



Testimony
SB2196
Senate Energy and Natural Resources
Senator Dale Patten, Chairman
January 19, 2023

Chairman Patten, and members of the Senate Energy and Natural Resources Committee – I am Tami Madsen, the Executive Director of the Western Area Water Supply Authority (WAWSA). 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.

The Western Area Water Supply Authority (WAWSA) was created by the North Dakota Legislature in 2011 in response to the rapidly expanding population and increasing water demands generated by the Bakken oil boom. 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.

The Western Area Water Supply Authority has worked closely with Director Travnicsek, the Bank of North Dakota, the North Dakota Industrial Commission, and others with strong historical knowledge of the Western Area Water Supply Project to ensure the modifications included in SB 2196 are in the best interests of the stakeholders who will be affected by the proposed changes.

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.

This bill also 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 (see graphic 1, graphic 2).

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:

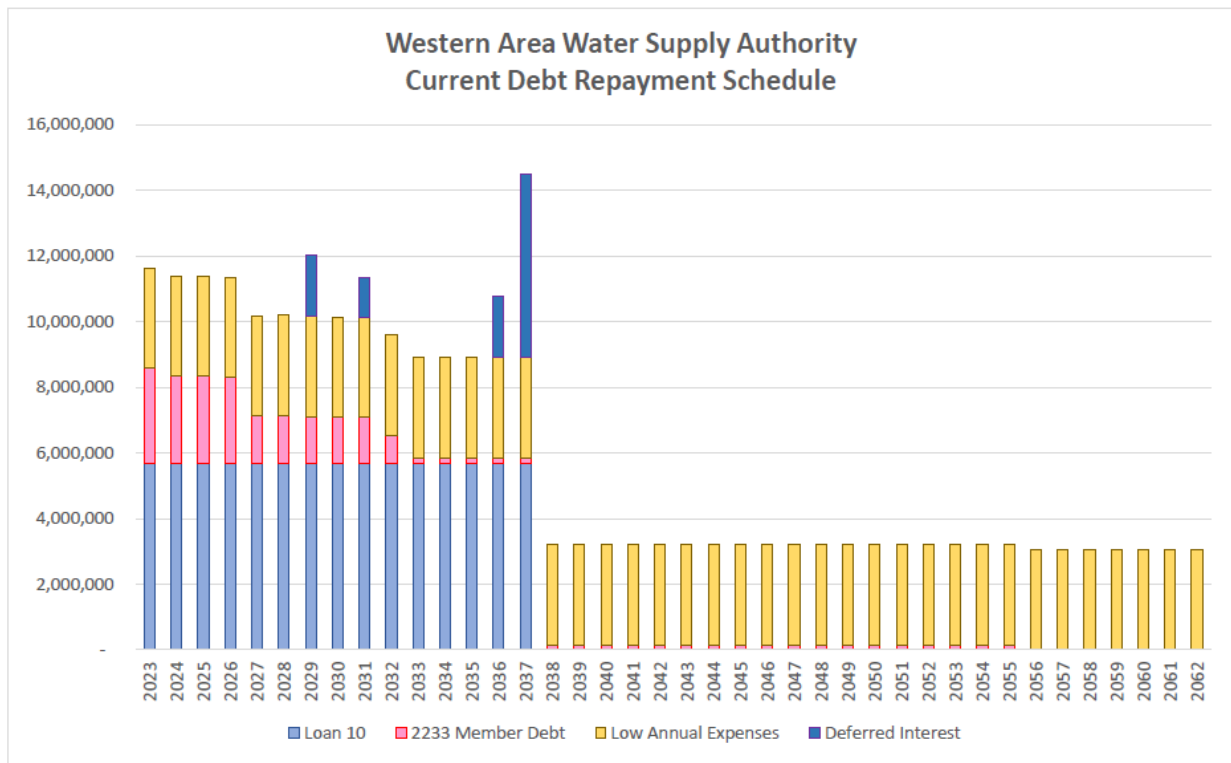
In April 2022 - interest was 2% and the payment was:

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

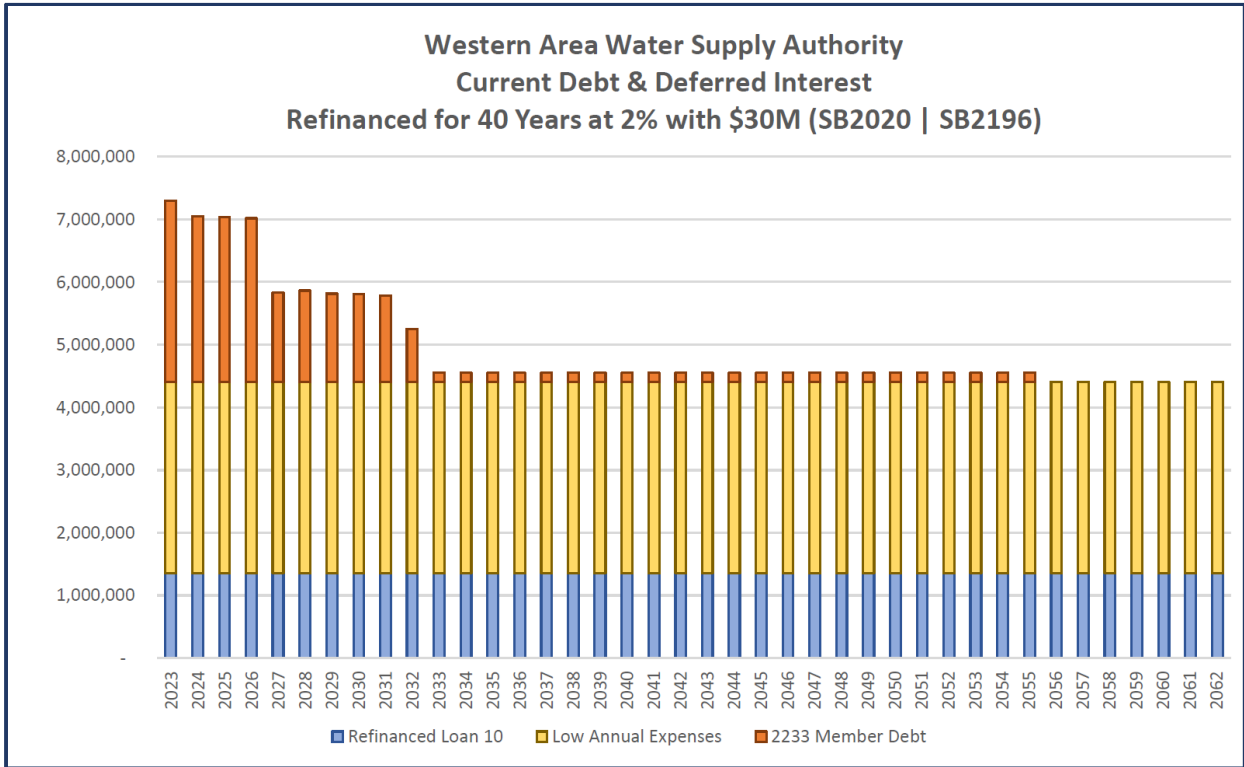
In August 2022 - interest was 3.6% and the payment was:
Principal: \$249,797.45
Interest: \$225,082.20

The Bank of North Dakota will further explain the changes proposed in the bill that are associated with the loans.

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.



(Graphic 1)



(Graphic 2)