed over water rights.

Once again, Methow residents rallied. Dozens turned out to local meetings about the Lundgren transfer. The canal company hired a Harvard-educated Winthrop lawyer, Natalie Kuehler, to object for her “fiercely protective” community.

Kuehler found the Lundgrens’ original claim was not filed with Ecology until 1998. She wrote to the department, arguing the claim was junior to the canal and the river’s instream flow rule, which is essentially a water right for the river itself.

Ecology agreed, making the water claim much more likely to be restricted.

“The monetary value took a deep dive,” Kuehler said.

This August, more than 14 months after Crown applied to put the Lundgren water right into trust, Crown pulled out.

“The Chewuch Canal Company did win this battle,” Rowatt said. “The issue is not over. Crown Columbia and people like them are trying to buy up every drop of water they can and move it out of the valley.”

McCrea is now pursuing statewide legislation to restrict the ability to transfer water out of local watersheds, which could foreclose Peterson’s dreams of a water market spanning much of the state.

As the climate warms, few forecast water decreasing in price. But more than money is on the line when bets are made on its future.

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