

Project 7 Water Authority Board of Directors: Protecting Our Regional Drinking Water Supply

For decades, Project 7 Water Authority and its Board of Directors – representing the City of Montrose, City of Delta, Town of Olathe, Tri-County Water Conservancy District, Menoken Water District, and Chipeta Water District – have been working cooperatively to strengthen the regional drinking water system that nearly 60,000 people rely upon in the Uncompahgre River Valley.

Project 7 has been the wholesale drinking water treatment provider for our Valley since 1977. Its six member municipalities and water districts deliver the water to your homes and businesses. Together, we share the cost and share the benefits of operating and maintaining our regional drinking water system.

Today, all the drinking water supplied by Project 7 comes from one aging treatment plant and one source: the 115-year-old Gunnison Tunnel. It is highly unusual for a community the size of ours to be in a “one cup, one straw” situation. If there was a problem in our existing single source system, with many single points of potential failure, we would have no backup water supply. In fact, our system provides emergency drinking water for the neighboring communities of Ridgway and Ouray.

Where We’ve Been: Background & History

A second regional drinking water treatment plant has been planned since before the Ridgway Reservoir was constructed. When the reservoir was completed in 1987, the site for a new regional water treatment plant was originally located at the base of the dam. While the location has changed, this long-planned facility is still needed to protect our water supply, which currently relies upon one aging treatment plant to meet the day-to-day needs of our communities.

Over the years, at least 18 different alternatives have been evaluated to secure the regional water system our communities depend on. These potential projects looked at everything from building a second regional drinking water treatment plant, to boring a second Gunnison Tunnel, or increasing raw water storage in our reservoir system by 10,000 acre-feet.

The price tag of these potential projects ranged from \$10 million to upgrade our existing facilities twenty-five years ago, to more than \$235 million, which is what it would cost to build a second Gunnison Tunnel in today’s dollars. Ultimately, none of these options protected our drinking water system from wildfire, drought, and aging infrastructure better than constructing a second regional treatment plant.

In 2018, work on the Project 7 Regional Water Supply and Resiliency Program began in earnest because a new treatment plant was proven to be the best option for our long-term water security. As plans got more detailed, many concepts were evaluated by Project 7’s Board of Directors and its member entities:

- In 2018, the initial cost for a 5 MGD (million gallons per day) facility, with no distribution pipelines, was estimated to be \$59 million, which is roughly \$74 million in today’s (2024) dollars.
- From 2019 through 2022, a variety of 6 MGD options and up to 6 miles of pipelines were evaluated at the current site south of Colona for an estimated \$50 million to \$110 million.
- In 2023, conceptual design for a 6 MGD treatment plant and 11 miles of raw and finished water transmission pipelines at the Colona site were estimated to cost \$158 million.
- In 2024, a more detailed (30%) design for the same 6 MGD plant with 11 miles of pipeline was estimated to cost \$172 million.

We all know construction projects across the world have faced big supply chain, inflation and cost challenges in recent years. What isn't as well known is that costs are difficult to estimate before the project scope is determined and fully designed. Costs for complex projects like this often increase as they go from "concept" to a "shovel ready" design that will deliver real value on day one. These factors working in tandem have caused a significant cost escalation that has us all concerned about affordability.

Where We're Going: Working Together For A Secure Water Future

The Project 7 Board and our member entities understand that the necessity of this project is not the challenge. Affordability is the challenge. Later this year, we will receive a Guaranteed Maximum Price from the design/build contractor. However, this is not the final price that we must accept without question if we want to secure our regional water supply with the new 6MGD facility needed to meet the current essential indoor water demand of our members, and provide the ability to expand to 12MGD in the future.

When Project 7 receives the Guaranteed Maximum Price, it will have been cross-examined by an independent third-party cost estimator, municipal fiduciary advisor, owner's representative and staff. Despite this thorough interrogation, there will likely still be portions of the project cost and finance plan that the Project 7 Board of Directors must reconcile before the project moves forward.

In early 2025, as the capital financing plan and total project cost come into focus, the Project 7 Board of Directors will meet with the elected officials of each member agency. This cooperative decision-making process will include discussions about appropriate cost allocations and funding options for each entity and determine how the project and its finance plan move forward in a way that provides the best value for future generations and a strong return on investment for the dollars that have already been spent.

How Will We Pay For It?

Project 7 has already been approved for financing instruments that are most commonly used to fund large water projects, including the Colorado State Revolving Fund (SRF) and the Environmental Protection Agency Water Infrastructure Financing and Innovation Act (WIFIA). These programs have the lowest below market interest rates available, principal forgiveness/deferment and many other favorable terms.

The importance of this project and why it has already received a commitment for more than \$50 million through the Bipartisan Infrastructure Law WIFIA and SRF programs was highlighted in a [February 2024 White House Brief on Water Infrastructure](#). In addition, Project 7 is aggressively seeking grants from the U.S. Bureau of Reclamation, Congressionally Directed Spending, and other federal and state programs.

Project 7's Board of Directors and its member entities are committed to securing our regional drinking water system with the best possible project at the best possible price. We know the value of water is unlimited, but our members' and their customers' budgets are not. That is why we will continue to work together to secure financing that minimizes the increasing cost of water and maximizes every dollar contributed locally.

There is still much work to be done to update the financing plan, costs, and timeline. We have been talking about this project for decades, but the hardest conversations are still to come, as we address our shared concerns about affordability. Just as our forefathers met many of the same challenges in creating a regional drinking water system, we are equally determined to continue their legacy by working together to strengthen and secure our water supply for future generations.

Learn more about your water, where it comes from and our shared regional infrastructure at:
www.Project7water.org/WaterSupply.

Approved by Project 7 Water Authority Board Members representing the City of Montrose, City of Delta, Town of Olathe, Tri-County Water Conservancy District, and Menoken Water District