



ARKANSAS VALLEY CONDUIT MONTHLY REPORT

Thursday, July 18, 2024

This monthly newsletter summarizes activities related to the Arkansas Valley Conduit and is made available to the Southeastern Colorado Water Conservancy District Board of Directors and Arkansas Valley Conduit stakeholders. To request a subscription to the Report, please contact info@secwcd.com or view it at <https://www.secwcd.org/>

Updated AVC cost estimates shared with stakeholders

A meeting to explain updated cost estimates for the Arkansas Valley Conduit (AVC) Project was held at Rocky Ford on Thursday, June 27, 2024.

About 40 people attended in person, with about 20 people online.

At the meeting, stakeholders were able to hear the same presentation given a week earlier to the Southeastern Colorado Water Activity Enterprise Board of Directors. The Enterprise is the business arm of the Southeastern Colorado Water Conservancy District, and board members for each are the same.

Southeastern President Bill Long, Executive Director Leann Noga and AVC Project Manager Kevin Meador, and Bureau of Reclamation Eastern Colorado Area Office Area Manager Jeff Rieker presented at the meeting.

Questions about the cost, repayment conditions and schedule of the AVC were addressed following the presentation.

“We’re all in this together,” Mr. Long said. “One single question is extremely important: How much is this going to cost? We intentionally have not asked you to sign any agreement and we won’t ask you to sign any agreements until we can answer that question to your satisfaction. It’s that simple.”

Long pointed out that federal legislation in 2009 allowed miscellaneous revenues of the Fryingpan-Arkansas Project to help repay the participants’ share of the AVC.

“Our goal is to pursue legislation that will allow us to use



AVC stakeholders listen to a presentation on updated cost estimates for the Arkansas Valley Conduit at the CSU Extension Office in Rocky Ford on Thursday, June 27, 2024.

“We’re all in this together.”

— SE District President Bill Long

those miscellaneous revenues until our share of the trunk line is paid. We want a fix that will not make that part of your monthly bill.”

During the presentation, updated AVC cost estimates were shared. The estimates are subject to revision by future changes in the AVC Project or inflation, so could be more or less, Mr. Rieker explained.

“As we move forward, we will get additional construction contracts out. That will give us more information. As we get additional design work done, that either locks in or removes some of the contingency I talked about. As time goes on, we will continue to adjust,” Mr. Rieker said.

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Updated cost estimates shared at Rocky Ford meeting

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The Reclamation Sub-Project, which includes the trunk line from Pueblo to Lamar and associated features, cost estimate is \$1.3 billion. The Reclamation estimate includes about 35 percent contingencies for unknown costs. The Enterprise Sub-Project, which includes spurs and delivery lines, is \$75 million. Estimates were made using data available in October 2023.

Participants are responsible for 100 percent of the Enterprise Sub-Project, and the Enterprise has worked to reduce that cost through obtaining grants. So far, the Enterprise has obtained a \$30 million grant from the Colorado Water Conservation Board (CWCB) and is working with other state agencies to reduce the amount of debt that will ultimately be paid by participants.

There were concerns expressed by several people at the meeting that the participants will also accrue their own debt for improvements within their system.

Mrs. Noga responded that the Enterprise is developing a “toolbox” to help participants navigate state and federal funding options.

“This is something we’ve had thoughts on in the past, but we are going to take that leap,” Mrs. Noga said.

Participants also wanted to know when they would be asked to sign a contract for repayment. All 39 participants in the AVC have signed a Memorandum of Agreement to pay for development costs of AVC. The repayment agreement will include costs associated with construction, operation and maintenance of the AVC.

As Mr. Long indicated, participants won’t be asked to sign an agreement until costs are better understood.

Mrs. Noga further explained that the Enterprise first must sign a repayment contract with Reclamation. Negotiations began in February 2024 but were put on hold until the updated cost estimates were available. The goal is to have miscellaneous revenues pay off the total cost of the trunk line, leaving only the cost of the spurs and delivery lines for participants to repay. One strategy for doing that is to extend the repayment period from 50 years (in the current draft contract) to in perpetuity.

“The contract that we started to negotiate is on hold at the moment,” Mrs. Noga said. “There’s a number of elements that we want to make sure are in place before we go out to a final contract.”

Several questions focused on the schedule of AVC, which in 2020 was estimated to be completed to Lamar by 2035. That schedule has always depended on the availability of federal funds.



Southeastern District Board Member Kevin Karney (left) talks with AVC stakeholders following the June 27 meeting at Rocky Ford.

Mr. Rieker said the AVC has received priority attention among many Reclamation projects.

“We’re encouraged by the funding we have received for the AVC Project,” Mr. Rieker said.

Participants also asked about the advantages and disadvantages of private water companies becoming authorities (a governmental entity), and whether their eligibility for increased funding opportunities would put them in competition with municipalities seeking the same sort of funding.

Mr. Meador explained that conversion of the private companies to authorities will also benefit all participants by reducing total costs of the spurs and delivery lines.

What are Miscellaneous Revenues?

Under Public Law 111-11, passed by Congress in 2009, miscellaneous revenues from Fryingpan-Arkansas Project contracts can be used to pay the 35% local share of the AVC.

These revenues come from contracts for excess capacity storage of non-Project water in Pueblo Reservoir, conveyance of water and other activities.

Other parts of the Fry-Ark Project — the South Outlet at Pueblo Dam, Ruedi Reservoir, Fountain Valley Pipeline — were paid for in part by miscellaneous revenues.

The miscellaneous revenues were sufficient to repay the 35% AVC costs on the Trunk Line within 50 years using 2020 cost estimates.

The District is looking at how to extend the time period for using these revenues in light of the updated cost estimate.



BUREAU OF RECLAMATION AVC SUB-PROJECT

Construction at a Glance

Boone Reach 1:

WCA Construction LLC
 Amount: \$42.98 million
 Contract date: 9/2022
 Progress: 3.26 miles of trenched 30" pipe, 1 mile of directional bore installed.

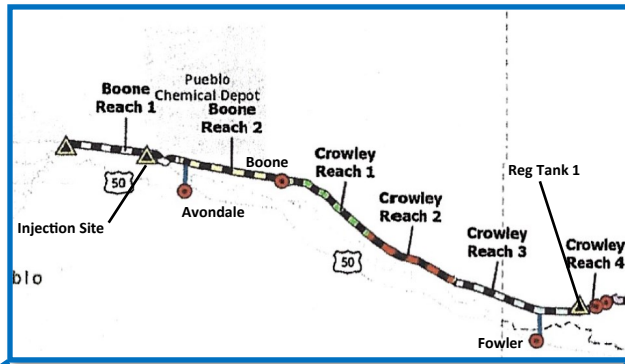
Boone Reach 2:

Pate Construction Co.
 Amount: \$27.2 million
 Contract Date: 9/2023
 Progress: 1 mile of trenched 30" pipe installed.

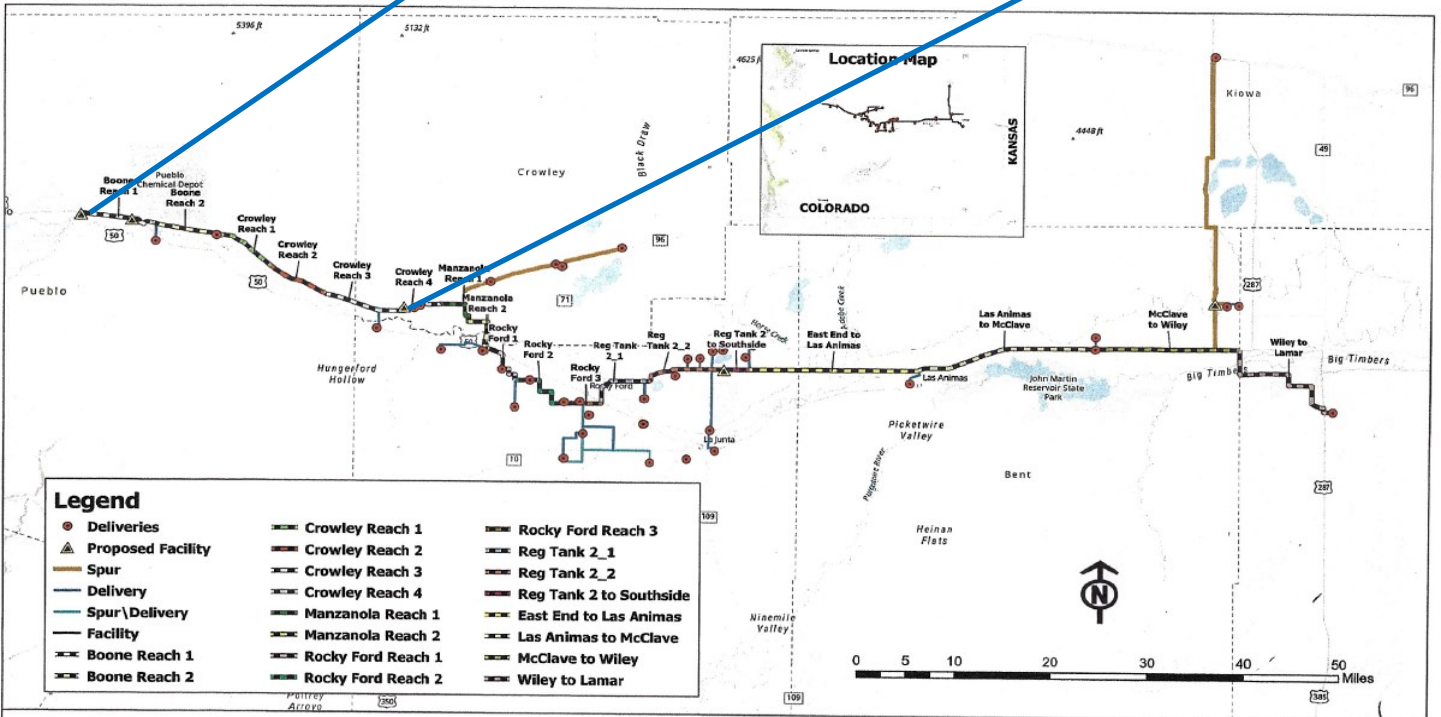
Injection Site:

Thalle Construction
 Amount: \$28.7 million
 Contract date: 2/2024
 Progress: Notice to proceed issued, work will begin when pipe stored on site is gone.

Federal Sub-Project	Design	Construction Contract	Construction	Completion Estimate
Boone Reach 1	✓	✓	In Progress	4/17/25
Boone Reach 2	✓	✓	In Progress	8/25/25
Injection Site	✓	✓	NTP issued	3/11/26
Reg Tank 1	In Progress			11/19/27
Design to Lamar	In Progress			11/5/31



Reclamation is building the Trunk Line of the Arkansas Valley Conduit, which includes 130 miles of pipeline, 2 Regulating Tanks, the Injection Site and vaults for participant connections.



BUREAU OF RECLAMATION

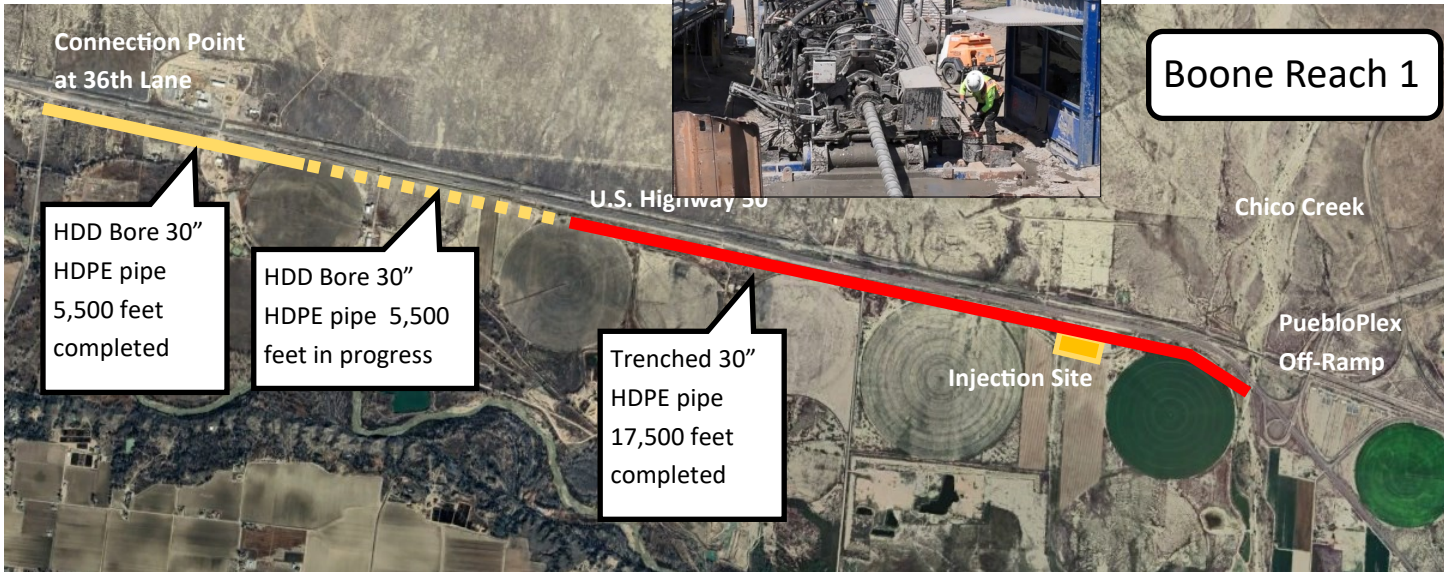
Arkansas Valley Conduit Alignment & Deliveries (06/12/2023)



Bureau of Reclamation
 Southeastern Colorado
 Water Conservancy District



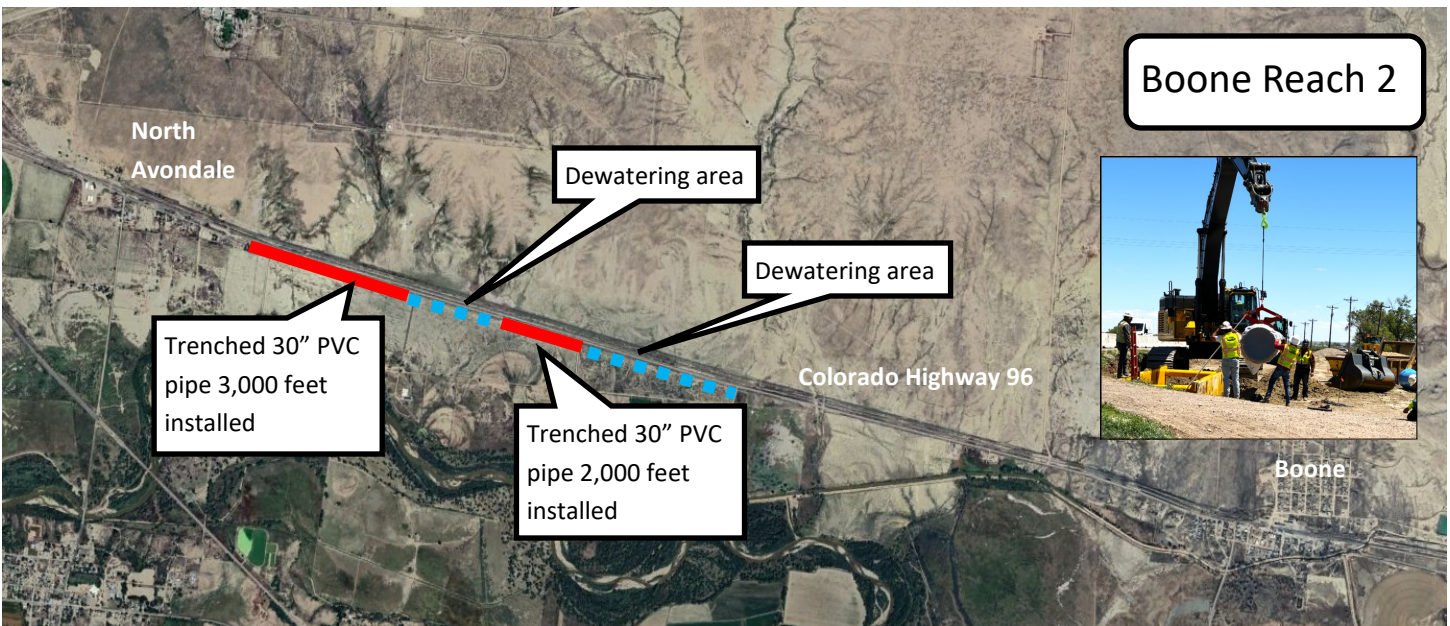
Federal AVC Construction Activity



Boone Reach 1

The second leg of the horizontal directional drilling (HDD) is continuing. The pilot hole is complete and 3,500 feet of 5,500 feet for the 30-inch ream pass is complete. The entire length of 30-inch HDPE pipe for the second leg has been

fused and is being prepared for testing. About 17,500 feet (3.3 miles) of trenched 30-inch pipe has been installed. WCA is resetting HDPE pipe in Chico Creek because of washouts as a result of recent thunderstorms. Pipe is being fused for the section around the PuebloPlex off-ramp.



Boone Reach 2

As of July 10, 2024, Pate Construction has laid more than 5,000 linear feet of 30-inch PVC pipe in two areas along Colorado Highway 96 and is installing additional dewatering wells in a section between the two areas. The Colorado Department of Transportation has not approved a full road closure on Highway 96 at this time.

Injection Site

Reclamation anticipates that Thalle Construction Company will be onsite in the August-September of 2024 time frame to start site work.

Design

Crowley Reach 1, 60% design drawings and specifications are being reviewed.



Landowner Contacts with Reclamation

The Bureau of Reclamation continues our planning and design activities on the Arkansas Valley Conduit (AVC) project. Reclamation knows that adjoining landowner relationships are integral to this project. As a result, Eastern Colorado Area Office Realty Specialists, as well as a few contractors, have been engaging and will continue to engage landowners directly, as needed.

Reclamation starts the engagement process by identifying properties that could help the AVC project. This includes properties that are adjacent to the CDOT highway right-of-way and county roads along the proposed pipeline route. Then Reclamation mails project information and a Permission-to-Enter Property (PTE) request to the landowners that we have identified based on the above needs. If you receive a PTE form, Reclamation kindly requests that you complete and return it to us or call or email ECAO Realty Staff with questions.

Our PTE form is critically important, as it allows Reclamation staff and our contractors to begin preliminary surveying work that is vital to the project.

In general, the project plans will use the CDOT and county road rights-of-way as much as possible, but we also need to work with willing landowners to obtain permanent and temporary construction easements.

The PTE form provides details about what landowners

can expect from Reclamation activities. For example, realty specialists and archaeologists will likely walk the length of properties alongside the road, geologists may need to drill test holes into private land along the road, and surveyors may verify property boundaries or locate survey monuments.



Please use the PTE to give Reclamation staff and contractors specific instructions, such as when to notify you that we'll be on the property. Reclamation staff are available for face-to-face meetings with landowners whenever requested.

To inquire directly with the Bureau of Reclamation about the Arkansas Valley Conduit project, please contact:

- ◆ Jeff Bollman, Realty Specialist: jbollman@usbr.gov
- ◆ Joe Gomori, Project Coordinator: jgomori@usbr.gov
- ◆ Anna Perea, Public Affairs Specialist: aperea@usbr.gov



Federal AVC Funding

The AVC received \$90 million in Bipartisan Infrastructure Law (BIL) funding on May 30, 2024. Total federal funding since 2020 totals \$321.23 million.

The AVC allocation in the President's FY2025 budget increased to \$13.06 million, according to information released in March 2024.

The updated cost estimate for the Reclamation AVC Sub-Project was updated to \$1.3 billion in June.



30-inch HDPE pipe is welded by a WCA employee along Boone Reach 1 as part of the AVC Reclamation Sub-Project.



Construction and Design

Construction

Construction of Avondale and Boone delivery lines is completed. The Enterprise Board approved a bid of \$862,548 by K.R. Swerdfeger Construction, LLC for construction of the Boone and Avondale delivery lines on July 20, 2023. Construction of the Avondale and Boone lines is fully funded by American Rescue Plan Act (ARPA) funds approved by Pueblo County Commissioners.

Design

The design for spur and delivery lines began at the end of April 2023. Kennedy Jenks is performing the designs for Otero County, and AECOM for the remainder of AVC delivery lines outside of Pueblo County. Currently surveying, geotechnical, environmental, and general field reconnaissance are being performed. The design work is expected to be completed by the end of 2025. Funding sources include the ARPA funding committed by counties and Participants in 2022, as well as grant money from the Colorado Water Conservation Board (CWCB) and/or the State Revolving Funds. Total contracted design cost is \$7.3 million. The design schedule was paused in June 2024 until additional funding is secured for the project. However, this pause in design activities is not expected to adversely impact the overall project schedule and coordination with the Federal Sub Project schedule.

Enterprise Sub-Project Funding

Funding to Date

The Enterprise has secured \$30 million in grants and \$90 million in loans through the Colorado Water Conservation Board (CWCB) for building the spur and delivery lines for AVC.

County commissioners and some municipalities in the AVC have contributed \$3 million through American Rescue Plan Act (ARPA) funds.

The Enterprise has contributed \$4.8 million.

AVC Participant contributions total more than \$2 million since 2011.



Funding Plan

The Enterprise staff continues to discuss with CWCB and agencies that administer the State Revolving Fund (SRF) options to maximize the use of grants and forgivable loans.

Strategic aims include:

- ◆ Maximize the number of private water companies to reorganize as governmental agencies in order to increase eligibility for millions of dollars in forgivable loans (grants) in the SRF program, as opposed to interest-bearing loans. We are in contact with the Department of Local Affairs (DOLA) on this topic.
- ◆ Develop a Memorandum of Understanding (MOU) among the CWRPDA, CWCB, Enterprise and Otero County (as fiscal agent) for funding procedures. This is in progress and will define procedures needed to secure state funding.
- ◆ Continue to meet with the Colorado Department of Public Health and Environment (CDPHE) on the funding and schedule of the AVC. This is important because enforcement orders for radionuclides for 18 of the 39 participants list the AVC as the remedy.

Construction at a Glance

Enterprise Sub-Project	Design	Construction Contract	Construction	Completion or Estimate
Avondale Delivery	✓	✓	✓	12/31/23
Boone Delivery	✓	✓	✓	12/31/23
Spurs and Delivery Design	In Progress			12/31/25



2024 Communication Plan

Importance of the Arkansas Valley Conduit

Enterprise leadership changed in March 2024 with the appointment of Leann Noga as Executive Director by the Board of Directors. The Arkansas Valley Conduit (AVC) is needed for the people living in the Lower Arkansas Valley and is of the utmost importance to the Enterprise. The goal of the Enterprise is to keep the AVC Project moving forward.

Structure of the Communication Plan

A short-term plan was developed in June 2024 that provides a working matrix, divided into three areas:

1. Enterprise AVC Sub-Project
2. Reclamation AVC Sub-Project
3. Participant Water System Activities

The matrix covers necessary activities from July to August 2024 and will be used to communicate monthly updates of the plan through Board presentations, contacts with stakeholders and this newsletter.

The Enterprise also will upgrade the District web site to better reflect current AVC activities and progress.

As we move forward, there are key areas of focus which will be led by staff members and our governmental consultant Christine Arbogast (see table at right).

Budgeting vs. Accounting

The Enterprise adopts a Budget each year and in the past were able to rely on the fund balance, approved by the Board in 2020, to cover expenses. The Enterprise was also able to use American Rescue Plan Act (ARPA) funds provided by counties and municipalities to cover some of the design costs (and construction costs in Pueblo County) for the AVC Sub-Project. Recognizing that there could be shortfalls until full funding is realized, design activities were paused in June 2024.

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The Enterprise Team:

Enterprise Staff members will take the lead in different areas identified in the Arkansas Valley Conduit Communication Plan.



Leann Noga, Executive Director
Overall AVC Project lead, coordinates funding and policy decisions, assigns staff responsibilities.



Gordon Dillon
Principal Engineer Operations
Construction supervision and coordination for the AVC



Garrett Markus
Principal Engineer Water Resources
Coordinates water supply activities related to AVC.



Kevin Meador
Principal Engineer AVC Project
Supervises AVC design and construction activities, coordinates with Reclamation and participants.



Lee Miller, General Counsel
Oversees and coordinates contracts, agreements and legal activities related to AVC.



Stephanie Shipley, Finance Manager
Supervises budget and accounting for the AVC.



Chris Woodka
Senior Policy and Issues Manager
Coordinates internal and external communications for the AVC.



Christine Arbogast, lobbyist
Coordinates interaction with federal and state agencies and the Colorado congressional delegation.



2024 Communication Plan

AVC Funding

To date, the Enterprise has secured \$30 million in grants and \$90 million in loans from the Colorado Water Conservation Board (CWCB). Otero County is the fiscal agent for the grant portion of this package. The only other sources of funding at present are the AVC fund balance and participant payments for development costs or non-capital expenses. The Enterprise is pursuing State Revolving Funds (SRF) through the Colorado Water Resources and Power Development Authority (CWRPDA) as well. To coordinate the state funding package, an MOU among CWRPDA, CWCB, Otero County and the Enterprise has been proposed. In addition, the Enterprise is in close communication with the Colorado Department of Local Affairs, the USDA Rural Development Program, the Environmental Protection Agency and the U.S. Army Corps of Engineers to explore more funding options.

Agreements, Governance and Policy

The AVC repayment contract negotiations between the Enterprise and Reclamation are on hold, which means agreements between participants and the Enterprise are on hold as well. These were put on hold until legislative and administrative ways to reduce the burden of costs for participants can be fully explored. We are planning to resume discussions with participants about governance of the AVC, which were postponed after an initial meeting in 2022.

Program Manager Search

The Enterprise has issued a request for proposals (RFP) for a program manager to oversee the forward movement of the AVC Project regarding engineering, participants, communications and accounting. In addition, the program manager will be the lead in investigation of funding opportunities of all types. The need for the position became apparent following the retirement of a key staff member in April 2024. The RFP will conclude on August 9, 2024.

Coming in August

Here’s what the Enterprise team is working on and will report to the Board in August:

- AVC cash flow August-December 2024 projection.
- Summary of SRF funding and possible needs.
- Meeting with the CWRPDA for ongoing discussions.
- Updates on the Communication Plan.
- Update on water resources discussions.
- Development of a plan for operations and maintenance.
- Status of governance discussions.
- Federal construction update.
- Federal funding update.



Questions?
Comments?
Suggestions?

The Southeastern Colorado Water Activity Enterprise welcomes your feedback on this newsletter. Contact us and we’ll put you in touch with the people to get the answers you need.

Contact: chris@secwcd.com