The Ute Pipeline project, officially known as the Eastern New Mexico Rural Water System, is a 151-mile-long project to augment the domestic water supply of several eastern New Mexico communities. Water will be pumped from Ute Reservoir to the cities and towns of Clovis, Portales, Melrose, Texico, Grady, and Elida, as well as to Cannon Air Force Base and Curry and Roosevelt counties (see map). The entities involved in the project have a combined population of about 73,000.

“Anticipating the potential water needs in eastern New Mexico and in the interest of maximizing New Mexico’s use of water from the Canadian River stream system, the New Mexico Interstate Stream Commission completed construction of Ute Dam and Reservoir in 1962 at a present-day cost of over $125 million.”

John D’Antonio,
New Mexico State Engineer
Like the Navajo-Gallup project, the Ute Pipeline was authorized for major federal funding by the Omnibus Public Land Management Act of March 30, 2009. This important milestone for the project was reached after about 45 years of effort. Attention now shifts to myriad details of actually constructing, financing, and administering the project.

The main purpose of the project is to address the declines in the Ogallala aquifer.

Background

The State created Ute Reservoir in 1962 by damming the Canadian River near Logan in Quay County. The dam’s purpose was to retain the water of the Canadian that New Mexico was allowed under the three-state Canadian River Compact (New Mexico, Texas, Oklahoma). From the beginning there was an intention to use the water by means of a project such as the one now moving forward. The main purpose of the project is to address the declines in the Ogallala aquifer. Currently, withdrawals from the aquifer in the larger regional area are estimated at 249,000 acre-feet per year (afy) and recharge is estimated at 40,000 afy.

To pursue the project, an organization known as the Ute Dam Municipal Water Association was formed, including cities from Tucumcari south to Artesia. Eventually in 1987 a new organization was formed through a joint powers agreement, the Ute Reservoir Water Commission (URWC). Ten years later the New Mexico Interstate Stream Commission (ISC), which “owns” the water in the reservoir, allowed the URWC a first right of refusal on 24,000 acre-feet of water – the reservoir’s annual “firm yield” – for $36,000 annually through December 31, 2008. That date has now been extended, in view of the progress being made on the pipeline project. Had the date not been extended, the URWC would have been obligated to purchase up to the same amount of water for $25 per acre-foot, or about $600,000. The point is that the ISC is required by law to market the reservoir’s water.

In 2001, the eight entities currently involved in Curry and Roosevelt counties, with State approval, formed the Eastern New Mexico Rural Water Authority (ENMRWA) and charged it with actually planning, designing, funding, and overseeing the construction of the pipeline. In 2003, the ENMRWA added Quay County, Tucumcari, Logan, and San Jon. Two years later, however, those members withdrew, although they continued to reserve their portions of the 24,000 acre-feet of reservoir water for other purposes, including supplying water for the “Ute Lake Ranch” community development on the south side of the reservoir. Hence the pipeline project now involves the future delivery of 16,450 acre-feet per year.

The Project as Planned

The main water line will run almost due southward from Ute Reservoir as far as Portales. A number of “laterals” off the main line will bring water to Clovis and the other communities, and to some outlying areas of the counties. The plan is to pump the water from the reservoir to the 4,500-foot rim of the Caprock, and then to a water treatment plant near Grady which will serve the entire system. From the water treatment plant, the system will operate primarily by gravity flow, although three booster pump stations will be needed. Each participating entity will pay a share of the construction costs and the operation and maintenance costs of the pipeline and facilities, as well as the costs of the water itself, depending on how much water each has reserved. Aside from construction costs, the benefited entities can expect to receive water at about $31 per acre-foot.

The current full cost estimate for the project is $500 million. According to Scott Verhines, an engineer and program manager for the project, numerous studies regarding future water supply scenarios for eastern New Mexico show the Ute project to have the greatest benefit/cost ratio. The need for
the project, now as in the past, lies in the need to reduce the volume of municipally pumped groundwater so as to protect and reduce the drawdown of the Ogallala aquifer.

Numerous projects of this kind in other states have been paid for largely by federal funds. Here the authorized cost allocation is in fact similar to other federally supported water projects — the federal government is to pay 75 percent, with the State paying 15 percent and the ENMRWA members 10 percent.

Legislation and Funding

Initiatives to authorize and fully fund the Ute project began to accelerate about three years ago. At the Congressional level, early in 2008 U.S. Senators Bingaman and Domenici, with then-Representative Udall, introduced companion bills to authorize federal funding up to 75 percent of project cost, based on the then-current estimate.

Hearings were held (following up on a field hearing in Clovis of the Senate Energy and Natural Resources Committee, August 14, 2007), and in June, 2008, the House bill received final passage. The Senate bill passed the Energy and Natural Resources Committee but did not get scheduled for the Senate floor. In the meantime, however, Senator Bingaman, who is chairman of the committee, wrapped the Ute bill and many other bills into the Omnibus Public Land Management Act, which was eventually passed by 2009’s new Congress and was signed by President Obama on March 30, 2009. The Act’s approval of the project (at 123 Stat. 1300) authorized federal funding of $327 million, which indeed represents 75 percent of the 2008 estimate. The actual amount provided will be adjusted, however, to reflect future changes in indices of construction costs. It is anticipated that the project will be constructed in phases, over a period of about ten years.

The other provisions of the Act pertaining to the Ute project are simple in comparison to provisions for the Navajo-Gallup project and the Aamodt settlement, inasmuch as the project does not involve water rights settlements, court approvals, etc. Nonetheless, several federal requirements are spelled out with regard to project financing and engineering design. During 2010, the entities to be benefited by the project have made good progress on these requirements, as discussed below. It is important to realize that the Ute project is basically not a federal project; it will be built, owned, and operated by the participating local governments.

In years prior to project authorization, federal funds to support planning and design work were obtained by congressional “write-in requests.” For example, Senator Bingaman’s requests yielded $260,000 in 2009. Following project approval, annual funding is and will be done through federal budget processes (with funds administered through the Interior Department, Bureau of Reclamation). The 2010 Energy and Water Appropriations Bill, signed by the President on October 29, 2009, appropriated $1 million for design and initial construction of the intake structure at Ute Reservoir. As of December 2010, it was not clear how much would be appropriated for FY 2011.

At the State level, project money has been provided by the New Mexico Legislature in each year from 2006 to the present. In 2006, $1.25 million was appropriated.

It is important to realize that the Ute project is basically not a federal project; it will be built, owned, and operated by the participating local governments.
Incidentally, the creation of the Water Trust Fund and Board in New Mexico is in no small part owed to the early planning and fact-finding efforts on the Ute project, dating back to 2000/2001.

Then, in 2007, the governor’s “Year of Water” initiatives included $5 million for the project, of which only $1 million was directly appropriated. As expected, however, the Legislature also approved a $2.3 million capital outlay request for the project through the New Mexico Water Trust Board. In 2008, the Legislature approved $4.5 million, also through the Board. These last appropriations required 20-percent local participation in accordance with Board policy – the local entities must pay 20 percent of the amounts specified by the Legislature. In 2009, another $4.4 million was appropriated, and the local participation required was reduced to ten percent. In 2010, another $2.9 million was provided. Altogether, the Legislature has provided $19.3 million for front-end planning and engineering services. These monies will be counted as part of the State’s 15 percent participation.

Pre-Construction Activities
Since project approval in 2009, the Ute project has been gathering momentum. For one thing, the project sponsors presented draft legislation to the 2010 session of the Legislature, seeking to transition responsibility for the project from the ENM RWA (which was formed by a joint powers agreement) to a new Eastern New Mexico Water Utility Authority. The legislation (HB 15) passed unanimously, establishing the Authority as a political subdivision of the state. The Authority is a more formal and stable organization, enabling the participating local governments to begin setting up specific procedures for their financial participation – such as revenue bonding procedures and user rate schedules. This type of organization is also needed if the project’s bonds are to appeal to financial markets.

The Authority has a seven-member Board appointed by the project-area’s communities and county governments. As such, the Board has bonding authority rather than taxing authority. The Board became official on July 1, 2010, and adopted a financing plan on July 15. An umbrella Memo of [financing] Agreement between the Board and the Bureau of Reclamation is also nearly completed. This will be followed from time
to time by individual cooperative funding agreements for each phase of construction.

As for project planning and engineering, the standard “30-percent design” was completed in 2009, followed by a “value engineering” process. The Bureau of Reclamation completed a Design Estimates and Constructability (DEC) review. In parallel, federal Environmental compliance has been addressed, with preparation of an Environmental Assessment (EA) and a Biological Assessment. Final approval of both documents is imminent.

With these activities complete, June 2011 is the goal for start of construction on the pipeline’s water intake structure.

Meanwhile, the Albuquerque consulting firm of CH2M HILL was authorized to conduct a feasibility study for a wind energy plant, the revenues of which might help offset the pipeline project’s cost. This study indicated that a commercially operated wind farm of 200 megawatts capacity would be needed to pay for itself and to pay down a reasonable fraction – perhaps one-third – of the pipeline project’s cost. Currently, however, no market exists for the power that would need to be sold, inasmuch as other power-generating entities have met their alternative-source obligations. Moreover, existing transmission lines in the region are at capacity.

Generation of hydropower has also been considered but is not now being closely investigated. It might be possible to drop project water down the Caprock through turbines and sell the power at peak times, then pump the water back up in off-peak times. But capital costs would increase, and profit margins associated with the peaking factor might be too small. Therefore, hydropower is thought to be too expensive at present.

Water Trust Board

Incidentally, the creation of the Water Trust Fund and Board in New Mexico is in no small part owed to the early planning and fact-finding efforts on the Ute project, dating back to 2000/2001. A team from eastern New Mexico visited other states having similar regional and rural water projects, to investigate and learn from their experiences. Other successful state models included significant investment to leverage local and federal funds to implement large-scale rural regional projects that could not otherwise be completed. The team brought these ideas back to New Mexico, and the eastern New Mexico legislators of the time – Pat Lyons and Joe Stell in particular – picked up the ball and ran with it. Over the next two years the Water Trust Fund and its managing Board became realities.

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