



INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Testimony before the Water Topics Overview Committee
Karlene Fine, Industrial Commission Executive Director & Secretary
Wednesday, August 24, 2016

The last time I provided information to this Committee was in November, 2015. At that time I outlined the Industrial Commission's responsibilities as they relate to the Western Area Water Supply Authority (WAWS). Those responsibilities as found in Chapter 61-40 are:

- Oversight of the monies earned from industrial water sales by having reporting on a monthly basis; (Responsibility 1)
- Reimburse the authority for industrial water depot capital improvements and the cost of delivery of potable or nonpotable water sold at industrial water depots and lateral lines, at a cost no greater than the participating member, or submember, if applicable, entity rate at the location of the depot or lateral line. (Responsibility 2)
- Approval of water rates for industrial water sales (Responsibility 3) (This is generally done on an annual basis);
- Approval of additional debt that may form the basis of a claim for territorial or franchise protection for industrial water sales; (Responsibility 4)
- Revision of loan repayments if cash flow is insufficient to meet debt requirements (Responsibility 5)

The Commission has continued to fulfill these responsibilities by having a report on WAWS at each of their monthly meetings. As an example, I have attached a copy of the most recent financial report/summary that the Commission sees each month.

Because of the slowdown in oil production activity the Commission has had to make some adjustments as it relates to debt requirements. Mr. Hardmeyer with the Bank of North Dakota will go into more detail about those adjustments. Beginning in December of 2015, the Commission directed that the Bank utilize dollars prepaid by WAWS to make principal payments on one of the Bank of North Dakota loans until July 31, 2017. WAWS has continued to make interest payments and has made both principal and interest payments on the remaining Bank of North Dakota loan.

The Commission was pleased with the actions taken by the WAWS member entities in agreeing to the suspension of the baseline payments until such time as industrial sales increase and the WAWS industrial sales are sufficient to cash flow the debt payments on all outstanding loans.

There have been sufficient cash flows to pay the outstanding debt on six Public Finance Authority State Revolving Fund Loans and participating members other debt as outline in the law (the waterfall of payments).

The Commission has also continued to set the water rates for the industrial sales. In January of this year the Commission established the 2016 industrial reimbursement rate. It also established the rate for the depot/lateral lines at \$.84 a barrel. The Commission did allow WAWS to offer contracts during the months of March, April and May at a lower per gallon rate based on volume commitments. For example, if a purchaser contracted with WAWS to purchase between 250,001 and 500,000 barrels of water the cost for that water would be \$.75 a barrel; if the commitment was for 1,000,000+ barrels of water the cost for that water would be \$.60 a barrel.

The Commission continues to work with WAWS Board and management to comply with the law and to assure that the outstanding debt is repaid to the Bank of North Dakota and other state funds.

Thank you for the opportunity to appear before this Committee.



INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple
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Attorney General

Doug Goehring
Agriculture Commissioner

Memorandum

TO: Governor Jack Dalrymple, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

FR: Karlene Fine, Industrial Commission Executive Director

DT: August 15, 2016

RE: Western Area Water Supply Authority - Industrial Sales - July, 2016 & Debt Repayment Report

Attached is the Western Area Water Supply Authority (WAWS) financial information for the month of July, 2016.

Page 1 prepared by the Bank of North Dakota, reflects debt service payments through the month of July, 2016. In July interest was paid on the two BND loans and two Water Commission loans and principal was paid on the \$40 million BND loan.

The next 3 pages (pages 2, 3 & 4) I prepared based on the information provided by WAWS staff reflecting July revenues and expenses and net income. On page 2 you will see the capital improvement disbursements (highlighted in orange) that you previously approved. The one principal payment made in July is highlighted in yellow. Net income for the month of July was **\$354,924.60** before making their principal payment. This level of income will trigger a principal payment in August on the \$50 million BND loan. No baseline sales payments were paid and those deferred costs are reflected on the line item titled Deferred Expense Asset. On page 2 you see that the revenues in July went up to \$1,123,095.21. I am pleased to note that this is the highest it has been since the Fall of 2015. (As you will recall from the overall Debt Service spread sheet the breakeven sales monthly number is \$871,750 without the baseline sales payments.)

Page 5 is the balance sheet prepared by WAWS staff as of July 31, 2016. As noted on the Balance Sheet the Accounts Receivables are \$2,031,774.37 which is included in the assets of \$4,981,298.95 Note: The assets include a deferred expense line item which reflects the deferred expenses for the Baseline Sales.

If you have questions I will be available to review the numbers. Jaret Wirtz will also be available by phone to respond to questions regarding the sales during the month of July.

Karlene

Attachments

WAWSA Payments		JULY	
Date Funds Received		7/27/2016	
1 - Total Amount Received	\$	424,805	
Current Principal Balances			
BND Loan #1 (2%)	\$	28,602,246	
BND Loan #2 (1.75%)	\$	37,470,304	
General Fund (5%)	\$	25,000,000	
RTF #1 (5%)	\$	10,000,000	
RTF #2 (0%)	\$	25,000,000	
RTF #3 - \$20MM (2.5%)	\$	20,000,000	
RTF #4 - \$19.5MM (2.5%)	\$	19,500,000	
Total -	\$	165,572,550	
Scheduled Payments Made			
BND Loan #1	\$	48,585	Principal deferment to 7/31/17
BND Loan #2	\$	292,350	
General Fund	\$	-	Interest deferment to 7/31/17
RTF #1	\$	-	Interest deferment to 7/31/17
RTF #2	\$	-	
RTF #3	\$	42,466	
RTF #4	\$	41,404	
2 - Total Scheduled Payments	\$	424,805	
Principal	\$	233,867	
Interest	\$	190,938	

Year	2013	2014	2015	2016	TOTAL
Principal	\$ -	\$ 12,913,900	\$ 9,636,935	\$ 1,610,480	\$ 22,550,835
Interest	\$ 2,148,135	\$ 3,600,423	\$ 3,741,118	\$ 1,333,134	\$ 9,489,676
Total	\$ 2,148,135	\$ 16,514,323	\$ 13,378,053	\$ 2,943,614	\$ 32,040,511

Paid ahead to 7/31/2017. (Principal paid ahead by \$7.6MM)

First P&I was due 8/31/15. Next payment due is 6/30/16

Regular scheduled interest only payment. Principal starts 6/30/21

Regular scheduled interest only payment. Principal starts 7/31/2029

Payments start 6/30/2031, 0% int.

Regular schedule interest payment. Principal starts 6/30/2022

Interest only payment but not required to start until 9/30/15

2015-2017 Biennium

WAWSA Net Income

	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	6 months	
Revenues	\$1,657,339.28	\$1,522,343.20	\$950,015.20	\$1,207,719.37	\$852,578.66	\$841,109.07	\$7,031,104.78	
Expenses	\$1,274,408.02	\$1,565,294.34	\$1,214,058.41	\$1,160,249.44	\$796,382.65	\$1,189,996.35	\$7,200,389.21	
Capital Improvements	\$129,627.32	\$0.00	\$1,200.00	\$0.00	\$0.00	\$0.00	\$130,827.32	
Net Income	\$253,303.94	-\$42,951.14	-\$265,243.21	\$47,469.93	\$56,196.01	-\$348,887.28	-\$300,111.75	
Principal Payment #1	\$581,546.07	\$598,004.24	\$592,261.14	\$599,830.30	\$589,553.73	\$0.00	\$2,961,195.48	
Principal Payment #2	\$0.00	\$250,159.84	\$227,529.88	\$235,458.66	\$222,589.54	\$217,344.52	\$1,153,082.44	
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	6 months	
Revenues	\$841,541.03	\$806,727.10	\$896,008.43	\$808,541.06	\$765,894.75	\$805,326.87	\$4,924,039.24	
Expenses	\$1,052,572.34	\$1,014,467.89	-\$132,251.56	\$624,908.50	\$623,821.28	\$626,212.07	\$3,809,730.52	
Capital Improvements	\$32,400.00	\$41,150.00	\$0.00	\$0.00	\$0.00	-\$17,214.89	\$56,335.11	
Net Income	-\$243,431.31	-\$248,890.79	\$1,028,259.99	\$183,632.56	\$142,073.47	\$196,329.69	\$1,057,973.61	
Principal Payment #1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Principal Payment #2	\$225,046.92	\$229,392.82	\$225,588.09	\$231,145.08	\$229,517.02	\$235,922.57	\$1,376,612.50	
Deferred Expense Asset			\$1,199,946.27	\$399,982.09	\$399,982.09	\$399,982.09	\$2,399,892.54	
	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	7 months	
Revenues	\$1,123,095.21						\$6,047,134.45	
Expenses	\$761,055.86						\$4,570,786.38	
Capital Improvements	\$7,114.75						\$63,449.86	
Net Income	\$354,924.60						\$1,412,898.21	
Principal Payment #1	\$0.00						\$0.00	
Principal Payment #2	\$233,867.20						\$1,610,479.70	
Deferred Expense Asset	\$399,982.09						\$2,799,874.63	
	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	6 months	13 months
Revenues								\$13,078,239.23
Expenses								\$11,771,175.59
Capital Improvements								\$194,277.18
Net Income								\$1,112,786.46
Principal Payment #1								\$2,961,195.48
Principal Payment #2								\$2,763,562.14
Deferred Expense Asset								\$2,799,874.63

2016 WAWSA Revenues													
	January	February	March	April	May	June	July	August	September	October	November	December	Total
Williston - 2nd Street Fill Station Cold Water	\$162,758.74	\$159,032.00	\$179,054.92	\$170,410.72	\$130,544.76	\$132,528.48	\$128,097.78						\$1,062,427.40
Williston - 2nd Street Fill Station Hot Water	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00						\$0.00
Direct Connection	\$84,840.00	\$94,920.00	\$102,480.00	\$96,600.00	\$102,480.00	\$96,600.00	\$95,760.00						\$673,680.00
N Williston Fill Station Cold	\$43,604.80	\$37,123.36	\$51,254.68	\$44,277.12	\$47,178.50	\$50,384.50	\$49,129.60						\$322,952.56
N Williston Fill Station Hot	\$25,296.60	\$91,380.24	\$62,312.88	\$39,552.24	\$18,838.68	\$3,450.72	\$4,118.52						\$244,949.88
Total City of Williston	\$316,500.14	\$382,455.60	\$395,102.48	\$350,840.08	\$299,041.94	\$282,963.70	\$277,105.90						\$2,304,009.84
McKenzie County WRD - Alexander	\$81,075.46	\$60,060.64	\$80,293.44	\$55,285.00	\$55,925.02	\$67,069.12	\$80,497.88						\$480,206.56
McKenzie County WRD - Direct Connections	\$55,449.16	\$25,883.20	\$26,657.80	\$43,619.32	\$35,466.26	\$36,140.86	\$177,365.11						\$400,581.71
McKenzie County WRD - Indian Hills	\$66,902.42	\$59,670.16	\$74,006.42	\$73,698.84	\$76,566.92	\$69,599.28	\$62,359.32						\$482,803.36
McKenzie County WRD - Keene	\$65,961.60	\$46,976.00	\$57,966.40	\$63,751.20	\$60,419.20	\$39,609.12	\$72,120.48						\$406,804.00
McKenzie County Watford City Cold	\$113,424.80	\$131,051.12	\$146,091.92	\$114,576.72	\$123,547.84	\$156,428.32	\$116,712.96						\$901,833.68
McKenzie County Watford City Hot	\$58,563.80	\$16,235.72	\$11,953.20	\$2,750.64	\$4,708.32	\$1,284.56	\$10.72						\$95,506.96
Total McKenzie County WRD Sales	\$441,377.24	\$339,876.84	\$396,969.18	\$353,681.72	\$356,633.56	\$370,131.26	\$509,066.47						\$2,767,736.27
R&T Water Supply Commerce - Stanley	\$6,284.70	\$10,047.76	\$9,658.36	\$11,554.72	\$11,337.92	\$14,152.66	\$8,484.74						\$71,520.86
Direct Connection	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00						\$0.00
Total R&T Water Commerce Sales	\$6,284.70	\$10,047.76	\$9,658.36	\$11,554.72	\$11,337.92	\$14,152.66	\$8,484.74						\$71,520.86
Williams Rural Water District - 13 Mile	\$51,720.64	\$39,976.80	\$48,665.10	\$49,411.96	\$48,180.58	\$56,312.02	\$53,320.20						\$347,587.30
Direct Connection	\$23,060.00	\$33,220.00	\$42,200.00	\$40,900.00	\$41,460.00	\$80,580.00	\$273,820.00						\$535,240.00
Total Williams Rural Water District Sales	\$74,780.64	\$73,196.80	\$90,865.10	\$90,311.96	\$89,640.58	\$136,892.02	\$327,140.20						\$882,827.30
Total Industrial Water Sales	\$838,942.72	\$805,577.00	\$892,595.12	\$806,388.48	\$756,654.00	\$804,139.64	\$1,121,797.31						\$6,026,094.27
Other Income	\$2,598.31	\$1,150.10	\$3,413.31	\$2,152.58	\$9,240.75	\$1,187.23	\$1,297.90						\$21,040.18
	\$841,541.03	\$806,727.10	\$896,008.43	\$808,541.06	\$765,894.75	\$805,326.87	\$1,123,095.21						\$6,047,134.45

2014 WAWSA Expenses

	January	February	March	April	May	June	July	August	September	October	November	December	Total
BDW 2010 Baseline Sales (Crosby)	\$21,538.00	\$21,538.00	-\$43,076.00	\$0.00	\$0.00	\$0.00	\$0.00						\$0.00
City of Williston Baseline Sales	\$116,672.00	\$116,672.00	-\$233,344.00	\$0.00	\$0.00	\$0.00	\$0.00						\$0.00
MCWRD 2010 Baseline Sales - Watford	\$68,000.00	\$68,000.00	-\$136,000.00	\$0.00	\$0.00	\$0.00	\$0.00						\$0.00
R&T 2010 Baseline Sales - R&T	\$37,380.25	\$37,380.25	-\$74,760.50	\$0.00	\$0.00	\$0.00	\$0.00						\$0.00
R&T 2010 Baseline Sales - Ray	\$6,496.00	\$6,496.00	-\$12,992.00	\$0.00	\$0.00	\$0.00	\$0.00						\$0.00
R&T 2010 Baseline Sales - Stanley	\$66,726.00	\$66,726.00	-\$133,452.00	\$0.00	\$0.00	\$0.00	\$0.00						\$0.00
R&T 2010 Baseline Sales - Tioga	\$83,169.84	\$83,169.84	-\$166,339.68	\$0.00	\$0.00	\$0.00	\$0.00						\$0.00
Total 2010 Baseline Sales Payments	\$399,982.09	\$399,982.09	-\$799,964.18	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MCWRD Debt Payments	\$77,102.27	\$77,102.27	\$77,102.27	\$77,102.27	\$77,102.27	\$77,102.27	\$77,102.27						\$539,715.89
R & T 2010 Debt Payments	\$52,966.22	\$52,966.22	\$52,966.22	\$52,966.22	\$52,966.22	\$52,966.22	\$52,966.22						\$370,763.54
Williston City Debt Payments	\$140,634.36	\$140,634.36	\$140,634.36	\$140,634.36	\$140,634.36	\$140,634.36	\$140,634.36						\$984,440.52
Total Entity Debt Payments	\$270,702.85	\$270,702.85	\$270,702.85	\$270,702.85	\$270,702.85	\$270,702.85	\$270,702.85	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,894,919.95
\$10 Million - Resource Fund	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00						\$0.00
\$19.5 Million - SWC #7	\$41,404.10	\$38,732.87	\$41,404.11	\$40,068.49	\$41,404.11	\$40,068.48	\$41,404.11						\$284,486.27
\$20 Million - SWC #6	\$42,465.75	\$39,726.02	\$42,465.75	\$41,095.88	\$42,465.75	\$41,095.89	\$42,465.74						\$291,780.78
\$25 Million - General Fund Debt	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00						\$0.00
\$40 Million - BND Loan	\$63,469.47	\$59,123.57	\$62,928.30	\$60,729.24	\$62,357.30	\$55,951.75	\$58,482.62						\$423,042.25
\$50 Million BND Loan	\$48,584.62	\$45,450.15	\$48,584.64	\$47,017.20	\$48,584.44	\$47,017.76	\$48,584.63						\$333,823.44
Accrued Interest on BND/State Debt	\$195,923.94	\$183,032.61	\$195,382.80	\$188,910.81	\$194,811.60	\$184,133.88	\$190,937.10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,333,132.74
13 Mile Fill Station	\$8,740.79	\$6,756.08	\$8,224.40	\$8,350.62	\$8,142.52	\$9,516.73	\$9,011.11						\$58,742.25
2nd Street Fill Station	\$30,354.51	\$29,659.47	\$33,393.74	\$31,781.60	\$24,346.60	\$24,716.56	\$23,890.24						\$198,142.72
Alexander Fill Station	\$17,390.69	\$12,883.01	\$17,222.94	\$11,858.63	\$11,995.92	\$14,386.33	\$17,266.80						\$103,004.32
Direction Connection - North	\$4,231.51	\$6,095.87	\$7,743.70	\$7,505.15	\$7,607.91	\$14,786.43	\$50,245.97						\$98,216.54
Direct Connection - Williston	\$15,822.66	\$17,702.58	\$19,112.52	\$18,015.90	\$19,112.52	\$18,015.90	\$17,859.24						\$125,641.32
Direction Connection - South	\$12,479.99	\$5,551.95	\$5,718.10	\$10,262.08	\$7,800.93	\$7,977.07	\$106,298.97						\$156,089.09
Indian Hills Fill Station	\$14,350.57	\$12,799.25	\$15,874.38	\$15,808.40	\$16,423.60	\$14,929.05	\$13,376.07						\$103,561.32
Keene Fill Station	\$17,644.73	\$12,566.08	\$15,506.01	\$17,053.45	\$16,162.14	\$10,595.44	\$19,292.23						\$108,820.08
N Williston Fill Station	\$22,041.47	\$13,615.13	\$11,990.96	\$9,365.60	\$9,018.86	\$9,829.39	\$9,319.33						\$85,180.74
R&T Fill Station	\$826.67	\$2,089.70	\$2,206.94	\$2,640.25	\$2,590.71	\$3,233.88	\$1,938.76						\$15,526.91
Stanley Fill Station	\$404.04	\$136.72	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00						\$540.76
Watford City Fill Station	\$35,423.83	\$32,956.48	\$35,512.69	\$26,398.66	\$28,853.12	\$35,485.40	\$26,262.83						\$220,893.01
Industrial Water O&M Costs	\$179,711.46	\$152,812.32	\$172,506.38	\$159,040.34	\$152,054.83	\$163,472.18	\$294,761.55	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,274,359.06
NDIC Full Time Employee	\$6,250.00	\$6,250.00	\$6,250.00	\$6,250.00	\$6,250.00	\$6,250.00	\$6,250.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$43,750.00
Charge-off Account/Bad Debt*	\$2.00	\$1,688.02	\$22,870.59	\$4.50	\$2.00	\$1,653.16	-\$1,595.64	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$24,624.63
Capital Improvements/Expenses	\$32,400.00	\$41,150.00	\$0.00	\$0.00	\$0.00	-\$17,214.89	\$7,114.75	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$63,449.86
Total Expenses pre/prepayments	\$1,084,972.34	\$1,055,617.89	-\$132,251.56	\$624,908.50	\$623,821.28	\$608,997.18	\$768,170.61	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4,634,236.24
WAWSA BND Principal Payment \$50 M	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WAWSA BND Principal Payment \$40 M	\$225,046.92	\$229,392.82	\$225,588.09	\$231,145.08	\$229,517.02	\$235,922.57	\$233,867.20	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,610,479.70
Total Expenses	\$1,310,019.26	\$1,285,010.71	\$93,336.53	\$856,053.58	\$853,338.30	\$844,919.75	\$1,002,037.81	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6,244,715.94

Western Area Water Supply - Industrial Account
Balance Sheet
As of July 31, 2016

Accrual Basis

	Jul 31, 16
ASSETS	
Current Assets	
Checking/Savings	
BND Industrial Account	149,649.95
Total Checking/Savings	149,649.95
Accounts Receivable	
Accounts Receivable	2,031,774.37
Total Accounts Receivable	2,031,774.37
Other Current Assets	
Deferred Expense	2,799,874.63
Total Other Current Assets	2,799,874.63
Total Current Assets	4,981,298.95
TOTAL ASSETS	4,981,298.95
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	3,138,386.18
Total Accounts Payable	3,138,386.18
Total Current Liabilities	3,138,386.18
Total Liabilities	3,138,386.18
Equity	
Loan Transfer	-24,161,317.45
Unrestricted Net Assets	24,591,332.01
Net Income	1,412,898.21
Total Equity	1,842,912.77
TOTAL LIABILITIES & EQUITY	4,981,298.95