

**MR&I COMMITTEE  
GARRISON DIVERSION CONSERVANCY DISTRICT  
AND  
STATE WATER COMMISSION**

**North Dakota State Water Commission  
Bismarck, North Dakota  
October 25, 2010**

A joint meeting of the Garrison Diversion Conservancy District and the State Water Commission Municipal, Rural, and Industrial (MR&I) Committees was held on October 25, 2010, at the North Dakota State Water Commission in Bismarck. Chairman Tom Olson called the meeting to order at 3:30 pm.

**STATE WATER COMMISSION MEMBERS PRESENT**

Commissioner Arne Berg  
Commissioner Maurice Foley  
Commissioner Jack Olin  
Commissioner Harley Swenson  
Chief Engineer Todd Sando

**DISTRICT MEMBERS PRESENT**

Chairman Tom Olson  
Director Jeff Breker  
Director Ward Koeser  
Director John Leininger  
Director Alan Walter  
Secretary Dave Koland

**COMMITTEE MEMBERS ABSENT**

Commissioner Larry Hanson

**OTHERS PARTICIPATING**

The attendance register is on file with the official minutes.

**CONSIDERATION OF MINUTES**

***Commissioner Swenson*** made a motion to dispense with the reading of the August 19, 2010, minutes and approve them as written. ***Director Walter*** seconded the motion. Motion carried.

**BACKGROUND INFORMATION**

Dave Koland, Secretary, gave a brief overview of the documents concerning the Municipal, Rural, and Industrial Water Supply Program. A copy of the Joint Powers Agreement between the State Water Commission and Garrison Diversion Conservancy District was presented to the Committee.

Todd Sando, State Engineer and Secretary, North Dakota State Water Commission, covered the major issues for the Commission, with up to \$100 million needed to address three construction projects dealing with Devils Lake flood control. Another area is the West Area Water Supply's \$150 million plan to address western North Dakota water demands caused by the oil industry and the domestic needs. Also requested are funds for water supply systems, water management projects, \$30 million for the Fargo Moorhead Metro Area flood control project, \$25 million for the Southwest Pipeline Project, and \$12 million for the Northwest Area Water Supply.

### **POLICY ISSUES**

Mike Dwyer, Executive Vice President, North Dakota Water Users Association, reviewed a table showing the Draft Water Coalition Funding Priorities Outline for regional and local infrastructure development projects from 2011 to 2019. The table is included as appendix A. The regional infrastructure projects included: Devils Lake Flood Control \$70 million, Fargo Flood Control \$30 million, Red River Valley Water Supply \$20 million, Southwest Pipeline Project \$25 million, Northwest Area Water Supply \$12 million, and the West Area Water Supply \$30 million. The local infrastructure projects included general water management \$30 million with other flood control issues across the State, irrigation \$2 million, Missouri River \$500,000, and weather modification \$700,000. The table does not have an amount for MR&I because some policy issues need to be addressed on how to determine which projects are funded. There is a need for a consistence and long-term policy for water development.

Mr. Dwyer provided a one-page "Summary of Policies Issues" for discussion on several issues. The outline is included as appendix B. The background issues started with the State's Resource Trust Fund, which was created in 1981 with estimated biennial revenue of \$20 million from an oil extraction tax. It was to be the main funding source for the Southwest Pipeline Project. A 1990 public vote placed the fund in the constitution and changed it to make funds available for statewide water development. In 1993, the percent received went form 10 percent to 20 percent of the tax.

In 1984, Senator Mark Andrews set up a 12-member Blue Ribbon Commission to review the Garrison Diversion Unit project. The Commission made the recommendation to de-authorize the Lonetree Reservoir and set up a municipal, rural, and industrial water supply program statewide. The Commission's report showed a need of \$400 million for water needs, with a \$200 million federal Municipal, Rural, and Industrial Water Supply program being passed by Congress in 1986. Since it was statewide, the Garrison Diversion Conservancy District and State Water Commission entered in an agreement to mange the program and then established the MR&I committee to review project requests.

In 1994, the Water Coalition was formed to bring groups together to provide support to the State Water Commission and the State Legislature to collectively provide wisdom on what to do on water development in North Dakota. In 1997, when the funding in the Resource Trust Fund was not coming in as expected, and with MR&I only for water supply, the legislature created the Water Development Trust Fund. The fund was created from 45 percent of the tobacco settlement, but the annual revenue amount was used to bond \$100 million for water development projects, with the main one being \$52 million for the city of Grand Forks flood control works and to address Devils Lake flooding issues.

Senator Dorgan has been able to secure additional Federal funding for water supply projects the last four years, and that will change with his retirement from the Senate in 2011. Also, the overall federal budget is going to change, and that impacts funding.

The current State Water Commission biennial funding for the Resource Trust Fund is projected at \$200 million and may have an additional \$40 million in carryover due to increasing oil production.

Mr. Dwyer discussed policy issues and the need for a consistency and long-term policy for the MR&I committee to address selection of projects with the unknown amount of Federal dollars and the use of State dollars. The funding priorities outline table does not have an amount for MR&I because of the seven policy issues that need to be addressed, along with many more that may be discussed. Some ideas to consider for MR&I funding are: municipal and rural; water supply and water quality; future and current needs; infrastructure and maintenance; cost share grant percentages; case by case review on percentage; and grant funding using federal and/or state funds. The MR&I water needs can use any funding set aside, even the whole \$200 million. The issue becomes how to determine the amount of State dollars to set aside.

The Devils Lake water quality impacts can start to be addressed by an east end outlet. In addition, downstream communities may need other funding.

The majority of MR&I funding has been used for regional water systems to enable systems to be established to build only one water treatment plant and then pumping water to the area. This has been the case in the city of Williston, the Southwest Pipeline Project, and the Northwest Area Water Supply project. The policy issue is: if a community in the regional system area has a project and there is a regional solution, then does the community's request get turned down.

Projects have to work together and support each other, which creates a strong case for a higher level in the overall funding.

The proposed legacy fund is 30 percent of the oil extraction tax and could impact the funding going into the Resource Trust Fund. The current breakdown for the oil tax is 20 percent for education funds, 20 percent Resource Trust Fund, and 60 percent General Fund, with a cap of \$71 million into the General Fund and the balance into the

permanent Oil Trust Fund. The Legislature will have to decide what to reduce to fund the 30 percent.

Chairman Tom Olson pointed out that in the administrative rules 89-12, under eligible costs, item 3, it states that operation, maintenance, and replacement costs are not eligible. Under priorities, there is a list of items to consider.

Mr. Dwyer said these are not in the Century Code but are rules, and the commission would just need to decide on the changes and then go through the process to change the administrative rules.

Commissioner Jack Olin said the Commission's primary purpose should be to do what it can to minimize the downstream damage from Devils Lake. With all the work that has to be done around Devils Lake, it is best to keep the money to do those things and not look into doing repair work on water treatment plants.

Commissioner Harley Swenson asked, shouldn't the cities share in the cost of projects that provide protection from Devils Lake flooding?

Mr. Dwyer pointed out that the people voted that 20 percent of the oil tax should go for statewide water development, and the policy needs to be established on how much the State is involved and how to fund projects to address these problems.

### **Rural Water**

Eric Volk, Executive Director North Dakota Rural Water Systems Association, provided a table on Regional/Rural Water projects needed for the next couple of years. The table is attached as appendix C. The request is for \$45.7 million on a total cost of \$62 million. Also shown is the \$15.5 million for projects approved if Senator's Dorgan Section 594 funding passes. If the 594 funding does not pass, then these projects will request funding. Also noted is another \$150 million project to deal with water supply for the west area of the State. The rural managers met and some of the pressing issues are water supply, with systems being undersized whether its treatment, distribution pipelines, or storage facilities. A lot of these projects are not possible without 75 percent or a very high percent to help those that have been waiting a long time to receive water. Mr. Volk also provided a table showing the rural water systems rates as of June 2010. The table is attached appendix D. The average water rates are around \$36.59 for a monthly minimum and \$4.76 per 1,000 gallons. The cost for 6,000 gallons per month is \$64.76. EPA has guidelines for affordability, which is based on 1.5 to 2.5 percent of the medium household income.

Mary Massad, CEO/Manager Southwest Water Authority, discussed the cost to get from one user to another and the limit to connect a water user. It started at \$25,000 and is indexed to the consumer price index and the current equivalent service unit cost is \$38,700. The user can pay the cost over that limit. That cost may cover one to two miles.

## **DEVILS LAKE IMPACTS**

Pat Zavoral, Fargo City Administrator, spoke to the downstream impacts of Devils Lake. When a city builds a water supply system based on certain characteristics to obtain a certain water quality, the users expect that quality to be maintained. Fargo uses the Sheyenne River about 60 to 80 days a year. With the high sulfate levels coming from Devils Lake, those characteristics are changing. Those high levels pose a risk to the elderly and babies. Fargo is talking with West Fargo and Cass Rural Water on a regional water solution. The city realizes there is a difference in the ability to pay between an urban area and a rural area and has a 50/50 cost share on dealing with Devils Lake and the same percent on flood management measures. Recognizing it is going to take a long time to complete the full flood control project, Fargo recognizes the needs in Williston and other places around the state. There is a lot of money, and it is best to keep the most flexibility, so if you could use the money set aside for Fargo in the next biennium towards projects like Williston, and then when Fargo is ready make the funds available.

Commissioner Arne Berg said treating the Devils Lake water to reduce the downstream impacts was looked at, and it showed the cost would be over \$500 million for construction and another \$40 million a year to operate. It makes more sense to treat the water at the end user.

Curt Kreun, Grand Forks City Council, said the city is in the process of building a new water treatment plant, and it is their number one infrastructure issue. It exists because of water quality issues, existing location limitations and demands. The long-term solution is a partnership with the City, State, and Federal government. The city has come up with a 50/50 cost share with the Federal government on a \$125 million project with a 25 percent request to the state for \$32 million. The first State request is for \$1.7 million, then \$15 million in 2013-21015, and \$15-16 million in 2015-2017. One industrial user demands three million gallons a day, and with no cost share, the rate would triple or jump by \$2.3 million over what they pay now. The 50/50 cost share will still require the rate to go up by \$1.1 million.

Joe Belford, Devils Lake, said Devils Lake is going into another wet winter, the weather forecast is not good, and there is no storage left in the upper basin, and a lot of people are frustrated not knowing what to do. The lake is so big that the runoff could cause the lake to raise three feet, which puts it within three feet of discharging downstream.

Nels Helgren, Manager, Greater Ramsey Rural Water, said there are costs from the building of the city dikes that require the system to move some crossings based on the design. Also three sewer lift stations are only three feet away from becoming inundated, and that will affect 200 homes. These costs could be \$500,000. The system had 75 lift stations and now only 15. The flows of the lift system have increased 50 percent and increased the operational costs. The city treats the water, and those costs have tripled.

Geneva Kaiser, President, Stutsman Rural Water, stated that their current proposed project is estimated to be around \$30,000 per user. The total cost is \$18.5 million.

Steve Hanson, Southeast Water Users, said their last project was around \$25,000 per user.

Teresa Sunsbak, General Manager, North Prairie Rural Water Consortium, commented that the North Central Rural Water Consortium looks at a project in the rural area as needing a 75 percent grant to make the project work. A rule of thumb is going one mile for a user is good, two miles is a stretch and three miles is the cutoff. The system has to look at payback when determining the funding needed.

Mr. Sando talked about the requests before the State Water Commission, which cover more than just water supply. One major project is addressing the water needs in the west by the West Area Water Supply Project. The pressing needs include flood control, with Devils Lake and Fargo, and the impacts that need to be addressed downstream on the Sheyenne River with Valley City and on the Red River with Fargo and Grand Forks. The projected overall funding to the State Water Commission for the next few years will allow a lot to be accomplished.

### **OTHER BUSINESS**

Neil Breidenbach, Manager, Grand Forks Traill Water District, covered their system and proposed project. Grand Forks Traill was established in 1971 with 750 users and now has 2,400 users. The proposed project is to add 200 users by spring and address water quality issues involving arsenic and nitrates. The monthly minimum water rate is estimated at \$55 using a 75% grant. If the grant were at 45%, then 100 users would have to be dropped.

There being no further business to come before the committee, the meeting was adjourned at 5:30 p.m.



Tom Olson, Chairman



Dave Koland, Secretary