

Legislative Drought Sub Committee

October 14, 2013

Chairman - Thank you for the opportunity to speak before the subcommittee

I am Richard McInturff, Administrator for the City of Deming.

BACKGROUND

The City of Deming has been an active participant since the passage of the AWSA in 2004.

By way of a little background, in a publication called "Water Matters" an article named "The Gila River" written by Jerold Widdison, he states, " Because of the 1950's drought, a few anomalous floods, and irrigators' service in the Korean conflict, much of the over 22,000 acres of previously irrigated lands in the Gila Basin in New Mexico were fallow at the time. Although the special master in that case (Arizona vs. California 1964), Samuel Rifkind, granted Arizona and California water in excess of their current usage, he limited New Mexico to demonstrable current usage and allowed for very little future increase." It seems to me, New Mexico wound up with the short end of the stick as a result of that case.

The AWSA's 14,000 acre feet is the product of an exchange of water authorized by the Colorado River Basin Project Act of 1968 which produced the Central Arizona Project.

The Central Arizona Project provided an opportunity for Gila Basin to develop an additional 18,000 acre feet. Since then reduced to 14,000 acre feet.

The City became involved as the fiscal agent for planning activities from 2004 until 2007 when the NM Stakeholders Group was established to implement a process that led to proposals for the utilization of the water and/ or funds.

There is \$66 million authorized in the act that may be used for a variety of purposes such as a diversion or other water utilization alternatives that meet water supply demands in the four Counties. Deming has an effluent reuse project proposed that falls into this category of funding along with twelve other proposals from the region.

Under the Act, the \$66 million paid to New Mexico is supposed to be spread over 10 years. Because the allocation is indexed, the state received a little over \$9 million for its first payment. If we receive at least that amount over the next nine years, the \$66 million should grow to over \$90 million.

As much as \$62 million in additional monies will be added if New Mexico water users chose to develop one or more projects that utilize the 14,000 acre feet provided in the Act such as a diversion.

In the Stakeholders Group process, three proposals, eligible for the additional \$62 million in funding, are under study and consideration.

The City proposed the Southwest New Mexico Regional Water Supply Project to utilize the 10,000 acre feet from the Gila. (the other 4,000 acre feet is allocated on the San Francisco River).

A quick description would characterize the project as using a caisson type diversion that would divert water during flood stage conditions to a side canyon reservoir. Water would be pumped from the reservoir lake and would be conveyed by a pipeline. In the proposal, the pipeline goes thru the Mining District (Silver City, Bayard, Santa Clara, and Hurley). Past the Mining District the pipe size is reduced and terminates in Deming.

Cost of the proposed construction was estimated at approximately \$190 million. Unit cost per 1,000 gallons is estimated at \$2.88 including operating and maintenance costs. There will also be an exchange rate amount paid to Sec. of the Interior, but that amount is unknown at this time. It has been speculated that the exchange rate should be in the neighborhood of \$.30 to \$.45 per 1,000 gallon range.

I would caution everyone to not get married to the costs I just mentioned. They are estimates without the benefit of fully designed and engineered plans. If the project progresses, I expect the NEPA process to be lengthy and would not be surprised if it takes 5 to 7 years. Litigation is also a wild card and cannot be discounted as a factor causing further delay.

Because the Southwest New Mexico Regional Water Supply was not a fully designed proposal, I expect the ISC and Bureau of Reclamation to also impact the scope of the proposal and possibly add to, subtract from, or change the scope of the proposal for other considerations. I expect that components of the other two diversion proposals might also be incorporated in a final project.

SUPPORT

I would now like make a few comments concerning regional support.

Around March of this year, the ISC accepted Tier 2 Project amendments to the initial proposals. Accompanying the Southwest New Mexico Regional Water Supply project amendment were Resolutions of Support from the governing bodies of the City of Deming, Luna County, and Hidalgo County.

Subsequent to that submittal, there have been twelve additional resolutions from various bodies. (Read List). Although a template was provided, some changed the wording to fit their situation. However, support of the project was common to all. It is my understanding that the Village of Santa Clara's resolution is pending.

The list includes all four county commissions, five municipalities, four water conservation districts, and two irrigation associations. In addition there is a letter of support from the Gila San Francisco Water Commission. As you can see, there is region wide support, especially from water related organizations.

In addition to the resolutions, the Gila San Francisco Water Commission has adopted a reservation fee within its membership. The fee amounts to \$20,000 annually to be applied to the cost of the project. The water commission members are (read list). Although the amount is nominal because of uncertainties, it demonstrates that the membership has some skin in the game.

There is organized opposition that favors stretching our existing water resources rather pursuing an opportunity to develop new water resources. This opportunity to develop new water is not likely to repeat itself ever. Points will or have been made that relate to environmental and ecological issues. I say let the NEPA process run its course. That is what it is for. I have faith that that process will objectively investigate in a methodical, comprehensive, manner. To debate the issues before the studies are complete is ineffective and premature.

The opposition has also conducted a survey for the purpose of showing a lack of popular support within the region. If you read the script I think you will find the questions leading and some containing misinformation. Those most informed about the issues and having a depth of knowledge concerning the AWSA are the elected public bodies and the water entities. They have been actively involved for close to ten years.

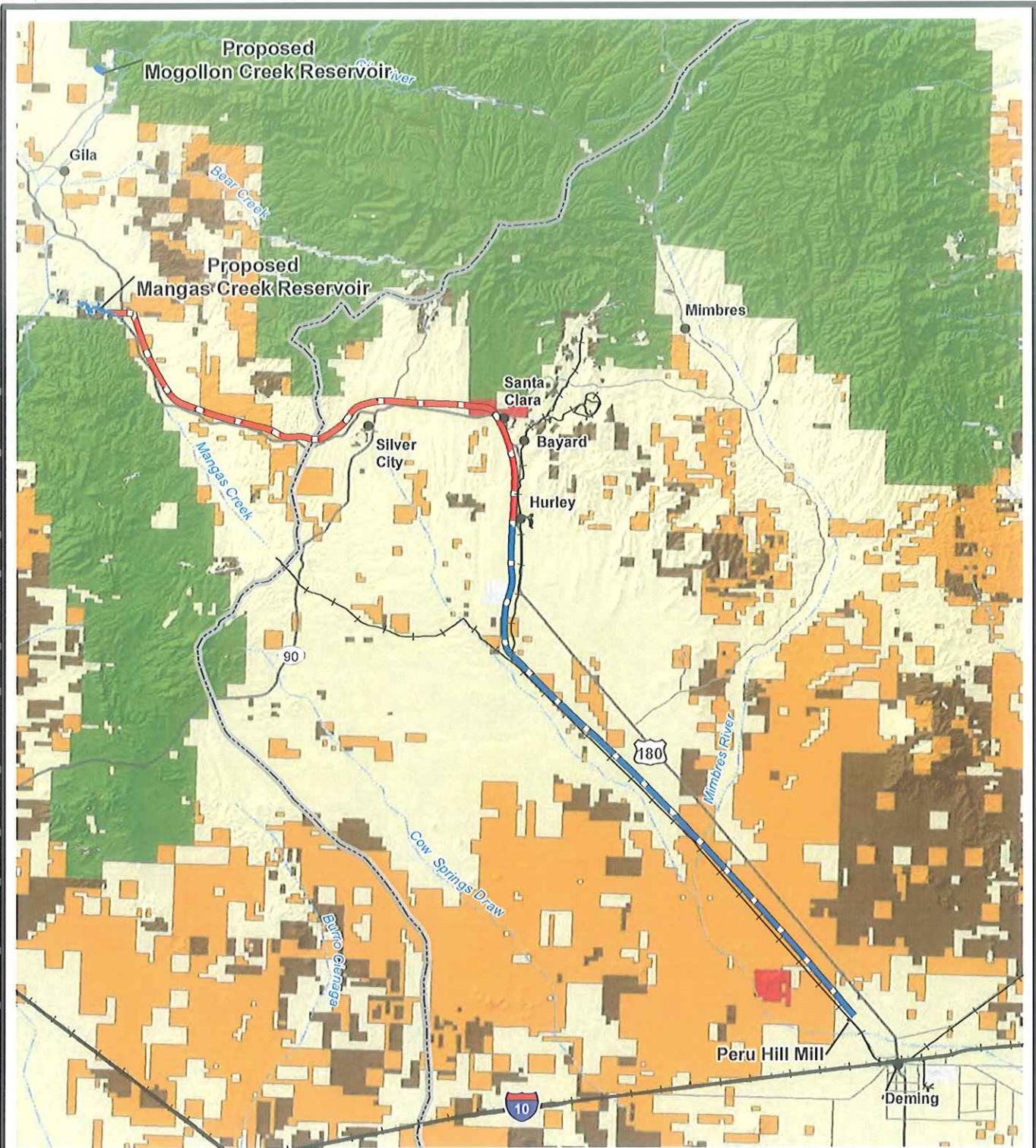
I have heard that the Gila is the last "wild river" in the United States and should be preserved in that state. I don't know how it could be considered wild with 1 diversion at the Gila Hot Springs, 3 in the Cliff Gila area, 12 side canyon dams for sediment and flood control, 1 diversion at Bill Evans Lake, and 3 farming diversions in the Virden and Red Rock areas.

I have also heard that the project will make the Gila run dry. An initial hydrological study already concluded that the effect of diverting AWSA water at flood flows would be insignificant. The opposition appears to be more interested in emotions and rhetoric than science.

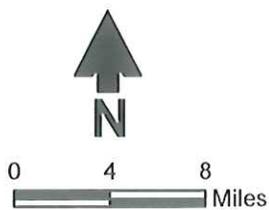
It is the City of Deming wish that this project result in a win / win situation. We hope that the economic and recreational benefits are enhanced and the Gila River is left in a more ecologically sustainable position.

Thank you for your time. If you have any questions, I'll try to answer them.

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Source: U.S. Bureau of Land Management (BLM) - New Mexico State Office, 2011



Explanation		Surface ownership and/or surface management	
●	City		Bureau of Land Management
	14in pipeline		National Park Service
	24in pipeline		Private
	Continental divide		State

**SOUTHWEST NEW MEXICO REGIONAL WATER SUPPLY PROJECT
AMENDED AWSA APPLICATION
Pipeline Route and Land Ownership**

Southwest New Mexico Regional Water Supply Project Preliminary Opinion of Probable Cost - March 2013

Route	Distance (mi)	Total Capital		Annual O&M*		30-Year Present Worth*	Unit Cost (\$/ac-ft)	Unit Cost (\$/1000 gal)
		Cost*		Cost				
Mogollon Reservoir		\$ 12,160,000	\$	20,000	\$	12,560,000	\$ 42	\$ 0.13
Mangas Reservoir	75	\$ 178,200,000	\$	4,640,000	\$	269,150,000	\$ 897	\$ 2.75

Major Assumptions:

Five subsurface collector wells provide sufficient flow from the Gila River into Mangas Reservoir during times when diversion is allowed

Delivery of 10,000 acre-feet/yr as far as Hurley, of which 2,500 acre-feet/yr will continue on to Deming through ductile iron pipe

Delivery of water from the Mangas Creek reservoir for 24 hours per day, 365 days per year

Any treatment required will be performed by end users

Flow in Mogollon Creek is sufficient to fill Mogollon Reservoir without diversions from the Gila

The following items are percentages of construction cost:

- \$ Engineering Services for Design and Construction, per EPA 12%
- \$ Project Management, per EPA 3%
- \$ Construction Permitting, per RS Means 01 41 26.50 2%
- \$ ROW negotiations or acquisition, professional opinion 5%
- \$ Bonding and Insurance, per RS Means 01 31 13.30 and 01 31 13.90 4.8%
- \$ Contingency 10%

Present worth calculation assumes

3.0%

30

years

The present worth presented here includes the capital cost of construction in 2012 dollars, and the present value, in 2012 dollars, for annual costs to operate the facility for 30 years. Present worth is method of evaluating alternatives that are mutually exclusive but have similar life cycles. Present worth costs are not intended to represent a total cost to finance for either construction or operation of these facilities.

References

City of Albuquerque, City Engineer's Estimated Unit Prices for Contract Items (2009)

RS Means Heavy Construction Cost Data (2013)

US EPA "A Guide to Developing and Documenting Cost Estimates During the Feasibility Study" (2000)

* Costs rounded to nearest \$10,000

Mogollon Creek Potential Reservoir Capital Preliminary Opinion of Probable Cost

Item No.	Item Description	Units	Quantity	Unit Price	Extended Price	Unit Price Source
Capital Construction Cost						
1	Mogollon Creek Reservoir	LS	1	\$ 8,200,000	\$ 8,200,000	Previous project experience
Construction Materials Subtotal					\$ 8,200,000	
2	Costs not accounted for above		10%	\$ 8,200,000	\$ 820,000	Previous project experience
Capital Construction Subtotal					\$ 9,020,000	
Professional Services						
3	Project Management		3%	\$ 9,020,000	\$ 270,600	Contract agreement
4	Engineering Services for Design and Construction		12%	\$ 9,020,000	\$ 1,082,400	EPA 2000
5	Construction Management		8%	\$ 9,020,000	\$ 721,600	Previous project experience
6	Construction Permitting		2%	\$ 9,020,000	\$ 180,400	RS Means 01 41 26.50 0100
7	ROW/Easement negotiations and acquisition		5%	\$ 9,020,000	\$ 451,000	Previous project experience
8	Bonding and Insurance		4.8%	\$ 9,020,000	\$ 429,352	RS Means 01 31 13.30 and 01 31 13.90
Professional Services Subtotal					\$ 3,135,352	
Total Capital Cost					\$ 12,155,352	

Note: Estimated costs are provided to an accuracy of +50 percent to -30 percent. The actual cost of the project would depend on the final scope and design of the elements listed in this estimate, the schedule of implementation, competitive market conditions, and other variables.

Mangas Creek Proposed Diversion, Reservoir, and Pipeline Capital Preliminary Opinion of Probable Cost

Item No.	Item Description	Units	Quantity	Unit Price	Extended Price	Unit Price Source
Capital Construction Cost						
1	Subsurface diversion collector wells	EA	5	\$ 2,400,000	\$ 12,000,000	Previous project experience
2	Pumps at collector wells	EA	5	\$ 1,490,000	\$ 7,450,000	Previous project experience
3	Pipeline from collector wells to reservoir	LS	1	\$ 7,800,000	\$ 7,800,000	Previous project experience
4	Mangas Creek Reservoir	LS	1	\$ 46,000,000	\$ 46,000,000	Previous project experience
5	Pump Stations	EA	5	\$ 1,890,000	\$ 9,450,000	Previous project experience
6	24-inch DI water line, CIP	LF	185,000	\$ 120	\$ 22,200,000	Previous project experience
7	14-inch DI water line, CIP	LF	212,000	\$ 70	\$ 14,840,000	Previous project experience
8	SCADA for pumping system	EA	1	\$ 472,500	\$ 472,500	Previous project experience
				Construction Materials Subtotal	\$ 120,212,500	
9	Costs not accounted for above	10%	of	\$ 120,212,500	\$ 12,021,250	Professional opinion
				Capital Construction Subtotal	\$ 132,233,750	
Professional Services						
10	Project Management	3%	of	\$ 132,233,750	\$ 3,967,013	Contract agreement
11	Engineering Services for Design and Construction	12%	of	\$ 132,233,750	\$ 15,868,050	EPA 2000
12	Construction Management	8%	of	\$ 132,233,750	\$ 10,578,700	Previous project experience
13	Construction Permitting	2%	of	\$ 132,233,750	\$ 2,644,675	RS Means 01.41.26.50 0100
14	ROW/Easement negotiations and acquisition	5%	of	\$ 132,233,750	\$ 6,611,688	Professional opinion
15	Bonding and Insurance	4.8%	of	\$ 132,233,750	\$ 6,294,327	RS Means 01.31.13.30 and 01.31.13.90
				Professional Services Subtotal	\$ 45,964,452	
				Total Capital Cost	\$ 178,198,202	

Note: Estimated costs are provided to an accuracy of +50 percent to -30 percent. The actual cost of the project would depend on the final scope and design of the elements listed in this estimate, the schedule of implementation, competitive market conditions, and other variables.

Southwest New Mexico Regional Water Supply Project Annual Operation and Maintenance Preliminary Opinion of Probable Cost

Item No.	Item Description	Units	Quantity	Unit Price	Extended Price	Unit Price Source
Mogollon Annual Operation and Maintenance						
1	Labor - WS4 Technician	hr	416	\$ 50	\$ 20,800	1 employee, 6 hrs/wk
				Annual Mogollon O&M Cost	\$ 20,800	
Mangas Annual Operation and Maintenance						
1	Labor - WS4 Technician	hr	6240	\$ 50	\$ 312,000	3 employees, 8 hrs/day, 5 days/wk
2	Labor - Engineer	hr	1248	\$ 100	\$ 124,800	20% of the tech time
3	O&M Supplies	LS	1	\$ 87,163	\$ 87,163	Cleaning materials, small replacement parts, replace one pump in each station every 10 years
4	Electricity*	\$/kWh	7.4E+07	\$ 0.06	\$ 4,049,892	PNM rate schedule, average of peak and off-peak rate
5	Transportation/office Supplies	MO	12	\$ 5,000	\$ 60,000	Maintenance trucks O&M, fuel, office supplies
6	Operator training	EA	5	\$ 1,000	\$ 5,000	Previous project experience
				Subtotal	\$ 4,638,855	
7	Contingency	0%	of	\$ 4,638,855	\$ -	
				Annual Mangas O&M Cost	\$ 4,638,855	

All O&M cost estimates exclude insurance, accounting and auditing fees, legal fees, debt repayment and related expenses, and interest. Note: Estimated costs are provided to an accuracy of +50 percent to -30 percent. The actual cost of the operation and maintenance for this project would depend on the final scope and design of the elements listed in this estimate, the schedule of implementation, competitive market conditions, and other variables.

* The use of green energy alternatives or purchased power agreements, which could reduce the estimated energy cost, will be explored.

Attachment 3:

Arizona Water Settlement Act
Signed Resolutions in Support of the
Southwest New Mexico Water Supply Project

- Luna County Resolution 13-16
- Grant County Resolution R-13-18
- Hidalgo County Resolution 2013-14
- Catron County Resolution 042-2013
- City of Deming Resolution 13-20
- Village of Columbus Resolution
- City of Lordsburg Resolution
- Village of Virden Resolution
- Village of Reserve Resolution
- Sierra Soil and Water Conservation District Resolution
- Hidalgo Soil and Water Conservation District Resolution
- Grant Soil and Water Conservation District Resolution
- Dona Ana Soil & Water Conservation District Resolution 2013-3-3
- Gila Basin Irrigation Commission Resolution
- Sunset Ditch Company Resolution 2013-1

Attachment 4:

RESOLUTION NO. _____

A RESOLUTION OF THE _____ DECLARING SUPPORT OF
THE SOUTHWEST NEW MEXICO REGIONAL WATER SUPPLY PROJECT, AN
AWSA PROPOSAL SUBMITTED BY THE CITY OF DEMING TO THE
NEW MEXICO INTERSTATE STREAM COMMISSION

WHEREAS, the State of New Mexico is entitled to divert up to 14,000 acre-feet of water from the Gila and San Francisco Rivers under the Arizona Water Settlements Act (AWSA) for the benefit of the four-county Southwest New Mexico Water Planning Region (Catron, Grant, Hidalgo, and Luna Counties) and receives federal funds to finance local projects to develop these water resources; and

WHEREAS, the AWSA water is the only source of new water supply to the four-county region; and

WHEREAS, the City of Deming submitted an application for a water diversion project to the New Mexico Interstate Stream Commission (ISC) pursuant to the AWSA, which was accepted for further evaluation in February 2012; and

WHEREAS, on January 18, 2013, the ISC invited applicants to amend their applications to incorporate elements of other similar applications or otherwise improve the clarity and scope of the application; and

WHEREAS, the cities of Deming, Silver City, Hurlley, Bayard, and Santa Clara, and Luna and Grant counties met on February 12, 2013 to provide direction to the City of Deming in amending its application; and

WHEREAS, the goal of the Southwest New Mexico Regional Water Supply Project is to divert, store, and convey through a pipeline the AWSA water available to New Mexico for the benefit of citizens of the four-county region, including the municipal, agricultural, recreational, environmental, and industrial sectors, to assure long-term sustainable water supplies and economic vitality of this region; and

WHEREAS, Four thousand of the fourteen thousand acre feet of diversion under the ASWA is reserved for the San Francisco watershed in Catron County and is separate and aside from the ten thousand acre feet being advanced in the Southwest Regional Water Supply Project; and

WHEREAS, most public and domestic water supplies in the region are provided by groundwater, which is a finite and declining resource in Luna and Grant counties; and

WHEREAS, a reliable surface water supply to augment and enhance mined groundwater sources will ensure that long-term water supplies are available to the region through a conjunctive management system that relies on groundwater in times of drought and on surface water when supplies area available; and

WHEREAS, the _____, New Mexico supports the design and construction of multiple diversion storage facilities, with at least one large water storage facility that would contain the majority of the storage allotment maximum of 60,000 acre feet; and

WHEREAS, the _____, New Mexico supports the use of water rights exchange mechanisms that allow use of AWSA water for the benefit of the four-county region and may result in significant cost savings by avoiding expensive conveyance structures; and

WHEREAS, the _____, New Mexico supports the creation of an entity that will oversee and manage the project and will enter into contracts to sell water to eligible water users; and

WHEREAS, the _____, New Mexico supports funding for Catron County's four thousand acre feet of ASWA allocation; and

WHEREAS, the _____, New Mexico supports the operational release of water from ASWA diversion storage facilities for downstream agricultural, industrial, and municipal use in Hidalgo County; and

WHEREAS, it is the firm resolution and desire that the benefits of the AWSA remain within the four-county region, and the _____, New Mexico objects to any efforts to transfer or sell the AWSA water resources outside the region; and

WHEREAS, the communities, water users, and stakeholders in the Southwest New Mexico Water Planning Region, including Catron, Grant, Hidalgo, and Luna Counties, wish to work cooperatively to protect and conserve the water resources of the planning region and to ensure that the water supplies assured to New Mexico under the AWSA are utilized for the benefit of the planning region.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DEMING, NEW MEXICO that:

1. The _____ supports the revised application for the Southwest New Mexico Regional Water Supply Project; and
2. The _____ supports intergovernmental cooperation on development of this project and protection of this water supply for the benefit of the region; and
3. The _____ requests that all technical work provided by the U.S. Bureau of Reclamation be consistent with the conceptual framework presented by the applicants for funding under the AWSA and approved by the ISC; and
4. The _____ opposes the exportation or conveyance of AWSA water outside the four-county region.

PASSED, ADOPTED, AND APPROVED THIS _____ DAY OF _____, 2013.

_____, NEW MEXICO

Chair / Mayor

ATTEST:

Secretary / Clerk

GILA/ SAN FRANCISCO WATER COMMISSION MEMBERS

CATRON COUNTY

Catron County Commission
Village of Reserve
San Francisco Soil & Water
Conservation District
San Francisco Ditch Association

GRANT COUNTY

Grant County Commissioners
City of Bayard
Town of Hurley
Village of Santa Clara
Gila Basin Irrigation Commission
Grant Soil & Water Conservation District

HIDALGO COUNTY

Hidalgo County Commission
City of Lordsburg
Village of Virden
Hidalgo Soil & Water Conservation District

LUNA COUNTY

Luna County Commission
City of Deming
Village of Columbus
Deming Soil & Water Conservation District