

2018 Regional Water Extensions WWDC Grant Funding Agreements

WWDC and Select Water Committee

Joint Meeting

August 17, 2018

Presentation Format

Mike Cole, Utilities Director, City of Gillette

- Background and History
 - Gillette Madison Pipeline Project
 - Gillette Regional Extensions Project
- City Concerns

Pat Davidson, City Administrator, City of Gillette

- Possible Solutions

Project Description

- The “Gillette Madison Pipeline Project” is the \$217.6M water supply project which includes five (5) new Madison wells, a 50-mile treated water transmission pipeline, pump stations, chlorine disinfection treatment, water tanks and all other appurtenances to deliver 7,000 gpm (initially) and 16,000 gpm (ultimately) of new potable water supplies to the Gillette Area.
- The “Gillette Regional Extensions Project” is the \$60M project which includes small diameter pipelines, meter buildings, pump stations and all other appurtenances to deliver potable water to 43 regional water districts surrounding Gillette as identified by the 2010 Regional Water Joint Powers Agreement.

Background and History

Background and History (1 of 11)

- 2006 – City of Gillette (COG) applied for grant funding for the \$226 million new (expanded) water supply project.
- 2006/2007 – COG hired Morrison-Maierle to complete a [Long Term Water Supply Level II Study](#) which recommended an expanded Madison Well Field and parallel treated water transmission pipeline. WWDC reviewed the Study and accepted the findings.
- 2007/2008 – WWDC and State Legislature directed COG to provide water service to a much larger regional water service area when compared to the original 2006 grant request, which was to provide water service to the City limits only.
- 2008 – State Legislature appropriated WWDC funding to perform a Level I Master Plan to identify the potential Regional Water Service Area.

Background and History (2 of 11)

- October 10, 2009 – HDR Engineering Inc. completed the [Gillette Regional Water Master Plan Level I Study](#) that identified existing water districts and a potential water service area.
- Section 6.2 on Page 35 of this study states the following:
“Based on the above water demand projections, the maximum day demand that was used to size the Gillette regional water system was 34.24 MGD or 23,778 gpm. This demand included providing water supply to all potential participants in the probable service area, but did not include Crook County demands. WWDC had decided during the preparation of the analysis that Crook County would be served separately from the Gillette regional water system, so should not be included in the demands used for sizing the system.”
- The Final Design for the Gillette Madison Pipeline Project **DID NOT** include provisions to serve entities in Crook County, based on direction received from WWDC.

Background and History (3 of 11)

- In 2010/11, the WWDC and the State Legislature significantly altered the scope of the Gillette Madison Pipeline Project.
 - ✓ The total price for the project was reduced from \$226M to \$217.6M.
 - ✓ The scope was adjusted to reflect 5 new Madison wells instead of the original 10.
 - ✓ The loan term was reduced from 30 years to 5 years upon approval of the Cap Tax.
 - ✓ The project scope was expanded to extend pipelines to serve the Sleepy Hollow, Antelope Valley and SW Gillette (Force Road Area).
- The changes were made during the 2010 and 2011 Legislative Sessions and reflected in Amendment 1 and Amendment 2 to the [Project Agreement](#).

Background and History (4 of 11)

- May 5, 2010 – HDR Engineering Inc. completed the [Regional Participant Level II Connection Study](#).
- The COG retained HDR to complete a “Level II” Study to provide cost estimates for regional water extensions to serve the existing water districts in Campbell County, generally located within the Donkey Creek and Stonepile Creek drainage basin(s).
- Due to the pressing need to complete this study for future grant funding, the COG decided to expedite the completion of this study, rather than wait for a grant from the WWDC and the State Legislature through their regular Omnibus Water Planning Bill process.
- The study was funded entirely by the COG, with help from Campbell Co.
- WWDC did not contribute funding for this study, but did accept the recommendations from this study for future Level III design and construction budget purposes.

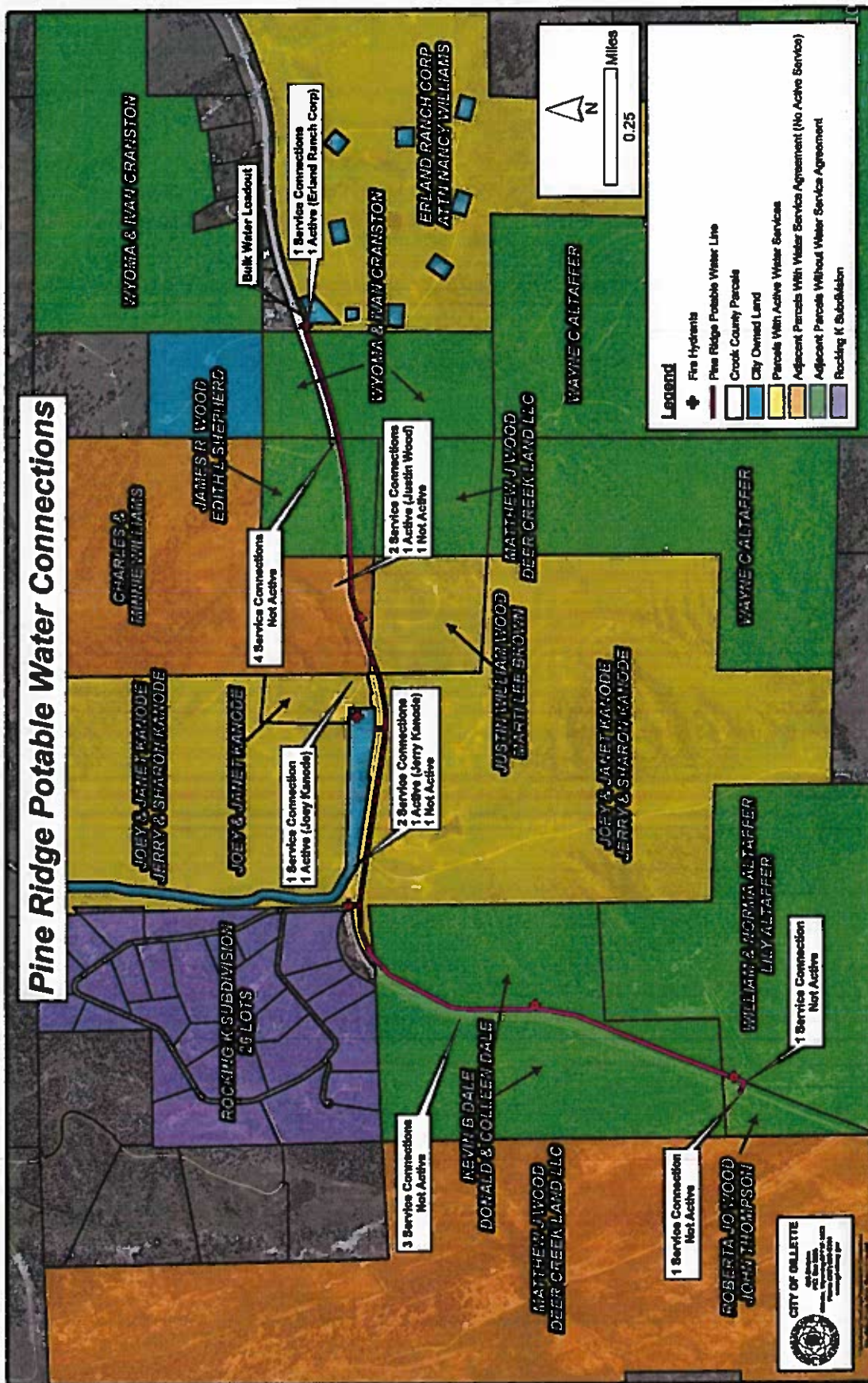
Background and History (5 of 11)

- Based on the May 5, 2010 HDR Regional Participant Level II Connection Study, the COG and Campbell County executed a [Regional Water Joint Powers Agreement](#) to address ownership, funding and governance of the regional water system, outside the incorporated limits of the COG.
- Development of the JPA was facilitated by the WWDC.
- The JPA was approved by the Attorney General's Office on January 4, 2011.
- Section 7.1 on Page 6 of the JPA states:

“...the Project will continue to fulfill agreements and service obligations of the City to existing wholesale customers in Crook County...”

- As of 01/2011, the COG provided stand-by, emergency back-up water service for the Town of Moorcroft (since the early 1980's) and executed individual water service agreements with approximately 9-10 individual property owners for domestic water use in the vicinity of Pine Ridge in Crook Co. (in the mid 2000's), near the City's existing Madison Well Field.

Pine Ridge Potable Water Connections



Background and History (6 of 11)

- Based on cost estimates provided in the May 5, 2010 HDR Regional Participant Level II Connection Study, among other information, the COG, Campbell Co. and Town of Wright approved a Resolution and Ballot Proposition.
- On May 3, 2011, Campbell County voters approved a [Specific Purpose Excise Tax \(Cap Tax\)](#) to raise \$20.0 million to be used as a 33% match for the \$60 million Regional Extensions Project.
- As part of this Cap Tax, \$75 million was also approved by Campbell County voters to fund the City's 33% match for the separate, Gillette Madison Pipeline Project.
- \$15 million was also approved for water projects in Wright.

Background and History (7 of 11)

- On August 11, 2011, the COG applied for a \$40 million grant from the Wyoming Water Development Commission to fund 67% of the total estimated costs of the Gillette Regional Extensions Project.
- The August 11, 2011 [Grant Application](#) only included projects to extend pipelines to serve regional water customers with domestic water in the Designated Service Area in Campbell County established by the Joint Powers Agreement.
- The WWDC asked the City to “prioritize” the projects included in the grant application, which requires the City to reapply each year.
- The COG provided a prioritized list of projects to be funded over a five-year period. (~ \$8M per year x 5 yrs = \$40M grant funds)

Background and History (8 of 11)

- Since the August 11, 2011 Grant Application, the City of Gillette, on behalf of Water Districts within the Designated Service Area in Campbell County, have executed numerous Grant Funding Agreements and Amendments with the WWDC for “Priority 1” and “Priority 2” regional extension projects.
- None of the prior executed grant funding agreements or amendments contain any provisions that direct the City to provide “Livestock” or “Miscellaneous” water service to anyone.

Background and History (9 of 11)

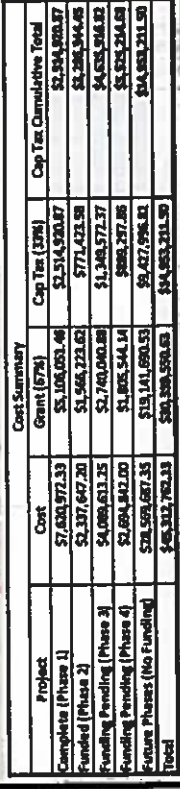
In September/October 2017, the City submitted a Grant Funding Request for Priority 3 and Priority 4 Regional Extensions Project(s). The WWDC recommended grant funding approval for the following Gillette Regional Water Extensions:

- \$1,809,000 for Engineering Design, Permitting and Right-of-Way Acquisition AND Construction Funding for (1) Fox Ridge (*South of Red Hills*), (2) Rozet Ranchettes, and (3) Buckskin (*Gurley & Kluver Area*).
 - ✓ COG was not expecting the construction funding as part of the 2017 request.
 - ✓ This amount is the State's 67% grant portion.
 - ✓ COG to use the District Extension Cap Tax (*approximately \$891,000*) for the 33% match.
 - ✓ The total project amount is \$2.7M.
- \$2,391,000 for Construction Funding for (1) Crestview, (2) Freedom Hills, (3) American Road, and (4) Meadow Springs.
 - ✓ COG received \$361,000 funding for Engineering Design, Permitting and Right-of-Way Acquisition as part of the 2017 Legislative Session.
 - ✓ This amount is the State's 67% grant portion.
 - ✓ COG to use the District Extension Cap Tax (*approximately \$1,356,300*) for the 33% match.
 - ✓ The total project amount, when considering the 2017 grant, is \$4.11M.

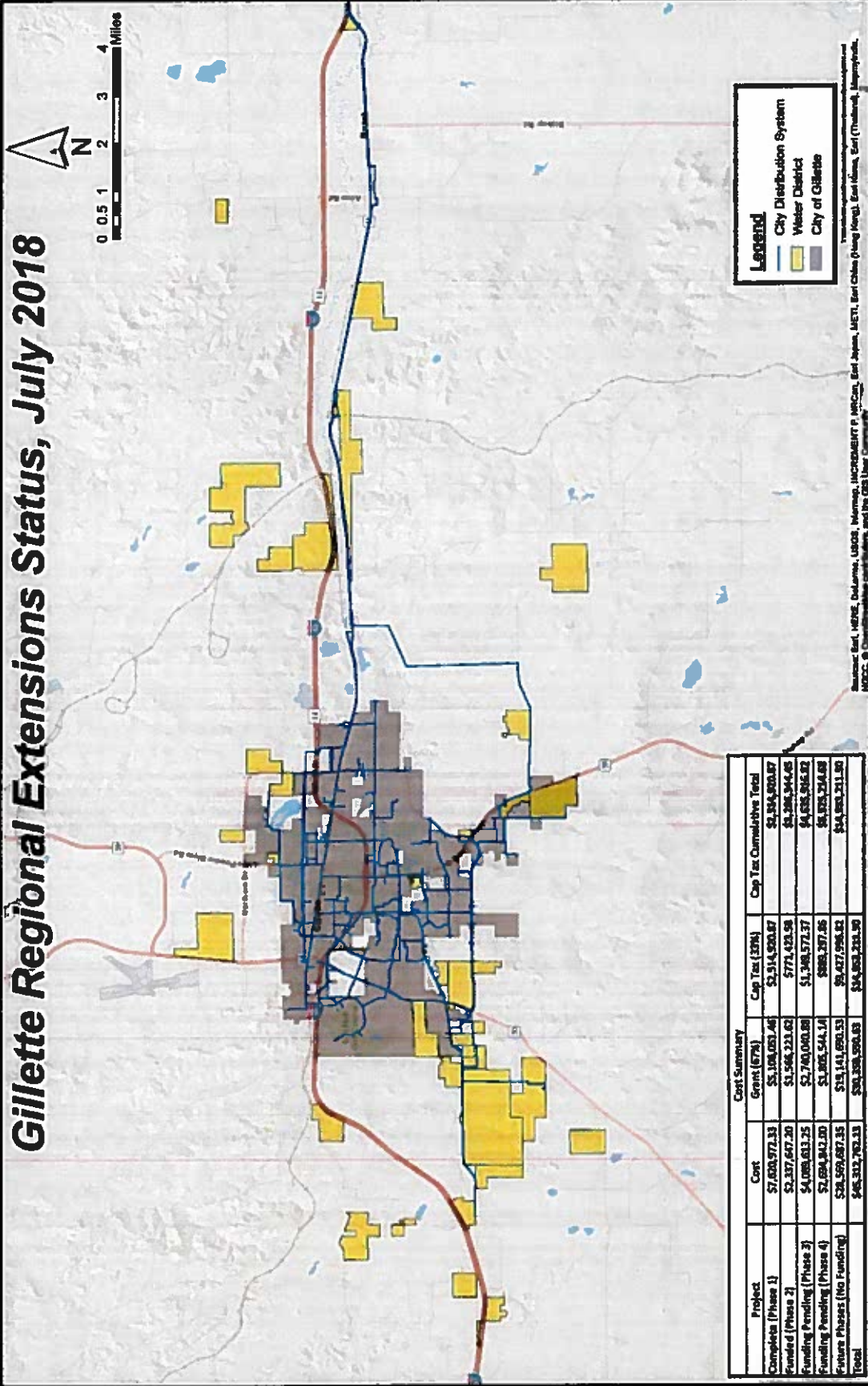
Background and History (10 of 11)

Project	Funding	Water Service District Affected
Gillette Regional Extensions Phase III 2017	2017 HB 41 \$361,800 Grant	American Road W&SD
	PLUS	Freedom Hills I&SD
	2018 HB 78	Meadow Springs I&SD
	\$2,391,900 Amendment	Crestview Estates I&SD
Gillette Regional Extensions Phase IV 2018	2018 HB 78 \$1,809,000 Grant	Fox Ridge I&SD
		Rozet Ranchettes I&SD
		Buckskin I&SD

\$4.2M Total Grant Funding affected by 2018 HB 78



Gillette Regional Extensions Status, July 2018



Project	Cost Summary		
	Cost	Grant (67%)	Cap Tax (33%)
Complete (Phase 1)	\$7,670,972.33	\$5,138,053.46	\$2,532,918.87
Funded (Phase 2)	\$2,337,047.20	\$1,568,221.62	\$778,825.58
Funding Pending (Phase 3)	\$4,089,613.25	\$2,740,040.88	\$1,349,572.37
Funding Pending (Phase 4)	\$2,084,842.00	\$1,405,541.14	\$679,300.86
Potential Phases (No Funding)	\$28,529,027.35	\$19,141,090.13	\$9,387,937.22
Total	\$42,691,482.13	\$28,024,006.33	\$14,667,475.80

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Gillette Regional Extensions Status, July 2018

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Legend

- Regional Water Phase 1 (Complete)
- City Distribution System
- Dedicated Service Area
- Water District
- City of Gillette

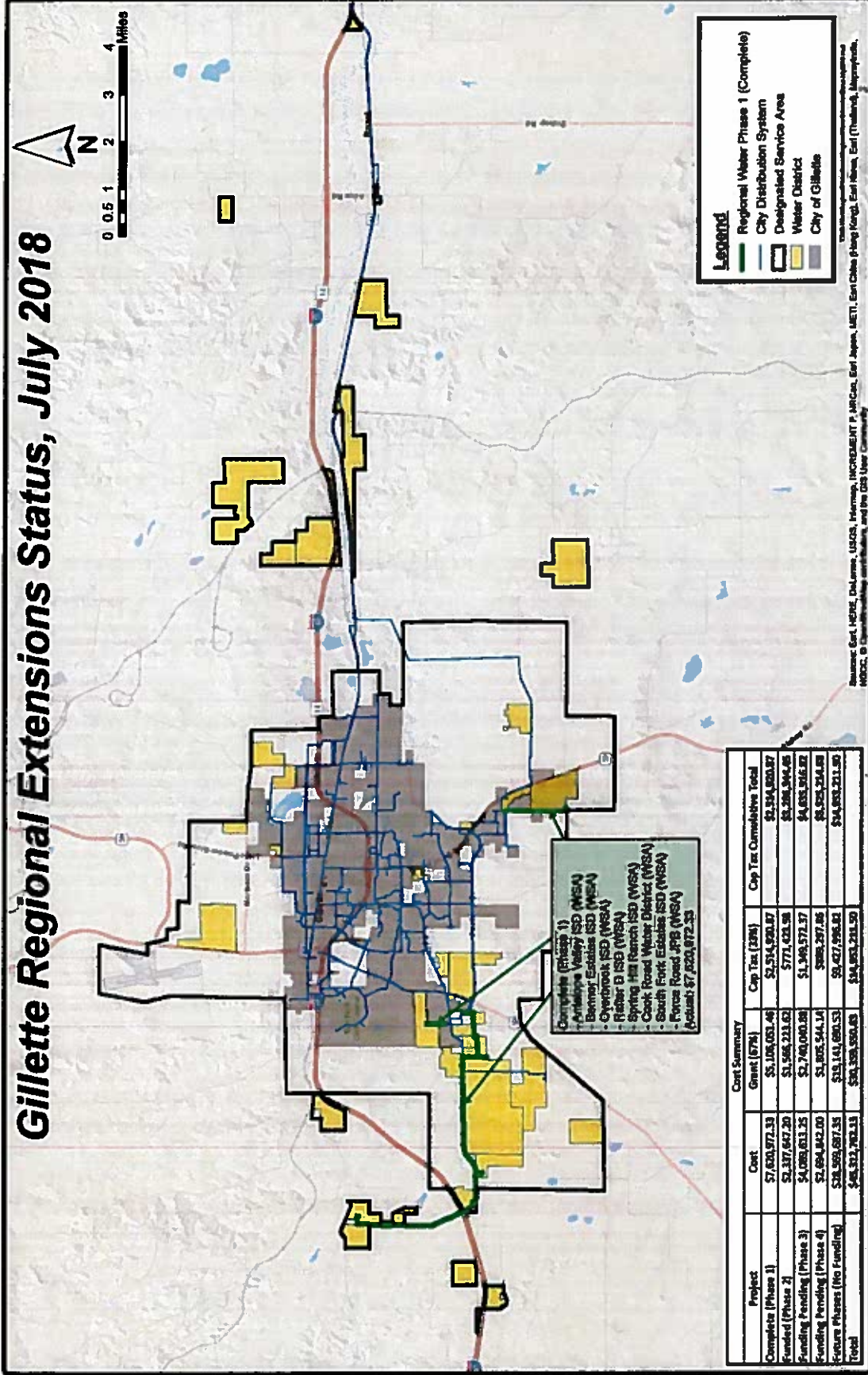
Complete (Phase 1)

- Antelope Valley ISD (WSPA)
- Bonner Estates ISD (WSPA)
- Overbrook ISD (WSPA)
- Fisher D ISD (WSPA)
- Spring Hill Ranch ISD (WSPA)
- Cook Road Water District (WSPA)
- South Fork Estates ISD (WSPA)
- Price Road JPB (WSPA)
- Total: \$7,620,972.33

Cert Summary

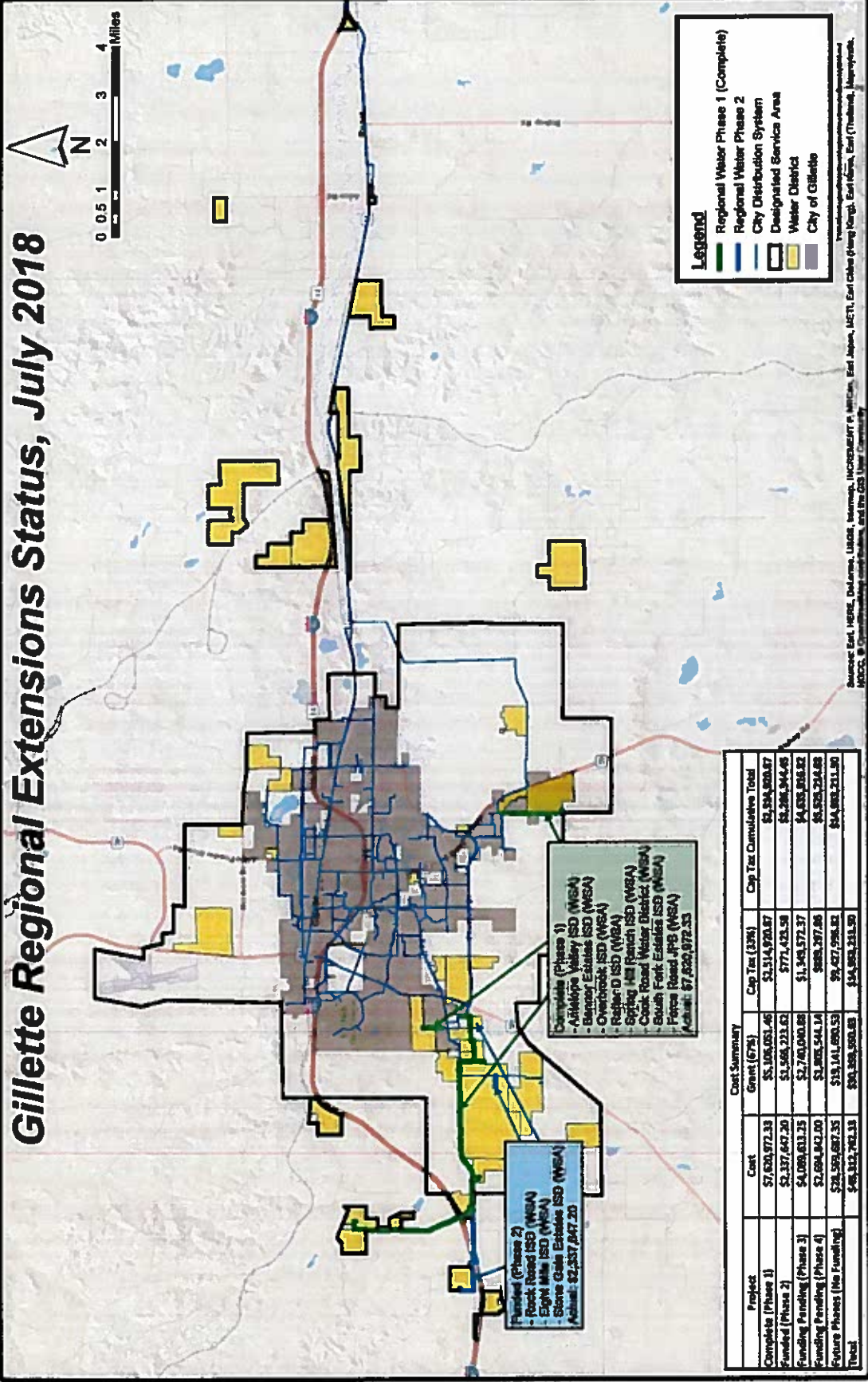
Project	Cost	Grant (\$7M)	Cap Tax (2.5%)	Cap Tax Cumulative Total
Complete (Phase 1)	\$7,620,972.33	\$5,106,051.46	\$2,514,920.87	\$2,514,920.87
Funded (Phase 2)	\$2,337,642.20	\$1,566,213.62	\$771,428.58	\$3,286,349.45
Pending Pending (Phase 3)	\$4,089,013.25	\$2,740,000.00	\$1,349,013.25	\$4,635,362.70
Pending Pending (Phase 4)	\$2,694,842.00	\$1,805,544.14	\$989,297.86	\$5,624,660.56
Future Phases (No Funding)	\$18,969,587.35	\$13,143,680.53	\$9,427,996.81	\$14,571,677.34
Total	\$46,312,056.13	\$30,360,950.00	\$14,973,218.50	\$45,334,168.50

Source: East, West, Dallas, USGS, Intermap, INCREMENT & ARCA, East Japan, METI, East China (Shanghai), East Africa, East (Tanzania), Madagascar, Mozambique, etc.
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Project	Cost Summary			Cap Tax (20%)	Cap Tax Cumulative Total
	Complete (Phase 1)	Funding (Phase 2)	Funding Pending (Phase 3)		
Complete (Phase 1)	\$7,620,977.33	\$5,106,003.46	\$2,514,970.87	\$2,514,970.87	\$2,514,970.87
Funding (Phase 2)	\$1,377,647.20	\$1,566,212.62	\$771,423.98	\$1,340,572.37	\$3,286,404.85
Funding Pending (Phase 3)	\$4,009,033.25	\$2,700,040.88	\$1,340,572.37	\$1,340,572.37	\$4,626,977.22
Funding Pending (Phase 4)	\$2,694,842.02	\$1,805,544.14	\$888,267.06	\$888,267.06	\$5,515,244.28
Future Phases (No Funding)	\$18,599,587.35	\$13,141,680.53	\$6,427,956.82	\$6,427,956.82	\$11,943,201.10
Total	\$32,322,703.15	\$30,339,550.43	\$14,853,211.59		

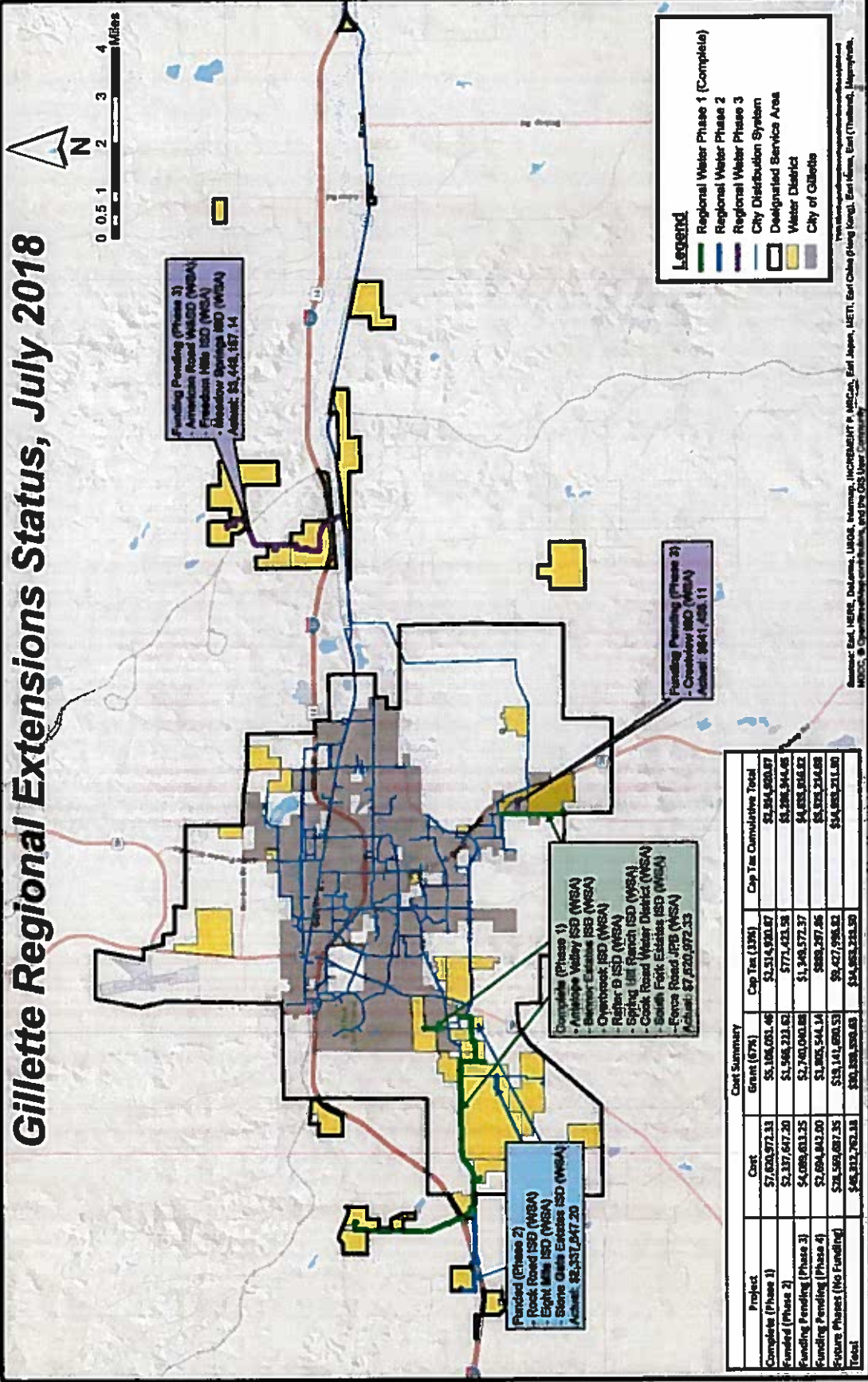
Gillette Regional Extensions Status, July 2018



Cost Summary				
Project	Cost	Gross (\$75)	Cap Tax (32%)	Cap Tax Cumulative Total
Complete (Phase 1)	\$7,620,972.33	\$5,106,051.46	\$2,514,920.87	\$2,594,900.87
Funded (Phase 2)	\$2,337,847.20	\$1,565,213.62	\$771,423.58	\$6,396,344.65
Funding Pending (Phase 3)	\$4,098,633.25	\$2,740,040.89	\$1,345,277.37	\$4,638,844.82
Funding Pending (Phase 4)	\$2,694,842.00	\$1,803,544.14	\$928,297.46	\$5,567,154.68
Future Phases (No Funding)	\$28,592,687.35	\$19,141,690.59	\$9,427,996.42	\$14,993,211.90
Total	\$48,312,292.13	\$30,366,500.69	\$14,983,211.90	

Source: East, WEPS, DeLama, USGS, Intermap, INCREMENTAL & METRIC, East Japan, METI, East China (Hong Kong), East Korea, East (Thailand), Myanmar, MDC, W. Geographical coordinates, and the GIS User Community.

Gillette Regional Extensions Status, July 2018



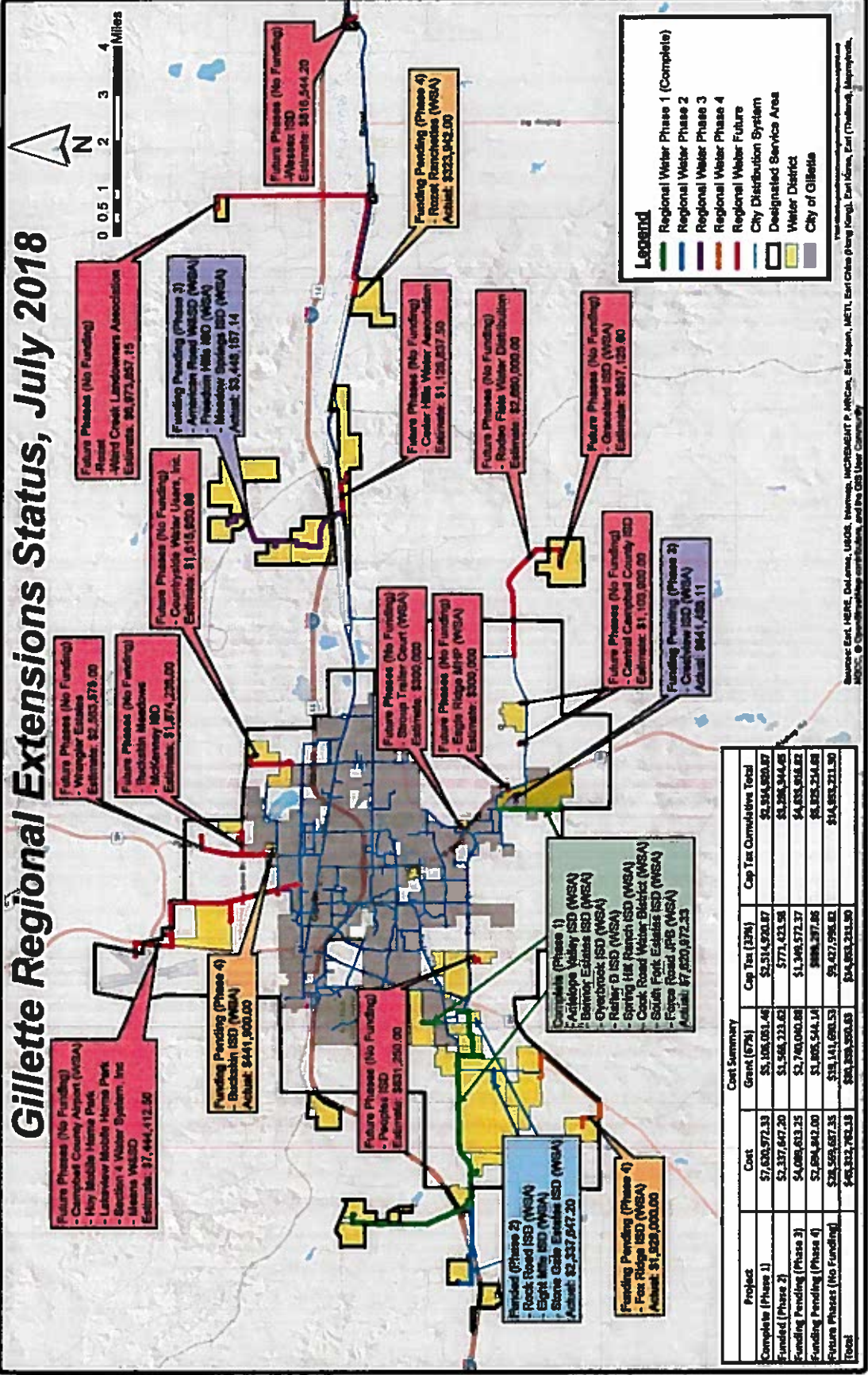
Cost Summary				
Project	Cost	Grant (\$75k)	Cap Tax (\$25k)	Cap Tax Cumulative Total
Complete (Phase 1)	\$7,520,972.33	\$5,106,051.46	\$2,314,920.87	\$2,394,850.47
Funded (Phase 2)	\$2,337,547.20	\$1,566,213.62	\$771,333.58	\$3,398,944.65
Funding Pending (Phase 3)	\$4,089,633.25	\$2,760,040.88	\$1,349,572.37	\$4,898,844.92
Funding Pending (Phase 4)	\$2,894,842.00	\$1,905,544.14	\$989,297.86	\$5,100,354.88
Future Phases (No Funding)	\$28,592,087.35	\$19,141,690.53	\$9,427,996.82	\$14,868,211.80
Total	\$46,232,793.18	\$30,389,596.63	\$14,868,211.80	

Source: East, NEPS, Delamere, USGS, Inverness, INCREASING P. MRCU, East Japan, METI, East China (Hong Kong), East Africa, East (Tribal), MapInfo, MDC, & Other contributing consultants, and the GIS User Community

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Source: East, HERE, Delaware, USOS, Inform, INCREMENT P, MRCin, East Japan, METI, East China (Hong Kong), East Korea, East (Thailand), Myanmar, East, C. B. Contributors contributors, and the QOS User Community.

Gillette Regional Extensions Status, July 2018



Cost Summary

Project	Cost	Grant (67%)	Cap Tax (13%)	Cap Tax Cumulative Total
Complete (Phase 1)	\$7,020,972.33	\$4,700,451.46	\$2,314,520.87	\$2,314,520.87
Funded (Phase 2)	\$2,337,647.20	\$1,555,231.62	\$777,415.58	\$3,092,647.20
Funding Pending (Phase 3)	\$4,086,613.25	\$2,700,000.00	\$1,386,613.25	\$4,086,613.25
Funding Pending (Phase 4)	\$2,594,842.00	\$1,728,541.14	\$866,300.86	\$2,594,842.00
Future Phases (No Funding)	\$28,569,687.35	\$19,141,680.53	\$9,427,996.82	\$19,141,680.53
Total	\$46,529,162.13	\$30,835,363.65	\$15,693,331.50	\$15,693,331.50

Source: East, NEPE, DeLena, USGS, Intermap, INTERMAP, P. MRCAN, East, NEPE, METI, East China (Hong Kong), East Korea, East (Thailand), Intermap, MDC, © OpenStreetMap contributors, and the GIS User Community

Background and History (11 of 11)

The 2018 Wyoming Legislature approved the grant funding for the previously mentioned regional extension projects ("Grant Legislation"), but added the following Conditions to both projects at the end of the legislative session:

" D. SPONSOR shall allow for domestic, livestock and miscellaneous water use for applicants in Crook County applying for taps from existing eight (8) inch transmission lines as provided in this subsection. The eight (8) inch transmission line may be extended by Crook County, or by water districts in Crook County, to allow for taps. Not more than two hundred (200) taps shall be allowed. Taps shall be installed within one hundred eighty (180) days of receipt of a complete application and fees which shall not exceed the residential rate for tap fees. Taps shall be billed at a rate equal to the local base residential rate charged by the regional water system regardless of use of location plus the local consumption rate. The maximum consumption from any one (1) tap shall not exceed one million (1,000,000) gallons per year.

E. SPONSOR shall apply for all necessary permits to allow for domestic, livestock and miscellaneous use of Gillette Madison pipeline water in Crook County."

The Conditions are incompatible with the Grant Legislation; existing Madison agreements and amendments; and contrary to Wyoming law, as more fully described in the following slides.

City Concerns

Concerns – *Conflicts with Wyoming Law*

- Wyoming law specifically authorizes the City to charge customers outside the corporate limits several one-time fees and to set the water rates. Water rates are the “actual costs of providing and delivering water”.
- The Conditions and corresponding proposed agreements with the WWDC limit the rates and fees the City is authorized to charge customers outside the corporate limits for water.

Concerns – Conflicts w/ Prior Agreements

- The Conditions allow for Livestock and Miscellaneous water use, which is contrary to the stated purpose of the Madison Project.
- “The designated project purposes are municipal and rural domestic water supply, municipal and rural domestic water supply.”
- If the City were to execute the WWDC Grant Funding Agreement and Amendment for the latest regional extensions and allow *Livestock and Miscellaneous* water use, the City will be required to re-pay the \$145M grant that the City secured for the Gillette Madison Pipeline project.
- In addition, the City will be required to re-pay any other WWDC Grant Funds that the City has accepted for City water transmission supply, storage and transmission projects during the past 30 years.

Concerns – No Water Available

- The City simply DOES NOT have the water to provide Crook County residents new water service at least until Madison Wells M11-M15 are complete and operational.
- The design for the City's new well field and pipeline did not anticipate 200 new water tap connections using over 200 million gallons of water per year.
- Executing the Agreement/Amendment with the Conditions, would cause the City to instantly lose available capacity from the new water supply not anticipated in the original planning studies or included in the final design.

Concerns – *Campbell County Funding*

- The City could not utilize the Cap Tax to fund any of the requirements of the Conditions. If the City signed the agreement with WWDC, the City would be required to pay from a source other than the Cap Tax approximately one third (1/3), or over \$1.5 million dollars, to fund 33% of the infrastructure costs to provide stock water to 200 taps for citizens of Crook County.
- In other words, Campbell County residents will subsidize a new water system for Livestock and Miscellaneous uses for 200 new taps in Crook County.
-
- Campbell County residents cannot use the new water systems for Livestock and Miscellaneous purposes.

Concerns– *Conflicts with JPA and WSA*

- The Conditions directly conflicts with language in the executed “Water Service Agreements” (WSA’s) for water districts and individuals in both Campbell County and Crook County, which allows only municipal and rural domestic purposes.
- The Conditions conflict with the [Regional Water Joint Powers Agreement](#) by limiting the Regional Water Panel’s ability to establish Wholesale water rates.

City Administrator Possible Solutions

City Position

- City will not sign any WWDC Agreement(s) based on the 2018 Omnibus Water Bill
- DEQ must issue discharge permits to the City so that Wells M11 and M12 can come online before any resolution can be reached.
- The City commits to continue to negotiation in good faith with the Select Water Committee regarding the following issues.

Issue 1

- According to the Select Water Committee and the WWDC, approximately five (5) ranchers need water for domestic and stock use.
- The City needs wells M11-12 online.

Issue 1 -Proposed Solution

- The City will allow five (5) temporary lines in Crook County through separate WSA(s), including Stock use, for a designed period of time, contingent on the following:
 - The residents with the five (5) temporary lines specifically agree to allow the City to discharge water on their land.
 - The DEQ issues discharge permits to City for M11-12.
 - The State Engineer issues a temporary use permit including Stock use.
 - The City does not pay for any infrastructure extension(s) in Crook County.
 - The City sets the rates and the amount of water.
 - The WSA have a specific end date

Issue 2

- The Legislature and WWDC must recognize their role in this matter.
- The Legislature must recognize the City's efforts in solving the matter.

Issue 2 -Proposed Solution

- **In the 2019 Omnibus Water Bill the Select Water Committee supports the following items for the City:**
 - The school section of the Madison Project, owned by the State is given to the City to improve the security of the wells.
 - Before the City is required to repay any state loan, seven thousand (7,000) gallons per minute of water supply must be adjudicated by the Board of Control; and the certificate(s) of appropriation be recorded with the appropriate County Clerk(s) and delivered to the City.
 - Authorize additional funding for storage at no cost to the City.

Issue 3

- The City and the Select Water Committee have concerns with DEQ investigation.

Issue 3 -Proposed Solution

- In the “Gillette-Madison Wellfield Project Status Update Summary” dated August 14, 2018, DEQ found that “[a] significant observation was that the water level in both of the two wells identified as having ‘gone dry’ in July, 2017 have now largely recovered. No specific cause for the reported dry wells has been identified, nor has any credible hypothesis associated with the Gillette Madison wells been proposed.”
- Yet, DEQ has refused to commit to issue the City a discharge permit to allow M-11 and M-12 to go online.
- An agreement between the City and the Select Water Committee including five resident’s in Crook County that would allow the City, under the WSA agreement, to discharge water on their property in exchange for the proposed temporary lines puts pressure on DEQ to complete the investigation and issue the required permit(s).

Issue 4

- The residents of Crook County need a permanent water source.

Issue 4 -Proposed Solution

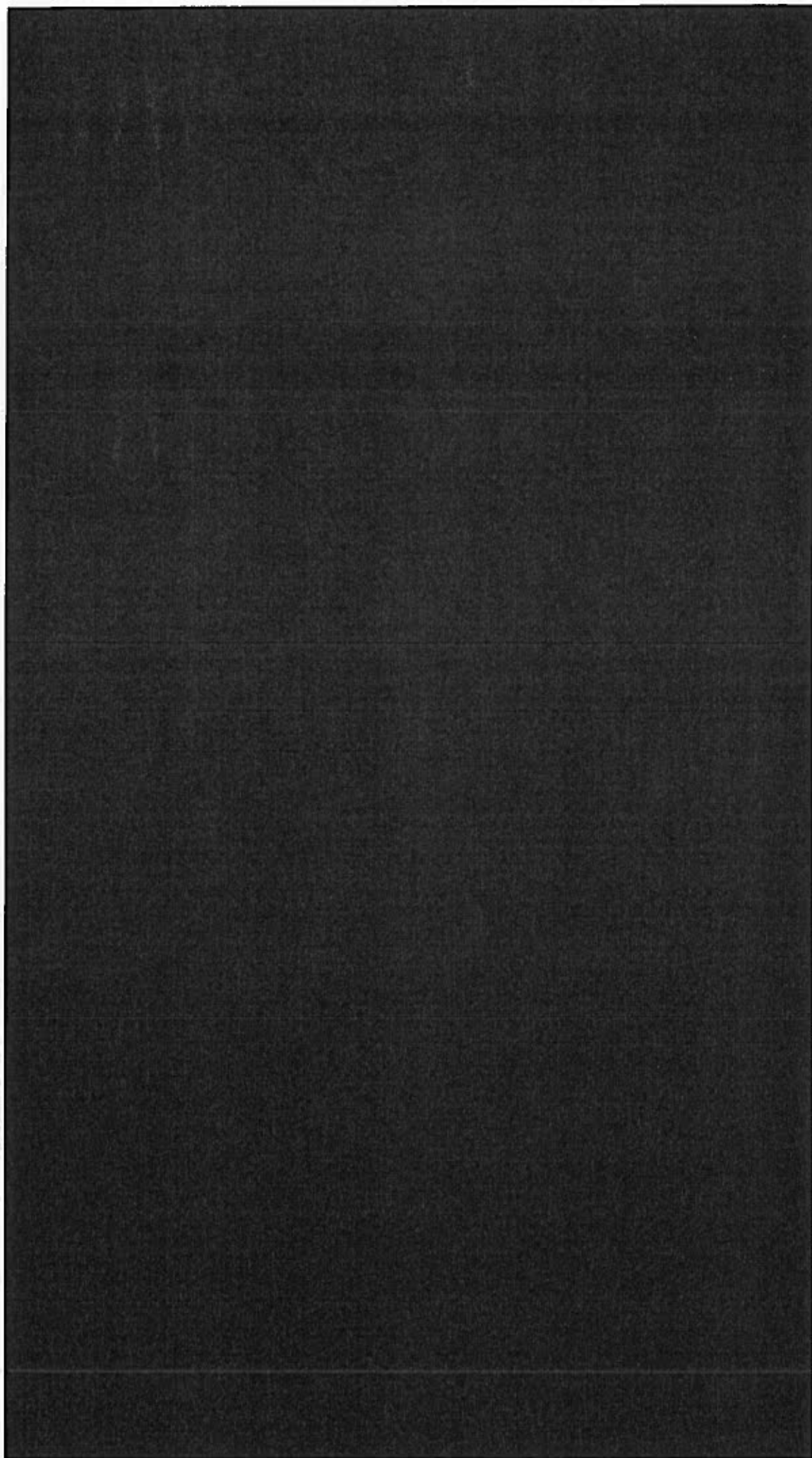
- The Legislature finds the solution to the Crook County water situation separately from the Madison.
- The WWDC should fund a planning study for Crook County to:
 - Determine whether the Madison formation is the best source of water for stock water.
 - Define a service area.
 - Summarize the process to form a water district.
 - Identify sources of funding.
 - Estimate the annual monthly, hourly and instantaneous water demands.
- The City's Madison funding cannot be the basis for the solution in Crook County.

Issue 5 - Landowner Compensation

- Several Crook County landowner have raised issues regarding compensation for land acquisition(s).

Issue 5 -Proposed Solution

- To date, a handful of residents from Crook County have received over a quarter of a million dollars from the City and the State. The WWDC had to approve funds for every land acquisition in the Project. The City regularly paid, out of its own pocket, more to the landowners than authorized by the WWDC.
- The City regularly pays for repairs to landowner property, such as fences, re-seeding, cattle guards, that are not covered by the contractor(s) and not authorized by WWDC.



2018 Regional Water Extensions WWDC Grant Funding Agreements

WWDC and Select Water Committee

Joint Meeting

August 17, 2018