

Advanced Engineering & Surveying, LLC

1030 West Main Street • P.O. Box 9743 • Rapid City, SD 57709

January 16, 2007

City of Rapid City
Public Works Department
Attn: Dirk Jablonski
300 Sixth Street
Rapid City, SD 57701

RE: Proposal for The City of Rapid City to provide Water Service to Green Valley
AES Project No.: 05-068

Dear Dirk:

We appreciate the opportunity to meet with you and your staff and are optimistic about reaching a solution.

As you know, Green Valley is in need of a reliable source of good quality potable water to proceed for full funding of the proposed project through SD DENR and USDA Rural Development. The Sanitary District currently has a STAG Grant from EPA in the amount of \$600,000.00 for water infrastructure improvements and is on the State Water Plan.

Green Valley Sanitary District via this letter is formally requesting that the City of Rapid City to provide water service to the Green Valley Sanitary District.

There have been numerous developments since our discussions a year ago that certainly impact this request. These include Priairiefire Subdivision developments; Phil Olsen's development plans along Reservoir Road as well as the City's Long Range Water Plan, which includes Green Valley.

Stacey Titus has indicated the City's Water Master Plan proposes a regional reservoir be located near Reservoir Road and South Side Drive. Green Valley is proposing the following:

- That Green Valley Sanitary District would secure funding, construct and be responsible for debt retirement until some future date to be negotiated with the City. One option would be until the City annexes Green Valley or until debt retirement.

- That the proposed project would include distribution and storage capacity designed and constructed in accordance with current Standard Rapid City Specifications.
- Green Valley would prefer that the City of Rapid City operate and maintain the proposed system.
- Green Valley would consider cost sharing the reservoir costs of the proposed reservoir near Reservoir Road and South Side Drive.
- Green Valley's proposed distribution system would connect to the above referenced reservoir near South Side Drive.
- Green Valley is not opposed to looking at a sewer project in conjunction with the water project.

The Sanitary District feels this infrastructure would provide benefits to the city as well;

- A distribution system on South Side Drive to Anderson Road will place water service closer to the Water Reclamation Plant on South Side Drive.
- The proposed reservoir will have positive impacts to the current water issues at the Airport due to the storage capacity. The storage capacity will provide for the peak use of the area and remove that need from the water main on SD Hwy 40.
- Meets the Federal and State emphasis on regionalization.
- A sewer project would eliminate 200 plus septic systems and remove a potential source of pollution from the area, a concern for everyone.
- Provide additional revenue to the City of Rapid City with minimal investment.
- Give control of the system to Rapid City

Green Valley's projected water use is expected to be similar to Rapid Valley's due to similarities between the two entities. The average daily water use is projected to be 105 gpcpd with a peak daily use of 260 gpcpd. At this rate, the projected water requirement for the average day will be approximately 87,675 gpd and the peak day requiring 217,100 gpd with the 835 current residences. We are projecting that a small number of lots may subdivide once water and sewer service is available. For that reason, we are projecting a total of 330 lots or 1056 people within Green Valley Sanitary District at build-out. The water requirement at build-out is projected to be 110,880 gpd for the average day and 274,560 gpd for the peak day.

We are aware of the current resolution dated May 16, 2005 regarding utility services to property located outside the city limits. It appears that that policy restricts sales to Green

Valley; however, we feel that an agreement can be reached to mitigate this policy or possibly a policy revision. One option would be to keep the District in place until some future date (possibly debt retirement) and then the District would cease to exist. The District understands the cost of water would be 150 percent of the cost to Rapid City residents until such time the area was annexed. Green Valley does not wish to be in competition with the City for water or sewer services.

The only issue we see is the requirement of 100% of the property owners to agree to sign a voluntary annexation agreement, however, Green Valley is open to explore any possible options including dissolving the district or placing annexation to a vote of the residents. A possible solution to this issue is to structure a fee schedule, which makes it an incentive to hook-up now.

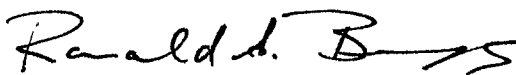
Although this proposal does not cover all aspects and details of such an agreement, we believe it illustrates the Districts intent and willingness to negotiate terms with the City of Rapid City and we believe such an agreement will provide benefits for the City as well as residents in this area. We feel this concept meets the intent of SD DENR to "regionalize" systems. It seems to make so much sense to secure water from Rapid City, if at all possible, rather than look at alternate options.

If we may provide any further information, please feel free to contact the Sanitary District or Advanced Engineering. We look forward to working out the details of such an agreement.

We would ask that after you have had the opportunity to review this proposal with staff that it be forwarded to the Public Works Committee for consideration and action at the January 30, 2007 Public Works meeting in order for this project to continue to move forward.

The District wants to complete a full funding package in 2007 with construction in 2008.

Sincerely,
Advanced Engineering and Surveying, LLC



Ronald A. Bengs, PE
Owner/Manager
Agent for Green Valley

Cc: Karen Gundersen-Olson – City Council
Ted Vore – Rapid City Engineering
Stacey Titus – Rapid City Engineering
Ron England – Green Valley Sanitary District