

Box Elder – Rapid City

Mutual Water and Storage Development

Talking Points to Prepare Memorandum of Agreement

Scenario 1 – Independent approaches for increasing water supply and storage goals

Box Elder:

1. Estes TIF, projected to generate around \$2,000,000 is used to drill a new well and storage unit in Box Elder
 - Box Elder well is projected to generate 400-500gpm, with water quality not as good as west side Rapid City Madison sourced wells.

Rapid City:

1. New pressure and storage tank needed in the Valley View School, Elk Vale Road, Rushmore Industrial park area. Estimated cost of building exclusively RC storage facility in \$1,000,000 range.
 - Is it the best use of tax payers money to have Box Elder and Rapid City build 2 water storage systems within yards of each other, or could a combined project be more cost effective.

Scenario 2 – Joint development of new wells and water storage capabilities

Step 1 - Additional water purchase agreement:

1. Box Elder agrees to temporarily purchase wholesale water from Rapid City, at 85% of the monthly billed retail rate for RC residential customers during construction of the joint water storage facility.
2. This purchase agreement will allow Rapid City and Box Elder to pursue joint water production and storage option in Scenario 2, Step 2.

Step 2 – Joint development of water and storage supply

1. Box Elder commits \$2,000,000 from Estes TIF to build a water storage facility, jointly owned by Rapid City and Box Elder. Operations and maintenance is sole responsibility of Rapid City. Box Elder builds it, Rapid City operates and maintains it.

2. Rapid City frees up funds [approximately \$1,000,000] that would have been used to build storage facility for "current or future" drilling of new Madison well.
 - Madison well is projected to have a useful life of 50 years. For the same drilling cost as a Box Elder well [which is projected to produce 400-500 gpm] a Rapid City well is projected to produce 1200 gpm. 2+x that of a Box Elder well for the same well costs.
3. Rapid City keeps 50% of new well production and 50% of well production is pledged to Box Elder for life of the well.
4. If Box Elder builds joint storage facility, RC does not have to drill new well.
 - a) Drilling a new well is totally at the discretion of Rapid City, as long as it supplies, for 50 years [useful life of a well] the equivalent of 600 gpm of water to Box Elder at either of Box Elder's existing two tap in points.
 - b) If Rapid City has sufficient excess capacity to provide water to Box Elder, RC could defer any future capital expenditure until it chooses, but get a new storage facility built without any outlays of funds.**
5. For the term of the joint water supply and storage agreement, Box Elder agrees to pay a monthly charge equal to the average electrical pumping charges of a RC Madison well and RC agrees to provide all maintenance expense for any new well.