

Conduit: Learning and earning from SDS talks

The negotiations will have various impacts for Arkansas Valley Conduit project.

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By CHRIS WOODKA | cwoodka@chieftain.com | 0 comments

The current round of negotiations for contracts for the Southern Delivery System has some direct impacts for the Arkansas Valley Conduit.

While SDS could be completed by 2016, the Ark Valley Conduit is starting down the same road SDS began in 2003.

SDS is a water project that benefits Colorado Springs, Fountain, Security and Pueblo West. The Ark Valley Conduit would bring fresh drinking water to 42 communities east of Pueblo.

The Southeastern Colorado Water Conservation District is watching the current proceedings with interest, and the implications of the SDS outcome for the district were frequently mentioned during two days of negotiations last week.

“Do you remain comfortable charging less for out-of-district users than for those of us in the district?” David Robbins, an attorney for Colorado Springs, asked Mike Collins, area manager for Reclamation at one point.

Robbins referred to a 2007 storage contract with Aurora that amounts to \$46 per acre-foot in 2011 vs. proposals that have ranged from \$50-100 per acre-foot for SDS.

Collins replied, after a barrage of questions and a day of banter, that Reclamation from now on would use a “negotiated market” method of determining contract prices in the Arkansas Valley. That is a change from past contracts based on cost of service that Collins discounted as “snapshots in time.”

“I think the bureau has shifted policy-wise on what the value of storage is,” said Jim Broderick, executive director of the Southeastern Colorado Water Conservancy District. “That will have an impact on the Southeastern master contract.”

While SDS is seeking a contract for 42,000 acre-feet of excess capacity storage in Lake Pueblo, the Southeastern district is preparing a master contract request for 28,000 acre-feet. About one-quarter of that could eventually be used for water brought into the conduit from outside the Fryingpan-Arkansas Project. The rest is needed by other members of the Southeastern district, including 3 SDS partners: Fountain, Security and Pueblo West.

“(The new approach) will have an impact on the Southeast district’s master contract,” Broderick said. “I’m not sure how. We haven’t begun our negotiations.”

The rate Colorado Springs eventually reaches in SDS — right now, it's expected to come down between \$25 and \$40 — will also provide revenues to repay the costs of the conduit under a 2009 law. Even the low end fits into the projections made by federal staff on the repayment strategy, Broderick said.

"I'm not seeing this as having much impact on the funding of the conduit," he said.

Meanwhile, there was good news last week when Colorado Reps. John Salazar and Betsy Markey, both Democrats, announced \$6 million for continued planning toward the \$300 million conduit is included in the House version of the 2011 budget.

That's double the amount included in the Obama Administration's request.

"We would expect the same thing out of the Senate, and we plan to go to both senators and help them do the same thing," Broderick said. "The good news is that we've got this type of money coming in."

The conduit received a \$5 million federal appropriation this year under the new funding plan — the Ark Valley Conduit was part of the 1962 Fry-Ark Act. The \$6 million would continue a three-tier track that is preparing for preliminary engineering, a corridor route and an environmental impact statement.

"We're very appreciative to Rep. Salazar and Rep. Markey for their efforts on our behalf," Broderick said