



East Central Regional Water District

PO Box 287
1401 7th Avenue NE
Thompson, ND 58278

Neil Breidenbach
System Manager

Phone: 701-599-2963
Fax: 701-599-2056
Website: www.ecrwd.com

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From: Kory Sondreal, Board President, East Central Regional Water District

RE: In Support of House Bill 1537

Chairman Barta and members of the Senate Industry, Business & Labor Committee, my name is Kory Sondreal. I am the current Board President of East Central Regional Water District. I have served as the Board President of East Central Regional Water District since the merger of two water districts (GF-Traill / Traill) in 2018. Prior to 2018, I served as a board member of the GF-Traill Water District from 2012 to 2018.

The GF-Traill Water District was the first rural water district created in the state of ND. It was incorporated in 1969. It merged with the Traill Water District in 2018 to become the newly formed East Central Regional Water District. Today, we are 1 of the 5 largest rural water systems in the state. We serve 4 counties in North Dakota (GF, Traill, Steele, Cass), 11 incorporated ND cities and 1 city in MN. Our service territory covers approximately 1,450 square miles with 2,500 miles of underground pipe. We have over 3,775 hookups. We are committed to delivering clean, safe, sustainable drinking water to our patrons.

Since our inception, we have been privileged to have access to numerous funding sources from the ND State Water Commission, the Bank of North Dakota, ND State Revolving Loan Fund, USDA Rural Development & limited Federal MR & I funding. Unlike municipalities that have the advantages of scale, rural water districts provide their services to customers who live in thinly populated areas over many square miles. Along with the revenues derived from our patron's usage fees, it is these grants & low-interest loans that have been the lifeblood for rural water districts. Those additional funding sources provide the means by which rural water districts are able to extend water services for new hookups, repair aging lines, make improvements to infrastructure, replace equipment & have access to new technologies. Without grants & low-interest loans, our monthly water rates would become very unaffordable for our patrons & we eventually would have to close our doors.

As a borrower & grant recipient, we believe that the integrity of the funding sources is paramount. Having certain protections in place ensures the livelihood of both borrowers & lenders. In the spirit of this, it was Federal Statute 1926(b) and later ND Century Code 6-09.4-22 that were crafted to protect water districts & those that lend money to them. The current version of HB1537 will continue to provide future protections for cities, rural water systems and the agencies that lend to them.

As you are aware, the East Central Regional Water District is currently involved in a lawsuit with the City of GF over an agreement that was struck in January of 2000 between GF-Traill Water District, Agassiz Water District and the City of GF. The 2000 Agreement named specific residential customers and businesses that GF-Traill was willing to relinquish to the City of GF in exchange for an agreed upon payment. Those transfers happened & were honored by both parties. There was nothing else in the Agreement beyond those transfers. Since 2000, the City of Grand Forks has continued to grow to its south & west pushing farther into the areas served by East Central. GF now extends southward approximately 2 ½ miles beyond the areas that were previously served by East Central at the time of the Agreement. East Central had infrastructure in the areas that were taken over by the City of GF without any consideration or compensation given to East Central. This has resulted in a great

amount of lost revenue to East Central during the last 25 years. East Central continuously has had loans during this window of time that were "protected" by Federal & State statutes. It was never our intent to get involved in a lawsuit with the City of GF. We felt it would be better if we could find a way to work together to mutually serve these growth areas. In late 2018, the Board of Directors of East Central made the decision to begin a reach out to the City of GF to see if we could start a dialogue about the 2000 Agreement to either discuss some possible changes to the Agreement or to work out an entirely new agreement. Listed below is a history of those attempts:

January 2019: A joint meeting was held at the Advanced Engineering & Environmental Services (AE2S) office in GF between East Central & the City of GF. The 2000 Agreement was reviewed & the discussion went well. It was agreed to have a follow-up meeting & one was scheduled for February. The February meeting got postponed but was rescheduled for April.

April 2019: A second meeting was held at the AE2S office in GF. Again we had some good discussion and we started talking about the joint agreement that Cass Rural Water had struck with the City of Fargo. Everyone agreed that it seemed to be working for those entities & maybe it was a model we could follow or possibly pull some of the best parts out of it to begin crafting a new agreement. The next meeting was scheduled for May.

May 2019: A third meeting was held at the AE2S office in GF. The discussion surrounded around creating a new Agreement between East Central & the City of GF. As a start to this process, AE2S stated that crafting a draft of Engineering Scope of Services might be a good way to start. The meeting ended without any future meeting scheduled.

July 2019: East Central reached out & a breakfast meeting was held in GF at a local restaurant between 3 individuals from East Central & 2 officials from the City of GF. No individuals from AE2S attended this meeting. After a brief discussion of our 3 previous meetings, the tone of the meeting changed. The City of GF stated that they wanted to stay with the current Agreement & did not want to look at a new agreement. We scheduled another meeting for August 16, 2019 but that meeting never happened.

September 2019: East Central's attorney drafted a letter that was sent to the City of GF attorney. The letter spelled out the reasons that supported East Central's right to serve the growth areas. It also indicated that East Central was willing to meet with the City of GF to discuss the matter. No response was provided by the City of GF.

November 2019: East Central sent a follow-up letter to its September 2019 letter. The letter was brief but it addressed the 2000 Agreement & indicated that East Central was taking the position that the Agreement should be considered void since the proper lending authorities had not signed off on the Agreement as required by 1926(b) and ND Century Code 6-09.4-22. The letter also addressed the fact that the City of GF had disconnected East Central customers in the growth area and switched them over to the City of GF. The letter finished by stating that East Central remained willing to discuss a resolution and if there was no response from the City of GF, East Central may be forced to file a federal suit to resolve the matter. No response was provided by the City of GF.

March 2020: 3 board members from East Central and its manager arranged a meeting with new mayor Brandon Bochenski at the GF City Hall. The purpose of the meeting was to introduce ourselves, provide some history on the Agreement and our previous attempts to reach out to the City of GF. We were making one last effort to see if the GF Mayor could get involved to help continue the discussions. No response came from the City of GF.

May 2021: East Central brought its lawsuit against the City of GF.

March 2022: A mediation meeting was held virtually between the 2 parties to attempt a settlement. No settlement agreement could be reached.

Summer 2024: The 2000 Agreement was brought before the ND Supreme Court. After depositions by the attorney for East Central & the attorney for the City of GF, the ND Supreme Court determined that the Agreement is "null & void" since the proper lending authority had not signed off on the Agreement.

Currently, we are awaiting the final step in this process which is a date with the Federal District Court in Fargo where a jury trial will hear the case. This has been a long drawn out process for all involved and at a great expense for both parties. The State of North Dakota & the Federal Government have long-standing support for seeing that clean drinking water is made available to patrons of both cities & rural areas. HB 1537 will continue this support & the East Central Regional Water District casts its vote for a "Do Pass" recommendation.

Thank you for allowing me to provide testimony in support of House Bill 1537. Kory Sondreal