

**ARKANSAS VALLEY CONDUIT COMMITTEE**  
**MINUTES**  
**September 19, 2023**

A meeting of the Arkansas Valley Conduit (AVC) Committee was held at 9 a.m. Tuesday, September 19, 2023, at District offices and via electronic and telephonic means.

Chairman Kevin Karney announced a quorum was present for the AVC Committee.

**AVC COMMITTEE MEMBERS PRESENT:**

Kevin Karney – Chairman, Howard “Bub” Miller – Vice Chairman (via Zoom), Matt Heimerich (via Zoom), Bill Long and Jim Broderick

**AVC COMMITTEE MEMBERS ABSENT AND EXCUSED:**

Dallas May.

**OTHERS PRESENT:**

Seth Clayton, Pat Edelmann, Mark Pifher, Ann Nichols, SECWCD Board members (all via Zoom); Christine Arbogast, Kogovsek & Associates (via Zoom); Derek Mickle, USBR (via Zoom); Andy Klakulak, USGS (via Zoom); Kirk Medina, Stratmoor Hills (via Zoom) Kevin Meador, Mark Scott, Leann Noga, Chris Woodka, Garrett Markus, Lee Miller (via Zoom), Peter Levish (via Zoom) and Patty Rivas (via Zoom), SECWCD staff.

**APPROVAL OF MINUTES:**

Howard “Bub” Miller moved, and Matt Heimerich seconded approval of the April 6, 2023, AVC meeting minutes. Motion passed unanimously.

**PRESENTATIONS**

Kevin Meador introduced Derek Mickle, the AVC Project Manager for the USBR Eastern Colorado Area Office.

Mr. Mickle gave a presentation on the federal portion of the AVC Project (Trunk Line, Injection Site and Regulating Tanks).

Solicitation for the Chemical Injection Site are expected to be released within the next week and bids due around the end of 2023. It will likely be a full and open solicitation. Design work on the entire AVC trunk line is continuing, based on funding the Bureau of Reclamation (Reclamation) is looking at putting out larger contracts for construction (longer reaches of pipeline for instance) to improve competition and efficiency. Current precipitation has temporarily slowed trunk line construction this last week. About 1,000 feet of pipeline are buried, and another 2,000 feet welded and ready for burial. Horizontal drilling continues, with the pilot hole being approximately 3,000 feet in length and currently at about 73 feet deep.

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Boone Reach 2 bid was announced on Friday, September 15, with Pate Construction Co. of Pueblo awarded a contract for \$27,216,950. The Eastern Colorado Area Office (ECAO) is also working with Reclamation to resolve cybersecurity issues associated with the AVC and other Reclamation projects. Mr. Mickle said the \$100 million (\$160 million this year total) in funding awarded to AVC through the Bipartisan Infrastructure Law is “more than we expected” and the bid for Boone Reach 2 came in lower than estimated by Reclamation, meaning there is sufficient money in the AVC federal account to continue accelerating the AVC project.

Mr. Meador opened the presentation about the Enterprise AVC Project.

The Enterprise is in the midst of designing all of the delivery lines and spurs and will spend most of the American Rescue Plan Act (ARPA) funds by the end of the year, and then will continue design with the goal of completing all designs by the end of 2024. Kennedy Jenks is designing lines in Otero County, while AECOM is designing lines in Crowley, Bent, Prowers and Kiowa counties.

The Trunk Line is planned to reach Avondale and Boone by 2026, La Junta by 2028 and Lamar by 2031 under the current construction plan. Construction of all delivery lines will occur prior to 2027, which is ahead of the arrival of the Trunk Line.

Mr. Scott reported that the construction of the Boone and Avondale Delivery lines in Pueblo County will begin by K.R. Swerdfeger the week of September 25, 2023, and is currently scheduled to be completed by the end of 2023. The approved contract with contingencies is \$909,000, which matches the available ARPA funds awarded to AVC by Pueblo County.

Mr. Meador reviewed the estimated costs of the AVC Project with the following information:

## AVC Project Costs

Capital Costs	
Trunk Line (Federal Project)	\$600 million
Spurs & Delivery Lines (Enterprise Project)	\$73 million
<b>Total Project Cost</b>	<b>\$673 million</b>
35% of Trunk Line paid by Misc Revenues	-\$210 million
65% of Trunk Line Federal Non-Reimbursable	-\$390 million
<b>Remaining Cost to Participants</b>	<b>\$73 million</b>
CWCB Grants	-\$30 million
Anticipated SRF Loan Forgiveness	-\$37 to -\$23 million
<b>Remaining Debt Service</b>	<b>\$6 to \$20 million</b>
	<b>1% to 3% of Total Project Cost!</b>

Note: Actual Engineering Design Costs of \$7.4 million are anticipated to be \$5.4 million less than estimated \$12.9 million.

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Mr. Meador pointed out that participants will have a relatively small share of the AVC of the debt service costs and reviewed how costs for individual participants would be presented to them during the upcoming meetings that are planned to begin in October 2023.

Matt Heimerich suggested AVC would be an economic driver for the Arkansas Valley and that future development could pre-load costs for the AVC. Jim Broderick confirmed that economic development has always been a part of AVC, and each community will need to discuss how to manage economic development progresses.

Mark Pifher asked what current costs in communities such as La Junta are per 1,000 gallons. Mr. Meador said it is approximately \$3 per 1,000 gallons but there are some cost savings to their current costs with AVC, however many of the AVC Participants have been looking at costs as strictly additional costs. Mr. Meador also added that there is also a value to having an improved quality of water that many do not account for as well.

Mr. Meador briefly reviewed the cash flow over the next year, explaining that there would be gap revenue needed due to the timing of the State Revolving Fund (SRF) application that would need to be filed by the Enterprise.

The SRF will be used in conjunction with the funding package from the Colorado Water Conservation Board (CWCB) which includes \$30 million in grants and up to \$90 million in loans. The Enterprise plans to submit seven packages for design and construction funding staggered over an 18-month period. Each package will be between \$8 million to \$10 million in order to maximize the 50 percent loan forgiveness for governmental entities that is capped at \$5 million per package. The Enterprise needs to move quickly to take advantage of Bipartisan Infrastructure Law (BIL) funding.

Packages are detailed in Attachment 1 to these minutes. The following schedule for submittal of packages was presented:

<b>Loan Package</b>	<b>SRF Preapplication Timeframe</b>	<b>Design &amp; Engineering Grant Funding</b>	<b>SRF Construction Funding</b>
1	October, 2023	April, 2024	January, 2025
2	January, 2024	July, 2024	May, 2025
3	April, 2024	October, 2024	September, 2025
4	July, 2024	December, 2024	January, 2026
5	October, 2024	April, 2025	May, 2026
6	January, 2025	July, 2025	September, 2026
7	April, 2025	October, 2025	January, 2027

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SRF will be able to cover 100 percent of planning costs (that includes design, etc.) up to \$300,000 per governmental entity. For the spurs and delivery lines, conversion of the current 23 AVC Participants who are private water companies to governmental entities could result in approximately \$28 million of additional cost savings, as shown in the table below:

	Without 'Conversions'	With 'Conversions'	Potential Cost Savings with Conversions
Construction Cost	\$73 million	\$73 million	
SRF Loan Forgiveness	-\$20 million	-\$30 million	\$10 million
Design & Engineering Grants	-\$3 million	-\$7 million	\$4 million
SRF Loans	\$50 million	\$36 million	<u>\$14 million</u> <b>\$28 million</b>

Individual AVC participants would save money on costs to improve their own systems as well by converting to governmental agencies, which could be eligible for up to 80 percent loan forgiveness.

There was discussion about how companies could be convinced to convert to a governmental agency structure. Mr. Meador said none of the non-governmental AVC Participants ruled out that possibility during engineering meetings earlier this year. Otero County, which has most of the private companies, is working with three of the non-governmental water companies now in conversion and is developing a template to help others that want to go through the process. Mr. Meador added that the cost of conversion is also covered by a SRF fund up to about a \$10,000 limit.

Mr. Scott reviewed the status of compliance actions by the Colorado Department of Public Health and Environment (CDPHE). A total of 18 of the participants have drinking water enforcement orders in place. Enterprise staff met with them in April through May and provided Preliminary Engineering Reports (PER) to help them fulfill requirements that were issued by CDPHE in May 2022. Five of the participants did not respond by the May 31, 2023 CDPHE deadline, and the Enterprise has been in touch with these participants and re-sent the PERs to help them comply as needed.

Mr. Long asked how many participants also face CDPHE enforcement orders for wastewater. There was no information on this at the time but will be looked into by the Enterprise Staff.

Peter Levish explained that the Enterprise Board of Directors will continue to govern the AVC because a proposed framework involving the six counties and two home-rule cities in AVC has not gained any traction. There may be attempts in the future to form a governance authority.

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Garrett Markus explained water resources issues associated with AVC. There are three exchange decrees that relate to AVC. The 1939 decree covers sewered Project Water Return Flows; case 01CW151 covers non-sewered Project Water Return Flows; and 06CW08 covers non-Project Water Return Flows. The Enterprise, through its contract with Wilson Water Group, is studying how this will affect each community.

Mr. Scott outlined upcoming meetings with participants. The first meetings will begin in October 2023 with the “Big Eight” (La Junta, Lamar, Crowley County Water Association, Las Animas, Rocky Ford, Ordway, May Valley and Fowler). The other 31 will follow and all of the items discussed by the AVC Committee will be reviewed, as well as support the participants may need for improvements within their own systems. Water resources will be reviewed at these meetings as well.

Mr. Markus said the water resources build off the 2013 Environmental Impact Statement for AVC, which was updated in the PERs completed by GMS in 2021-22. Wilson Water Group performed additional work on understanding each participant’s options in 2023. One purpose of the upcoming meetings is to verify and/or explain water rights and AVC blending options with participants. The Wilson study also estimated approximately 3,000 acre-feet of water could be available for exchange or Return Flows to support augmentation as needed with all the First Use Project Water in the AVC pipeline.

Mr. Broderick said First Use Project Water is anticipated to be put into the AVC pipeline which will yield the Return Flow or exchanged water. The question for each AVC Participant will be whether the AVC will be used to provide the best possible quality water or simply meet regulatory requirements.

In response to a question by Mr. Heimerich about what water standard are the AVC Participants needing to meet, Mr. Markus said CDPHE provides the standards, and each water provider must make that decision for themselves of what is possible and economically feasible.

Kevin Karney asked if participants would get more water through the AVC pipeline than through augmentation of wells. Mr. Markus said they would get more because they would not have transit loss as they do now, however this is an economic decision, and participants need to understand the benefits and how Return Flows are generated. The Wilson model will assist in that process.

Mr. Broderick clarified that flexibility is needed in the early years of AVC, but if conditions for water supply tighten up the availability of Project Water for augmentation will decrease. Project Water is supplemental, and participants will need additional water either long- or short-term.

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**ACTION ITEMS:**

Enterprise staff recommended the AVC Committee approve two contracts for professional services to support application services for funding of spur and delivery line construction.

Services for pre-application for SRF funding is needed in a short time period, is a fairly complicated process, and could not be completed by staff alone. Additionally, the first of the seven funding packages needs to be completed in 2023.

Staff recommended a contract for \$24,025 for pre-application services by Swiftwater Solutions LLC and a contract for \$70,952 to GMS Inc. for Funding Package No. 1 services.

Bill Long moved and Howard “Bub” Miller seconded the motion to recommend approval of the two contracts to the Enterprise Board of Directors. Motion passed unanimously.

**OTHER BUSINESS:**

None

**NEXT MEETING**

To be determined.

**ADJOURN**

Kevin Karney adjourned the meeting at 11:34 a.m.

Respectfully submitted,

Chris Woodka  
Senior Policy and Issues Manager

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## Attachment 1

**Table 1**  
**Proposed SRF Loan Application Packages**

Loan Package	Participant or Spur Spur Line	Gov't (G) or Private (P)	Group 1 Costs
1	Avondale	G	\$32,000
	Boone	G	\$32,000
	Fowler	G	\$2,065,000
	Sugar City and Crowley County Spur	G	\$4,433,750
	Town of Crowley	G	\$356,250
	Ordway	G	\$1,624,250
	Olney Springs	G	\$218,750
	Manzanola/Valley Common Line	G	\$248,750
	Manzanola	G	\$503,750
	Rocky Ford	G	\$410,000
2	La Junta Spur	G	<b>\$10,463,000</b>
3	Swink and La Junta Spur	G	\$3,487,800
	Cheraw	G	\$545,900
	Las Animas	G	\$1,035,750
	Wiley	G	\$95,000
	Lamar	G	\$183,750
	Easds	G	\$4,943,500
			<b>\$10,291,700</b>
4	Eads Spur	G	<b>\$10,225,300</b>
5	Crowley County Water Association	P	\$138,750
	96 Pipeline	P	\$188,750
	Valley Water	P	\$2,522,500
	Vroman	P	\$301,000
	Patterson Valley	P	\$440,250
	Fayette	P	\$195,500
	Eureka	P	\$251,250
	West Grand Valley/South Swink Spur	P	\$1,436,250
	Newdale-Grand Valley	P	\$305,000
	West Grand Valley	P	\$1,215,000
	South Swink	P	\$3,001,250
			<b>\$9,995,500</b>
6	Riverdale	P	\$635,750
	Hilltop/Newdale Grand Valley Spur	P	\$768,750
	Hilltop	P	\$395,500
	North Holbrook	P	\$623,750
	Holbrook	P	\$388,000
	Holbrook Center	P	\$406,500
	Bents Fort	P	\$0
	Homestead	P	\$0
	Beehive/Cheraw Common Line	P	\$1,587,685
	Southside/East End Common Line	P	\$296,500
	Southside	P	\$541,500
	East End	P	\$997,250
	Beehive	P	\$1,518,000
			<b>\$8,159,185</b>
7	Hasty	P	\$514,500
	McClave	P	\$1,046,250
	May Valley (Bent)	P	\$1,051,615
	May Valley (Prowers)	P	\$2,625,010
			<b>\$5,237,375</b>
<b>TOTAL ALL PROJECTS</b>			<b>\$64,296,560</b>
		G	\$40,904,500
		P	\$23,392,060