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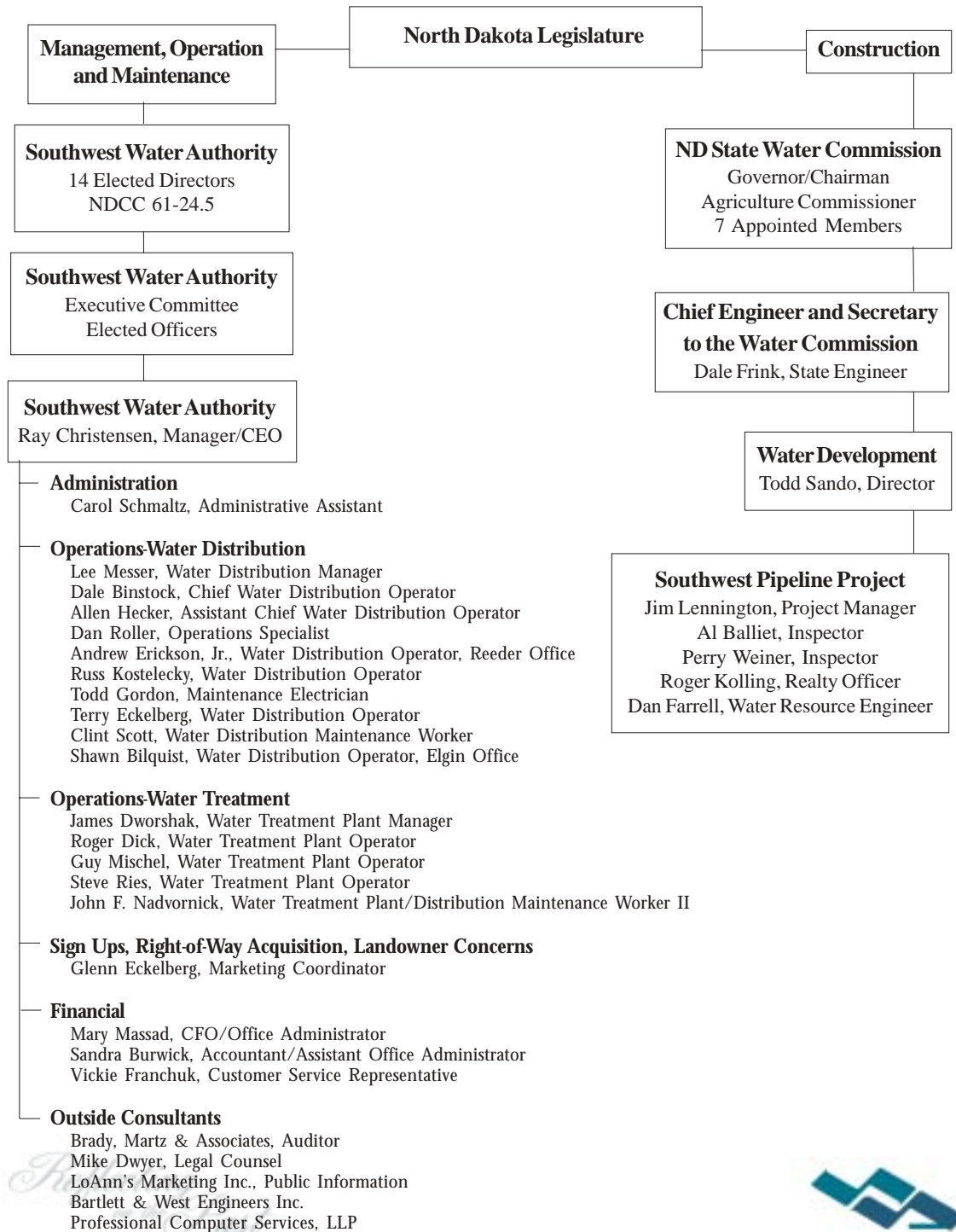
Southwest Water Authority does not discriminate on the basis of race, color, national origin, sex, religion, age, marital status or disability in employment or the provision of services.



Find us online at: <http://swa.swc.state.nd.us>

*Revealing
the Future*

Organizational Chart



Southwest Water Authority Board of Directors



The Southwest Water Authority Board of Directors include, left to right, seated: Leonard Jacobs, Secretary/Treasurer, Adams County; Don Flynn, Vice Chairperson, Bowman County; Loren Myran, Chairperson, Stark County; standing: Darrel Oech, Golden Valley County; Emanuel Stroh, Dunn County; Joe Steier, Slope County; Ray Bieber, Hettinger County; Brian Roth, Grant County; Larry Bares, City of Dickinson; Larry Ziegler, City of Dickinson; Duane Bueligen, Oliver County; John Klein, Mercer County; James Odermann, Billings County and Steve Tomac, Morton County.

ND State Water Commission Members

*John Hoeven, Governor/Chairman, Bismarck, ND
Roger Johnson, Agriculture Commissioner, Bismarck, ND
Charles "Mac" Halcrow, Drayton, ND
Larry L. Hanson, Williston, ND
Elmer B. Hillesland, Grand Forks, ND
Curtis L. Hofstad, Starkweather, ND
Jack Olin, Dickinson, ND
Harley Swenson, Bismarck, ND
Robert G. Thompson, Page, ND*



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Staff

*Teamwork is
working together
- even when
apart.*



*Ray Christensen
Manager/CEO*



*Mary Massad
CFO/Office Administrator*



*Glenn Eckelberg
Marketing Coordinator*



*Lee Messer
Water Distribution Manager*



*James Dworshak
Water Treatment Plant
Manager*



*Dale Binstock
Chief Water Distribution
Operator*



*Allen Hecker
Assistant Chief Water
Distribution Operator*



*Carol Schmaltz
Administrative Assistant*



*Guy Mischel
Water Treatment Plant
Operator*



*Steve Ries
Water Treatment Plant
Operator*



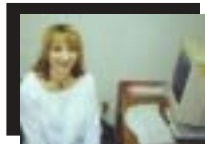
*Clint Scott
Water Distribution
Maintenance Worker*



*Terry Eckelberg
Water Distribution Operator*



*Dan Roller
Operations Specialist*



*Sandra Burwick
Accountant/Assistant Office
Administrator*



*Vickie Franchuk
Customer Service Representative*



*Andrew Erickson, Jr.
Water Distribution Operator,
Reeder Office*



*Todd Gordon
Maintenance
Electrician*



*Roger Dick
Water Treatment
Plant Operator*



*Russ Kostecky
Water Distribution
Operator*



*John F. Nadvornick
Water Treatment Plant,
Distribution Maintenance
Worker II*

*Reflecting
on the Past*



Medora-Beach an Important Milestone

Dale Frink, State Engineer, ND State Water Commission

The Southwest Pipeline Project (SWPP) accomplished a long-term objective in 2003 by starting construction on the pipeline from Belfield to Beach. When water is delivered to Medora, Sentinel Butte and Beach later this year, all of the original cities that signed up for water will be served. While construction remains, this will be a major milestone for the project. Construction in 2004 will also deliver water to areas outside Medora including drinking water for the new golf course under construction by the Theodore Roosevelt Medora Foundation. I am optimistic that the golf course and other attributes will help take tourism to the next level in Medora.

As always, future funding remains a challenge. There are significant statewide needs for improved drinking water. I believe the programs, such as Municipal, Rural and Industrial (MR&I) and USDA-Rural Development, are in place to meet a

considerable portion of the needs, but these programs need adequate funding. While the MR&I program is authorized to provide over \$200 million federal dollars to North Dakota, the annual appropriations are far below our needs. The state MR&I program was only appropriated \$3 million for fiscal year 2004 and the President's budget only includes \$2.5 million for fiscal year 2005. We must all work to increase the annual appropriations.

The SWPP continues to be a great success story for North Dakota. Although it has taken many years, our accomplishments are remarkable. Congratulations to all who have contributed to this success.

Dale L. Frink



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the Future*

“People and Business Succeeding with Quality Water”

Loren Myran, Chairperson, Southwest Water Authority

The Southwest Water Authority (SWA) Board of Directors commanded a banner year in 2003. As a board, we embarked on an updated five-year strategic plan, set forth policy that held water rates constant and witnessed a marked increase in water use.

SWA board members participated in a strategic planning retreat in October to discuss, at length, our vision for the SWA and the Southwest Pipeline Project (SWPP). Collectively, our mission is *“providing quality water for southwest North Dakota,”* as we ultimately envision *“people and business succeeding with quality water.”*

The goals and objectives developed at that retreat outline critical areas of concentration for SWA. They provide a framework to assist in completing and enhancing the SWPP. We will be proactive in our pursuit of each goal and objective. To that end, the board will devote time each month to strategic planning.

Possibly the best news for our customers is, for the second year in a row, water rates remain stable. The SWA board elected to absorb the required Consumer Price Index increase. That increase would have resulted in an additional

.02 cents per 1,000 gallons in monthly capital repayment fees for contract customers and an additional .57 cents per month for rural customers. The board’s decision to absorb the increase was made possible due to an increase in water sales systemwide. This decision will also help maintain system reserves at or near the minimum, four-month requirement.

The three-year trial for volume discounts offered to customers with water usage over 10,000 gallons per month seems to be successful. Rural water sales, in excess of 10,000 gallons, were higher in 2003 versus 2002. The most noticeable improvement was among pasture tap customers experiencing a 99.3 percent increase. Other customer categories witnessed an increase in water usage, ranging from 1.8 to 21.7 percent.

We are committed to our mission of providing quality water to southwest North Dakota for years to come. With our vision and mission in mind, SWA looks forward to the future with hope and the promise of *“people and business succeeding with quality water.”*



Loren Myran

*Reflecting
on the Past*



Construction Summary 2003

Jim Lennington, Southwest Pipeline Project Manager, ND State Water Commission

The past construction season shifted focus from the Bowman-Scranton to the Medora-Beach regional service area. Going into the design of the Bowman-Scranton service area there was much uncertainty about the end result. The city of Bowman had opted out of the project and, because of the way a regional system is developed, that raised many questions about the feasibility of serving the area. Consecutive dry years changed the minds of many potential rural water customers who, in the past, were reluctant to sign up.

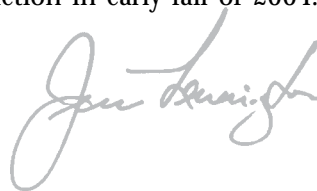
We had initially projected the two rural contracts in that area to total about 165 users, but by the end of the 2003 construction season we had turned over 297 users for service to the Southwest Water Authority, an 80 percent increase. This also reflects a phenomenon common to rural water systems in North Dakota; people not believing the pipeline will come until they actually see the start of construction in their area. Some who are at first skeptical about the value of rural water have second thoughts and decide that rural water makes good economic sense. The increased number of users dramatically improved the feasibility of the rural water distribution system in the area. I expect that the same thing may occur in some areas of the Medora-Beach Service Area, although other areas already have a good user density.

In all, there was about \$5.94 million spent on construction of the Southwest Pipeline Project in 2003. The last rural water contract for Bowman-Scranton was completed, adding 85 users to those added in 2002. The past construction year also included an upgrade of

the Intake, Dodge, Richardton and Jung Lake pump stations. This upgrade added pumps which brought the capacity at those facilities up to their ultimate levels.

The first contract awarded for the Medora-Beach Service Area was the main transmission pipeline extending the present pipeline from Belfield to the cities of Medora, Sentinel Butte and Beach. This contract, including 46.4 miles of pipe, was about half completed in 2003, with construction on the Little Missouri National Grasslands being completed as planned. Work on this contract will resume in the spring, and if all goes well, water should be available in Medora, Sentinel Butte and Beach by late fall 2004.

Two contracts for potable water storage tanks for this area were also initiated in 2003. The Belfield Reservoir will be a 750,000 gallon welded steel tank located about 1½ miles east of Belfield along Highway 10, just south of Interstate 94. This tank will be about 47 feet tall and 52 feet in diameter. The Fryburg Reservoir is located about one mile south and one mile west of Fryburg. This welded steel tank will hold about 507,000 gallons and will be 63 feet tall and 37 feet in diameter. Work on the foundation of the Belfield tank began in the fall of 2003. Both tanks are scheduled for completion in early fall of 2004.



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the Future*

Record Sales, Quality Service

Ray Christensen, Manager/CEO, Southwest Water Authority

Drought conditions persisting in southwest North Dakota continue to impact the demand for a dependable supply of quality water. Once again, the Southwest Water Authority (SWA) experienced record water sales topping 1.1 billion gallons. Increased water sales, along with below budget operational costs, contributed to the board's decision to absorb the capital repayment increase. This is good news for our customers as it stabilizes water rates for 2004.

The bad news for SWA came early in 2003 when we discovered that the current Washington administration chose to discontinue appropriations for rural water projects that rely on Municipal Rural and Industrial (MR&I) funding. Passage of the Dakota Water Resources Act in December of 2000 authorized \$200 million in MR&I funding. This provided hope that MR&I funding would expedite completion of the Southwest Pipeline Project (SWPP). However, the administration's decision to zero out this funding source left the project no alternative but to pursue other funding sources. Governor John Hoeven, our Congressional Delegation and other water industry leaders worked

diligently to restore and substantially increase MR&I funding for statewide water development. This funding source is critical to the timely completion of the SWPP.

Securing the necessary funding to complete the project remains our biggest challenge. We are very determined and confident we can complete this project with continued cooperation and support from Governor Hoeven, the Congressional Delegation, the North Dakota Legislature, local, state and federal agencies, North Dakota Water Coalition and Rural Water Systems Association.

The impact of 9-11 remains as the Environmental Protection Agency now requires water distribution systems to complete a vulnerability (possibly to terrorism) assessment. The good news is our system already has developed an emergency management plan.

SWA currently provides service to 23 communities, several small contract customers and more than 2,500 rural customers. Membership with SWA entitles customers to a quality product and service. Providing our customers with an adequate supply of safe, affordable water is a huge responsibility, one our entire staff takes very seriously. On behalf of the SWA board of directors and staff, thank you. We value your relationship and look forward to providing service in 2004!



A handwritten signature in blue ink that reads "Ray Christensen". The signature is fluid and cursive.

*Reflecting
on the Past*



Introduction

The Southwest Water Authority (SWA), a political subdivision, was established by the North Dakota State Legislature in 1991 to manage, operate and maintain the Southwest Pipeline Project (SWPP). The SWA is governed by a 14-member board of directors, elected on a four-year rotation. One director represents each county within the SWPP Service Area, and two directors represent the city of Dickinson.

The SWPP is owned by the ND State Water Commission (SWC). The pipeline supplies and distributes water from the Missouri River to the residents of southwestern North Dakota.

SWA staff and management work hard to ensure that the SWPP meets or exceeds all requirements established by the Environmental Protection Agency. To date, the SWPP serves 23 communities and 2,580 rural customers. SWA had a total of 85 customers turned over for service in 2003.

In 2003, SWPP pumped 1,142,661,000 gallons of water from Lake Sakakawea, an increase of 45,985,000 gallons from 2002. The water delivered to the end user was 98.01 percent of the total water pumped from Lake Sakakawea by the SWPP.

The Twin Buttes Service Area (7-7B & 7-3C) was completed this year.

In July 2002, SWA implemented a volume discount for rural customers. Preliminary results indicate rural residents are taking advantage of the volume discounts offered by SWA.

Within the first five months of the trial period, SWA reported a 34.48 percent increase in rural water sales. The volume discount will be evaluated by SWA board of directors and staff after three years. Increased water sales and the impact on the system operations and distribution budget will be considered when determining whether or not to continue providing volume discounts.

SWA held its annual "Make a Splash" Water Festival in the fall, inviting fifth grade students from the entire service area to attend. The festival educates youth on the importance of quality water in abundance. The festival, held September 25-26 at the Dickinson Recreation Center, was truly an adventure in water education. A total of 600 students, teachers and chaperones from 25 schools participated in a variety of educational presentations and hands-on activities about water and other related natural resources. A family event was hosted with more than 900 participants attending. Guests enjoyed an evening of entertainment and education!



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Service 2003

Treated Water Users	Gallons Used
Assumption Abbey	1,696,000
Baker Boy	1,513,200
Belfield	29,858,900
Carson	10,389,900
Dickinson	653,451,200
Dickinson Research Center	715,600
Dodge	3,593,000
Dunn Center	2,515,100
Elgin	21,442,400
Gladstone	5,979,400
Glen Ullin	23,515,600
Golden Valley	5,343,200
Halliday	6,736,100
Hebron	25,171,400
Hettinger	58,848,900
Karsky Dairy	1,580,600
Manning	1,133,900
Mott	24,958,200
Mott Grain	532,600
New England	20,790,000

Treated Water Users	Gallons Used
New Hradec	1,179,400
New Leipzig	8,877,300
Prairie Learning Center	1,546,000
Reeder	6,397,000
Regent	6,990,700
Richardton	17,462,200
Sacred Heart Monastery	717,000
Scranton	19,172,600
South Heart	10,414,200
Steffes Corporation	2,387,600
Taylor	4,234,000
Rural Usage	140,725,400
Construction	2,161,800
Total Treated Water	1,122,030,400

Raw Water Users	Gallons Used
Assumption Abbey	64,200
Jurgens Farms	664,000
Ervin Lorenz	19,150
Taylor Nursery	1,113,300
Sacred Heart Monastery	556,700
Total Raw Water	2,417,350

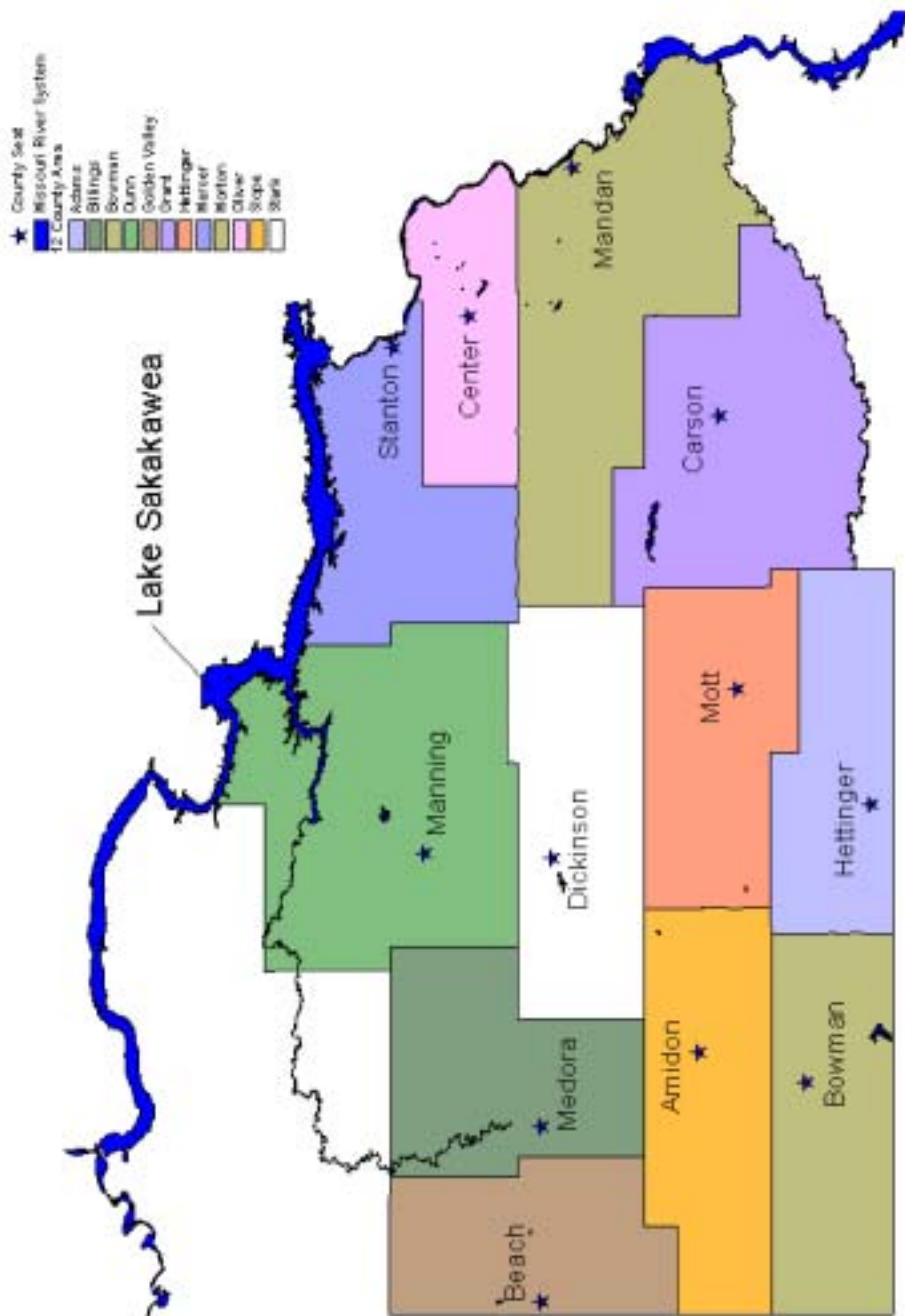


*Jung Lake Tank
located near New England, North
Dakota.*

*Reflecting
on the Past*



Southwest Water Authority Service Area - 12 Counties



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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southwest Water Authority
Dickinson, North Dakota

We have audited the accompanying general purpose financial statements of Southwest Water Authority, as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of Southwest Water Authority management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Southwest Water Authority, as of December 31, 2003 and 2002, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7 to the general purpose financial statements, a new accounting pronouncement will have a significant effect on the December 31, 2004 financial statements of Southwest Water Authority.

Our audits were made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The supporting schedules have been subjected to the auditing procedures applied in our audits of the general purpose financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 5, 2004 on our consideration of Southwest Water Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BRADY, MARTZ & ASSOCIATES, P.C.

February 5, 2004

*Reflecting
on the Past*



Note: This is not a complete set of financial statements.

A complete set is available at Southwest Water Authority's office.

**SOUTHWEST WATER AUTHORITY
DICKINSON, NORTH DAKOTA**

Balance Sheets - Enterprise Fund

December 31, 2003 and 2002

ASSETS		
	<u>2003</u>	<u>2002</u>
Cash and cash equivalents	\$ 874,079	\$ 738,199
Investments	2,388,578	2,041,828
Receivables:		
Accounts (net of allowance of \$3,416 and \$2,203 in 2003 and 2002)	280,349	289,940
Interest	43,742	49,546
Prepaid expenses	17,480	16,138
Inventory	207,485	228,411
Restricted assets:		
Investments	4,335,785	3,843,247
Interest receivable	16,284	12,801
Improvements, furniture and equipment, net	<u>475,617</u>	<u>485,334</u>
Total assets	<u>\$ 8,639,399</u>	<u>\$ 7,705,444</u>
LIABILITIES AND EQUITY		
Accounts payable	\$ 231,849	\$ 231,930
Due to ND State Water Commission or City of Dickinson	-	1,120
Accrued salaries	61,337	56,892
Accrued expenses	96,624	83,942
Deferred revenue	268,844	301,909
Rental deposits from tenants	<u>3,300</u>	<u>3,300</u>
Total liabilities	<u>661,954</u>	<u>679,093</u>
Equity:		
Contributed capital	<u>1,259,899</u>	<u>1,259,899</u>
Retained earnings:		
Reserved	3,275,567	2,796,679
Unreserved	<u>3,441,979</u>	<u>2,969,773</u>
Total retained earnings	<u>6,717,546</u>	<u>5,766,452</u>
Total equity	<u>7,977,445</u>	<u>7,026,351</u>
Total liabilities and equity	<u>\$ 8,639,399</u>	<u>\$ 7,705,444</u>

Note: This is not a complete set of financial statements.

A complete set is available at Southwest Water Authority's office.

The accompanying notes are an integral part of these financial statements.



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the Future*

**SOUTHWEST WATER AUTHORITY
DICKINSON, NORTH DAKOTA**

Statements of Revenues and Expenses - Enterprise Fund

For the years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Sales	\$ 4,321,450	\$ 4,085,467
Hook up fee transfers	64,379	89,453
Other	<u>116,923</u>	<u>147,234</u>
Total operating revenues	<u>4,502,752</u>	<u>4,322,154</u>
Operating expenses:		
Transmission	1,864,365	1,739,013
Distribution	931,190	820,034
Board of directors	103,700	88,100
Administrative	282,563	251,623
Easement acquisition	32,042	35,569
Rural water sign-up	38,141	40,927
Customer service	53,012	54,142
Treatment	562,994	484,729
Grass Seeding	<u>47,445</u>	<u>34,299</u>
Total operating expenses	<u>3,915,452</u>	<u>3,548,436</u>
Operating income	<u>587,300</u>	<u>773,718</u>
Nonoperating income:		
Property taxes	182,412	177,511
Unrealized gain (loss) on investments	(75,230)	37,384
Investment income	255,926	266,814
Other	<u>686</u>	<u>2,718</u>
Total nonoperating income	<u>363,794</u>	<u>484,427</u>
Net earnings	<u>\$ 951,094</u>	<u>\$ 1,258,145</u>

The accompanying notes are an integral part of these financial statements.





CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Southwest Water Authority
Dickinson, North Dakota

We have audited the general purpose financial statements of Southwest Water Authority, as of and for the year ended December 31, 2003, and have issued our report thereon dated February 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Southwest Water Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Southwest Water Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the board of directors, management, and other state officials, and is not intended to be and should not be used by anyone other than those specified parties.

Brady Martz
BRADY, MARTZ & ASSOCIATES, P.C.



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the Future*

Note: This is not a complete set of financial statements.

A complete set is available at Southwest Water Authority's office.

Operations and Maintenance Summary

The year 2003 proved to be another very busy one for the water distribution operations and maintenance (O&M) staff at Southwest Water Authority.

The completion of Southwest Pipeline Project (SWPP) construction contracts 7-7B/7-3C and 4-1B provided additional O&M responsibilities for the staff. Contract 7-7B/7-3C, located in the Bowman and Jung Lake Service Areas added two booster pump stations, one metering vault and approximately 275 miles of pipeline including 185 service connections. As water became available, new customers in the contract area were provided service at a fairly rapid rate, keeping the Reeder satellite office busy.

Contract 4-1B completed the final design of the three raw water and Jung Lake pumping stations. The addition of a 200HP lift and a 600HP booster pump at the Intake facility, a 700HP booster pump at Dodge, a 900HP booster pump at Richardton, and a 350HP booster pump at Jung Lake were included in

the final design. These pumps will be needed to meet peak demand and will provide pumping flexibility when the contract 2-5B main transmission line to Medora-Beach is completed and service to Perkins County, South Dakota begins in 2004.

A Dunn County road reconstruction project north of Taylor required either the lowering or the relocation of two one and one-half-inch service lines, two three-inch rural distribution lines, and three separate segments of the six-inch main transmission line, including a concrete vault used to house an air release valve and two in-line valves. These activities were performed over a two-week period with minimal service disruptions to customers.

Micro-Comm Inc., the telemetry contractor for SWPP, completed an upgrade to the central transmitting unit improving communications by reducing relayed transmissions from site to site. New generation software was installed on the central computer and on operator's laptops, enhancing available data for proficient operations and timely troubleshooting. The newly constructed Rhame Booster Pump Station was equipped with a remote transmitting unit to provide operating data from that site, as well.



*Reflecting
on the Past*



Operations and Maintenance Summary

Grass seeding operations along pipeline construction easements were intense again in 2003. A relatively late spring and some rainy weather further reduced the typically short seeding season. The acreage requiring seeding was again dispersed over many miles and involved lowering and repairing fences for access. With assistance from a subcontractor, 313.6 acres of grass were seeded in contracts 7-6B, 7-7A and 2-4C. An additional 32.5 acres required reseeding in contract 7-6A due to drought conditions in 2002.

Great Plains Technical Services of Mandan repaired one of the 50HP pump motors from the Burt Pumping Station. They found a shorted winding to be the source of the failure and reported that the motor appeared to be in otherwise excellent condition.

A total of ten leak repairs were completed in 2003, either by staff or under warranty by contractors. Of these leaks, six were on rural distribution lines, two on rural service lines and two on main transmission lines. Although the telemetry system is designed to determine and

detect possible leaks, we encourage customers and local residents to report any suspicious standing or running water. The longer a leak persists, the more difficult and costly the task becomes. Lost water and lengthy repairs will add to operating costs.

Supply and delivery of quality water to our customers is a great responsibility requiring a well-trained, competent staff. Taking pride in our ability to provide a product backed by exceptional customer service is our main objective. Staff members attend numerous training seminars and continuing education classes to improve operational knowledge and skills. In 2003, Water Distribution Operators certified as Grades 01, 02 and 03. Two new employees were hired during the year.

*Burt Tank located near Mott,
North Dakota.*



*Revealing
the Future*

System Water Treatment Plant

The System Water Treatment Plant (SWTP) treated a total of 1,142,661,000 gallons throughout the year. The chemicals currently used in the treatment process include: quicklime for softening, PHI 2325 as a coagulant, PHI 3330 as a weighting agent, KS-7104 as a corrosion inhibitor, fluoride, chlorine and ammonia as disinfectants.

Routine maintenance was performed throughout the year. Those items of note include draining and cleaning the 106 basin; adding anthracite to the gravity water filters and installing a 26-ton CO₂ tank to increase capacity and eliminate system redundancy. This was part of contract 4-1B, nearly completed in 2003.

A new telephone and paging system was installed at the plant this year, including an audible ringer that can be heard throughout the entire plant. Additional security measures were installed in the lower levels improving plant security. A coffin motorized trolley was installed to aid moving the one-ton chlorine

cylinders. A new gate and electric openers were installed at the east entrance enhancing security and safety.

To meet continuing education requirements Southwest Water Authority operators attended the 43rd Annual Operators Training School hosted by the North Dakota Department of Health. Cardio Pulmonary Resuscitation and First Aid classes were conducted by the Dickinson Ambulance Service with four employees receiving recertification.

A contract was negotiated with Ethanol Products CO₂ Company of Scotland, South Dakota, to purchase liquid carbon dioxide. These negotiations resulted in a \$5.00 per ton decrease in cost.

Due to excessive warm weather this past year and the low lake levels, taste and odor problems developed. To address these issues, sodium permanganate is being injected at the Intake. It appears this process is resolving the taste and odor concerns.

An additional highlight is that the SWTP staff again received Certificates of Compliance for maintaining satisfactory fluoride and turbidity levels in our drinking water supply.



*System Water Treatment Plant
located in Dickinson, North Dakota.*



Easement Acquisition and Sign Up Summary

A final sign up campaign was concluded for two pockets in Morton County with a total of 63 customers signing up during the canvass. The northwest pocket, located in Township 140, Range 83, had a sign up of 71 percent. This exceeded the minimum 50 percent sign up eligibility requirement for future construction. Pocket number two includes 13 townships located west to Hoff, south to St. Anthony and east of Flasher. The townships are bordered by Grant County to the south and Lake Oahe on the east. A 34 percent sign up in this area did not meet the required minimum. Additional customers will be needed in pocket number two to meet feasibility requirements for construction.

These Morton County pockets are included in the Medora-Beach Phase of construction, which is the last phase to be served by the System Water Treatment Plant located in Dickinson.

Public information meetings were held in Killdeer April 14 and April 18, 2003. The focus

of these meetings was to inform the public of the benefits and costs related to receiving Southwest Pipeline Project (SWPP) service. On May 6, 2003, Killdeer conducted a special election asking residents to consider contracting water from SWPP. Voters rejected water service from the SWPP. However, rural customers in the area, who meet the minimum sign up percentage and cost criteria, will still be considered for construction when funding is secured.

Nineteen customers located in the area south of Marmarth and west of the Missouri River were refunded their hookup fees. This area did not meet the minimum sign up requirement and exceeded per user costs for construction.

Subsequent user sign ups resulted in 43 new customers in 2003. Subsequent users may connect to the SWPP, if system capacity allows. They are responsible for acquiring easements and their own cost of construction.



*Revealing
the Future*



Potable Water Usage

2003 Monthly Usage Potable Water Contracts Per 1,000 Gallons

Contract User	January	February	March	April	May	June	July	August	September	October	November	December	User Total
Assumption Abbey	126.5	113.5	131.0	129.0	123.0	162.0	231.0	206.0	149.0	112.0	114.0	99.0	1,696.0
Baker Boy	132.4	98.1	94.2	71.8	63.3	82.9	119.5	202.9	188.9	188.1	175.7	95.4	1,513.2
Belfield	2,110.9	1,699.2	1,741.7	1,739.5	2,072.5	2,943.0	3,519.3	4,127.8	2,560.6	2,795.1	2,801.0	1,748.3	29,858.9
Carson	691.0	595.0	530.8	760.9	696.5	988.7	1,317.9	1,626.8	1,062.2	839.6	700.0	580.5	10,389.9
Dickinson	45,978.6	40,802.4	42,840.2	47,240.7	48,512.5	69,375.7	76,342.5	89,502.6	60,881.6	46,738.0	46,606.4	38,630.0	653,451.2
Dickinson Research	31.1	28.7	38.1	57.3	41.1	221.3	20.8	90.4	89.8	57.6	7.9	31.5	715.6
Dodge	318.0	249.0	273.0	294.0	229.0	344.0	346.0	458.0	299.0	250.0	285.0	248.0	3,593.0
Dunn Center	193.2	172.4	187.2	177.6	171.5	253.4	256.4	352.3	215.5	188.6	194.0	153.0	2,515.1
Elgin	1,532.1	1,690.4	1,777.6	1,637.8	1,383.1	1,998.8	2,481.8	2,839.0	1,807.4	1,496.5	1,552.4	1,245.5	21,442.4
Gladstone	542.2	435.2	466.2	508.2	495.8	684.6	597.9	615.7	419.6	375.8	451.6	386.6	5,979.4
Glen Ullin	1,795.4	1,496.6	1,494.8	1,720.3	1,585.1	2,365.9	2,624.8	3,036.7	2,104.2	1,778.3	1,931.5	1,582.0	23,515.6
Golden Valley	429.5	295.7	359.0	325.8	376.6	519.6	605.7	742.8	676.1	364.3	358.7	289.4	5,343.2
Halliday	495.9	394.9	493.7	447.3	500.0	648.2	762.6	903.3	602.9	454.8	616.9	415.6	6,736.1
Hebron	1,680.9	2,149.0	2,240.1	2,438.9	1,887.4	2,272.9	2,715.2	3,092.7	1,956.9	1,626.9	1,696.7	1,413.8	25,171.4
Hettinger	4,240.1	3,401.6	3,382.4	4,003.0	3,819.8	6,462.0	7,580.6	8,752.6	5,192.5	4,173.1	4,260.6	3,580.6	58,848.9
Karsky Dairy	-	-	133.1	150.8	150.5	179.1	131.7	179.3	165.2	162.0	177.1	151.8	1,580.6
Manning	53.5	51.2	65.8	60.0	64.1	106.1	134.9	264.0	106.6	85.4	65.7	76.6	1,133.9
Mott	2,115.5	1,628.4	1,665.9	1,797.6	1,842.0	2,629.4	2,759.0	2,747.8	1,969.4	2,016.8	2,143.3	1,643.1	24,958.2
Mott Grain	-	-	-	-	-	301.5	108.8	35.2	43.0	44.1	-	-	532.6
New England	1,683.5	1,301.3	1,332.0	1,603.3	1,492.9	2,368.9	2,335.4	2,681.4	1,625.7	1,476.2	1,501.4	1,388.0	20,790.0
New Hradec	96.8	77.3	79.1	89.6	86.5	107.0	130.6	130.6	85.5	97.8	97.6	101.0	1,179.4
New Leipzig	615.3	532.6	562.7	640.9	591.0	1,059.3	996.6	1,210.4	777.2	728.3	651.1	511.9	8,877.3
Prairie Learning Center	90.0	128.0	112.1	129.9	102.0	132.0	144.0	157.0	208.0	101.1	126.9	115.0	1,546.0
Reader	435.9	384.4	426.9	396.2	434.3	767.7	766.1	995.7	535.0	494.9	434.2	325.7	6,397.0
Regent	510.7	337.3	357.8	458.7	647.0	1,079.9	568.9	811.5	761.2	573.9	513.7	370.1	6,990.7
Richardton	1,457.7	1,092.5	1,084.3	1,212.2	1,222.7	1,856.3	2,210.3	2,325.0	1,470.8	1,054.8	1,369.6	1,106.0	17,462.2
Sacred Heart	73.0	57.0	58.0	60.0	55.0	67.0	53.0	67.0	57.0	58.0	63.0	49.0	717.0
Scranton	1,637.1	1,290.4	1,304.0	1,586.4	1,734.1	2,462.4	2,049.8	2,351.8	1,681.5	1,495.5	870.3	709.3	19,172.6
South Heart	775.9	641.6	640.2	646.7	709.6	1,004.1	1,384.4	1,670.9	917.6	726.5	679.9	616.8	10,414.2
Steffes Corporation	147.9	168.3	115.7	106.3	145.2	165.5	169.4	317.5	316.7	317.2	237.7	180.2	2,387.6
Taylor	295.0	257.0	296.0	316.0	305.0	359.0	491.0	612.0	430.0	300.0	324.0	249.0	4,234.0
Monthly Total	70,285.6	61,569.0	64,283.6	70,806.7	71,539.1	103,988.2	113,955.9	133,106.7	89,356.6	71,171.2	71,007.9	58,092.7	979,143.2



Water Service Contracts Summary

Total From Potable Water Contracts

User	Billed*	O&M	Treatment	Reserve	Replacement	Capital Repayment	Demand	Total
ASSUMPTION ABBEY	1,696.00	\$1,780.80	\$898.88	\$305.28	\$593.60	\$1,475.52	\$1,475.52	\$6,529.60
BAKER BOY	1,513.20	\$1,588.86	\$802.00	\$272.38	\$529.62	\$1,316.48		\$4,509.34
BELFIELD	29,858.90	\$31,351.84	\$15,825.22	\$5,374.60	\$10,450.61	\$25,977.24		\$88,979.52
CARSON	10,389.90	\$10,909.40	\$5,506.65	\$1,870.18	\$3,636.47	\$9,039.21		\$30,961.90
DICKINSON	653,451.20	\$686,123.76	\$346,329.14	\$117,621.22	\$228,707.92	\$568,502.54		\$1,947,284.58
DICKINSON RESEARCH	715.60	\$751.38	\$379.27	\$128.81	\$250.46	\$622.57	\$622.57	\$2,755.06
DODGE	3,593.00	\$3,772.65	\$1,904.29	\$646.74	\$1,257.55	\$3,125.91		\$10,707.14
DUNN CENTER	2,515.10	\$2,640.86	\$1,333.00	\$452.72	\$880.29	\$2,188.14		\$7,495.00
ELGIN	21,442.40	\$22,514.52	\$11,364.47	\$3,859.63	\$7,504.84	\$18,654.89		\$63,898.35
GLADSTONE	5,979.40	\$6,278.37	\$3,169.08	\$1,076.29	\$2,092.79	\$5,202.08		\$17,818.61
GLEN ULLIN	23,515.60	\$24,691.38	\$12,463.27	\$4,232.81	\$8,230.46	\$20,458.57		\$70,076.49
GOLDEN VALLEY	5,343.20	\$5,610.36	\$2,831.90	\$961.78	\$1,870.12	\$4,648.58		\$15,922.74
HALLIDAY	6,736.10	\$7,072.91	\$3,570.13	\$1,212.50	\$2,357.64	\$5,860.41		\$20,073.58
HEBRON	25,171.40	\$26,429.97	\$13,340.84	\$4,530.85	\$8,809.99	\$21,899.12		\$75,010.77
HETTINGER	58,848.90	\$61,791.35	\$31,189.92	\$10,592.80	\$20,597.12	\$51,198.54		\$175,369.72
KARSKY DAIRY	1,580.60	\$1,659.63	\$837.72	\$284.51	\$553.21	\$1,375.12		\$4,710.19
MANNING	1,133.90	\$1,190.60	\$600.97	\$204.10	\$396.87	\$986.49	\$986.49	\$4,365.52
MOTT	24,958.20	\$26,206.11	\$13,227.85	\$4,492.48	\$8,735.37	\$21,713.63		\$74,375.44
MOTT GRAIN	532.60	\$559.23	\$282.28	\$95.87	\$186.41	\$463.36		\$1,587.15
NEW ENGLAND	20,790.00	\$21,829.50	\$11,018.70	\$3,742.20	\$7,276.50	\$18,087.30		\$61,954.20
NEW HRADEC	1,179.40	\$1,238.37	\$625.08	\$212.29	\$412.79	\$1,026.08	\$1,026.08	\$4,540.69
NEW LEIPZIG	8,877.30	\$9,321.17	\$4,704.97	\$1,597.91	\$3,107.06	\$7,723.25		\$26,454.35
PRAIRIE LEARNING CENTER	1,546.00	\$1,623.30	\$819.38	\$278.28	\$541.10	\$1,345.02		\$4,607.08
REEDER	6,189.80	\$6,499.29	\$3,280.59	\$1,114.16	\$2,166.43	\$5,385.13		\$18,445.60
REGENT	6,990.70	\$7,340.24	\$3,705.07	\$1,258.33	\$2,446.75	\$6,081.91		\$20,832.29
RICHARDTON	17,462.20	\$18,335.31	\$9,254.97	\$3,143.20	\$6,111.77	\$15,192.11		\$52,037.36
SACRED HEART	717.00	\$752.85	\$380.01	\$129.06	\$250.95	\$623.79	\$623.79	\$2,760.45
SCRANTON	19,172.60	\$20,131.23	\$10,161.48	\$3,451.07	\$6,710.41	\$16,680.16		\$57,134.35
SOUTH HEART**	10,414.20	\$10,905.82	\$5,504.84	\$1,869.02	\$3,635.27	\$9,036.80		\$30,951.75
STEFFES CORPORATION	2,387.60	\$2,506.98	\$1,265.43	\$429.77	\$835.66	\$2,077.21		\$7,115.05
TAYLOR	4,234.00	\$4,445.70	\$2,244.02	\$762.12	\$1,481.90	\$3,683.58		\$12,617.32
TOTALS	978,936.00	\$1,027,853.71	\$518,821.39	\$176,202.94	\$342,617.90	\$851,650.77	\$4,734.45	\$2,921,881.16

* per thousand gallons billed; ** includes credit of \$82.57 for 2002

Total From Raw Water Contracts

USER	Billed*	O&M	Treatment	Reserve	Replacement	Capital Repayment	Demand	Total
ASSUMPTION ABBEY	100.00	\$105.00	N/A	\$18.00	\$35.00	\$87.00	N/A	\$245.00
JURGENS FARM	664.00	\$697.20	N/A	\$119.52	\$232.40	\$577.68	N/A	1,626.80
ERVIN LORENZ FARM	19.15	\$20.11	N/A	\$3.45	\$6.70	\$16.66	N/A	46.92
SACRED HEART	556.70	\$584.54	N/A	\$100.21	\$194.85	\$484.33	N/A	1,363.92
TAYLOR NURSERY	1,113.30	\$1,168.96	N/A	\$200.39	\$389.65	\$968.57	N/A	2,727.59
TOTALS	2,453.15	\$2,575.81	N/A	\$441.57	\$858.60	\$2,134.24	N/A	\$6,010.22

* per thousand gallons billed

Definitions:
O&M* = Operations and Maintenance
REM** = Replacement and
Extraordinary Maintenance



*Revealing
the Future*

Rates 2003

Definitions:
 O&M* = Operations and Maintenance
 REM** = Replacement and
 Extraordinary Maintenance

The water rate for rural customers in 2003 consisted of a minimum payment of \$38.25 per month including 2,000 gallons of water. The rate for water use in excess of the 2,000 gallons was \$3.60 per 1,000 gallons. On July 1, 2002, Southwest Water Authority implemented a volume discount for rural customers, reducing water rates from \$3.60 to \$2.60 for usage over 10,000 gallons. Also, customers with pasture taps received a rate reduction, from \$3.60 to \$2.60 on water usage in excess of 60,000 gallons, billed annually.

Rural Customers Under 10,000 Gallons	Rural Customers Over 10,000 Gallons
Treatment..... \$0.53	Treatment..... \$0.53
Transmission O&M* \$1.05	Transmission O&M* \$0.72
Transmission REM** \$0.35	Transmission REM** \$0.35
Distribution O&M* \$1.24	Distribution O&M* \$0.90
Distribution REM** \$0.10	Distribution REM** \$0.10
Distribution Reserve \$0.15	Total..... \$2.60
Transmission Reserve \$0.18	
Total..... \$3.60	

The standard rural minimum fee (\$38.25) is broken into four separate components: meter fee, capital repayment, operations and maintenance (O&M), and reserve. The capital repayment (\$26.50) and meter fee (\$5.00) portions of the minimum are used to pay the interest and principal on the Series A and B Bonds, with the remaining balance paid to the Resources Trust Fund. The bonds help fund construction. After two years, the meter fee is paid to the operations and maintenance fund, covering capital and routine operations and maintenance costs. The operation and maintenance portion (\$6.50) of the minimum fee goes into the operations and maintenance fund for fixed costs. The final portion of the monthly minimum (\$0.25) is paid to the reserve fund.



Rates 2003

The 2003 rate for demand contract customers was \$3.83 per 1,000 gallons of potable water.

Demand Contract Customers

Treatment.....	\$0.53
Transmission O & M*	\$1.05
Transmission REM**	\$0.35
Capital Repayment.....	\$0.87
Demand Charge.....	\$0.87
Transmission Reserve	\$0.16
Total.....	\$3.83

The 2003 rate for contract customers was \$2.98 per 1,000 gallons of potable water.

Contract Customers

Treatment.....	\$0.53
Transmission O & M*	\$1.05
Transmission REM**	\$0.35
Capital Repayment.....	\$0.87
Transmission Reserve	\$0.18
Total.....	\$2.98

The raw water contract rate was \$2.45 per 1,000 gallons of water. Raw water customers do not pay for the cost of treatment.

Definitions:
 O&M* = Operations and Maintenance
 REM** = Replacement and Extraordinary Maintenance

Rural Water Usage History (kgal)

Month	1995	1996	1997	1998	1999	2000	2001	2002	2003
January	638,000	2,674,000	4,508,000	5,213,600	5,627,700	7,567,600	7,566,100	8,803,100	9,747,700
February	722,000	2,513,000	4,513,300	5,108,300	5,355,100	7,178,100	7,182,800	7,351,300	9,030,800
March	797,000	3,001,000	3,876,400	4,694,500	4,912,600	6,538,000	6,803,000	7,367,300	8,645,200
April	841,000	3,096,000	4,383,300	4,889,400	6,081,700	7,618,300	7,199,700	8,452,700	8,999,500
May	934,000	2,994,000	4,642,000	5,105,200	5,589,900	7,979,600	7,890,200	8,591,300	10,030,800
June	1,282,000	3,537,000	5,516,800	7,228,400	6,078,700	8,979,700	9,377,700	11,816,800	12,353,200
July	1,601,000	4,435,000	6,041,300	5,945,000	7,307,200	8,886,400	8,687,300	12,067,400	12,869,800
August	1,708,000	4,829,000	6,136,200	7,279,200	8,430,100	9,147,300	8,853,700	12,878,000	14,851,300
September	1,822,000	5,598,000	5,623,200	6,742,300	7,579,700	10,089,100	10,633,300	11,186,900	14,823,500
October	1,531,000	4,342,000	6,124,000	6,672,900	7,742,800	10,638,200	10,084,400	16,109,900	19,743,800
November	1,839,000	4,026,400	4,679,100	6,136,000	6,717,200	7,627,100	7,364,200	9,111,700	10,257,100
December	2,130,000	5,328,000	4,853,000	4,776,100	7,047,500	7,166,100	7,860,900	8,463,100	9,372,700
Total	15,845,000	46,373,400	60,896,600	69,790,900	78,470,200	99,415,500	99,503,300	122,199,500	140,725,400



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the Future*

Rates 2004

Definitions:
 O&M* = Operations and Maintenance
 REM** = Replacement and
 Extraordinary Maintenance

Rural Customers Under 10,000 Gallons

Treatment	\$0.55
Transmission O&M*	\$1.05
Transmission Reserve	\$0.14
Transmission REM**	\$0.35
Distribution O&M*	\$1.26
Distribution REM**	\$0.10
Distribution Reserve	\$0.15
Total	\$3.60

Rural Customers Over 10,000 Gallons

Treatment	\$0.55
Transmission O&M*	\$0.72
Transmission Reserve	\$0.08
Transmission REM**	\$0.35
Distribution O&M*	\$0.90
Distribution REM**	\$0.00
Distribution Reserve	\$0.00
Total	\$2.60

The rural water rate for 2004 remains the same as last year. The minimum fee of \$38.25 includes 2,000 gallons of water. Also, the minimum fee includes capital repayment, meter fee and operations and maintenance. The capital repayment amount is set to the Consumer Price Index and adjusted annually by the ND State Water Commission. Capital repayment increased \$0.57 and Southwest Water Authority has agreed to absorb the increase, therefore keeping the rates stable.



*Reflecting
on the Past*



Rates 2004

Demand Contract Customers

Treatment	\$0.55
Transmission O&M*	\$1.05
Transmission REM**	\$0.35
Capital Repayment.....	\$0.89
Demand Charge	\$0.89
Transmission Reserve	\$0.10
Total	\$3.83

Contract Customers

Treatment.....	\$0.55
Transmission O&M*	\$1.05
Transmission REM**	\$0.35
Capital Repayment.....	\$0.89
Transmission Reserve	\$0.14
Total	\$2.98

Currently, the raw water contract rate is \$2.45 per 1,000 gallons of water.

Definitions:
 O & M* = Operations and Maintenance
 REM** = Replacement and
 Extraordinary Maintenance

On April 1, 2000, the Southwest Water Authority (SWA) acquired the responsibility of operations and maintenance of the Dickinson Water Treatment Plant, now known as the System Water Treatment Plant. The cost for treatment goes to the treatment fund. Operations and maintenance fees are paid to the operations and maintenance fund. This fund is used to cover the following costs:

- wheeling and Western Area Power Association
- electricity costs for cathodic protection and booster stations
- telephones
- natural gas
- fuel
- salaries
- travel
- insurance
- supplies
- equipment
- vehicles and their maintenance
- legal fees
- building
- transmission and distribution equipment repairs and maintenance
- customer service expenses

Replacement fees are paid to the replacement and extraordinary maintenance fund. Capital repayment fees are used to pay the interest and principal on the Series A and B Bonds with the balance paid to the Resources Trust Fund. The North Dakota Legislature has authorized fees from the Resources Trust Fund to fund further Southwest Pipeline Project construction.



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Rate History

<u>Contract Users Rate History</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Operations & Maintenance	\$0.80	\$0.50	\$0.60	\$0.67	\$0.81	\$0.85
Treatment	0.56	0.64	0.69	0.65	0.55	0.55
Replacement &						
Extraordinary Maintenance	0.30	0.30	0.30	0.30	0.30	0.30
Capital Repayment	0.62	0.68	0.70	0.72	0.74	0.76
Reserve Fund						
Total Contract Rates	\$2.28	\$2.12	\$2.29	\$2.34	\$2.40	\$2.46

History of Potable Water Delivered to End Users (does not include construction water)
(k gal) 655,640 523,308 612,163 697,411 806,175 826,590

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Operations & Maintenance	\$0.83	\$0.88	\$0.91	\$1.05	\$1.05	\$1.05	\$1.05
Treatment	0.52	0.56	0.53	0.53	0.53	0.53	0.55
Replacement &							
Extraordinary Maintenance	0.30	0.35	0.35	0.35	0.35	0.35	0.35
Capital Repayment	0.78	0.79	0.80	0.83	0.85	0.87	0.89
Reserve Fund		0.05	0.15	0.20	0.20	0.18	0.14
Total Contract Rates	\$2.43	\$2.63	\$2.74	\$2.96	\$2.98	\$2.98	\$2.98

History of Potable Water Delivered to End Users (does not include construction water)
(k gal) 908,168 923,340 1,001,669 1,030,755 1,066,537 1,119,869

<u>Distribution Rate History</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	
Rural Monthly Minimum*	\$25.00	\$25.00	\$25.00	\$26.95	\$28.00	\$33.90	
Rural Water Rate	\$2.50	\$2.50	\$2.50	\$2.50	\$2.55	\$2.55	
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Rural Monthly Minimum*	\$33.90	\$35.10	\$35.80	\$37.55	\$38.25	\$38.25	\$38.25
Rural Water Rate	\$2.59	\$3.05	\$3.15	\$3.60	\$3.60	\$3.60	\$3.60

* Includes 2,000 gallons of water for years 1997 through 2004; since July 2002, rural usage in excess of 10,000 gallons per month is billed at a rate of \$2.60 per 1,000 gallons.



Replacement and Extraordinary Maintenance Fund

The replacement and extraordinary maintenance (REM) fund was established in 1981 by the North Dakota Legislature when the Southwest Pipeline Project (SWPP) was authorized. This fund was created to cover costs of an extraordinary nature and/or to replace parts of an aging distribution system. Disbursements from this account have to meet specific criteria and must be approved by the Southwest Water Authority (SWA) and the ND State Water Commission (SWC).

When SWA acquired the operations and maintenance of the SWPP from the SWC in 1996, an account was established, under the guidelines of the North Dakota Century Code,

to separately track REM funds. The original rate was set at \$.30 per 1,000 gallons of water sold to all customers. A rate study was completed in 1998 to determine fairness and adequacy. It was determined that the rate for the REM fund should be increased to \$.35 per 1,000 gallons, in order to meet extraordinary maintenance and expenses. The REM fund is paid by both contract and rural customers with rates being established annually by the SWC. The table that follows gives a summary of activity of this account.

	<u>1991-1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Beginning Balance		735,372	1,016,563	1,315,966	1,630,497
Contributions					
Contract	727,434	230,837	234,566	254,697	298,472
Rural	7,938	17,899	22,994	27,361	33,369
Interest		22,006	56,919	83,945	98,511
Dividends		13,025	6,524	9,070	5,601
Fiduciary Fees		-2,575	-4,655	-6,105	-7,302
Disbursements			-16,945	-54,438	-56,275
Ending Balance	735,372	1,016,563	1,315,966	1,630,497	2,002,873

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total</u>
Beginning Balance	2,002,873	2,314,893	2,804,274	3,301,016	
Contributions					
Contract	320,454	329,448	333,308	346,330	3,075,546
Rural	43,850	44,066	53,121	62,334	312,931
Interest	121,376	127,292	160,258	150,883	821,191
Dividends	9,137	16,575	4,016	3,985	67,933
Fiduciary Fees	-8,602	-9,552	-12,177	-14,190	-65,159
Disbursements	-174,195	-18,448	-41,784	-14,874	-376,958
Ending Balance	2,314,893	2,804,274	3,301,016	3,835,485	3,835,485



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Capital Repayment

Capital repayment was established to pay back pipeline construction costs and is included in the customer's water rate. It was determined by a study completed in 1982 that the economic constraints in southwest North Dakota would limit how much people could pay to cover the cost of construction. Capital repayment is based on ability to pay. Contract users' capital repayment is based on a per 1,000 gallons charge. Rural customers pay a portion of the monthly minimum payment for capital repay-

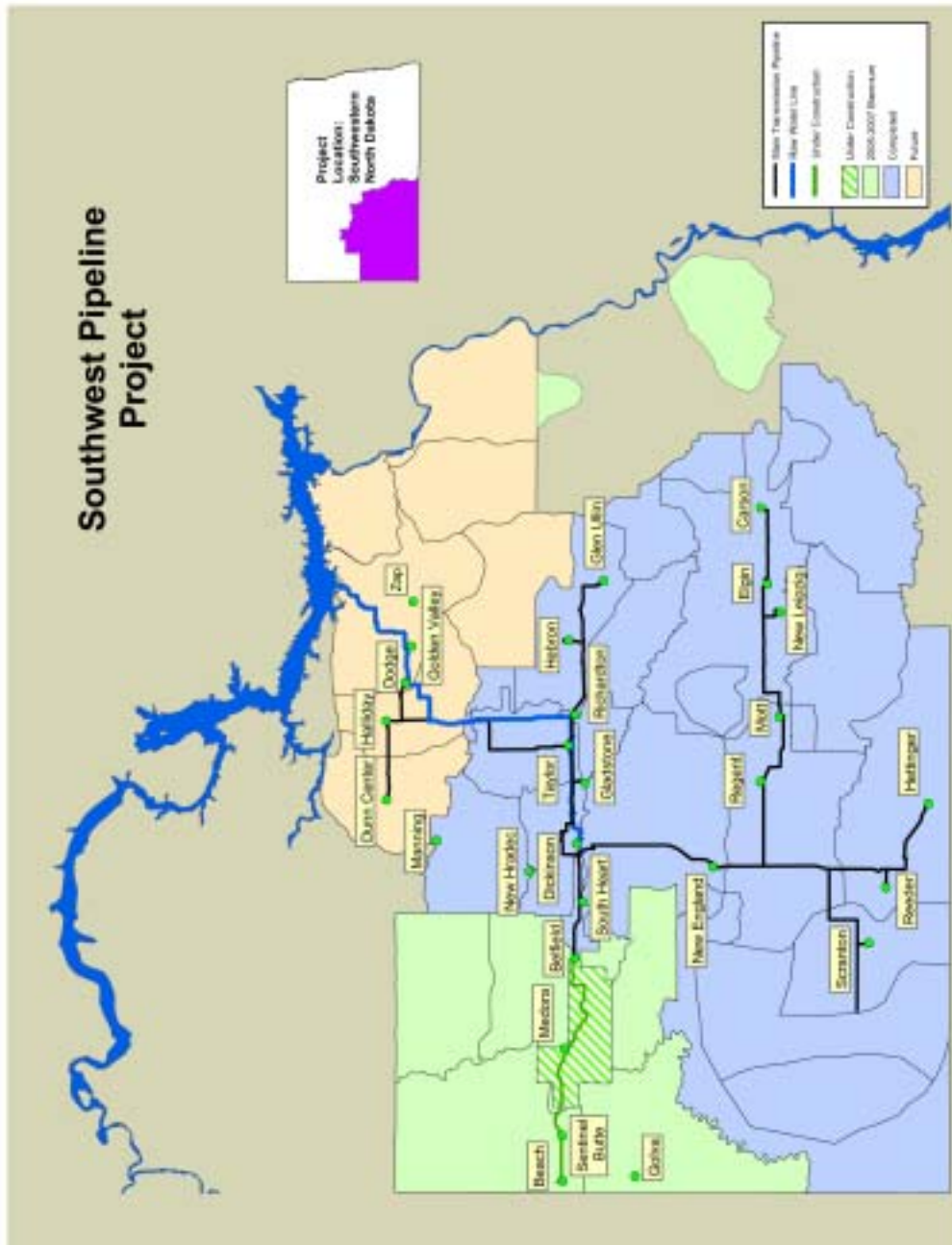
ment. This portion of the rates for both contract and rural customers is established by the Consumer Price Index and adjusted annually. Below is a chart illustrating the history of capital repayment by water users throughout the system. This money is paid to the ND State Water Commission or the bond bank.

	<u>1991-1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Contract	\$224,065.00	\$190,433.00	\$292,997.00	\$408,563.00	\$418,179.77	\$487,828.22	\$568,497.91
Rural		5,540.00	7,475.00	95,616.00	316,814.38	370,085.00	347,293.46
Total	\$224,065.00	\$195,973.00	\$300,472.00	\$504,179.00	\$734,994.15	\$857,913.22	\$915,791.37

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total</u>
Contract	\$580,865.33	\$634,275.73	\$751,392.41	\$800,159.52	\$861,015.31	\$6,218,272.20
Rural	445,131.91	524,952.50	556,470.52	630,004.66	718,768.94	\$4,018,152.37
Total	\$1,025,997.24	\$1,159,228.23	\$1,307,862.93	\$1,430,164.18	\$1,579,784.25	\$10,236,424.57



Southwest Pipeline Project Map



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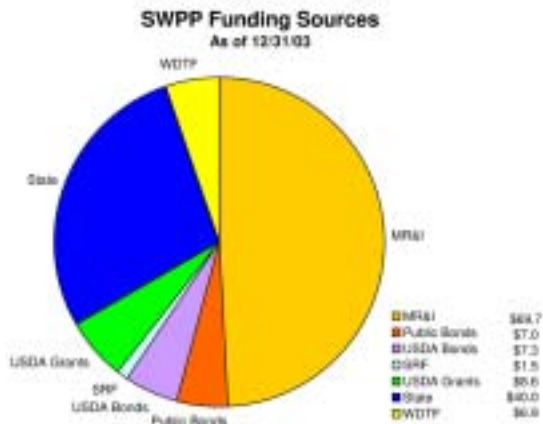
Phased Development Plan

Current Development Phase:	Zone of project
Scranton-Bowman Phase	South
Medora-Beach Phase	West
Next and Final Development Phase:	
Oliver, Mercer, North Dunn Phase	North

Southwest Pipeline Project

Funding Sources through December 31, 2003

State Funding	(in millions of dollars)
Resources Trust Fund	\$ 40.00
Water Development Trust Fund	6.90
	\$ 46.90
Grants	
Garrison Diversion Conservancy District Municipal Rural & Industrial Fund	\$ 69.70
USDA-Rural Development	8.60
	\$ 78.30
State Bonds Repaid by Users	
Public Revenue Bonds	\$ 7.00
USDA-Rural Development	7.30
ND Drinking Water Revolving Loan Fund	1.50
	\$ 15.80
Total Funding	\$141.00



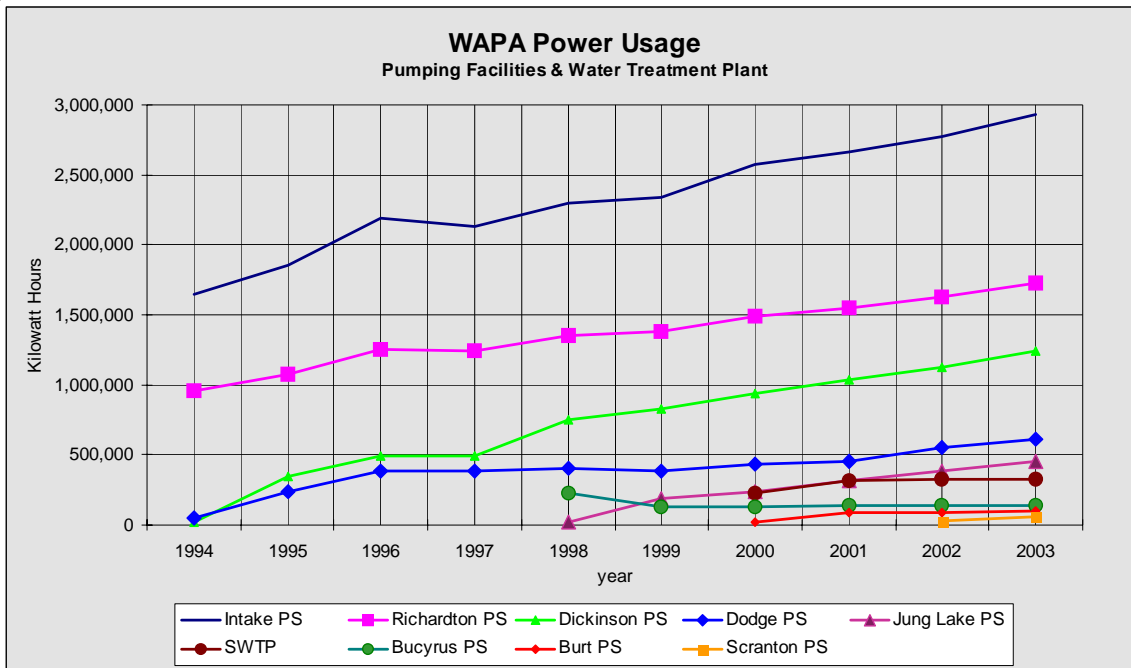
Electric Power Usage

The Southwest Pipeline Project has several main transmission pumping facilities located throughout the system. Southwest Water Authority purchases power from the federal government with the local utility cooperatives or companies supplying the power (wheeling) to individual locations. The following chart and graph indicate total power usage at these locations. Usage is listed in kilowatt hours.

Location	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Intake PS	1,645,820	1,855,579	2,192,366	2,129,824	2,302,460	2,334,674	2,573,895	2,661,280	2,771,644	2,930,468
Richardton PS	956,087	1,070,952	1,250,174	1,241,108	1,347,075	1,378,141	1,485,588	1,550,685	1,630,154	1,724,962
Dickinson PS	21,299	343,654	495,616	495,618	752,435	831,898	940,441	1,036,288	1,128,038	1,241,497
Dodge PS	47,820	238,364	386,470	385,973	405,366	384,563	429,567	454,764	548,086	612,649
Jung Lake PS					24,331	187,528	236,441	315,255	380,975	450,324
Bucyrus PS					223,039	128,217	127,212	139,462	136,942	136,226
SWTP							223,935	312,018	324,991	322,634
Burt PS							23,803	87,630	93,624	97,740
Scranton PS									29,326	59,815
Total	2,671,026	3,508,549	4,324,626	4,252,523	5,054,706	5,245,021	6,040,882	6,557,382	7,043,780	7,576,315

PS = Pump Station

SWTP = System Water Treatment Plant



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Southwest Pipeline Project Timeline

PROJECTS	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
West River Diversion																																		
SW Area Water Supply																																		
Southwest Pipeline Project																																		
ORGANIZATIONS																																		
West River Water Supply District																																		
West River Joint Board																																		
Southwest Water Authority (nonprofit)																																		
Southwest Water Authority (political subdivision)																																		
FUNDING (in millions)																																		
State Resources Trust Fund																																		
Garrison Diversion MR&I																																		
Revenue Bonds																																		
USDA-Rural Development (loans)																																		
USDA-Rural Development (grants)																																		
ND Drinking Water Revolving Loan Fund																																		
Water Development Trust Fund																																		
TOTAL																																		

History of the Southwest Pipeline Project
SWC Project #1736

