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OMB/RECORDS MANAGEMENT DIVISION
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ROLL NUMBER

DESCRIPTION

2345

2007 SENATE NATURAL RESOURCES

SB 2345

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2345

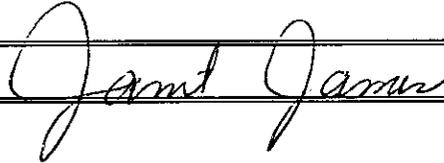
Senate Natural Resources Committee

Check here for Conference Committee

Hearing Date: February 2, 2007

Recorder Job Number: # 2721

Committee Clerk Signature



Minutes:

Senator Stanley Lyson, Chairman of the Senate Natural Resources Committee opened the hearing on SB 2345 to authorize the state water commission to issue bonds for the Red River valley water supply project and relating to the water development trust fund.

All members of the committee were present except **Senator Ben Tollefson**.

Senator Tom Fischer of District 46 co-sponsor of SB 2345 introduced the bill stating he was asking for support of the bill as it is critical to almost 25 % of the population of North Dakota by supplying water to the Red River Basin. He presented an amendment that put some dollars into the bill (See attachment # 1). If the bill is passed it sends a message to congress that the locals as well the state is serious about sending water to the eastern part of the state and therefore be in a better position to receive federal funding needed to complete the project.

Senator Tony Grindberg of District 41, cosponsor of SB 2345 stood before the committee to be on record in support of the bill. From his perspective all the stars are lined up for this large project and it is very important to send the bill through the process, although it will not totally be decided until towards the end of the session. We need a firm commitment for the state's share so the process can be expedited and move forward with the other applications. Another thought is to set up separate account with the Bank of North Dakota, so that whatever the

legislature does with cash and/or bonding, the \$100 million will be secure in a separate account.

Senator Joel Heitkamp asked if this was the right way to go about things as the bill says to the Water Commission that the process they will move forward on dictating where project goes does not matter because this project will get \$20 million with these amendments.

Senator Grindberg says he will leave that up to the committee but that this is large project and the water coalition and the water groups have done a fine job and no one is advocating the opposite. But what is in the Water Commission budget and the needs that are presented there are great, but this project should have its own identity, committed funding so it can move forward and not get caught up in other issues.

Bruce Furness representing the Lake Agassiz Water Authority testified in support of SB 2345 (See attachment #2).

Curt Kreun, Grand Forks City Council member and a director of the Lake Agassiz Water Authority Board testified in support of SB 2345 (See attachment #3).

Representative Ole Aarsvold of District 20, cosponsor of SB 2345 testified in support saying there is limited access to water in the Red River Valley area and the need to be prepared in time of drought and to do what is necessary to maintain the industrial and agricultural industries of eastern North Dakota.

Jerry Blomeke, General Manager of the Cass Rural Water District testified in support of SB 2345 (See attachment #4).

Gary Saleba, President of the EES Consulting, Inc. testified in support of SB 2345 presenting information regarding drought effects in the Red River basin.(See attachment #5).

David L. Johnson, District Engineer for the Garrison Diversion Conservancy District testified in support of SB 2345 (See attachment # 6).

Senator Herbert Urlacher inquired if the treated water moved from the treatment plant will be mixed with the water in the Sheyenne River and will that meet the requirements of Canadian concerns.

David L. Johnson answered the negotiations are currently happening and for the first time, in written comments to the environment study, they said that "if you so this", their concerns will be gone. They have presented goals for this treatment plant, so that whatever is wanted to happen, will be able to. In comparison the quality of the water in the Missouri River is similar to the water in the Sheyenne River.

Senator Heitkamp asked if the "C" district is okay with the amendments proposed by Senators Fischer and Grindberg.

David L. Johnson could not answer the question, other then he knows this is the very most important project for the "C" district to go forward.

Bill Butcher, a director of the Friends of Lake Sakakawea testified in support of SB 2345 on his on behalf (See attachment # 7).

Gary Saleba, President of the EES Consulting, Inc. testified in support of SB 2345 presenting information regarding the cost of building the project over time frames (See attachment # 8).

Mike Dwyer representing the North Dakota Water Users Association testified in support of SB 2345 stating the Red River valley water project is one of most important thing North Dakota is going to do this decade (See attachment # 9). He also presented a copy of "Meeting the Challenge V" to the committee members. He explained the history of the Southwest Pipeline and how it supplies water to 28 communities and 3,000 farms or rural residences for increased quality of life and economic growth. In the 1990's, there was the Devil's Lake flood projects and the 1997 Grand Forks flood. He continued to list the projects that have been completed, nearly completed or those that in the process at various stages. He continued to list future

projects that are necessary to provide water and flood control. This project is so important to the economic future of this state. He referred to the Governor's water Coalition/Executive Budget Priorities (See blue sheet attached). He then referred to the white sheet of his written testimony. He further stated if the amendment is for additional money, the legislature and the governor will have to decide where this state money will come from.

Senator Urlacher stated he has been involved in water issues for a long time and has always worked with a coalition for priorities and funding and he sees this plan worked through the coalition, but won't the amendment move the project outside of the coalition.

Mike Dwyer agreed.

Senator Urlacher stated this needs to stay focused with the coalition.

Senator Heitkamp commented that if the amendment is passed, will the committee hear in future legislative sessions, the need for separate funding causing prioritization of projects instead of the coalition deciding.

Mike Dwyer answered that this has happened in the past when the legislature appropriated money specifically for the Southwest pipeline and for the Grand Forks flood control. If this done for the Red River Valley project it will not put the coalition out of business.

Senator Heitkamp stated the difference, is the prescient of specifically earmarking funding for project is dangerous.

Mike Dwyer was not aware of the amendment specifics as he had not read them.

Discussion was held to the amendment and when and how funding is designated.

Senator Lyson asked if he was in favor of the \$12 million.

Mike Dwyer confirmed that of course they would in favor of \$12 million dollars of extra general fund money but they favored Senator Holmberg's bill for \$100 million of additional general fund money with \$50 million be designated for the valley project.

Senator Lyson asked for testimony in opposition to SB 2345 and hearing none closed the hearing on SB 2345.

The committee decided to give the bill some discussion time.

Senator Heitkamp commented he was in favor of the amendment because it is good for his area, but it does go down a trail that has always been resisted. He predicted if the road is followed, there will be more projects that will want priority over others.

Senator Urlacher stated he has backed away from this movement over the years. He is not opposed to the project or the money needed for it , only the process of how that money is allocated.

Senator Layton Freborg wanted to make sure the \$12 million is coming out of the \$48 million indicated on the blue sheet as distributed to the committee.

Senator Heitkamp stated maybe the senators sponsoring the bill and sitting on the appropriations committee might have plans of replenishing the water trust fund or maybe it does come out of the governor's budget. The amendment will not kill the \$12 million for the project but it is then mandate.

The discussion was held as to where the \$12 million for the project coming is from and the process of that funding and in reality the water coalition will be out of the loop. This is a policy decision that belongs in the committee and not in appropriations committee.

Senator Heitkamp made a motion to adopt the amendments.

Senator Jim Pomeroy second the motion.

Senator Freborg asked why the amendments were added and were not in the bill.

Senator Heitkamp speculated the bill came from the Lake Agassiz group and perhaps the sponsors of the amendment did not think it went far enough.

Senator Freborg stated this amendment was confusing as there is only \$3 million in the general fund which is contrary to the bill.

Senator Triplett agreed the language is completely inconsistent. She also added that when amendments are brought in at the last minute it does not allow contrary opinion the time to appear at a hearing.

Senator Lyson stopped the discussion to allow the sponsors of the amendment to return to the room.

Senator Lyson explained to the two sponsoring senators the discussion of the committee on the amendments and that it needs some clarification.

Senator Freborg stated the bill calls for \$12 million for the Red River valley project from the resources trust fund and on page 2 of the bill on lines 23, 24, 25, it is still the Red River Valley water project of \$12 million per biennium, but is derived from \$6 million per biennium from the general fund and \$6 million from the resources trust fund. If you look at the governor's recommendation there is only \$3 million general fund money in there and only \$81 million of revenue.

Senator Tom Fischer responded that the budget is the priorities, a suggestion list and they are suggesting that \$12 million go in from the resources trust fund and it should be further amended to take out line 23 "per" and line 24, "biennium for five bienniums" and change line 25 "six million" to "twelve million" .

Senator Triplett agreed that would cure that part of the inconsistency of the bill but there are other concerns.

Senator Heitkamp stated this would break away for what was put into place by this committee in terms of priority of projects and taking money directly for designated projects.

Senator Fischer stated this happens with other trust funds and projects before. The coalition has worked for projects but from time to time there has been projects that have come in on their own. Last session the water commission budget was amended to accommodate a need in Nelson County not addressed by the coalition. Major projects do attract attention. There are needs that do not always come through the water coalition and requests come before the budget.

Senator Heitkamp stated he does not disagree with the emergency projects but does disagree with the concept and how emergencies are decided.

Senator Triplett stated some of those who testified did not think the amendment was necessary and why is there the concern about this amendment.

Senator Fischer stated it is the cash in the bill that has an effect on whether this amendment is valid legislation or not.

Senator Urlacher stated the coalition has always recognized the need for the Red River supply project and is the reason why the project is in the budget. Right or wrong this appears to take the project away from the coalition but would like to see it stay. If it has already been recognized by the coalition and the governor's office, is the amendment which will pull apart from the coalition necessary. He asked if this will help with the bonding.

Senator Fischer answered that it will help more with the federal funding as North Dakota is serious about this project and the cash will not only help the project proceed but send a message. That is a point for discussion, but thinks it is important to the project.

Senator Lyson asked if the committee had any questions of Senator Grindberg. There was none.

Senator Tony Grindberg made the committee aware Jeff Nelson for the Legislative Council was available for questions.

Having nothing further the question was called.

A voice call vote for adoption of Amendment # 70696.0101 was taken indicating 2 Yeas, 4 Nays and 1 absent. The amendment failed.

Senator Heitkamp asked the bill to be held over for further clerical work on SB 2345 and that he would like to present more on the bill on behalf of those involved.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2345

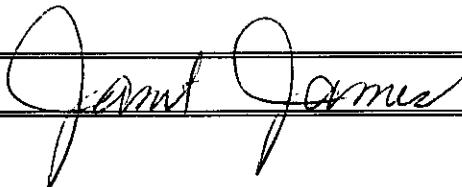
Senate Natural Resources Committee

Check here for Conference Committee

Hearing Date: February 8, 2007

Recorder Job Number: # 3220

Committee Clerk Signature



Minutes:

Senator Lyson, Chairman of the Senate Natural Resources Committee brought the committee to order.

Senator Lyson opened the committee work on SB 2345.

Senator Joel Heitkamp reminded the committee that Amendment 70696.0101 failed and the bill was not referred to the Appropriations Committee. He presented a new amendment and asked Mike Dwyer to explain it to the committee.

Mike Dwyer, representing the North Dakota Water users Association, referred to the funding sheet he had presented to the committee at the bill hearing. The Garrison Diversion Conservancy District, State Water Commission, the Water Users and the Water Coalition presented a plan to the governor last summer. Then time has moved on, the plan has been refined to a two page plan where there is a \$400 million 1st phase and \$200 million 2nd phase. This bill is strictly a legislative intent to allow the locals to do their bonding. This bill is needed in order for them to have the bonding companies know the state is committed and to do the local share. This amendment put into words the plan that has been developed, whereby the state's first \$100 million of bonding, resource trust fund and general fund would be in phase one. The second \$100 million which is MR&I funds would be in phase two. This was

presented to the governor on Tuesday and indicated his support being a reasonable plan.

Obviously the committee cannot bind future legislators to this plan, but it puts into place the best place scenario, so that if the project does move forward with congressional approval the plan is in place. This amendment does this.

Senator Lyson asked if this bill ties in with SB 2203.

Mike Dwyer confirmed this, stating SB 2345 deals with the funding of the project and SB 2203 deals with the bidding and construction of the project. He further stated this project will take the coordinated efforts of the governor, the delegation, the legislature and that the bill puts in the bonding authority and the intent for a funding plan.

Senator Herbert Urlacher asked if this will put the project in a position to draw funds from the federal side.

Mike Dwyer answered the bill puts it so the locals can do their bonding, but it also sets forth the plan where by the federal share, the local share and state share of funding for the project is identified. He further stated the federal part will be the real challenge.

Senator Urlacher confirmed this is a good faith effort,

Senator Constance Triplett asked if the amendment rewrites one paragraph into two different parts so that gets rid of the five bienniums into three bienniums and takes out the specific \$12 million that was part of the conservation last week. Where does the rest of the funding come from?

Mike Dwyer responded that section 4 that deals with bonding is being left and that in section 5, the previous amendment had \$12 million per biennium to include \$6 million from the general fund and \$6 million from the resource trust fund. The new amendment says the same amount of money over three bienniums with the same amount from the general fund, resources trust fund and from bonding.

Senator Triplett stated the amendment that was rejected specifically appropriated money from this biennium out of the resources trust fund.

Mike Dwyer responded that the amendment that was proposed last week would have appropriated \$12 million and was not approved by the committee, so the bill does not do any appropriating money. The \$12 million is in the governor's budget for the water commission budget which is SB 2220 but is not earmarked specifically for the project although the blue sheet (Water Coalition Budget Priorities) distributed to the committee shows it has been allocated there for the Red River project and is in the governor's budget.

Senator Triplett made a motion to adopt Amendment 70696.0102.

Senator Heitkamp second the motion.

Discussion was held as a lot of things can still happen with this bill and others related to the Red River water project.

A voice vote of roll call #1 to adopt amendment 70696.0102 was taken indicating 7 Yeas, 0 Nays and 0 absent or not voting.

Senator Triplett made a motion for Do Pass of SB 2345.

Senator Heitkamp made a motion for a Do Pass as Amended of SB 2345.

Senator Triplett second the motion.

Roll call vote # 2 for a Do Pass as Amended of SB 2345 was taken indicating 7 Yeas, 0 Nays 0 absent or not voting.

Senator Ben Tollefson will carry SB 2345.

FISCAL NOTE
Requested by Legislative Council
01/24/2007

Bill/Resolution No.: SB 2345

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill establishes Legislative intent to provide bonding authority for the Red River Water Supply project.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

There is no fiscal impact until the bonding is included in an appropriation bill.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	David Laschkewitsch	Agency:	ND State Water Commission
Phone Number:	328-1956	Date Prepared:	01/24/2007

70696.0101
Title.

Attachment # 1
Prepared by the Legislative Council staff for
Senators Fischer and Grindberg
February 1, 2007

PROPOSED AMENDMENTS TO SENATE BILL NO. 2345

Page 1, line 2, remove the first "and"

Page 1, line 3, after "fund" insert "; and to provide an appropriation"

Page 3, after line 17, insert:

"SECTION 6. RESOURCES TRUST FUND - APPROPRIATION. There is appropriated out of any moneys in the resources trust fund the sum of \$12,000,000, or so much of the sum as may be necessary, to the state water commission for the Red River valley water supply project, for the biennium beginning July 1, 2007, and ending June 30, 2009."

Renumber accordingly

JB
2-9-7

PROPOSED AMENDMENTS TO SENATE BILL NO. 2345

Page 2, remove lines 20 through 26

Page 2, line 27, replace "3." with "2."

Page 3, line 1, replace "4." with "3."

Page 3, after line 9, insert:

"SECTION 5. State funding plan.

1. The remaining sixty million dollars to comprise a total of one hundred million dollars to meet the one hundred million dollar state share of phase one of the Red River valley water supply project is to be funded over three bienniums. The sixty million dollars is to be derived from thirty million dollars from the general fund and thirty million dollars from the resources trust fund.
2. The state shall provide an additional one hundred million dollars of municipal, rural, and industrial water supply funds for phase two of the Red River valley water supply project, to meet the two hundred million dollar state share of the project."

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2345: Natural Resources Committee (Sen. Lyson, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2345 was placed on the Sixth order on the calendar.

Page 2, remove lines 20 through 26

Page 2, line 27, replace "3." with "2."

Page 3, line 1, replace "4." with "3."

Page 3, after line 9, insert:

"SECTION 5. State funding plan.

1. The remaining sixty million dollars to comprise a total of one hundred million dollars to meet the one hundred million dollar state share of phase one of the Red River valley water supply project is to be funded over three bienniums. The sixty million dollars is to be derived from thirty million dollars from the general fund and thirty million dollars from the resources trust fund.
2. The state shall provide an additional one hundred million dollars of municipal, rural, and industrial water supply funds for phase two of the Red River valley water supply project, to meet the two hundred million dollar state share of the project."

Renumber accordingly

2007 HOUSE NATURAL RESOURCES

SB 2345

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2345

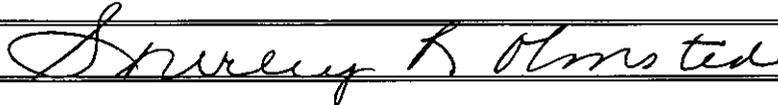
House Natural Resources Committee

Check here for Conference Committee

Hearing Date: March 1, 2007

Recorder Job Number: 4209

Committee Clerk Signature



Minutes:

Chairman Porter opened the hearing on SB 2345 and asked the clerk to read the title.

Senator Tom Fischer from District 46 came forward as a sponsor of SB 2345. He is here to introduce and ask for support to bond for the Red River Valley Water Supply Project. This has three components of funding. One is from the state; one is from the local and the other from the federal government. With the local and state in place we hope that it will move the federal government along with their portion of the funding. There are a number of people here to testify that have a lot of detail so I will stand for questions.

Representative Ole Aarsvold from District 20 came forward as a cosponsor of this bill. He was not aware that the Senate had amended the bill to the Fargo Water Supply Project. He has lived in the valley all of his life and has been through the cycles of drought and the surplus moisture and it is very important for us agriculturally to have the adequate supplies of water not only for agricultural purposes but for processing purposes. I would ask for your support of this bill.

Mr. Bruce Furness from the Lake Agassiz Water Authority came forward in support of SB 2345. See written testimony marked as Item #1.

Chairman Porter asked if in the authorization of the bonding you talked about 600 million dollars and in your testimony you are talking about 700 million dollars. Where is the 100 million dollars coming from for the Biota Treatment Plant?

Mr. Furness said that was an obligation of the federal government.

Mr. Porter asked if that was 100%.

Mr. Furness said this was in the boundary waters treaty between Canada and the United States where we say that we will not harm their water. The federal government is working on this and maybe others can give you more information on this.

Chairman Porter said the way this project is designed is that it is a supplemental water supply and talked about as a supplemental water supply yet we keep hearing about increased demands and the lack of water and that this will be basically at some point turn into the main source of water in the entire valley including the leg down to Wahpeton and then all the way to Grand Forks and on up to the Canadian border with feeders to do similar projects such as NAWS and the Southwest Pipeline. How much is the projected water use in the future off of this project.

Mr. Furness said again this is a supplemental project used primarily for drought in the Red River Valley. If the Red River keeps as it is this will not be an issue. Some of the other engineers may be able to respond appropriately to that. The size of the pipe that we are putting in will limit the amount of water that can come out of the Missouri River.

Representative Solberg said he mentioned in his remarks that this would have great significance for the entire state. How is this going to benefit the far western part of the state?

Mr. Furness said he was speaking in terms of the entire economic impact on the state if we would have another drought like the 30's and that would certainly impact the entire state. The eastern part of the state has been very support of the NAWS and Southwest Pipeline projects.

Mr. Curt Kreun came forward in support of SB 2345. He is a city council member for the city of Grand Forks. He said this project will assure reliable high quality and affordable water supply for the Red River Valley. Without this project, during a 1930's type drought the valley will not have enough water to sustain itself. This will be resulting in not only an economic impact to the Red River Valley but to the entire state of ND especially in sales tax and revenues of that nature. The city of Grand Forks already has experienced a natural disaster during the flood of 1997. I am sure you remember the destruction our city suffered. Our city is slowly rebounding and another disaster would devastate the city and the surrounding area. Not having enough water to supply the businesses and industry during a drought would be another disaster. In the event of a severe or prolonged drought studies show the city of Grand Forks would not be able to rely on the current water sources of the Red River and the Red Lake Rivers which are our water supplies. The Red River Valley Water Project would supply much of that needed water in the Red River. Without that project the city of Grand Forks will be forced to look for additional sources of water. Nearly all the ground water in the area is fully appropriated. There are waiting lists for irrigators. Agriculture is a cornerstone in our regions economy and we have to everything possible to protect it and maintain it. Last year we experienced a drought and this could be a one year drought or the beginning of a longer drought. We know that the Missouri River is in the seventh year of a drought. The Red River Valley does not have enough water to sustain itself in a long drought and for these reasons it is important for you to fund the Red River Valley Water Supply Project. See written testimony marked as Item #2.

Mr. Dave Koland came forward and presented testimony on behalf of Mr. Jerry Blomeke. See written testimony marked as Item #3.

Chairman Porter said that the testimony that had been received earlier said the project is to be turned on and off during low water situations. Is there different information coming from the Cass Rural Water District that they want to replace their existing system because it is being mined and replace it totally with utilization of this system.

Mr. Koland said he thought they would be the concept a little bit better after our district engineer talks but simply put this is a supplemental water supply that will keep Lake Ashtabula at a constant level. As long as there is rainfall to keep Lake Ashtabula at that level that they can use that as their water supply and the same for the Red River then this will only be operated intermittently. When we go into periods of drought this is when we will operate this system. We have been modeling both the Red River and the Sheyenne River and by this modeling we can tell that when the droughts come there is not enough water to serve the population that lives in the valley today. There is absolutely not enough water when we project into the future.

Chairman Porter said he thought they were getting two different messages. In the testimony from Mr. Blomeke it says that in short what this means is that the West Fargo Aquifer system is that we need to secure a more reliable source of water so they are talking about replacing their existing source of water with this new one. Are we talking about a drought supplement system or are we talking about a new water supply through the Sheyenne through the Red River?

Mr. Koland said they are talking about a new water supply. If they shift to the Sheyenne River and that is fine when there is plenty of water in the Sheyenne River, but what happens in even a mediocre drought in the Sheyenne River is that it goes dry and it is not a dependable water supply. The project will supply a supplemental supply into the Sheyenne River during a drought so now they will have a reliable water supply.

Chairman Porter said they are sending a mixed message. To me this means that this is not an on and off system and that it is going to be flowing.

Mr. Koland said he was correct but it only needs to flow when there is a lack of water in the Sheyenne River.

Mr. Koland presented testimony on behalf of **Gary Saleba**. See written testimony marked as Item #4.

Representative Hofstad asked about the neighbors to the north. They have not necessarily been good friends of us when it comes to water. Why would they accept this project when they have been against the NAWS project?

Mr. Koland said that is a very important question to both this project and to the State of North Dakota. We have engaged in a dialog with Canada for a great number of months to arrive at some kind of conclusion as to a satisfactory resulting of that problem. Understanding that, it is a federal problem. We have been doing that dialog with the help of the Department of State and the Environmental Protection Agency and the Bureau of Reclamation. Those three agencies have a working agreement that will bring us to a conclusion and a record of decision where we have all agreed on what will be adequate treatment under the Boundary Waters Treaty. The treatment that was proposed in the supplemental draft on the environmental impact statement is designed to meet the goals that Manitoba has outlined to the Department of State and to the EPA and the Bureau of Reclamation that they would find acceptable if we would meet those treatment goals. The treatment for this project will be a treatment process that includes filtration and will meet the goals that Manitoba has outlined. We believe that we are on step 7 of a formal 17 step process that will bring everyone into an agreement by the time we get to a recommended decision on this project.

Representative Hofstad asked if it was conceivable that Canada would stand firm and require a full blown treatment plant and the cost benefit would be so out of wack that you would have to abandon this.

Mr. Koland said this is a federal issue and the Bureau of Reclamation has indicated that they are recommending a treatment plant and the cost of that treatment plant is roughly the 100 million dollars. This is a federal responsibility and Canada has indicated to us that this treatment will be acceptable to them. We are moving forward in this process and we feel like we are reaching a point that everyone can find acceptable.

Representative Hofstad asked about the funding format. He said we are looking at a hundred million dollars in MRI's. Where do you see this going? How are we going to meet that?

Mr. Koland said that was a very good question because what we have tried to do with the funding plan is deal with the federal issues and particularly the MRI funds. There are two phases to this project. Phase 1 is the pipeline from the McClusky Canal to Lake Ashtabula and that is about 400 million dollars. Phase 2 of the project is where the MR&I funding would be used. That phase of the project has the capability of being completed over a much longer period of time. Hopefully we will be able to access more federal funding from the MR&I funding. The funding source is increasing but it takes longer to access it.

Representative Charging said she had been at another hearing discussing the drought conditions of the Missouri River. We are experiencing unprecedented drought conditions. I realize that we have to make plans but look at what is happening right outside our door and we don't know what is going to happen. Our local paper today talked about the Snake Creek Pumping station and they don't know how the system is going to handle it. It seems like millions of gallons are going east and yet we haven't addressed the problems that are right

here in front of us. Water is going down the entire system and I am very concerned about what they are projecting.

Mr. Koland said the level of Lake Sakakawea and the Missouri River concerns everyone and should concern everyone. The chairman of the Lake Agassiz Water Authority talked about the small amount of water that eastern North Dakota needs to from the Missouri River. The Missouri River is a tremendous resource for North Dakota and if we do not put it to beneficial use for the people in North Dakota we will have missed an opportunity. Everyone is absolutely right about Missouri and they will do everything they can to prevent us from using a single drop more. It doesn't matter if you live in the eastern part of ND or the western part of ND. If they can prevent us from using the Missouri River water they will do that because they see that as something they need to do. I think ND has to stand up and say that this is the most precious resource that we have in ND and is 96% of our surface water supply. Both the tribes and state were wronged greatly when the dams were built and we continue to be wronged. We must stand up and say that enough is enough. We have given up irrigation but none of the downstream states have. We cannot give up our municipal water supplies. People are beginning to understand that where the water is the population grows and economic growth is going to occur. We should do this together as a state and should not limit it to the eastern or western ND.

Representative Charging said we don't know the answer and we do not have a crystal ball. The Missouri River continues to decline no matter who is using it.

Mr. Koland said he likes charts and one he uses quite often shows the historic flows of the Missouri River. Never has it been less than 1200 CFS. We need 120 CFS for this project and it is a very small amount. We can look back at history and we know that the Red River is going to go dry on us. When that happens and we have not done anything to address that the

consequences will be great. The Missouri River has never gone dry. It has changed courses once but it has never gone dry. This is only going to affect the level by one inch. The intakes are a problem but we must ask if one inch is something we can live with.

Representative Charging said one inch right now at Parshall will determine if a nursing home is going to close. It is the close. They are living day to day. It is unfortunate but we as leaders do not have the ability to look into the crystal ball.

Representative Solberg asked him to outline the route that this diversion would cover.

Mr. Koland said the next presenter is going to show the route that it is going to go. He will show you where the pipeline is going to go and how it is going to operate.

Mr. David Johnson, District Engineer for the Garrison Diversion Conservancy District came forward in support of SB 2345. Please see attached written testimony marked as Item #5.

Representative Solberg asked about the treatment plant that would be near McClusky. If the water ends up in the Sheyenne River why would you treat it? Doesn't it loose all of the treatment when it reaches the Sheyenne River?

Mr. Johnson said absolutely. We have to treat it because of our Canadian friends. We have the Boundary Water Treaty that require it. They are afraid that if it isn't treated it will contain some pathogens that may harm their water. He said this is running along Highway 200.

Representative Hunskor asked if it would pick up foreign elements in the Sheyenne River so how do you cover that.

Mr. Johnson said that is naturally in the Hudson Bay drainage so they are not concerned about that.

Representative Hofstad asked if the McClusky Canal was being maintained by the U.S. Wildlife Service.

Mr. Johnson said there is minimal maintenance on it only to protect the federal investment and it is also being used as a recreational area.

Representative Hofstad asked if we would have to mitigate for these acres now that we are going to be using them.

Mr. Johnson said that it is already mitigated. There are 1300 acres mitigated over and above what is required. It is fully mitigated already.

Chairman Porter asked if the pipeline route just the highway easement for Highway 200.

Mr. Johnson said they would need to go out and get easements just like they would for a normal pipeline. There are too many utilities on that highway.

Representative Hunskor asked if there is an extended period of drought and there is water going downstream to the states south of us, and there is an extreme need for water along the Red River, and there is an extreme need for water in the Parshall area, are you telling me there is no conflict of interest when the water levels go down in Sakakawea and those places say they can't let anymore out. The Red River Valley says they need water. How can we not run into a problem there?

Mr. Johnson said that comment was made when they issued the environmental impact statement that we did not take a hard enough look at the Missouri River especially during drought periods so we went back and estimated future growth on the Missouri River. There is a substantial growth happening on the Missouri River. We asked the Corp to model their operations on the Missouri River and we put our project on top of that future growth to find out what would happen on the Missouri River. They continue to drop as long as we support the navigation interests. As soon as we hit what they call navigation preclude then they shot off the water for navigation and the reservoirs rebound. We put our project on it and it didn't change.

Chairman Porter asked if when they did their model did it include the existing situation of Lake Sakakawea. We are at a record low right now plus all the current demands and then adding this demand on top of that plus a snow pack of only 70%. Did you look at that kind of a model?

Mr. Johnson said yes.

Chairman Porter said what used to be the storage facility of Lake Sakakawea is now back to the River called Missouri.

Mr. Johnson said they actually did do that. The Corp will continue to release water out of this reservoir based on their master manual to float barges. As soon as the level gets to 1795 that is their barge recluse and our models so that even with all of this future growth the reservoirs will rebound.

Representative Charging said she was at that hearing as well. Unless your crystal ball is clearer than mine, no one knows the answer to that. No one has that answer. Where is this project at in real live terms?

Mr. Johnson said they have issued the supplemental draft and they are in a comment period. The comment period will end on March 26th. Following that the Garrison Diversion will answer all the comments we have received and prepare a new document called the final EIS. That final EIS we hope to have out sometime this summer and that will then go the Secretary of the Interior. After the final EIS is out and available for 30 to 60 days then the Secretary of the Interior can issue a decision called the record of decision. We hope to have that by August of this year. The Dakota Waters Resource Act requires us to go back to Congress and get the use of the Missouri River authorized. Once that happens we are clear to move forward.

Representative Charging asked when the funding would kick in.

Mr. Koland came to the podium and said they hoped the funding would go through the State Water Commission. There is no funding spent until we have cleared it. The SWC will have control over that and everyone knows that water projects take a long time. This bill puts into place a plan that if everything goes as our best efforts will produce, then we are ready to move forward.

Representative Meyer asked for smaller copies of the maps of the project.

Mr. Johnson indicated yes.

Mr. Bill Butcher came forward in support of SB 2345. See written testimony marked as Item #6.

Mr. Mike Dwyer came forward in support of SB 2345. See attached two documents are marked as Items #7 & Item #8. He reviewed the details of Item #7.

Chairman Porter asked how can we as the 60th Legislative session allocate money against the general fund for future legislative sessions.

Mr. Dwyer said we can't. This bill just shows an expression of intent.

Chairman Porter said one question that really hasn't been asked is that knowing full good and well the Red River is used by Minnesota communities along the way. How much money is the state of Minnesota putting towards this water supply for their part of it like the state of North Dakota?

Mr. Koland said they have had to deal with this question and quite simply the funding plan for the first phase is 200 million local and 200 million from other sources or grant money. None of that grant money is being applied to what the Minnesota communities are going to have to pay. They are going to have to pay their full incremental cost of being added to the project without the benefit of any state grant money whatsoever.

Chairman Porter said if they say they are not going to or already have an allocation to the Red River then as we supplement the flow into that basin then they would benefit without any cost.

Mr. Koland said they have had a tremendous amount of discussion on this. We will protect that water and people who do not participate in this project will not be able to access this water under our water permit and under ND state law. We can do that. Our modeling depends on 80% return flows from the communities that use our water.

Representative Solberg said that should this project become reality, the total state share would be 200 million. Is that correct?

Mr. Koland said that is correct.

Chairman Porter said we would recess until immediately following the floor session.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2345

House Natural Resources Committee

Check here for Conference Committee

Hearing Date: March 1, 2007

Recorder Job Number: 4222

Committee Clerk Signature

Stanley B. Remsted

Minutes:

Chairman Porter reopened the hearing on SB 2345. He asked for any further testimony in favor of SB 2345. He indicated that the State Engineer had wanted to testify but was at another hearing. He asked for any opposition to SB 2345. He heard none.

He did indicate that this bill had to be out of this committee by next Friday and get off to appropriations. He asked for any further questions as long as the group was in the room.

Hearing none, he closed the hearing on SB 2345.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2345

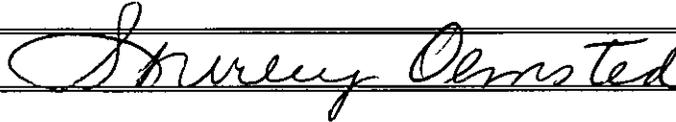
House Natural Resources Committee

Check here for Conference Committee

Hearing Date: March 2, 2007

Recorder Job Number: 4269

Committee Clerk Signature



Minutes:

Chairman Porter asked the committee to consider SB 2345.

Chairman Porter said from a general stand point looking at Section 5 of this bill we are stating where the money is coming from through the portion of the bill starting on line 6 with sixty million dollars which is to be derived from thirty million dollars from the general fund and thirty million dollars from the resources trust fund. Then going into Section 2 they talk about MRI funds. I don't have a problem if it is the wishes of the legislative assembly saying that the state is responsible for two hundred million dollars of this project, but I don't know that it is right for us to say how it is derived to get to that point. I don't know if we even want to deal with that through this committee or if we just want to send that message as the bill goes through appropriation and say here is another concern that we have as a committee. You guys deal with it. That section of the bills concerns me.

Representative Nottestad said the concerns are certainly there and I think we sited that with appropriations as they deal with this. This is not uncommon to other bills. It does spell it out so that people know what can potentially happen.

Chairman Porter said the part he disagrees with is in Section 4 where we are telling the water commission and the governor that they have to include all of this in the budget by law.

Representative Nottestad said you don't provide methods to get it in the budget for future times.

Representative Hofstad said he has been involved in this process for a long time and he realizes how critical it is. The problem that I have is the state funding. We are looking at providing 100 million dollars of MRI funds that are not there that I do not think will be there and the state is going to be hung for this 100 million dollars. It just is not going to be there from the federal government. I think it is an important issues that needs to be dealt with. I think we need to be honest as a legislative body and say that it probably is not going to be there.

Chairman Porter said not only is it a 100 million dollar MRI. It is an additional 300 million from the federal funds. You are talking 300 million dollars in federal funding and then if for some reason somebody would fully fund the Dakota Resources Act and include the MRI money it is definitely in the smoking mirror department.

Representative Meyer asked if the funding mechanism on the Southwest Pipeline was similar to this. You can't do it in just one biennium. It is directed forward.

Chairman Porter said the state's share on those other projects has been significantly less than money and less percentage than this project.

Representative Nottestad said there was forward funding on the Grand Forks flood.

Chairman Porter said to him he thinks it is a needed project but he doesn't necessarily agree that the project that they have picked is the best for the entire state. There certainly are other ways to do this project. I think they have forgotten about the entire central part of the state in this project. There are a lot of other municipal needs they could have picked up as well. There were certainly better options.

Representative Clark thought there should be some engineering concerns that will come into play here. This is supposed to run by gravity flow. I don't think it is going to be a nice straight line like they drew on the map.

Representative Hanson asked about evaporation versus a pipeline.

Chairman Porter said this project is pipeline.

Representative Nottestad made a motion for a do pass with referral to appropriations.

Representative Hofstad seconded the motion.

Chairman Porter asked for discussion. Hearing none, the clerk called the roll on a **do pass with referral to appropriations on SB 2345**. Let the record show there were 10 yes and 0 no with 4 absent.

Representative Clark will carry this bill to the floor.

Date: 3-2-07
 Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. SP 2345

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do pass w/ referral to

Motion Made By Nottestad Seconded By Hofstad Appro

Representatives	Yes	No	Representatives	Yes	No
Chairman – Rep. Porter	✓		Rep. Hanson	✓	
Vice-Chairman – Rep Damschen	✓		Rep. Hunskor	✓	
Rep. Charging			Rep. Kelsh	✓	
Rep. Clark	✓		Rep. Meyer	✓	
Rep. DeKrey			Rep. Solberg		
Rep. Drovdal	✓				
Rep. Hofstad	✓				
Rep. Keiser					
Rep. Nottestad	✓				

Total Yes 10 No 0

Absent 4

Floor Assignment Clark

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2345, as engrossed: Natural Resources Committee (Rep. Porter, Chairman) recommends **DO PASS** and **BE REREFERRED** to the Appropriations Committee (10 YEAS, 0 NAYS, 4 ABSENT AND NOT VOTING). Engrossed SB 2345 was rereferred to the **Appropriations Committee**.

2007 HOUSE APPROPRIATIONS

SB 2345

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2345

House Appropriations Committee
Education and Environment Division

Check here for Conference Committee

Hearing Date: March 12, 2007

Recorder Job Number: 4828

Committee Clerk Signature

Shirley Branning

Minutes:

Chairman Wald: Called the meeting to order to hear SB 2345, the Water Commission – Red River Valley Water Supply Project by introducing **Senator Tom Fischer**, District 46.

Senator Fischer: Appeared to introduce and support SB 2345 which is the funding mechanism for bringing water to Eastern North Dakota. This assures the Federal Government to continue to move forward with this effort.

Representative Aarsvold: Expressed his appreciation to **Senator Fischer** for bringing this to the committee.

Dave Koland, General Manager of Garrison Diversion Conservancy District and Secretary/Treasurer of the Lake Agassiz Water Authority (LAWA): (See handout # 1, SB 2345) provided testimony that describes the funding for this water commission project. All funding will be channeled through the Water Commission.

Representative Gulleason: If another option, other than the option that the Corps of Engineers and all other parties move forward with, does this funding plan still support that?

Koland: We are far enough along that we believe this is the plan we will move forward with. If the Secretary of the Interior would opt another plan, we would have to revisit this funding, as it relates to local users.

Representative Hawken: Talk about how the local user will be involved.

Koland: We've worked on funding and will try to find a fund level no more than a \$10.00 per meter increase for the local community. The communities are asked to determine what they can afford water wise and dollar wise.

Pat Zavoral, Administrator for the City of Fargo: Provided a brief history of the project and explained why this project is different from others in the state. The local funds are a commitment of \$200m and they don't want to have to repay a federal loan.

Chairman Wald: How large an area does that project cover?

Koland: The service area for the project is the 13 eastern most counties in the state, with proposals to East Grand Forks, Moorhead and Breckenridge.

Chairman Wald: What was the corporate structure of the Lake Agassiz?

Koland: It is a political sub division of the state, with a board of directors. There are 4 cities.

Chairman Wald: This organization has marketing bonds and the major portion would be revenue bonds with marketing fees and user fees and whatever.

Koland: Lake Agassiz will have a contract with Garrison Diversion and Lake Agassiz will in turn have a contract with the community water systems that will be served in the valley, that will serve as the revenue for the bond issue. It is a secondary water source to keep Lake Ashtabula full of water. We are not selling water; we are selling capacity in the event of a drought.

Representative Gulleson: As the drought continues we hear more from the western part of the state who access that water. What impact will it have on this project?

Koland: Environmental impact studies are being done. Those that have been done, especially the drought studies show that the impact is about 1" a year. What happens on the Missouri River is going to happen whether this project is there or not.

Representative Aarsvold: There is discussion about tapping Northern Minnesota as a supply, with the Lake Agassiz water system is that still a consideration?

Koland: Canada and Minnesota are adamant that they do not want provide water to North Dakota. Minnesota has three requirements to giving water to North Dakota: 1. Use our own water first. 2. It cannot be used for industrial development. 3. Not in a drought.

There have been eight different scenarios, pipeline systems but they are very expensive.

Representative Klein: Who will run the show?

Koland: Lake Agassiz Water Authority will set the rates and those kinds of things. Garrison Diversion will sell the water and engineering and technical services to Lake Agassiz. It will be built by Garrison Diversion on behalf of the state of North Dakota.

Representative Klein: Eventually, do you see a plan like the South West Pipeline?

Koland: The difference is that the cities are already developed. Lake Agassiz will provide oversight, delivery of water systems.

Representative Aarsvold: Lake Ashtabula – will the level put the adjacent land in jeopardy?

Koland: The only time water will be added is when the lake level is down.

Representative Aarsvold: What about the water quality of the lake?

Koland: There will be an improvement in the water quality. The project provides a 20 cfs stream flow augmentation.

Representative Klein: Who will build and operate the water treatment plant?

Koland: This detail has not been settled yet. The treatment plant is a federal responsibility with funding left to the Bureau of Reclamation, the Department of State or EPA.

Chairman Wald: Where will the pipeline start?

Koland: About 9 miles short of the end of the McClusky Canal.

Chairman Wald: What is the water quality in that ditch?

Koland: Not too bad because we freshen the canal and recycle it into the Missouri River.

Chairman Wald: What is the hydraulics of getting the water.....

Koland: Snake Creek pumping plant, then flow by gravity. There is about a 10' drop between the McClusky Canal and Lake Ashtabula.

Chairman Wald: What is the cost of getting the water all the way to Fargo?

Koland: About \$500m.

Dale Frink, North Dakota State Engineer-Secretary to the State Water Commission: Provided information in support of SB 2345 and also addressed the intent and the bill itself. The intent is to show that the State of North Dakota has \$100m to support this project.

Mile Dwyer, Executive Vice President of the North Dakota Water Users Association (See handout # 2, SB 2345) presented an outline of the funding plan and emphasized that SB 2345 is a funding plan. It will take 3 bienniums to complete this project.

Chairman Wald: There is no reference to the Lake Agassiz project in the bill.

Dwyer: The board exists in anticipation of this project. This bill sets forth a funding plan, the \$200m.

Representative Gulleason: Was the request for \$450,000 for Stump Lake, brought in front of the Water Coalition or the water commissioner in the process of determining priority projects?

Dwyer: No.

Chairman Wald: Another testimony? If not, we will close the hearing on SB 2345.

Representative Aarsvold, would you like this one since your name is on it?

I

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2345

House Appropriations Committee
Education and Environment Division

Check here for Conference Committee

Hearing Date: March 12, 2007

Recorder Job Number: 4916

Committee Clerk Signature

Shirley Branning

Minutes:

Chairman Wald: Called the hearing to order on Engrossed SB 2345 a bill for an Act to authorize the state water commission to issue bonds for the Red River valley water supply project; and to amend and reenact section 61-02.1-05 of the North Dakota Century Code, relating to the water development trust fund. Moving ahead without any amendments as received from the Senate, I would entertain a motion.

Representative Hawken: Move a Do Pass the motion on SB 2345.

Representative Aarsvold: Second the motion.

Chairman Wald: Is there any other discussion? Hearing no other discussion, call the roll.

Vote: 7 Yes, 0 No 0 Absent, Motion carried Carrier: Representative Aarsvold

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2345

House Appropriations Committee

Check here for Conference Committee

Hearing Date: March 16, 2007

Recorder Job Number: 5224

Committee Clerk Signature

Minutes:

Rep. Aarsvold: SB 2345 comes to the full committee un amended from the education and environment section. SB 2345 is a response to the concern that federal participation near the Red River Valley water supply project may be in jeopardy without a statement of legislative intent. SB 2345 provides that intent and a necessary financial commitment of state and local funds to match federal funds when they indeed do become available. The funding source identified in SB 2345 is revenue bonds using proceeds from the water development trust fund and use fees assessed to the users. The mineral resources trust fund would be a secondary source of those dollars should be necessary to make the revenue bonds viable. These are the same sources that we have used to fund projects like southwest water and northwest area water systems. The actual appropriation for the Red River Valley project is in the water commission budget. There is no direct appropriation in SB 2345. The passage of this would have no effect on existing projects such as the pipeline. It nearly sets the table for federal participation in the Red River Valley project. I motion for a do pass.

Rep. Wieland: I second that.

Rep. Svedjan: Is there discussion?

Rep. Carlson: Just a comment. I'm sure most of you read the paper or heard on the news that our mayor was having a few problems with what we are doing out here. We have discussed it

with him. There are a numerous number of things that we as a legislator help for all parts of the state, not just the east or west but for all the citizens of the state. We explained to them that when he talks like that it doesn't necessarily build nice smooth bridges to travel across. We want you to know that the red river valley water, even though Grand Forks had way to much at given times. We are at a crucial stage that if we have a drought you will be walking across the Red River in your overshoes. If we do that there will be no further development in the state of ND. Is this a lot of money? Yes it is. Is it now the time to get started? We can't afford to wait. We are hoping that throwing those comments aside you would support us and begin a process of getting water to the valley.

Rep. Aarsvold: Sometime ago you received an impact study in the mail. It points out the various possibilities in terms of resource or sources for that water and I believe that the commission has decided that the project from the Mclusky canal to just north of the Cheyenne would be the most practical and cost effective course. IF you have the time and need information this is a wonderful source.

Rep. Bellew: With the low water levels, do we have enough water for this?

Rep. Aarsvold: The testimony from several sources indicated that it would have as much as a one inch impact on the Missouri river empowerment. It would be minimal during times of normal flow it would have no impact essentially. I could add that this is strictly an emergency structure. It would not be utilized unless the Red River and the Cheyenne River were out of play where they could not provide service to the area in and around the valley.

Rep. Svedjan: I think there is some issue here too about claiming water in the Missouri River. We meaning the state. Is there any other discussion? Hearing none we will take a roll call vote on a do pass for SB 2345. The motion passes 23-0-1.

Rep. Aarsvold: I will carry this.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2345

House Appropriations Committee

Check here for Conference Committee

Hearing Date: March 16, 2007

Recorder Job Number: 5225

Committee Clerk Signature

Minutes:

Rep. Skarphol: I do have just one question. I am fully supporting of this but the repayment mechanism for this bonds, It says are payable solely for the sources described in this act. Is the repayment for the bonds going to come only from tobacco dollars. Where is that reflecting?

Rep. Aarsvold: What I heard earlier was that in the case of these revenue bonds that the payback is basically form the users.

Rep. Skarphol: That is what I thought but I can't spot it in the bill.

Rep. Aarsvold: On section 2, and I don't know if that satisfies that specifically, it does talk about the \$40 million that we are addressing in the bill.

Rep. Svedjan: Mr. Frank, if you would.

Mr. Frank: SB 2345 lays out the intent to provide. It is \$100 million of state money. It is not to the Red River Valley water supply project. Those monies would be \$30 million from the general fund. \$30 million from the resources trust fund and \$40 million of bonding through the water development trust fund. That is the \$40 million that we were talking about to bond out of the trust fund. It adds up to \$100.

Rep. Svedjan: I think the question had to do with the repayment of the bonds.

Mr. Frank: The repayment of the bonds would be the tobacco settlement dollars. It would not be user piece.

Rep. Svedjan: So they are not users?

Mr. Frank: Not for this \$100 million. The total project is like \$200 million that the locals will have to put up in addition to this, it would be paid by user fees. This is the contribution from the state of ND to that project.

Rep. Skarphol: So 1/3 of the cost of the project is warranted by the tax payers of ND. Is that a similar amount to what we have contributed as far as southwest water? I think that is a profit center to a certain extent because we receive \$1 million per year per biennium from it, based on the way it was financed. I'm assuming it way different then this.

Mr. Frank: All three of the projects are funded quite a bit differently. This \$100 million from the state would be paid strictly by state dollars. There is another \$100 million that we actually call state money. It is actually from the state program which is federal dollars. There is \$200 million from locals which would be paid by the local user fees. Then there is \$100 million for the treatment plant which would be a federal responsibility. Then there is another \$100 million of loan right now that the locals would like to get converted to a grant.

Rep. Svedjan: How does that different from NAWS?

Mr. Frank: The original intent of NAWS is that it would be federally funded of 65% of the state MRI program and 35% of the city of Minot. Minot is actually putting up 35% through sales tax. Southwest pipeline is very different in that the locals that did not put up any money up front, if they pay back to the state water commission that started out at 44 cents. If they pay that back to the water commission it goes into the resources trust fund.

Rep. Skarphol: The overall cost of the Red River Valley project as you just stated must be somewhere around \$600 million. How does that compare to the cost of NAWS?

Mr. Frank: The Red River Valley as it is laid out is \$700 million and NAWS is about \$150 million.

Rep. Wald: I have the numbers from last biennium. I think it is still right and I think we have the highest water rate of any major city in ND.

Date: 3/14/07
 Roll Call Vote #: 7

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2345

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken No Pass

Motion Made By Aarsvold Seconded By Wieland

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Representative Wald	✓		Representative Aarsvold	✓	
Representative Monson	✓		Representative Gulleson	✓	
Representative Hawken	✓				
Representative Klein	✓				
Representative Martinson	✓				
Representative Carlson	✓		Representative Glassheim	✓	
Representative Carlisle	✓		Representative Kroeber	✓	
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson	✓				
Representative Pollert	✓		Representative Ekstrom	✓	
Representative Bellew	✓		Representative Kerzman	✓	
Representative Kreidt	✓		Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland	✓				

Total (Yes) 23 No 0

Absent 1

Floor Assignment Aarsvold

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 17, 2007 4:09 p.m.

Module No: HR-50-5614
Carrier: Aarsvold
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2345, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)
recommends **DO PASS** (23 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).
Engrossed SB 2345 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

SB 2345

SB 2345
Senate Natural Resources Committee

2/2/2007

Bruce Furness
Lake Agassiz Water Authority Chairperson

*Same
given to
House
Nat'l Resources*

- I. Thank you for the opportunity to testify this morning
Several people will be participating
- II. Representing Lake Agassiz Water Authority – LAWA
Will make 5 main points
 - A. LAWA created by 2003 Legislative Assembly
 - B. Representing "affected local communities"
 - C. "Planning Today for Tomorrow's Water"
 - D. Purpose
 - i. To distribute water to consumers
 - ii. To purchase water from Garrison Diversion
 - E. 13 Eastern ND counties + 3 MN cities; (27 water districts)
 - i. Most have Red River as primary water source
 - ii. 42% of state's population – and growing
 - iii. 52% of state's sales & use tax revenue (2004)
 - iv. Huge economic impact on state of North Dakota
 - F. A water project for all of North Dakota **POINT #1**
 - i. Not just Eastern ND
 - ii. Not just Red River Valley
 - G. Concerned about both quantity and quality
 - i. Not enough water in Red to meet needs **POINT #2**
 - a. Present supply inadequate in 1930s drought
 - b. Short every year of 1930s 10-year drought
 - c. Worst case month: 46% shortage
 - d. 5 months of zero flow in Red River at Fargo in 1934
 - e. For basic human use, need 1200 truckloads of water/day
 - f. One truckload every minute of the day **IMAGE #1**
 - g. Another similar drought is inevitable
 - ii. \$2 billion annual economic impact

- III. Numerous Studies – Bureau of Reclamation last study
 - A. Needs and Options Report
 - i. Determined need is substantial
 - ii. Analyzed 7 options + Do Nothing option
 - B. Environment Impact Statement
 - i. Positive environmental benefits
 - ii. No significant negative environmental impacts
 - C. Preferred Option – GDU import of Missouri water to Sheyenne River
 - i. Need identified
 - ii. 3 pronged solution
 - a. Supplemental water supply **POINT #3**
 - i. Used in drought situations
 - ii. 96 % of surface water in Missouri **IMAGE #2**
 - b. Water conservation measures
 - c. Drought contingency plans
 - iii. Supplemental quantity is small **POINT #4**
 - a. 120 cfs or about 78 mgd
 - b. Minute quantity of water from Missouri River
 - c. Bucket vs. thimble (.02% of available water) **IMAGE #3**
 - iv. Selected by LAWA on 10/4/05
 - v. Selected by Garrison Diversion Conservancy District 3 days later
 - vi. Endorsed by State Water Commission
- IV. What Next? – Further along than ever before **POINT #5**
 - A. Record of decision by Department of Interior
 - i. LAWA and ND urges the Preferred Alternative
 - B. Hurdles being cleared
 - i. Political
 - ii. Technological
 - iii. Financial
 - iv. Pricing conundrum
 - a. Price of water → Participation
 - b. Participation → Price of water
 - C. Cost - \$600 million plus \$100 million biota treatment plant
 - D. Funding Formula – A three legged stool
 - i. 1/3 Local - \$200M bonded over life of project
 - ii. 1/3 State - \$100M MRI, \$40M bonded, \$60M cash
 - iii. 1/3 Federal - \$200M authorized in DWRA

E. Important Dates

- i. 1/31/2007 Supplemental Draft of EIS report released
- ii. 3/26/2007 Close of comment period on supplemental draft
- iii. 8/2007 Record of decision

V. Recap of **FIVE MAIN POINTS**

- A. This is a project for all of North Dakota
- B. The needs have been identified and quantified
- C. Solution is a supplemental supply from the Missouri River
- D. Solution requires only a very small amount from the Missouri River
- E. Progress on this project is at highest level ever

VI. Leave you with **FOUR MENTAL IMAGES**

- A. Truckload of water every minute to meet needs in drought
- B. State map outline – 96% of surface water is in Missouri River
- C. Bucket of water vs. thimble of water
- D. Fountains in Kansas City using more than we would take out

VII. Over the past twelve years of my involvement:

- A. Confident this project can happen
- B. Convinced this project must happen for ND to continue to grow
- C. Concerned this project will happen It's now or never!

VIII. We have all heard the adage:

"What the mind of man can conceive and believe, it can achieve."

Regarding the promise of water to Eastern North Dakota

The idea was conceived over 60 years ago.

The current plan is believed NOW.

The solution needs to be achieved in the very near future.

Thanks again for the opportunity to be with you this morning.

Testimony by Curt Kreun, Council Member
Grand Forks City Council

to the

**Senate Natural Resources Committee
Hearing**

Bismarck, North Dakota
February 2, 2007

same given to House Nat'l Resources

Chairman Lyson, members of the committee, thank you for this opportunity to testify on Senate Bill 2345 being considered by your committee. My name is Curt Kreun; I am a Grand Forks City Council member and a director on the Lake Agassiz Water Authority Board.

The Red River Valley Water Supply Project will assure a reliable, high quality and affordable water supply for the Red River Valley. Without this project during a 1930s-type drought, the Valley will not have enough water to sustain itself, resulting in a devastating economic impact not only to the Red River Valley but the entire State of North Dakota.

The City of Grand Forks already experienced a natural disaster with the flood of 1997. I am sure you remember the destruction our city suffered. Grand Forks has slowly rebounded; another disaster would devastate the city and surrounding area. Not having enough water to supply our residents, businesses and industry during a drought would be a disaster.

In the event of a severe or prolonged drought, studies show the City of Grand Forks would not be able to rely on our current water sources, the Red and Red Lake Rivers, for our water supply. The Red River Valley Water Supply Project would provide that much needed water in the Red River. Without this project, the City of Grand Forks would be forced to look for additional sources of water. Those sources could end up being groundwater from area aquifers, with the most obvious source being the Elk Valley Aquifer.

Nearly all of the groundwater is fully appropriated in the Grand Forks area. The Elk Valley Aquifer has a waiting list of irrigators that want to use the water to provide irrigated potatoes to the JR Simplot plant in Grand Forks. Agriculture is the cornerstone of our region's economy, and we must do everything possible to protect it.

Converting irrigation permits to municipal use is a losing proposition for all involved. By doing this, we would put irrigators out of business and jeopardize the potato processing industry in the area.

Last summer, the Red River Valley experienced a drought. This could be a single-year drought or it could be the first year of a prolonged drought. As many of you know, the Missouri River is in its seventh year of drought. The Red River Valley does not have enough water to sustain itself during a long-term drought.

For these reasons, and the others you will hear today, it is important for you to approve funding for the Red River Valley Water Supply Project. Again, thank you for allowing my testimony to be heard today.

TESTIMONY IN SUPPORT OF

SB 2345

NORTH DAKOTA SENATE
NATURAL RESOURCES COMMITTEE

*same
given to
House
Nat'l Resources*

Chairman Lyson and members of the committee my name is Jerry Blomeke and I am the General Manager of Cass Rural Water District (CRWD) headquartered in Kindred, North Dakota. I am here today to speak in support of SB 2345. There are a number of sound technical and state wide policy issues that will be discussed in support of this bill. However, I would like to briefly focus on a couple issues related to the need for this project that are more local in nature.

Cass Rural Water District serves nearly 3200 rural residential customers in addition we provide water to 14 communities in Cass County including Casselton, Mapleton, Kindred and Buffalo. As a result of our proximity to Fargo and West Fargo CRWD has experienced rapid growth over the last ten years. CRWD utilizes the West Fargo Aquifer for a major portion of our water supply. The West Fargo Aquifer is also used by the cities of Horace, Harwood and West Fargo as their sole supply of water. In the year 2000 the North Dakota State Water Commission issued a detailed study of the entire West Fargo Aquifer System. The conclusion of that study was in essence, that the aquifer was being mined at a rate of up to 2.3 feet per year and at current withdrawal rates the aquifer had a useful life ranging from 20 to perhaps 50 years. In short what this means to the major users of the West Fargo Aquifer system is that we need to secure a more reliable source of water. I quote from page 215 of the study "**There are several management actions that could mitigate these water-level declines to varying degrees. Some possibilities are purchase of existing water rights, appropriating unappropriated ground water rights, the reuse of waste water, aquifer storage and recovery procedures, water conservation measures, and developing unused surface water allocations. Depending on the development costs, and the proportion of the**

available resources that could be developed, these possibilities could be significant options for additional water, rather than continuing the depletion the WFAS. The potential for the utilization of currently held, perfected and conditional surface-water allocations appears to be of sufficient volume and feasibility, such that this is the most promising available alternative to augment or replace water supplies currently obtained from the WFAS”

The other area of need is for a stable source of water for industrial development. Recently, Cass Rural Water District was approached by a group seeking to construct an ethanol plant near Casselton having a capacity to produce 100,000,000 gallons of ethanol per year. This facility will require over 300,000,000 gallons of water per year. In order to meet this need we have initiated a ground water study in the Sheyenne Delta aquifer. We are also in discussions with the City of Fargo about the possibility of treating their sewer effluent. We are cautiously optimistic that one way or the other we will find enough water to service this facility. However, we also know that in the future there will be additional need for industrial water in the Red River Valley. Consequently, it is vitally important that the Red River Valley Water Supply Project be constructed to provide a stable long term source of water for future industrial development and I respectfully ask the committee to vote yes on SB 2345.

TESTIMONY OF GARY S. SALEBA
ON BEHALF OF GARRISON DIVERSION CONSERVANCY DISTRICT

to the

Senate Natural Resources Committee
Hearing

Bismarck, North Dakota
February 2, 2007

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My name is Gary S. Saleba. I am President of EES Consulting, Inc., a registered professional engineering and management consulting firm. My business address is 570 Kirkland Way, Suite 200, Kirkland, Washington 98033. A copy of my professional qualifications and educational background is attached to this testimony as Exhibit A (GSS-1). I am testifying on behalf of the Garrison Diversion Conservancy District. Our firm is the lead economic and feasibility consultants for Garrison Diversion and its Red River Valley Water Supply Project.

The purpose of this testimony is to address the financial impact on the State of North Dakota from a severe drought in the Red River Valley region. In this testimony, I will address the water shortage projections for the region over a 10-year period, the city of Fargo's Drought Management Plan, and the Bureau of Reclamation's drought contingency analysis. I will conclude with the estimated financial impacts of a prolonged drought on the State of North Dakota.

During the 1930s, North Dakota experienced a prolonged drought that represents the type of drought that is expected to reoccur every 50 to 100 years. Therefore, water utilities use the hydrologic conditions experienced in the 1930s as the planning

1 scenario to develop drought contingency plans to mitigate such a water short period
2 should it occur again. As part of the Red River Valley Water Supply Project, the
3 impact of a 1930s drought was estimated assuming it would occur between now and
4 2050. In order to quantify the economic impact of a severe drought, the region's
5 water demand in 2050 was forecasted. The projected water demand assumed
6 conservation measures are implemented for a savings of 6.1 to 8.6% over current
7 water consumption throughout the region. These consumption reductions were taken
8 from detailed engineering studies. Water shortages were estimated by the Bureau of
9 Reclamation for the Red River Valley region using a hydrology model (StateMod).
10 To determine the shortage, all projected 2050 demands, return flows, and operational
11 rights data were placed directly over the historic time period 1931 through 2001. The
12 timeframe analyzed was 1931 through 1940 to simulate a 1930s drought in the
13 projected future. The model compares monthly water demands at specific points to
14 the water available to those points using the historic database of naturalized flow data
15 to generate a region-wide annual shortage value.

16
17 Once the shortage due to the drought was determined for 2050, the current Drought
18 Management Plans were examined to address how the cities would respond to the
19 water shortage. The city of Fargo's Drought Management Plan was used as an
20 example to determine the potential response by the cities in the region. The city of
21 Fargo's Drought Management Plan is composed of five phases ranging from Phase 1
22 at normal conditions to Phase 5 being a drought emergency. Phase 5 contains the
23 most extreme measures designed to achieve a target reduction of 30%. In the worst
24 year of the drought, the region will see a 40 to 50% water supply shortfall, assuming a

1 134,746 acre-feet annual water demand. Based on the projected water shortage and
2 the projected response of Phase 5, it is clear that even the current Phase 5 response
3 will not be sufficient to mitigate the drought.

4
5 The Bureau of Reclamation assigned economic losses to the drought contingency
6 measures outlined by the city of Fargo in the Drought Management Plan. General
7 economic-related effects of water supply shortages include:

- 8 • Loss to industries directly dependent on agricultural production.
- 9 • Unemployment from drought-related declines in production.
- 10 • Strain on financial institutions from foreclosures, credit risk, and capital
11 shortfalls.
- 12 • A reduced tax base for federal, state, and local governments.
- 13 • Loss to manufacturers and sellers of various types of equipment.
- 14 • Losses related to recreation activities.
- 15 • Revenue shortfalls to water suppliers.

16
17 The estimated economic losses were then applied to the region. For example, a
18 drought contingency conservation goal of 15% would produce a 10.8% decline in
19 economic activity. This results in approximately an \$860 million regional impact. A
20 25% drought contingency conservation goal is estimated to produce a 26.6% decline
21 in economic activity, equating to a \$2.12 billion economic impact to the region. A
22 35% drought contingency conservation goal is estimated to produce a 37.3% decline
23 in economic activity, resulting in roughly a \$2.96 billion economic impact to the
24 region.

1
2 Using the economic impacts assigned to the various levels of drought contingency
3 goals, the total estimated impact over the ten-year, 1930s-style drought would be
4 approximately \$20.4 billion. Further, the cumulative affect from consecutive years of
5 drought are not accounted for in this analysis. For example, extreme measures call
6 for mandatory industry reduction producing lost revenue, and following consecutive
7 years, industries may close or choose to relocate out of the area.

8
9 Finally, the Bureau of Reclamation has compared the economic impact values
10 generated in the Drought Contingency Analysis to the construction costs of the Red
11 River Valley Water Supply Project. Based on this Bureau of Reclamation analysis, a
12 reduction in water use of more than 7.5% would have a larger adverse economic
13 impact on North Dakota than will the cost of construction of the Red River Valley
14 Water Supply Project.

15
16 In summary, mandatory usage reduction of more than 7.5% will cost the state more
17 than the \$700 million total cost of the Red River Valley Water Supply Project. A
18 1930s-type drought will result in mandatory water consumption decreases far in
19 excess of 7.5%. Both the Bureau of Reclamation's and our analysis indicate that a
20 1930s-type drought will result in mandatory consumption decreases in the 35-50%
21 range and potentially cost the state tens of billions of dollars in economic growth and
22 activity.

PROFESSIONAL EXPERIENCE AND BACKGROUND OF

GARY S. SALEBA

EDUCATION

MBA, Finance
Butler University
Indianapolis, Indiana

BA, Economics and Mathematics
Franklin College
Franklin, Indiana

EMPLOYMENT

October 1978 to
Present

EES Consulting, Inc.
570 Kirkland Way, Suite 200
Kirkland, Washington 98033
Registered Professional Engineering and Management
Consulting Firm

Position:

President

Responsibilities:

Overall supervision and quality control responsibilities for all of EES Consulting's electric, water, wastewater and natural gas engagements in the areas of strategic planning, financial analysis, cost of service, rate design, load forecasting, load research, management evaluation studies, bond financing, integrated resource planning and overall utility operations. Overall responsibility for firm's offices in Kirkland, Portland, Bellingham and southern California.

Activities:

Supervised several integrated resource planning studies, average embedded and marginal cost of service studies, technical assessments and financial planning studies for electric, water, gas and wastewater utility clients. Participated in comprehensive resource acquisition, strategic planning and demand side management analyses. Developed and verified interclass usage data. Conceptualized and implemented compliance programs for the Public Utility Regulatory Policies Act and the Energy Policy Act of 1992. Numerous testimony presentations before regulatory bodies on utility economics, strategic planning, finance and utility operations. Contract negotiation and energy conservation assessments. Presentation of management audit, forecasting, cost of service, integrated resource planning, financial management, and rate design seminars for the American Public Power Association, American Water Works Association, and Northwest Public Power

Association. Past Board member of Northwest Public Power Association and ENERconnect, Ltd. Past Chairman of Financial Management Committee and Management Division of the American Water Works Association. Project manager for construction of 248 MW gas turbine, and acquisition of over \$500 million of utility service territory and equipment. Supervised engineer's report for over \$5 billion in revenue bonds.

October 1977 to
October 1978

National Management Consulting Firm

Position:

Supervising Economist

Responsibilities:

Analyzed various energy related topics to determine economic impacts. Reviewed utility financial activities.

Activities:

Participated in several utility rate/financial regulatory proceedings. Provided clients with critique of issues, position papers and expert testimony on the topics of cost of service, rate design, utility finance, automatic adjustment factors, sales perspectives and class load characteristics. Conceptualized load forecasting models and assisted in economic and environmental impact analyses.

June 1972 to
October 1977

Indianapolis Power & Light Company
P.O. Box 1595 B
Indianapolis, Indiana 46206
Investor-owned Utility

Position:

Economist, Department of Rates and Regulatory Affairs

Responsibilities:

Provided general economic and rate expertise in Rates, Regulatory Affairs, Customer Service and Engineering Design Departments.

Activities:

Calculated retail and wholesale electric and steam class revenue requirements and rates. Prepared expert testimony and exhibits for state and federal agencies regarding rate design theory, application of rates and revenues generated from rates. Determined long range revenue and peak demand projections. Supervised comprehensive load research program. Supported thermal plant Environmental Impact Statements. Provided industrial liaison.

**PARTIAL LIST OF CLIENTS FOR WHOM FINANCIAL, OPERATIONAL, STRATEGIC
PLANNING AND ALLOCATIONAL/RATE ANALYSES PROJECTS
HAVE BEEN PERFORMED BY GARY S. SALEBA**

UNITED STATES OF AMERICA

Indiana

*Indianapolis Power & Light Company

Wisconsin

*Wisconsin Manufacturing Association
Polk-Burnett Cooperative

Illinois

*City of Highland
City of Collinsville
City of Peru
City of Winnetka

Colorado

*CFI Steel
*Moon Lake Electric Association
City of Denver - Wastewater
*Denver Water Board

Idaho

Kootenai Electric
*Northern Lights
Salmon River Cooperative
Prairie Power and Light
*Department of Energy
City of Moscow
Fall River Cooperative
Lower Valley Power & Light
*Industrial Customers of Idaho Power
Clearwater Power & Light
City of Heyburn

Iowa

*City of Iowa City

Missouri

*General Motor, Inc.

North Dakota

City of Watford City
Garrison Diversion Conservancy District

Connecticut

City of Groton

Utah

*Moon Lake Electric Association
Utah Association of Municipal Power Systems

Florida

City of Pompano Beach
Florida Public Service Commission
Dade County Water and Wastewater Utilities

Arizona

*Tucson Electric Power
City of Dodge
City of Page
Navopache Electric Cooperative

Wyoming

*Lower Valley Power and Light

Alabama

City of Birmingham Water and Wastewater

Texas

City of League City
City of Brownsville
*City of Lubbock
Pedernales Electric Cooperative
City of San Antonio
*Texas Municipal Power Agency

Kentucky

*Kentucky-American Water Company

South Dakota

Black Hills Electric Cooperative

Minnesota

Polk-Burnett Electric Coop

Montana

PPL Montana
Montana Associated Cooperatives
Sun River Electric Cooperative
*Montana Power Company
Colstrip Community Center
Flathead Electric Cooperative
Glacier Electric Cooperative
Vigilante Electric Cooperative
Montana Electric Cooperative Association
Western Montana G&T
Northwestern Energy, Inc.
Yellowstone Valley Electric Cooperative

Arkansas

City of North Little Rock

California

City of Indian Wells
City of Palm Desert
City of Moreno Valley
*City of Corona
City of Redding
*Sacramento Municipal Utilities Board
City of Burbank
*State of California - Department of Water Resources
*Turlock Irrigation District
*City of Palo Alto
City of Anaheim
El Dorado Irrigation District
City of Glendale
*City of Pasadena
City of Roseville
Yucaipa Valley Water District
*Los Angeles Department of Water and Power
Nor-Cal Electric Authority
Jefferson JPA
City of San Marcos
City of Cerritos
Coachella Valley Association of Governments
California Power Authority
Santa Clara Valley Water District

Oregon

*Emerald PUD
Clackamas Water District
Central Lincoln PUD
*Springfield Utility Board
Tri-Cities Service District
City of Portland
City of Gladstone
City of West Linn
City of Oregon City
*Public Power Council
Central Electric Cooperative
Warm Springs Energy Cooperative
Northern Wasco PUD
West Oregon Cooperative

Alaska

City of Barrow
City of Wrangell
*Alaska Public Service Commission
*Municipal Light and Power
Alaska Village Electric Cooperative

Washington

TrendWest Resorts
Weyerhaeuser Corporation
Costco
*Pend Oreille County PUD
City of Richland
Industrial Customers of Grant County
*Benton REA
Seattle City Light
*Clark Public Utilities
City of Blaine
*Snohomish County PUD
*City of Port Angeles
*Clallam County PUD
Chelan County PUD
*City of Tacoma Electric, Water and Rail Utilities
*Mason County PUD No. 3
*Peninsula Light Company
Washington Utilities and Transportation Commission
*Grays Harbor County PUD
*Pacific County PUD
City of Gig Harbor
Ferry County PUD
*City of Ellensburg
City of Redmond
Grant County PUD

Washington (cont'd)

*Klickitat County PUD
Cascade Natural Gas
*Building Owner's Management Association
City of Kennewick
Daishowa Corporation
Seattle Water Department
City of Bellingham
*US Ecology, Inc.
Avista Corporation
*Cowlitz County PUD
*City of Cheney
*City of Yakima
City of Bellevue
City of Shoreline
Douglas County PUD
AT&T
WorldCom
City of Toppenish
City of Shoreline

CANADA

British Columbia

*Fortis, BC
Alcan, Ltd.
*Princeton Power & Light
*West Kootenay Power
*Ministry of Fisheries
Crows Nest Resources
Highland Valley Cooperative
*Council of Forest Industries
Crestbrook Industries
Royal Oak Mines
UtiliCorp Canada
*Joint Industrial Electric Steering Committee
*British Columbia Transmission Corporation

Alberta

*University of Alberta
*City of Lethbridge
*City of Red Deer
City of Medicine Hat
Ocelot Chemicals
Aqualta
City of Calgary—Water and Wastewater Utilities

Manitoba

*Manitoba Legal Aid

Ontario

Bradford West
ENERconnect, Inc.
Ontario Hydro
*Municipal Electric Association
North York Hydro
Toronto Hydro
*Ottawa Hydro
Electricity Distributors Association
Ontario Energy Board

Northwest Territories

*Northwest Territories Power Corporation

OTHERS

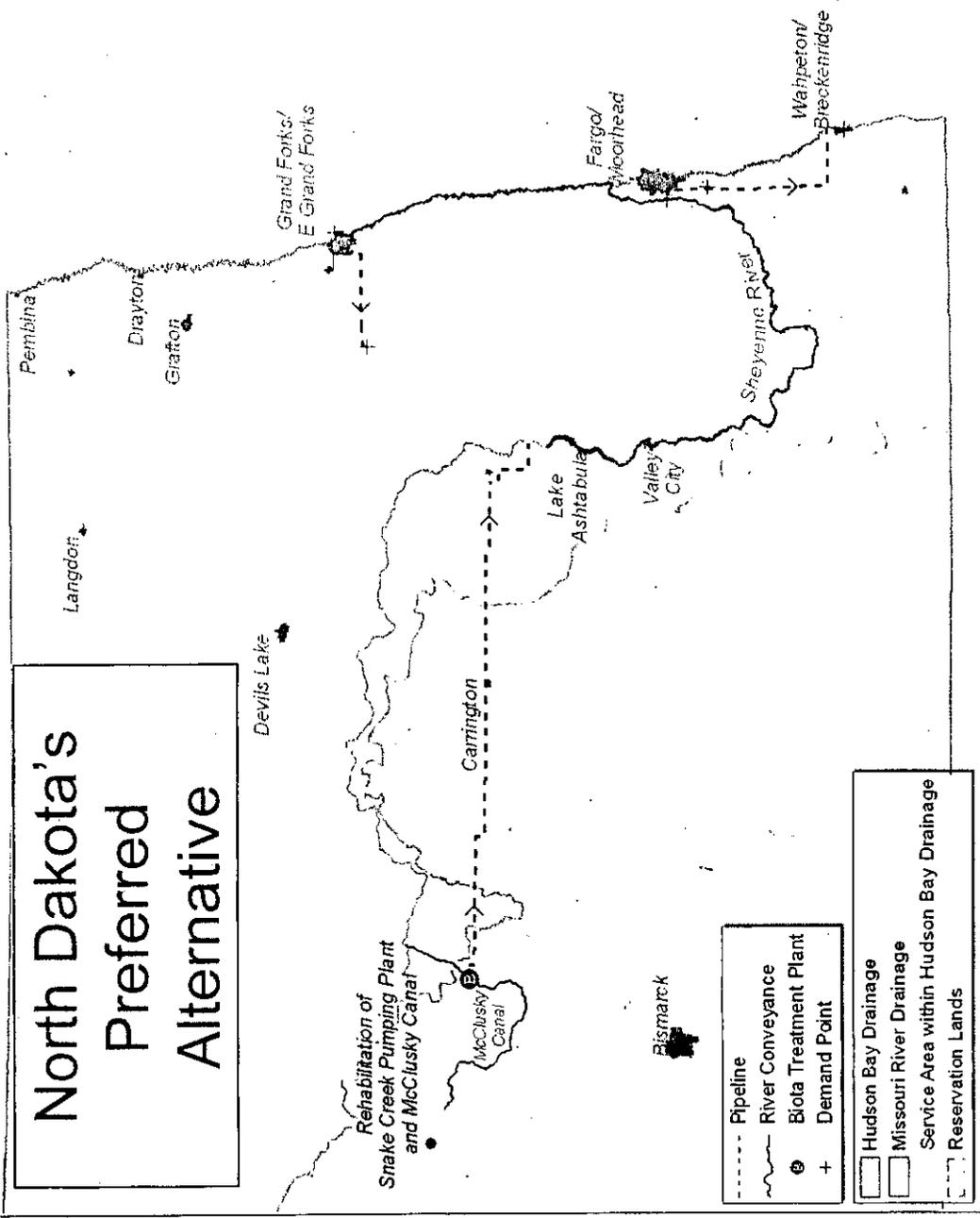
American Public Power Association
American Water Works Association
Northwest Public Power Association
California Municipal Utilities Association

*Prepared Expert Testimony

Part of Item #5

GDU Import to Sheyenne River

Would link the GDU Principal Supply Works to the Sheyenne River via a buried pipeline to meet shortages.



Cost: \$700.5 million

Size: 120 cfs

**Testimony by David L. Johnson, District Engineer
Garrison Diversion Conservancy District**

to the

**Senate Natural Resources Committee
Hearing**

**Bismarck, North Dakota
February 2, 2007**

Chairman Lyson, members of the committee, thank you for the opportunity to testify on Senate Bill 2345 being considered by your committee. My name is David Johnson and I am the district engineer for Garrison Diversion. For the past four years, I have been personally involved in the Environmental Impact Study for the Red River Valley Water Supply Project. The study concludes that with today's water demands, the Red River Valley will be short water every year of a 1930s-type drought. In addition, a 2004 drought frequency study concluded that the 1930s drought was not an anomaly occurring every 1,000 years - it typifies the type of drought that could realistically be repeated before 2050.

The Environmental Impact Study, along with an engineering report completed by the US Bureau of Reclamation, evaluated all reasonable water supply options available to the water systems in the Red River Valley. The water supply options that were looked at ranged from capturing spring run off at Grand Forks and piping it to Lake Ashtabula; Lake of the Woods in Northern Minnesota; groundwater in Minnesota; conversion of groundwater from irrigation to municipal

use; expanding storage; and the Missouri River. The point is that we have looked at nearly every available source of water to solve this problem.

After extensive study, the preferred solution identified by both the Bureau of Reclamation and the state of North Dakota is the GDU Import to Sheyenne River Alternative. The source of water in this alternative is the Missouri River. The Snake Creek Pumping Plant would pump water from Lake Sakakawea into Audubon Lake. From Audubon Lake, the water would run by gravity through the McClusky Canal to Hoffer Lake near the city of McClusky. Just before Hoffer Lake, a new intake would be constructed to deliver water to a treatment plant located along the McClusky Canal. The water treatment plant would be constructed and operated to prevent the spread of invasive species and micro-organisms from the Missouri River Basin to the Hudson Bay Basin, which the Red River Valley is a part of.

Following treatment, the water would be conveyed to Lake Ashtabula in a 125-mile buried pipeline that would be approximately 66 inches in diameter. The capacity of the buried pipeline would be 120 cubic feet per second. The water would be discharged just upstream of Lake Ashtabula, where the water would be stored. Baldhill Dam would be used to regulate the release of water down the Sheyenne River to provide water supply to the cities and rural water systems along the Sheyenne and Red Rivers.

Additional features that would be required to deliver water to the various systems include an intake and buried pipeline to the Wahpeton area for industry,

a buried pipeline to rural water systems in the northern part of the valley, and a new intake for the City of Grafton.

The preferred alternative was identified for several reasons. The primary reasons include:

- The Missouri River is a reliable source of water available to North Dakota
- It will provide the most benefit to the aquatic environment in the Red River basin
- No significant adverse environmental impacts were identified in the study
- It is the most cost effective alternative

The project is estimated to cost approximately \$700 million. The biota water treatment plant is estimated to cost \$100 million, and it is the responsibility of the federal government to construct and to operate into perpetuity. The remainder of the project is estimated to cost \$600 million, and it is the responsibility of the project sponsors to construct and operate. The project is currently divided into two phases. Phase 1 is the main pipeline from the McClusky Canal to Lake Ashtabula with an estimated cost of \$400 million. Phase 2 is the additional features needed to distribute the water to the systems after the Missouri River water is delivered to the Red River Valley.

The local water users are represented by the Lake Agassiz Water Authority; their members include 13 cities in North Dakota, 3 cities in Minnesota and 12 North Dakota rural water systems. These members are currently going through a nomination process to determine the individual costs to each system. This process is based on the capacity that the individual system needs. The

costs to the individual systems will be based on their needed capacity and the urgency of that need. At the end of the day, Lake Agassiz Water Authority's mission is to split the users' \$200 million bond equitably among the local project participants.

The State of North Dakota is also being asked to fund \$200 million of this project. The capacity of the pipe designated to benefit North Dakota includes 40 cubic feet per second for future industrial development and 20 cubic feet per second for augmented stream flows for the aquatic environment.

The timeline for the project is to complete Phase 1 of the project by 2012. This schedule is aggressive and achievable, but it does not provide relief if the drought in western North Dakota moves east. We will not be able to provide water to the Red River Valley for six more years, which would be 2012. Phase 2 of the project is not anticipated to begin until after 2012.

The schedule relies on the following key events:

- Issuing a Record of Decision in August 2007
- Obtaining congressional authorization to use Missouri River water by December 2007
- Completing pre-final design and ordering pipe by September 2008
- Starting construction the Spring of 2009
- Constructing Phase 1 over three construction seasons 2009, 2010 and 2011
- Commissioning the project and delivering water in 2012

Cash flow to support this project by biennium is as follows:

- \$79 million for the 07-09 biennium
- \$260 million for the 09-11 biennium
- \$61 million for the 11-13 biennium

Mike Dwyer will cover the sources of future funding being considered for the project in his testimony. I would like to conclude that this is an important project for the State of North Dakota and one that needs to be completed on schedule. Thank you for the opportunity to testify today.

Testimony by Bill Butcher

Senate Natural Resources Committee Hearing

Bismarck, North Dakota
February 2, 2007

*Same
given to
House
Nat Resources*

My wife Dina and I have had sailboats on Lake Sakakawea for 37 years and from May through September each year we live for the time we spend sailing on the lake. I also serve on the Friends of Lake Sakakawea Board of Directors and that is the entity I represent today – not as a paid lobbyist but as one who has a personal passion for that wonderful lake.

In 2006, the Friends of Lake Sakakawea Board looked at every angle of the Red River Valley Water Supply Project, and we held some public meetings to gather input. After much consideration, we resolved as a board to support the Red River Water Project.

Just recently I had a chance to review the Supplemental Draft Environmental Impact Statement and I would like to share some information that I gleaned from that publication with you, along with some personal observations and experiences.

The impact of the Red River Water Project on Lake Sakakawea's water levels is projected to average less than one inch per year, even in a drought as severe as the one we experienced in the 1930s. Raising or lowering Lake Sakakawea one inch does not change the recreational opportunities on the lake. Boat ramps will not be impacted because of this project. It will not change in any way the Corps of Engineers' operation of the lake.

According to a Corps of Engineers' news release, this past December, during the seventh year of a Missouri River drought, flows out of Garrison Dam averaged 15,300

cubic feet per second. The lowest recorded annual average flow on the Missouri River was in 1931 at 11,960 cubic feet per second. The Red River Valley Water Supply Project, operating at its maximum of 120 cubic feet per second, would be less than one percent of this flow. Even during drought the Red River Water Project would not significantly affect the amount of water flowing in the Missouri River system. The lake levels depend entirely on how the lake is managed by the Corps.

Another comparison that puts this project into perspective is the amount of water lost to evaporation on Lake Sakakawea. On a hot day, evaporation can be as high as two inches, which is double the effect the Red River Water Project would have on the lake. Over a year's time typical evaporation losses are near two feet. What ever way you look at it, the Red River Valley Water Supply Project would require a relatively very small volume of water to be taken from the Missouri River waterway.

My point is the Red River Valley Water Supply Project will literally have no affect on the Missouri River or on Lake Sakakawea because the effect of water withdrawals needed for this project can hardly be measured.

In conclusion, I want the Committee to know that I am passionate about stabilizing Lake Sakakawea water levels and I would never support any proposal that would be contrary to that precept. Given that, I hear arguments from western North Dakotans that we should keep our water in our territory. I submit that all of North Dakota is our territory and we should use it in our own territorial best interests before we pass it downstream. Everybody wants our water. I say let's use it wisely before we ship it south. Doing so won't be noticed in Lake Sakakawea water levels or in the amount of Missouri River water that passes through Bismarck.

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**TESTIMONY OF GARY S. SALEBA
ON BEHALF OF GARRISON DIVERSION CONSERVANCY DISTRICT**

to the

**Senate Natural Resources Committee
Hearing**

Bismarck, North Dakota
February 2, 2007

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My name is Gary S. Saleba. I am President of EES Consulting, Inc., a registered professional engineering and management consulting firm. My business address is 570 Kirkland Way, Suite 200, Kirkland, Washington 98033. A copy of my professional qualifications and educational background is attached to this testimony as Exhibit A (GSS-1). I am testifying on behalf of the Garrison Diversion Conservancy District. Our firm is the lead economic and feasibility consultants for Garrison Diversion and its Red River Valley Water Supply Project (Project).

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The purpose of this testimony is to compare the cost of building the Project over 10 or 15 years versus a shorter timeframe. In this testimony, I will address the three construction schedule scenarios analyzed, general assumptions for the analysis, and the resulting impact on the cost of the Project.

23
24
25
26

This analysis compares the total cost of the Project under different construction scenarios.

- 1 • Scenario 1 includes a single construction contract of roughly 3 years and a
2 single bond issue.
- 3 • Scenario 2 includes yearly construction contracts over a 10-year period with
4 associated annual bond issues.
- 5 • Scenario 3 includes yearly construction contracts over a 15-year period with
6 associated annual bond issues.

7
8 For this analysis, construction cost estimates were developed to include both recurring
9 annual costs and material and labor costs. For the multi-year scenarios, construction
10 costs were inflated based on the US Army Corps of Engineers Heavy Construction
11 Cost Indices Forecast. The annual Project costs for each scenario were used as the
12 basis for the bond issues and debt service payments.

13
14 It was assumed all bond issues would be for a term of 40 years with level payments.
15 The current bond rate of 4.56% is near the all-time low. However, for this analysis it
16 was assumed that interest rates will likely fluctuate over the period of the Project for
17 Scenarios 2 and 3. Therefore, it was assumed that tax-exempt borrowing rates would
18 move toward their historical average of 6.38%.

19
20 The analysis produced a stream of debt service payments over time for the three
21 scenarios. The net present value of each debt service stream was calculated in order
22 to compare the costs. The results showed the two multi-year scenarios resulted in
23 higher costs than the single financing scenario on a net present value basis. More

1 specifically, Scenario 2 with a 10-year schedule was 26% higher and Scenario 3 with
2 the 15-year schedule was 23% higher than Scenario 1.

3
4 Another issue not accounted for in this analysis is the shifting of risk to the bond
5 holders. A lump sum financing with a concurrent funding by the State of North
6 Dakota for their respective shares of the Project cost would assure investors that all of
7 the funding for the Project would be in place at the time they purchased their Project
8 revenue bonds. The incremental approach to financing the Project may present a
9 completion risk investors would factor into the interest rate they would accept for the
10 project revenue bonds.

11
12 Based on the above analysis, it is likely that choosing a multi-year strategy will
13 increase Project costs by more than 20%.

2007-09 North Dakota Water Coalition/Executive Budget Priorities

SWC Revenues:	
Resources Trust Fund	\$48,000,000 * <i>*Estimated Revenues</i>
Water Development Trust Fund	\$30,000,000 *
General Fund	\$3,000,000
Available Revenues	\$81,000,000
<hr/>	
Deviils Lake	
Outlet O&M	\$2,000,000
Basin Development	\$300,000
Deviils Lake Water Supply	\$2,000,000
Flood Control Fargo	\$8,000,000
General Water Management	\$10,000,000
Grand Forks	\$0
Irrigation	\$2,000,000
Missouri River Management	\$100,000
MR&I	\$14,000,000
Northwest Area Water Supply	\$5,000,000
Red River Valley Water Supply	\$12,000,000
Southwest Pipeline	\$11,000,000
Weather Modification	<u>\$600,000</u>
Project Subtotal	<u>\$67,000,000</u>
Bond Payments	<u>\$14,000,000</u>
Total Expenditures	\$81,000,000

*SWC is now funded as a general fund agency.

Item #4

**Testimony by Dave Koland, General Manager
Garrison Diversion Conservancy District**

to the

**House of Representatives
Natural Resources Committee Hearing**

Bismarck, North Dakota

March 1, 2007

Mr. Chairman, members of the Natural Resources Committee my name is Dave Koland, General Manager of Garrison Diversion Conservancy District (GDCCD). I am presenting testimony today on behalf of our lead economic and feasibility consultants for the Red River Valley Water Supply Project, EES Consulting. Gary S. Saleba the President of EES Consulting, Inc., a registered professional engineering and management consulting firm was unable to be with us today due to a previous commitment. A copy of his professional qualifications and educational background is attached to this testimony as Exhibit A (GSS-1).

The purpose of this testimony is to address the financial impact on the State of North Dakota from a severe drought in the Red River Valley region. In this testimony, I will address the water shortage projections for the region over a 10-year period, the city of Fargo's Drought Management Plan, and the Bureau of Reclamation's drought contingency analysis. I will conclude with the estimated financial impacts of a prolonged drought on the State of North Dakota.

During the 1930s, North Dakota experienced a prolonged drought that represents the type of drought that is expected to reoccur every 50 to 100 years. Therefore, water utilities use the hydrologic conditions experienced in the 1930's as the planning scenario to develop drought contingency plans to mitigate such a water short period should it ever occur again. As part of the Red River Valley Water Supply Project, the impact of a 1930s drought was estimated assuming it would occur between now and 2050. In order to quantify the economic impact of a severe drought, the region's water demand in 2050 was forecasted. The projected water demand assumed conservation measures are implemented for a savings of 6.1 to 8.6% over current water consumption throughout the region. These consumption reductions were taken from detailed engineering studies. Water shortages were estimated by the Bureau of Reclamation for the Red River Valley region using a hydrology model (StateMod). To determine the shortage, all projected 2050 demands, return flows, and operational rights data were placed directly over the historic time period 1931 through 2001. The timeframe analyzed was 1931 through 1940 to simulate a 1930s drought in the projected future. The model compares monthly water demands at specific points to the water available to those points using the historic database of naturalized flow data to generate a region-wide annual shortage value.

Once the shortage due to the drought was determined for 2050, the current Drought Management Plans were examined to address how the cities would respond to the water shortage. The city of Fargo's Drought Management Plan was used as an example to determine the potential response by the cities in the region. The city of Fargo's Drought Management Plan is composed of five phases ranging from Phase 1 at normal conditions to Phase 5 being a drought emergency. Phase 5 contains the most extreme measures designed to achieve a target reduction of 30%. In the worst year of the drought, the region will see a 40 to 50% water supply shortfall, assuming a 134,746 acre-feet annual water demand. Based on the projected water shortage and the projected response of Phase 5, it is clear that even the current Phase 5 response will not be sufficient to mitigate the drought.

The Bureau of Reclamation assigned economic losses to the drought contingency measures outlined by the city of Fargo in the Drought Management Plan. General economic-related effects of water supply shortages include:

- Loss to industries directly dependent on agricultural production.
- Unemployment from drought-related declines in production.
- Strain on financial institutions from foreclosures, credit risk, and capital shortfalls.
- A reduced tax base for federal, state, and local governments.
- Loss to manufacturers and sellers of various types of equipment.

- Losses related to recreation activities.
- Revenue shortfalls to water suppliers.

The estimated economic losses were then applied to the region. For example, a drought contingency conservation goal of 15% would produce a 10.8% decline in economic activity. This results in approximately an \$860 million regional impact. A 25% drought contingency conservation goal is estimated to produce a 26.6% decline in economic activity, equating to a \$2.12 billion economic impact to the region. A 35% drought contingency conservation goal is estimated to produce a 37.3% decline in economic activity, resulting in roughly a \$2.96 billion economic impact to the region.

Using the economic impacts assigned to the various levels of drought contingency goals, the total estimated impact over the ten-year, 1930s-style drought would be approximately \$20.4 billion. Further, the cumulative affect from consecutive years of drought are not accounted for in this analysis. For example, extreme measures call for mandatory industry reduction producing lost revenue, and following consecutive years, industries may close or choose to relocate out of the area.

Finally, the Bureau of Reclamation has compared the economic impact values generated in the Drought Contingency Analysis to the construction costs of the

Red River Valley Water Supply Project. Based on this Bureau analysis, a reduction in water use of more than 7.5% would have a larger adverse economic impact on North Dakota than will the cost of construction of the Red River Valley Water Supply Project.

In summary, mandatory usage reduction of more than 7.5% will cost the state more than the total cost of the Red River Valley Water Supply Project. A 1930s-type drought will result in mandatory water consumption decreases far in excess of 7.5%. Both the Bureau's and the EES analysis indicate that a 1930s-type drought will result in mandatory consumption decreases in the 35-50% range and potentially cost the state tens of billions of dollars in economic growth and activity.

Item # 5
✓

**Testimony by David L. Johnson, District Engineer
Garrison Diversion Conservancy District**

to the

**House of Representatives
Natural Resources Committee Hearing**

**Bismarck, North Dakota
March 1, 2007**

Chairman Porter, members of the committee, thank you for the opportunity to testify on Senate Bill 2345 being considered by your committee. My name is David Johnson and I am the district engineer for Garrison Diversion. For the past four years, I have been personally involved in the Environmental Impact Study for the Red River Valley Water Supply Project. The study concludes that with today's water demands, the Red River Valley will be short water every year of a 1930s-type drought. In addition, a 2004 drought frequency study concluded that the 1930s drought was not an anomaly occurring once every 1,000 years - it typifies the type of drought that could realistically be repeated before 2050.

The Environmental Impact Study, along with an engineering report completed by the US Bureau of Reclamation, evaluated all reasonable water supply options available to the water systems in the Red River Valley. The water supply options that were looked at ranged from capturing spring run off at Grand Forks and piping it to Lake Ashtabula; Lake of the Woods in Northern Minnesota; groundwater in Minnesota; conversion of groundwater from irrigation to municipal

use; expanding storage; and the Missouri River. The point is that we have looked at nearly every available source of water to solve this problem.

After extensive study, the preferred solution identified by both the Bureau of Reclamation and the state of North Dakota is the GDU Import to Sheyenne River Alternative. The source of water in this alternative is the Missouri River. The Snake Creek Pumping Plant would pump water from Lake Sakakawea into Audubon Lake. From Audubon Lake, the water would run by gravity through the McClusky Canal to Hoffer Lake near the city of McClusky. Just before Hoffer Lake, a new intake would be constructed to deliver water to a treatment plant located along the McClusky Canal. The water treatment plant would be constructed and operated to prevent the spread of invasive species and micro-organisms from the Missouri River Basin to the Hudson Bay Basin, which the Red River Valley is a part of.

Following treatment, the water would be conveyed to Lake Ashtabula in a 125-mile buried pipeline that would be approximately 66 inches in diameter. The capacity of the buried pipeline would be 120 cubic feet per second. The water would be discharged just upstream of Lake Ashtabula, where the water would be stored. Baldhill Dam would be used to regulate the release of water down the Sheyenne River to provide water supply to the cities and rural water systems along the Sheyenne and Red Rivers.

Additional features that would be required to deliver water to the various systems include an intake and buried pipeline to the Wahpeton area for industry, a buried pipeline to rural water systems in the northern part of the valley, and a new intake for the City of Grafton.

The preferred alternative was identified for several reasons. The primary reasons include:

- The Missouri River is a reliable source of water available to North Dakota
- It will provide the most benefit to the aquatic environment in the Red River basin
- No significant adverse environmental impacts were identified in the study
- It is the most cost effective alternative

The project is estimated to cost approximately \$700 million. The biota water treatment plant is estimated to cost \$100 million, and it is the responsibility of the federal government to construct and to operate into perpetuity. The remainder of the project is estimated to cost \$600 million, and it is the responsibility of the project sponsors to construct and operate. The project is currently divided into two phases. Phase 1 is the main pipeline from the McClusky Canal to Lake Ashtabula with an estimated cost of \$400 million. Phase 2 is the additional features needed to distribute the water to the systems after the Missouri River water is delivered to the Red River Valley.

The local water users are represented by the Lake Agassiz Water Authority; their members include 13 cities in North Dakota, 3 cities in Minnesota and 12 North Dakota rural water systems. These members are currently going through a nomination process to determine the individual costs to each system. This process is based on the capacity that the individual system needs. The costs to the individual systems will be based on their needed capacity and the urgency of that need. At the end of the day, Lake Agassiz Water Authority's

mission is to split the users' \$200 million bond equitably among the local project participants.

The State of North Dakota is also being asked to fund \$200 million of this project. The capacity of the pipe designated to benefit North Dakota includes 40 cubic feet per second for future industrial development and 20 cubic feet per second for augmented stream flows for the aquatic environment.

The timeline for the project is to complete Phase 1 of the project by 2012. This schedule is aggressive and achievable, but it does not provide relief if the drought in western North Dakota moves east. We will not be able to provide water to the Red River Valley for six more years, which would be 2012. Phase 2 of the project is not anticipated to begin until after 2012.

The schedule relies on the following key events:

- Issuing a Record of Decision in August 2007
- Obtaining congressional authorization to use Missouri River water by December 2007
- Completing pre-final design by September 2008
- Starting construction the Spring of 2009
- Constructing Phase 1 over three construction seasons 2009, 2010 and 2011
- Commissioning the project and delivering water in 2012

I would like to conclude that this is an important project for the State of North Dakota and one that needs to be completed on schedule. Thank you for the opportunity to testify today.

Meeting the

Challenge

Item 8

As we look toward the future, it seems there is much left to do in water. Yet at the same time, when we look at all that's been accomplished - we've met some of our goals.

Grand Forks flood control is near completion. The Devils Lake outlet is constructed and is adapting to meet the necessary requirements to be operational. Southwest Pipeline Project has put more than 3,000 miles of pipeline in the ground and now serves more than 3,000 rural customers and 23 cities.

However, we still have critical water development needs in North Dakota. Some needs have existed for quite some time - such as Northwest Area Water Supply (NAWS), and some are new challenges - such as the Red River Valley Water Supply Project. The Red River Valley is growing and the water supply demands required to sustain this growth must be developed.

Inside is an overview of the critical water priorities in our state, each in various stages of progress. After learning about these priorities, you'll see we must complete North Dakota's water infrastructure for economic growth and quality of life.

The North Dakota Water Coalition continues to work together to build a better tomorrow.

Dennis Hill,
Chairman, North Dakota Water Coalition

Flood Control

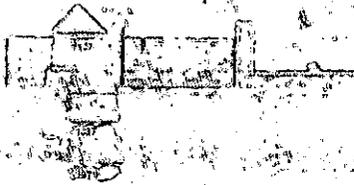
Grand Forks Flood Protection

The flood control project has been a city and state priority since the flood of 1997. As we near the 10th anniversary of the flood, we are happy to report

that the flood control project is nearing completion. The project is expected to have all the critical flood protection features in place by the end of 2006. This means we will have a functioning system for any flooding which might occur in the spring of 2007.

Construction activities during 2007 will be focused on the finishing touches of the project. Primarily this

will be the establishment of turf and replacing roadway surfaces. Final punch list items and Corps of Engineers documentation should wrap up in late 2007 or early 2008.



The spring flood of 2006 was only six feet short of the 1997 flood. This put our flood control project to a pretty good test. We are pleased to report that the completed portions of the project performed well. We estimate the flood control project saved \$8 million of emergency funds to federal, state and local governments in 2006.

Previous authorizations of funding from the State appear to be sufficient to complete the project. Carryover of previous authorizations is all that will be needed in the next biennium.

The City wishes to thank all of you who helped in making this project become a reality.

Fargo Flood Protection

The last major city located along the Red River of the north not to have overland flood protection is Fargo. A plan is being developed, which calls for a dike and diversion channel to be constructed two to four miles south of Fargo's city limits. Estimated cost of this project ranges from \$49 to \$70 million, depending on the outcome of the final site designation of the dike/diversion.

Federal funds totaling \$11.5 million have been dedicated to this project. Another \$15 million has been pledged to the project by the State of North Dakota. Local matching funds will also be used for the project. A public hearing process of the alternative sites is the final step before this project begins construction.

General Water Management

Every North Dakota region and county has projects included in the State Water Management Plan. The State Water Commission provides support for these water management and development projects, which require cost-sharing with local entities, primarily water resource districts. Joint water boards are playing a key role in these local water management projects. Water resource district managers are appointed by county commissioners, and are the local entities responsible for water management in North Dakota. Drainage, flood control, recreation, water distribution and studies are key issues. These projects are very beneficial to local communities.

Irrigation

North Dakota has about 250,000 acres of irrigation. Irrigation provides increased job opportunities, tax revenues, personal income, and economic benefit to communities.

The North Dakota Irrigation Association has developed a Strategic Plan for Irrigation Development in North Dakota, which identifies an additional 350,000 acres of irrigation that could be developed utilizing available ground water and surface water sources, without an impact to existing water uses.

The recent expansion of the ethanol industry, along with increased markets in the areas of irrigated malt barley, alfalfa, vegetables, corn, and oilseeds, all provide new irrigation opportunities in North Dakota. Irrigation development requires a partnership of federal, state and local support, and private initiatives. Marketing, project development, irrigation research, funding and financing, energy alternatives, and communication are all key ingredients for strengthening and expanding irrigation for economic growth. State support of irrigation initiatives will provide exciting new opportunities in agriculture across North Dakota.

Missouri River

In 2005, water resource districts along the Missouri River entered into a joint powers agreement, creating the Missouri River Joint Water Board.

It is the intent of these water boards to jointly exercise their powers to provide a cooperative and coordinated effort in addressing the management, conservation, protection, development, and control of water resources in the Missouri River Basin.

Weather Modification

Cloud seeding has been conducted over parts of western North Dakota for nearly 50 years. The North Dakota Cloud Modification Project (NDCMP) currently includes Bowman, McKenzie, Mountrail, part of Slope, Ward and Williams counties encompassing approximately 6.7 million acres in western North Dakota.

Participating counties fund two-thirds of project costs with the state cost-sharing one-third. Independent evaluations indicate the NDCMP has reduced crop-hail damage by 45 percent and increased rainfall by approximately 10 percent. NDCMP costs for the current biennium are estimated at \$1.3 million. A 1998 economic evaluation by Leistritz and Sell at NDSU indicated \$24 million in additional economic activity in the target areas, putting the NDCMP benefit-to-cost ratio at 37 to 1.



Statewide Water Supply

North Central Rural Water Consortium

North Central Rural Water Consortium was formed in 2001 by three separate rural water districts and two Native American reservations located in north central North Dakota. Although we retain separate identities, our collaboration across borders brings quality water to rural North Dakota in an efficient and cost-effective manner.

Working independently, we were unable to adequately grow to provide service to those in need. The price tag was just too high. Working together, it is now economically feasible. By collaborating, we will be able to provide water to 2,100 additional families, farms, ranches and businesses.

We plan to utilize existing infrastructure to its maximum potential for all parties. This infrastructure is a valuable resource which has already been paid for by each entity, and can be utilized more efficiently by working together.

We believe this approach to water development could be successfully applied in rural areas improving the efficiencies and economic viability of water development programs nationwide. In the true spirit of America's heartland, neighbor helping neighbor, everyone accomplishes more!

Southwest Pipeline Project

Southwest Pipeline Project (SWPP) is the first large multi-county regional rural water project developed in the state. Significant progress has been made over the course of the past 20 years with 28 communities and more than 30,000 rural customers receiving a reliable supply of high quality water processed by a single water treatment plant.

Looking to the future, the ultimate goal is to reach out to those who patiently wait for project completion. This includes the final regional phase of construction, the Oliver-Mercer-North Dum (OMND) phase, which is a \$35 million project. For the 2007-2009 biennium, \$7.9 million is needed to complete Phase 3 of the Medora-Beach regional phase, of which Phase 2 is currently under construction. About \$12 million dollars is needed for the project to move forward with OMND Phase 2 in the 2007-2009 biennium.



South Central Regional Water

South Central Regional Water District is continually expanding and is currently providing water to about 4,000 households/farms in Burleigh County. The district is now expanding to include Emmons, McIntosh, Logan, and Kidder counties. A Preliminary Engineering & Feasibility report, completed in June 2002, identifies unmet water needs to 10 cities and over 1,600 rural hookups in the five county area. This project will include more than 10,500 people in these communities who signed an application of interest and paid a good intention fee to receive quality water from a regional water supply.



A reliable quality water supply would correct the shortage of water and the predominant poor quality, including local arsenic concerns. This area is one of the few areas in North Dakota that does not have a rural water supply available and has experienced extreme drought conditions for several years, depleting stock dams and some of the ground water supplies.

South Central Regional Water District needs \$10 million over the next biennium to continue progress in north Burleigh County for service to the city of Willon and surrounding rural areas. This also includes a new source and water treatment facility in Emmons County which will ultimately provide quality water to Braddeley, Hazleton, Linton, Strasburg, Hague, Ventura, Ashley, Wishek, Napoleon, and rural users in Emmons, McIntosh, and Logan counties.

Indian MR&I

The critical water needs for the North Dakota Indian reservations are currently not being met. Since the passage of the Dakota Water Resources Act (DWRA) in 2000, a minimal amount of federal funding has been appropriated and does not meet the immediate needs of tribal members across the State of North Dakota.

The four reservations have formed the North Dakota Tribal and State Water Alliance group to unify efforts to ensure future funding for all of our tribal and state water needs. We also coordinate efforts with adjacent water organizations, consortiums and incorporated cities within the reservations.

The tribes continue to aggressively pursue avenues through the U.S. Congress, Office of Management and Budget, Department of Interior, and North Dakota's legislative process to help the tribes and state obtain the authorized, but not yet appropriated, funding for MR&I projects.

Red River Valley Water Supply

The Red River Valley faces a water supply crisis. The future of this region hinges on a reliable, quality water supply for residents and industries alike.

If a drought occurred today, citizens in the Valley who depend on the Red and Sheyenne Rivers for their drinking water supply would be in serious trouble. Without a plan in place to supplement existing supplies, this area would suffer devastating consequences, including a massive economic loss which would affect the entire state. Lake Agassiz Water Authority, Garrison Diversion Conservancy District, the N.D. State Water Commission and Gov. Hoeven recognize this critical need, and have chosen a solution that would transport treated Missouri River water eastward. With little remaining groundwater supplies available, this plan is the Valley's best opportunity to sustain its population and attract new businesses.

Photo courtesy of the Institute for Regional Studies, NDSU, Fargo.

Northwest Area Water Supply (NAWS)

The Northwest Area Water Supply (NAWS) pipeline component from Minot to Lake Sakakawea is coming to completion this year. The judge overseeing the biota transfer lawsuit with Manitoba has approved additional construction around Minot and to the community of Berthel, which will be the emphasis in design and construction activities in 2006 through 2008. As these are completed, additional expansions of the NAWS system to outlying communities using Minot's water treatment plant will be pursued. During this same period from 2006 through 2008, a federal Environmental Impact Statement (EIS) will be prepared to evaluate treatment options to address the biota transfer issue, as the judge did not believe these were adequately addressed in the Environmental Assessment. Following completion of the EIS, the intake, pumping, and treatment system will be designed and constructed. Current projects approved by the judge have estimated construction costs of \$21 million. Construction costs to serve the entire project area are estimated around \$145 million. The project receives federal funding and a 35 percent cost share from local sales tax in Minot.



MR&I

The Municipal, Rural and Industrial (MR&I) program helps provide a reliable, high quality and affordable water supply to North Dakota residents, farms, schools, hospitals and industries along with Indian reservations. In order to meet the growing statewide water needs, the Garrison Diversion Conservancy District and the State Water Commission are working cooperatively to solve water quality and quantity problems. In addition to the South Central Regional Water District and North Central Rural Water Consortium projects, current MR&I projects include an expansion of the Walsh Rural Water District, upgrading infrastructure for the Trail Rural Water District and a water treatment plant upgrade and expansion for the city of Williston. Much more than a matter of convenience, clean, reliable water can mean the difference between success and failure for much of North Dakota.

Devils Lake Water Supply

With the rise of Devils Lake, nearly six miles of the city's aging water supply line are covered by significant amounts of lake water. Since the supply line is the city's only source of water, a failure within the portion covered by the lake could leave Devils Lake residents without an adequate water supply. This issue, coupled with the need to meet new Safe Drinking Water Act standards for arsenic, has prompted the city to develop plans for a new water supply.

Funding remains a top priority for this much-needed project. The new water supply must be operational by January 2009 for the city to remain in compliance with the Safe Drinking Water Act.



Handout # 1

SB 2345 ✓
March 12, 2007

Testimony by Dave Koland, General Manager
Garrison Diversion Conservancy District

To the

House Education and Environment Appropriations Committee
Hearing on SB ~~2356~~ 2345

Bismarck, North Dakota
March 12, 2007

Mr. Chairman, members of the committee; my name is Dave Koland. I serve as the General Manager of Garrison Diversion Conservancy District and Secretary/Treasurer of the Lake Agassiz Water Authority (LAWA).

Garrison Diversion is a political subdivision of the state created in 1955 to construct the Garrison Diversion Unit of the Missouri River Basin Project as authorized by Congress on December 22, 1944. The Dakota Water Resources Act of 2000 (DWRA) authorizes \$200 million for construction of the Red River Valley Water Supply Project (RRVWSP) to meet the needs of the Red River Valley.

During the 2003 session, the Legislature established LAWA to represent the local water users in the development of the RRVWSP. LAWA is governed by a board of ten locally elected officials from five water districts and five cities in the Red River Valley.

Funding for the \$400 million cost of Phase I of the RRVWSP will be a combination of \$200 million of revenue bonds issued by LAWA, \$100 million of

state funding as outlined in SB 2345, and \$100 million of federal funding as provided in the DWRA.

SB 2345 provides the local users and their lenders with the intention of the Legislature to provide the \$100 million state share over a period of three bienniums. The Governor's budget has provided the first piece of this funding package by providing \$12 million of funding during the 2007-2009 biennium.

Mr. Chairman, members of the committee; providing a state funding plan in this manner will greatly assist in the orderly development of the financial arrangements necessary for the timely completion of this important project.

**RED RIVER VALLEY WATER SUPPLY
WATER REQUIREMENTS, FUNDING, TIMETABLE**

1. WATER REQUIREMENTS

NAWS – 20,000 acre-feet
SWPP – 12,000 acre-feet
RRVWSP – 88,000 acre-feet
Total = 120,000 acre-feet

Percentage of Water Available –
A. Lake Sakakawea Storage @18 million acre-feet = .667%
B. Missouri River Flow @16 million acre-feet = .75%

2. FUNDING: TOTAL ESTIMATED COST-\$600 MILLION

- I. Federal Share \$200 million (loan)
- II. Local Share \$200 million (water service contract bonds)
- III. State Share \$200 million
 - A. \$100 million – MR&I Program
 - B. \$40 million – WDTF Bonding
 - C. \$30 million – RTF (cash)
 - D. \$30 million – General Fund (cash)

3. PHASES

<u>Phase I – \$400 million</u>	–	<u>Funding</u>
Pipeline to Lake Ashtabula		\$200 million local
Treatment (Federal Cost-not Included in the \$400 million)		\$100 million state \$100 million federal (loan)

<u>Phase II – \$200 million</u>	–	<u>Funding</u>
Wahpeton		\$100 million state (MR&I)
Grafton Intake		\$100 million federal (loan)
Rural Water Supply		

4. TIMETABLE FOR STATE FUNDING

Phase I – 6 years

- a. 2007-13 State Funds – \$100 million
 - A. \$40 million-Bonding
 - B. \$30 million-General Fund
 - C. \$30 million-Resources Trust Fund
- b. 2007-09 \$12 million + Bonding Authority (SB 2345)
- c. 2009-13 \$48 million (\$24 million RTF/\$24 million GF)

- *Allows state MR&I in Phase II (\$100 million)*
- *Realizes significant construction cost savings*
- *Balances federal and state obligation*
- *MR&I requires local match/shared with tribes*

Phase II – 4 years

- a. 2013-17+
- b. State MR&I Program - \$100 million

SB 2345
Brochure

EXECUTIVE SUMMARY Supplemental Draft Environmental Impact Statement Red River Valley Water Supply Project



*Contact either office listed
for copy*



U.S. Department of the Interior
Bureau of Reclamation
Dakotas Area Office

State of North Dakota
Garrison Division
Conservancy District

