



Testimony

SB 2196—Department of Water Resources House Energy and Natural Resources Representative Todd Porter, Chairman March 3, 2023

Chairman Porter, and members of the House Energy and Natural Resources Committee – I am Tami Madsen, the Executive Director of the Western Area Water Supply Authority. I am here today to provide testimony in support of SB 2196.

The Western Area Water Supply Project (WAWSP) is a regional water project that serves over 5,000 square miles of municipal, rural, and industrial users across five counties in northwest North Dakota. The system utilizes a combination of Missouri River water treated at the Williston Regional Water Treatment Plant and groundwater treated by the R&T Water District's Water Treatment Plant in Ray, ND.

As the oil and gas industry boomed prior to 2011, so did the population and the need for quality drinking water in northwest North Dakota. A study conducted during this period showed that in the long term, upgrading the centralized Williston Water Treatment Plant and building transmission mains to the local communities would be more cost effective than building, or upgrading, individual community water treatment facilities. Additionally, specialized staffing needs could be better met through one larger plant, rather than several smaller plants. It was as a result of this boom and study that the Western Area Water Supply Project was born.

The investment in the transmission mains connecting the centralized Williston Water Treatment Plant has been vital to the growth and health of communities in northwest North Dakota. Without these mains, or other significant investment in infrastructure, these communities would not have been able to experience the rapid growth and expansion that has allowed them to be among the fastest growing counties in the United States.

Since WAWSA's creation, service to rural users has increased by 193% from 1,673 connections to close to 5,000 connections – over 60,000 residents in northwest North Dakota are being served through the Western Area Water Supply Project. In that same period, McKenzie County experienced a population growth of 131% and Williams County experienced a population growth of 83%, which arguably has been influenced by the provision of high-quality treated water for drinking and hygiene where it was not previously available, as well as water for the expansion of oil and gas exploration and production.

This bill addresses the variable rate loans that are currently being repaid by the revenue from industrial water sales. Section 6 transfers WAWSA's variable rate loans from a long-term variable rate vehicle, into the long-term fixed-rate infrastructure revolving loan fund. This, combined with financial items contained in SB2020, will create a more sustainable and predictable debt model for the WAWSA than what currently exists.



The model to use excess capacity from the domestic water system to sell water to the oil and gas industry for repayment on the transmission infrastructure has fallen short of the original vision and plan but it has had a significant positive effect on northwest North Dakota through a lower cost share to the State and lower water rates to the domestic users. With the current repayment model, the domestic water utility has not passed the cost of the transmission mains through to the residential water consumers. Instead, this cost has been born by the oil and gas users who are benefitting from the excess capacity on the transmission mains, as originally intended.

To date, with accounting for the various restructuring and forgiveness of WAWSA's debts, the project is below the allowed cost share for water projects held within the State Water Commission and Department of Water Resources' purview. Of note, the transmission mains have not been funded at the same cost share as typical water projects. Agreeably, WAWSA was intended to have an accelerated repayment schedule but due to changes in oil and gas activity, better known as booms and busts, along with the domestic growth, the ability for WAWSA to maintain the originally proposed repayment structure is not realistic.

SB2196 proposes refinancing WAWSA's debt into the Infrastructure Revolving Loan Fund at a fixed interest rate and providing \$30M toward the industrial debt to bring WAWSA on par with other water projects in terms of cost share within the State Water Commission and the Department of Water Resources. It is important to remember that after the industrial debt is repaid, NDCC 61-40-10f requires that WAWSA continues to pay excess revenues from industrial sales to the Resources Trust Fund (RTF). Two examples are provided at the end of this testimony showing how this bill would affect WAWSA's ability to pay the loan payments and make additional payments to principal and/or the RTF as related to WAWSA's actual 2022 industrial budget.

Please see the following example of how the variable interest rate loans have negatively affected the authority's financial statements and have eroded the principal repayment activity of the industrial utility:

In April 2022 - interest was 2% and the payment was:

Principal: \$351,773.92
Interest: \$123,105.73

In August 2022 - interest was 3.6% and the payment was:

Principal: \$249,797.45
Interest: \$225,082.20

Additionally, SB 2196 will provide the policy mechanism that will transfer WAWSA from the North Dakota Industrial Commission to the State Water Commission, aligning the WAWSA project with other water projects across the state.



WESTERN AREA WATER SUPPLY AUTHORITY

Thank you for the opportunity to be an active participant in the conversation pertaining to SB 2196. I am grateful for the ability to provide testimony to you today and am happy to answer any questions you might have.





WESTERN AREA WATER SUPPLY AUTHORITY

2022
SB2196
SB2020
Refinanced into IRLF
@ 2%, 30 years
\$30M Reduction

