

ARKANSAS VALLEY CONDUIT COMMITTEE
MINUTES
June 20, 2019

A meeting of the Arkansas Valley Conduit (AVC) Committee was held on Thursday, June 20, 2019 at 12:33 p.m. at the Southeastern Colorado Water Conservancy District (District or SECWCD) office.

Chairman Bill Long announced a quorum was present.

COMMITTEE MEMBERS PRESENT:

Bill Long - Chairman, Howard "Bub" Miller – Vice Chairman, Carl McClure, Kevin Karney, Dallas May, and Jim Broderick

COMMITTEE MEMBERS ABSENT AND EXCUSED:

None

OTHERS PRESENT:

Dwight Gardner, Senator Michael Bennet's office; Alan Hamel, SECWCD Board Member; Christine Arbogast, Kogovsek & Associates; Lee Miller, Leann Noga, Kevin Meador, Garrett Markus and Chris Woodka, SECWCD staff.

APPROVAL OF MINUTES:

Chairman Bill Long confirmed that members of the Committee received their copy of the October 18, 2018 minutes, and asked if there were any corrections or additions. Hearing none, Carl McClure moved, seconded by Dallas May, to approve the minutes. Motion unanimously carried.

PRESENTATIONS:

Chris Woodka gave updates on the following AVC developments:

- 1) **State Actions:** The Senate Joint Memorial passed the Colorado General Assembly by unanimous vote in 2019, nearly all House members and three-fourths of the Senate signed on as co-sponsors. District staff has met with Colorado Water Conservation Board (CWCB) Director Jack Goble, and Finance Section Chief Kirk Russell to determine how and when to access the remaining \$42 million-plus of state loan money available to AVC. As you recall, the District obtained a \$60 million loan in 2007, and \$17.2 million was used for construction of the James W. Broderick Hydropower Plant (Hydro Plant) at Pueblo Dam.

The District has proposed to the Bureau of Reclamation (Reclamation), and shared with the state, a proposal for spending \$40 million, but only after the AVC has begun

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deliveries to the Rocky Ford area. Construction costs to that point would be shared under the 35 percent local/65 percent federal cost share under P.L. 111-11.

2) Regionalization: The first workshop for the Regionalization Study (Study) was held on May 23, 2019, at CDM Smith's Denver offices. District staff was unable to attend, and CDM Smith and Reclamation were unwilling to move the date when requested. However, District staff participated in a pre-workshop meeting to finalize objectives, provide accurate information, and set goals. The meeting's objectives were:

- Confirm list of AVC participants in the Study and their status. St. Charles Mesa and Avondale are included, even though they are not currently participating in the AVC program through the District.
- Verify data sources used for the study and identify missing sources.
- Provide an update on current Colorado Department of Public Health and Environment enforcement orders.
- Obtain consensus on alternatives to be evaluated in the appraisal study
- Summarize existing water treatment processes and upgrades at potential regional water providers.

The next workshop has been moved to June 26, 2019, at the District's request, so that staff may participate directly in the Study. Our goal is to define the Study in such a way that it will complement the AVC when it is built.

3) Reclamation Visit: District officials met with Reclamation Deputy Commission David Palumbo, Regional Director Mike Black, Senior Analyst Brian Becker, Area Manager Signe Snortland, and Project Manager Sam Braverman on May 30-31, 2019. Mr. Russell from the CWCB also attended. Bill McDonald, Lowell Pimley (by phone), and Christine Arbogast, District consultants, also attended.

The group (traveling in a rental van) visited the Hydro Plant, drove the former route of AVC around Pueblo, and drove the Boone reach from the eastern end of the Pueblo Airport Industrial Park. The purpose of this tour was to show how much construction has been avoided under the New Concept, and to give Reclamation an idea of the type of terrain the rest of the AVC will be going through.

After the tour, the rest of the workshop took place at the District office.

4) Value Planning: Much of the two days focused on Value Planning, which Mr. Palumbo presented as a way to find cost efficiencies, save time, and restore AVC funding. The Value Method involves a site visit and a week of facilitated workshops. Executive Director Jim Broderick, Mr. Palumbo, and Mr. Black will lead the orientation meeting, and experts from Reclamation will join District staff and consultants for the workshops.

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A similar Value Planning exercise for AVC was held in 2010, prior to the Environmental Impact Statement for AVC. The District is trying to build on the efficiencies we have already realized by avoiding building miles of new pipeline around Pueblo further down the line. Construction materials (alternatives to steel pipe), and methods (getting pipe in the ground more quickly than Reclamation estimates) are two ideas the District wants to put on the table.

We discussed construction materials and methods with Mr. Palumbo and Mr. Black during the May 30-31, 2019, meeting.

- 5) **Pueblo Contract:** Mr. McDonald discussed the proposed contract among Reclamation, Pueblo Water and the District (Pueblo Contract). There have been two formal technical sessions, as well as numerous meetings between the District and Pueblo Water lawyers so far. Reclamation is working on a Basis of Negotiation (BON). A three-party contract is envisioned, with a Part B allowing Pueblo Water to use credits for storage in Pueblo Reservoir as a method of payment for capacity in its system to deliver AVC water.
- 6) **2019 Work Plan:** At the May 30-31, 2019, meeting with Reclamation, we learned that there is \$2,938,353 available in unobligated funding (\$300,000 specifically for Regionalization) for AVC going into 2020. Unfortunately, the final design for the Boone Reach (12 miles of pipeline and a break-point chlorination plant at Boone) will cost \$6 million, according to Reclamation. We discussed how this might be funded using funds from other sources, including non-federal funds.
- 7) **Near-Term Budget Issues:** We discussed the possibility of obtaining reprogramming funds in 2019, “plus-up” money in 2020, and the 2021 budget preparation schedule. The major snag in obtaining funds remains the Office of Management and Budget (OMB), which reviews all Department of Interior, including Reclamation, requests. OMB has been the reason there are no funds for AVC in the federal budget. The District has seen success with Senators Cory Gardner and Michael Bennet, and Representatives Scott Tipton and Ken Buck advocating for AVC. Senator Gardner in April said he has met with President Trump and Vice-President Pence to deal with this issue.
- 8) **Financing Construction:** The Pueblo Contract provides a way to fund AVC by means other than direct appropriations. Miscellaneous revenues from the Fryingpan-Arkansas Project will become available for AVC in 2022 under P.L. 111-11. However, federal appropriations will be needed to build AVC, which will cost hundreds of millions of dollars to complete. Mr. Palumbo said local cost share would help, saying “non-federal, not insignificant funding” would probably help this process.

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The Committee discussed the topics listed in this report in order to review the progress that has been made on AVC in recent months.

Jim Broderick asked the Committee to affirm that staff is moving in the right direction on the described actions, and further explained the relationship between state and federal funding. He gave potential scenarios about how the money would be spent.

Christine Arbogast reviewed the May 30-31, 2019, meeting with Reclamation officials, but said the federal budget process depends on actions by other government agencies, particularly the Office of Management and Budget. The goal of the visit was to convince Reclamation to pursue funding for AVC. There has also been political pressure from Senator Cory Gardner, Representative Scott Tipton, and Representative Ken Buck.

Chairman Long, Mr. Broderick, and Ms. Arbogast stressed the need to show local support for AVC, possibly through grants. Chairman Long said the use of loans depends on the level of federal funding, and the Committee reviewed a letter prepared by Consultant Bill McDonald and signed by Mr. Broderick that outlined District preferences on how loan money will be applied.

The goal for future budgets is to get anything but a zero, but the District should continue to ask for full construction funding, Ms. Arbogast said.

There is \$40 million plus reserved for AVC loans by the CWCB, but more is probably needed. There was discussion about whether a state grant can be obtained for AVC.

The Committee agreed to investigate all loan and grant options.

The AVC participants' ability to fund construction and operations of the AVC were briefly discussed, including whether interim projects would tap out the ability to fund the AVC.

Privatization of AVC construction was discussed. The Enterprise, or agency created to build the AVC could build the AVC for less than Reclamation, but there would be disadvantages as well as advantages.

Mr. Broderick said the purpose of the meeting is to obtain Committee approval of staff actions. Chairman Long and the Committee concurred.

Lee Miller discussed progress on the three-way contract to use Pueblo Water's system to reach the eastern edge of Pueblo. It appears the negotiations for the contract will occur after the Value Planning exercise is complete. A basis of negotiation (BON) is being developed by Reclamation and Value Planning could alter these parameters. An Environmental Assessment on changes will be needed before the contract can be signed.

Staff will develop a work plan to move the AVC ahead.

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ACTION ITEMS:

None

INFORMATION ITEMS:

None

OTHER BUSINESS:

None

NEXT MEETING

Not determined

ADJOURN

Chairman Long adjourned the meeting at 1:34 p.m.

Respectfully submitted,

Chris Woodka,
Senior Policy and Issues Manager