

Statement on H.R. 9514
Finish the Arkansas Valley Conduit Act
To make certain modifications to the cost share for the
Arkansas Valley Conduit in the State of Colorado

Testimony of Bill Long, President
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Before the Subcommittee on Water, Wildlife and Fisheries
Committee on Natural Resources
United States House of Representatives
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Thank you for the opportunity to testify today on H.R. 9514, the Finish the Arkansas Valley Conduit Act and thank you to Representative Boebert for her leadership in introducing this much-needed legislation. My name is Bill Long, and I am the president of the Southeastern Colorado Water Conservancy District (District), and our District urges the passage of H.R. 9514. The bill would do three things regarding the Arkansas Valley Conduit (AVC), which is a feature of the Fryingpan-Arkansas Project:

1. Affirm that repayment of 35 percent of the cost of the AVC is to be accomplished by applying revenues arising from excess capacity or exchange contracts using Fryingpan-Arkansas Project facilities.
2. Change the repayment period from the current 50 years to 100 years and eliminate the current requirement that costs to be repaid to the United States bear interest.
3. Require that funding provided during construction from any person (i.e., the District) other than the Secretary of the Interior will count as payment toward the 35 percent of project costs which must be paid to the United States per the current statute.

Given the poor quality of groundwater sources, the resulting inability to meet safe drinking water standards, the severe public health impacts that has, the depressed economy of the Lower Arkansas River Valley, and the very substantial increase in the estimated construction cost of the AVC resulting from a May, 2024, updated cost estimate, the District believes that the amendments which H.R. 9514 will make are fully justified. During discussions of the Senate companion legislation in the Senate Energy and Natural Resources Committee, it was proposed that the bill be amended to provide for repayment within 75 years at 1.523% interest. It is the District's conclusion that the Senate Committee proposal will still fulfill the legislative goals of the Finish the Arkansas Valley Conduit Act.

Background

The AVC is an original feature of the Fryingpan-Arkansas Project. The authorizing legislation for the Project was signed into law in 1962. The District is the repayment entity for the Project.

Public Law 111-11, passed in 2009, amended the original legislation to provide that 35 percent, rather than 100 percent, of project costs was to be repaid with interest. That law also provided that revenues arising from excess capacity or exchange contracts using Fryingpan-Arkansas Project facilities (typically referred to as miscellaneous revenues) will be used to pay for 35 percent of the AVC construction costs. These contracts are for the storage or conveyance of non-project water in Project facilities such as Pueblo Reservoir.

Per the original 1962 legislation, the costs of annual AVC operation and maintenance will be borne by the District. Public Law 111-11 did not change this requirement. Likewise, H.R. 9514 would not change it.

Need for the AVC

The AVC service area encompasses the Lower Arkansas River Valley east of Pueblo, Colorado. There are 39 participating water systems in the AVC project with a total service population of approximately 50,000. In this entirely rural service area, the median household income is only \$47,000 as compared to the Colorado median household income of \$89,000.

All of the AVC water systems currently rely on groundwater, which is of poor quality, with 18 systems failing to meet federally mandated safe drinking water standards due to naturally occurring radionuclides. Other systems fail to meet standards due to other constituents. When this groundwater is cleaned to drinking water standards, in many cases it produces a reject stream which violates EPA discharge standards. In addition to the systems currently facing enforcement orders from the Colorado Department of Public Health and Environment for radionuclides, many of the water systems have been forced to install expensive water and wastewater treatment systems or have even lost water sources they formerly relied on. Finally, emerging contaminants such as PFAS are being discovered in southeastern Colorado water sources today.

In summary, the rural communities in the AVC service area have low household incomes, extremely limited ability to bear additional costs, and are unable in many instances to meet safe drinking water standards. The AVC will provide a new surface water source of high quality so that safe drinking water standards can be achieved within the financial ability of the local communities.

District Financing of Certain AVC Features

When Public Law 111-11 was enacted, it was anticipated that the Bureau of Reclamation (Reclamation) would fund and construct the entire AVC. In early 2020, however, the District agreed to eliminate some features of the originally planned AVC and to finance and construct others in order to reduce the need for federal appropriations.

Reclamation and the District memorialized this agreement in a formally executed Project Management Plan (PMP). The PMP provides that Reclamation will fund and construct the main trunk line and associated features while the District, acting through its Water Activity Enterprise, will finance and construct the AVC's spurs and delivery lines with funding from sources other than Reclamation, such as loans and grants from the Colorado Water Conservation Board, loans from the state revolving fund, etc.

Need for the Amendments H.R. 9514 Would Make

In May 2024, the cost estimate for the AVC was updated from the estimate last prepared in 2019. The updated cost estimate more than doubled from the 2019 estimate.

When Public Law 111-11 was enacted, miscellaneous revenues were expected to be more than sufficient to repay 35 percent of the AVC's cost with interest and within 50 years. With the May, 2024, updated cost estimate, this is no longer true. Repayment can now be accomplished only if the interest rate is reduced to at least half the current project rate and the repayment period is at least 75 years, 25 years longer than the currently authorized 50 years. This is what prompts the need for the changes which H.R. 9514 would make.