

**Testimony to the Interim Water Topics Committee****Chairman James Schmidt****Mike McBride, VP Business Development Upstream Oil & Gas**[MikeMcBride@savageservices.com](mailto:MikeMcBride@savageservices.com)

Good morning Chairman Schmidt and Committee Members. I am Mike McBride with Savage. I currently serve as the company's Vice President for Business Development for our Upstream Oil and Gas operations. Previously, I was General Manager of our Williston-based business that provides industrial water for oil well production. That business, Savage Water Solutions, is a joint venture with Mike Ames, a longtime independent water provider in the state.

While Savage is separate from and not a member of the Independent Water Providers organization, Savage shares many of the same policy concerns with this organization that I wish to address today.

We've had the opportunity recently to talk with several of you about Savage and our presence in the state. But I'll provide a brief overview for those who aren't familiar with what we do:

- Savage is a transportation and logistics company that has been in business for 70 years.
- We've been active in North Dakota since 1995, starting with our trucking and rail loading facility in Bowbells.
- In recent years, we've invested more than \$180 million in our operations and infrastructure to support oil and gas development. These investments include:
  - Trenton crude-by-rail terminal, crude storage and pipeline connected facility
  - State-of-the-art oil field pipe inspection and threading facility in Trenton
  - Water depots and infrastructure to provide industrial water for oil well production across the Bakken shale
  - Workover rigs and wellhead services
  - Crude trucking operations
- All of these businesses provide tax revenues and jobs that benefit the state, counties and local communities.
- We are focused on always operating safely and responsibly, and making a positive difference in the communities where our team members live and work.
- Additionally, we have a joint venture with Tesoro to build and operate a 360,000 barrel-per-day, rail-to-marine crude oil transfer terminal at the Port of Vancouver in southwest Washington state. If approved, this project:
  - Will facilitate the transportation of North American crude oil, predominantly from the Bakken, to West Coast refineries.
  - Support jobs and economic growth in both Washington state and North Dakota.
  - Increase our country's energy independence and security by displacing up to 30 percent of the foreign oil currently imported to the West Coast.

## **Water Issues**

While Savage would like to continue to invest in and grow our business in the state of North Dakota, like every business, we must take into account the uncertainties that exist in the marketplace. In the case of industrial water, there are uncertainties beyond current market conditions that make this a challenge – and which relate to water issues overseen by this Committee.

Historically, North Dakota has been known as a state that is great for doing business. However, for the past several years we have found ourselves in the unusual situation of competing with a state-financed entity, the Western Area Water Supply Authority, or WAWSA, in providing industrial water for oil well production.

We want to emphasize that we recognize the importance of bringing domestic water to rural parts of the state. This is vital to communities and families, including many of our own employees. However, by using industrial water sales as the funding mechanism, North Dakota has established a system that puts this public entity in direct competition with private business.

From our perspective, WAWSA has been granted competitive advantages that result in an unfair playing field, including:

- Access to capital at much lower rates
- The threat of eminent domain (even when not used) in securing easements
- The negligible cost of securing easements as compared to what the private sector pays

We do not have a problem going head-to-head with other companies, but competing against a state-funded entity with built-in advantages was not envisioned when we first got into this business.

Every barrel of water industrial water sold by WAWSA negatively impacts independent water providers who are already engaged in extensive cost cutting and efficiency measures because of market conditions, and worsened by the state's abrupt cancelation of the *In Lieu of Irrigation Program*.

Another major concern is the scope creep that has been allowed to occur. WAWSA was initially created with a limited number of water depots envisioned in areas with less access to industrial water. Today, WAWSA has pipelines branching out into other parts of the state and is taking more business away from private water providers.

## **Savage's Position on WAWSA's Industrial Water Sales**

We at Savage understand that WAWSA isn't going away anytime soon and that the state has a responsibility to recover its investments and provide domestic water for communities and rural areas.

We simply ask that you consider the unusual situation that exists, that I have outlined above, and avoid actions that would allow WAWSA to further encroach on our customers and put independent water providers at a further disadvantage.

The private sector can meet the state's industrial water needs. We are here making investments in the state and creating jobs. However, uncertainty created by WAWSA makes it harder to justify new business ventures in North Dakota.

We are not here to tell you what to do with WAWSA, our how to address its financing, but we hope you will recognize the benefits of having businesses here like Savage that provide needed oilfield services, support economic growth and contribute significant tax revenues that benefit people throughout the state.

Of course, if it is the will of the legislature to establish a path forward that fairly addresses the question of the public debt and ultimately refocuses WAWSA's mission exclusively on supplying community and domestic water needs, we would support those efforts.

We plan to be in attendance during the coming Legislative Session and look forward to assisting however we can and offering our perspective as you work through these challenging issues.

Thank you for your time.