TOWN OF ALPINE
SPECIAL COUNCIL MEETING

WORKSHOP TO DISCUSS POTENTIAL WATER DEVELOPMENT ISSUES IN THE NORTH ALPINE AND THE TOWN OF ALPINE AREAS
SEPTEMBER 28TH, 2006

Please note: These minutes are a summary only of a tape-recorded meeting.

(clerk's note: Tape # 1 of 2 starts here)

Don Jorgensen, mayor, called the meeting to order at 7:05 p.m. and the clerk established a quorum through a roll call. Council members present: Marietta Lanphear, D.R. Hutchinson, Shirley Brown, and Donn Wooden.

Staff Present: Brenda Bennett, Treasurer and Tracy Matthews, Clerk.

Contracted Staff: Jim Lubing, Town of Alpine Attorney; Leon Kjellgren, Nelson Engineering; and Bob Ablondi, Rendezvous Engineering.

Others: See attached list.

The Mayor called the meeting to order at 7:02 p.m. and held the pledge of allegiance. Don Jorgensen, mayor, opened the Special Council Meeting/ Workshop to discuss potential water development issues for land owners in the North Alpine area and existing Town of Alpine.

A. Rendezvous Engineering- Bob Ablondi: Summary of August 28th, 2006 Memorandum "Water Tap Fee and Monthly User Fee Derivation"

Bob Ablondi, Rendezvous Engineering, provided a brief summary of his August 28th, 2006 memo presented to the Council titled, "Water Tap Fee and Monthly User Fee Derivation." The memo describes in detail how Rendezvous Engineering derived user fee and tap fee recommendations for the Town. Chris Abernathy, WWDC (Wyoming Water Development Commission), was also in attendance; he is the project manager for the Level II/ Level III Water Study Project for the Town of Alpine. Rendezvous Engineering is completing the study for the WWDC and a major focus of the study is to look at regionalization of Town's water supply by identifying the needs of water users in the Town and beyond. The WWDC funds the Level II Water Study at 100% and additional funding is available at 67% for construction grants as well as additional loans.

The Level II Study started in June 2005 for the Town of Alpine. The scope of the study was to research area wells and early on it was determined the Town of Alpine has some of the best producing wells in the area. The Town currently pumps approximately 350 gpm (gallons per minute) from each of its two wells. The Town's wells are tapped into a fractured limestone aquifer. Early in the Spring of 2006, pump tests were completed on each of the two wells by using a 1,000 gpm water pumps. It was determined the wells are capable of additional capacity and could be upgraded to produce up to 600-700 gpm each.

During the course of the study, water uses and demands were also analyzed. During the summer months the Town must utilize both wells at the same time to meet maximum flow demands at 750,000-800,000 gpd (gallons per day). By upgrading the wells the Town will be able to supply the maximum day demand to its current residents as well as have additional reserve water available.

Additional parts of the study focused on future needs as a result of the tremendous growth in the greater Alpine area and where additional wells should be drilled. Rendezvous Engineering recommends drilling a well near the existing Town's wells (on Forest Service Property) which has proven to provide good producing wells. Geologically this area is favorable for good capacity wells due to the North/South trending fault, according to Bob Ablondi. There is evidence of this fault when observing area outcropping of rocks. Additionally, this site has been targeted 250-300 ft. away from the Town's two existing wells which are only 160 ft. apart from each other. Mr. Ablondi feels the wells can influence each other; however, the influences are manageable.

It is standard procedure when completing a Water Development study to cover both current and future needs. Fortunately, the study occurred during drought conditions and the effects of the Palisades Reservoir on the Town's wells were studied. With confidence, Rendezvous Engineering feels a third well can be drilled in the area; however, with the drilling of any well there are no guarantees. Wells in the region were also studied including the well of the North Alpine Water Improvement District (Rees Subdivision). The Rees Subdivision wells produce 75-100 gpm and appear to be on the same fault line as the Flying Saddle's wells. Again, the geologist speculates there is a North/ South trend fault line offering water supply in this fractured bedrock. What was evident in the area wells is that they were drilled into the Salt River formation in the alluvial gravel. When the reservoir draws down, many wells drill in the gravel quit producing water. The shallower wells are of concern. Wells drilled in the WYDOT/ Port of Entry area have been pump tested to produce 100 gpm and indicate there may be additional fractures. A 100 gpm well when pumped to storage can produce a large amount of water.

The Town's current pipeline is almost exclusively PVC pipe and the older pipe is of lower quality and problematic; it will need to be replaced. There are areas where transmission lines need to be upgraded. Storage capacity currently for the Town is a combined total of 750,000 gallons. The Town has done well from a storage stand point which can be very expensive. Rendezvous Engineering sees the priorities for the Town's water system are: capacity/ supply upgrades (larges pumps), transmission line upgrades, and distribution line upgrades. Overall, the Town's current storage capacity is in good order. Funding is already secured for larger pumps to upgrade the two existing wells to 650-700 gpm/ each. Funding for stand-by power capabilities has also been secured. The wells will increase in capacity and also reliability. Additionally, the control system to the well house needs upgrading; the filling of tanks, currently, is done manually. To maximize the efficiency of the tanks and wells, the control panel must be upgraded.

Additionally, the Level II Study for the drilling of the third well also includes obtaining a Forest Service permit. The first phase is to drill and test the well; if the well proves to be successful then the Town has the option to buy the well. The Level II program assumes all risk and costs for the drilling and testing of the well. All of these projects have been prioritized critical and are moving forward.

Future priorities and needs include the upgrading of the transmission line which would connect the well field and tank to the North part of the Town of Alpine. {If surplus water is sold to any entity in North Alpine, this Grey's River Transmission line will supply the water}. The transmission water line following Grey's River Road would be replacing the 8" with a 10" line. In terms of capacity, the upgrading to a 10" along Grey's River Road is warranted. Additionally, upgrading the transmission line from the wells to the tanks is also a future priority. The theory behind these upgrades, is to allow adequate contact time for chlorination in the tanks before entering the distribution system. They recommend the installation of a new 14" line to the tank and the existing 10" and 8" lines would be turned into supply lines.

With the anticipated capacity from the Town's wells at close to 2,000 gpm (with the addition of a 3rd well), it made sense to accurately size the transmission lines which may serve the Town for the next 50 years. Rendezvous Engineering and the Town realize the growth will be in the North Alpine area. There will be distribution system improvements which are separate from other costs due to the fact that the WWDC does not fund distribution improvements; funding must be secured elsewhere.

Another factor of concern based of their studies is leakage. Rendezvous Engineering estimates 90-100 gpm in leakage and 130,000-140,000 gpd. The leakage is related to private services, and older hydrants (Town is repairing/ replacing these older hydrants).

TABLE 1. "WATER USE FACTORS USED IN TAP FEE DERIVATION" -AUGUST 28TH, 2006 MEMORANDUM – BOB ABLONDI

This Table describes various use factors used in the tap fee derivation. The majority of the water use in the Town of Alpine is residential use; therefore, fees were based on the cost on a typical residential unit. A similar process was used in the derivation of projected sewer needs (tap and user fees).

During the summer, and combined with leakage, the Maximum Day Use per Capita for the Town is 720 gallons per capita per day (pgcd). This number is a key when multiplied per # of persons per unit (average occupancy 2 ½ persons /unit) this equals 1.25 gallons per minute needed for Maximum Day Use Per Unit. This number, 1.25, is used for system sizing. Again, storage does not help this number as this the "peak time" demand flow on the system.

In terms of sizing facilities, 1,500 gpm was utilized as code requirements for Residential/ Light Commercial Fire Demand per the International Fire Code. There are other commercial uses which may require higher than 1,500 gpm. In terms of what this can provide, Rendezvous Engineering is comfortable to say 1,500 gpm can be provided and larger commercial facilities would be required by code to provide their own sprinkler system. Simple residential demand is 1,000 gpm. Residential fire storage needing to be maintained is 180,000 gallons which is essential to know for sizing and storage capacity.

"Peaking Storage" is considered to be the peak times of day when water demand is the highest and "Emergency Storage" is when all water supplies, due to an emergency, must come from storage. In combining the peaking, emergency, and fire storage demand, they estimate 766 gpm needed for total storage per unit. Mr. Ablondi identified approximately 25 areas where leaks need to be repaired and identified the area where the third well will be drilled.

TABLE 5. "ALPINE WATER TAP FEE DERIVATION—COSTS PER RESIDENTIAL UNIT"

This table provides the basis for the derivation of fees by using the anticipated cost estimates. In cost estimation, the engineers used a format utilized by the WWDC which includes adequate engineering costs, adequate contingencies, legal and right-of-way costs, etc. The cost estimates are conservative and somewhat higher than the actual costs. Due to recent high inflation costs for raw materials, contractor availability, etc., all of these factors affect the total costs of project. Factors include, for example, drillers being drawn into the oil fields rather then being available for construction and concrete for tanks have risen from $1.00 gallon to $2.50-$3.00 a gallon. The numbers used and projected in this memo are from 2006 cost estimates.

They projected the estimated capitol costs for the various components which make up a residential unit (in terms of water use), i.e., supply well, transmission lines, and storage. Capitol costs for the new 700 gpm well include drilling and testing, completion of the well, piping, and a portion of the stand-by power needed to operate the well are estimated in this table. For the well it is projected at $518 per unit cost per minute for the new well. For every gallon per minute pumped out of the ground it will cost $518 to run the well. If 1.25 gallons per minute is average per residential unit equals $647 in cost to the SUPPLY portion only.

Total capitol costs for transmission lines are estimated at $747,000.00. Again, they anticipate a capacity of 2,000 gpm for the system per residential unit when the upgrades are completed. Additionally, when equating the storage needs for emergency, peaking, and fire storage, it is estimated to cost $1,398 per residential unit for transmission upgrades.

The third component, storage, is usually the most costly factor. Currently, the Town's storage is adequate; however, if another storage tank is needed the new tank logically would be placed next to the existing 500,000 gallon tank as it serves the main part of town and less transmission lines would be needed to connect this new tank to the system. It would also serve areas on the North side of the Snake River. Costs for this tank are identified to show how it will factor into the overall picture of costs for all upgrades. Again, components for storage include emergency, peaking, and fire storage.

To summarize Table 5, when looking at cost factors but with separating out storage costs (as storage capacity isn't needed currently), the aggregate costs equal $2,000.00 per residential unit for tap fees. Rendezvous Engineering, even at 4-5% sustained growth, does not see the need for an additional storage tank for 20 years. For derivation of tap fees today, storage is excluded in costs. *Mr. Ablondi advised this $2,000.00 tap fee does include the actual cost of labor and parts to physically install the tap. This $2,000.00 estimated tap fee/ residential unit covers the repayment costs for the various parts of the system (supply well, and transmission lines).* This number does not assume any costs for repayment of loans or grants received.

TABLE 10. "ALPINE WATER SYSTEM COSTS OVER TIME"

Table 10 projects costs and revenues over a 20± year period. The funding for water development projects are typically 67% grant funded and 33% loans. The average term for loans is 20 years at 2 1/2 %; therefore, many engineering projections are based off 20 year time frames.

(Clerk's Note: Tape #1 –Side B starts here)

The financial needs for the Town concerning Major Capital, General Operations, and Grants and Loans are projected for 20 years in Table 10. Major Capital included upgrading Well #1 and #2, upgrading control panels, adding stand-by power, purchasing Well #3, upgrading transmission lines, and distribution system upgrades are included in the spread sheet. New debt service for SRF (State Revolving Fund)and WWDC loans are also projected to cover these capital costs (this is assuming the Town is successful in securing this funding). The Town would have no way to pay for major improvements other than grants and loans.

The Town's current General Operations for the water department are itemized by: administration, salaries, operations, chemicals, new services, repairs, and depreciation, capital expenditures, debt service (existing), and short and long-term sinking funds. Adding inflation factors, the general operation costs for the Alpine Water System are also projected for the next 20 years. On Table 9. it describes the much needed 'Sinking Funds' also known as 'Reserve Funds.' Sinking funds are needed for both short and long term needs. Short term needs would motors, booster pumps, controllers, flow meters, generators, controls, and miscellaneous parts. Long term sinking fund factors are storage tanks, wells, transmission lines, distribution, needs and the well control building. In order to receive funding these reserve funds must be adequate to replace capitol. Essentially, Table 9 advises at least $21,000.00 per year is needed in a sinking fund to cover short –term needs and $139,325.00 per year for long-term needs. Many Town's are not able to set aside this much each year. The Town has over $7,000,000.00 in water system assets and adequate reserves are essential to maintain this investment.

Under 'Income' grants and loans received in the next 2-3 years are estimated with the first year payments. Usually, the first payment is large due to the interest added. Overall, at the bottom of Table 10., projections are made for 20 years governing the total # of taps, monthly user fees, capacity fees, new service costs, tap fees annual growth, annual inflation, and storage and supply needs. For example, currently 400 users are on the water system and the addition of 8-10 users per year are projected over time. The idea of bringing in users from the North side of the Snake River is also included in the spread sheet.

Anyone on the North side of the river could benefit from the Town's water supply not just North Star Utility. Mr. Ablondi has attempted to estimate the water needs for the North side and it assumes a higher number of taps as the service is

available. By estimating the number of taps on the north and south sides of the river, creates an estimation of revenue. Monthly user and tap fees are also projected over time. Again, the projections in TABLE 10 are based on "equivalent units" and are estimates only. The current tap fee for a ¾" line is $1,350.00 and approximately $900.00 is used to actually tap the line; this leaves only approximately $400.00 for capacity fees which isn't adequate to service debt, maintain reserve funds, improve capital infrastructure, etc. Therefore, Rendezvous Engineering is recommending a tap fee of $2,000.00 beginning in 2007. They also recommend a gradual increase in monthly user fees.

TABLE 10. ALPINE WATER SYSTEM OVER TIME – "TOTALS"

This chart provides the accumulated totals such as the totals for the sinking funds 1 and 2.

TABLE 10. ALPINE WATER SYSTEM COSTS OVER TIME – "ALPINE ALONE"

Leon Kjellgren, Nelson Engineering, requested an analysis from Rendezvous Engineering for the Town of Alpine alone which excludes the North Alpine area. In ten (10) years it projects a monthly user fee of $10.00 higher than current fees. Tap fees would be raised substantially initially, and gradually over time as inflation, and other factors enter into the equation. The more users tapping into the system, the less overall users will pay in monthly user and tap fees whether they reside on the north or south side of the river.

TABLE 11. SNAKE RIVER BRIDGE CROSSING--- WATER PIPELINE

This Table estimates the total project cost to install a 14" water transmission pipeline across the Snake River will be approximately $260,000.00. The Table assumes it will be 14", insulated iron pipe with heat trace conduits. This example is taken from a company in Canada called *Urecon*. Rendezvous Engineering recommends a minimum of 12" pipe and to allow for future expansion and growth, ideally a 14" sized pipeline across the bridge. Again, the Town's transmission lines must be upgraded in order to provide water across the bridge. Additionally, people do not stop using water during the event of a fire and as a result a 14" line is needed.

In summary, Mr. Ablondi advised his table and subsequent tables are a beginning point for discussion regarding water needs.

COMMENTS, SUGGESTIONS, QUESTIONS, AND FEEDBACK: Don Jorgensen, mayor asked for any comments, questions, and feedback in writing so that the Town's legal council can answer any legal questions.

James Dorsey, North Alpine Land Owner: Mr. Dorsey initially commented the plan presented tonight is detailed for South Alpine but isn't so detailed for the North Alpine area. He inquired whether North Star Utility has enough water to sell and whether the Town would sell wholesale water to North Star Utility (NSU). Mr. Ablondi advised the focus, primarily, is to first look at the existing Town's needs. The WWDC and the SLIB cannot fund new development in the North Alpine area. In the Level II Study will focus on the North Alpine area. By upgrading the Town's wells, the Town will have approximately 100 gpm in surplus water to sell to anyone. Surplus water is the water the Town can provide above its current needs even if the largest well is out of service. The Town has the potential to supply water to the North Alpine area in the future. Currently, the Town's needs 500 gpm. Even though the two major funding boards cannot fund the costs for pipelines, they recognize the need for regionalized water systems.

Leon Kjellgren advised the Town has not currently entered into an agreement or had any major discussions regarding the wholesaling of water. However, the Town realizes tonight's meeting is the first step in that process if water sales are going to occur at all. Tonight's meeting is being held to primarily gather whether there is any interest from the North Side

of the River for water if the costs are attractive. The improvements to the existing wells, drilling of a third well, upgrading transmission lines, etc. will be completed irregardless of whether the North Alpine wants water or not. Someone at some point will want the water and he would like to not be behind "the 8 Ball" next time someone needs water services. The first spreadsheet prepared by Rendezvous Engineering assumes there is interest from the North Side of the river. The wastewater agreement has already been completed with North Star Utility; however, a water agreement has not been entered into at this time with anyone. Again, tonight's process will begin that dialogue starting with whether anyone is interested.

Mr. Ablondi advised there are alternative funding sources such as the Business Ready Communities Grant which offers funding for the pipeline across the bridge. Mr. Kjellgren advised he envisioned the 'master meter' being on the south-side of the Snake River, and; therefore, the pipeline across the bridge isn't included in this proposal.

Kathy Ellsworth, North Star Utility: Ms. Ellsworth inquired whether the 'master meter' could be located on the North side and whether any state funding would exist to cross the bridge as it would help out many residents on the north side. Chris Abernathy, WWDC, advised he feels additional areas at the Alpine Junction will annex eventually into the Town and he would like the 'master meter' located in this area – near the Alpine Meadows Subdivision. According to Mr. Abernathy, if the Town is the purveyor of water to the north Alpine area and they apply for the funding then the WWDC could cover the costs; however, anything downstream of the master meter is NSUs or another district's responsibility. The Town of Alpine would own the pipeline across the bridge.

Remy Levy, North Alpine owner: Mr. Remy Levy expressed the importance not only for himself but for the community as a whole to develop in the right way. A more complete and centralized system makes sense and he would be interested in participating in that system.

Donn Wooden, council: Mr. Wooden inquired whether Mr. Dorsey is interested in water development to which he advised he is interested. However, Mr. Dorsey expressed concern that if the master meter is placed at the Alpine Junction in essence two entities (the Town and NSU) will be offering water as two separate providers. Don Jorgensen advised that the Town would provide water to NSU and in turn they would provide water to their customers. Mr. Dorsey inquired what would happen to properties which have successful and productive wells and whether the water could be utilized for other uses such as irrigation. Mr. Ablondi feels that if it is good quality water, and if the well can produce a large amount of water, then the water could be used to strengthen any regionalized water system. Ideally, Mr. Wooden feels the Town of Alpine should be the only provider of water in the greater Alpine area. Mr. Ablondi feels it is ideal to have two tanks on both sides of the river. It would depend on the operation and maintenance of the well and whether it would be cost-effective.

Mr. Kjellgren feels differently regarding this issue. From the Town's standpoint, the Town cannot provide adequate supervision or knowledge as to whether various wells on the North Side of the river are safe and would not want this responsibility. Since the Town has the potential for 2,000 gpm on the south side, wherever the 'point of connection' is located this location will also be where the check valve will be located. This check valve would eliminate the possibility of contamination to either side of the river.

Mr. Ablondi clarified his earlier statements regarding additional operating wells on the North Side. He feels it makes sense to keep operational 2-3 additional wells on the North Side if they prove to be good production wells (at least 100 gpm) and he agreed water wells shouldn't be scattered all over.

Dave Lloyd, Former Mayor and Resident: Mr. Lloyd advised the Town can legally sell water to anyone without having to offer a franchise agreement. This can be done simply by resolution and is being done all over the state to other districts without a franchise. Mr. Abernathy advised franchises are generally the exception not the rule across the state. The only other franchise he is aware of was Mr. Clinger's franchise here in Alpine which was sold to the North Alpine Water Improvement District. What normally is created is a special improvement district and there are instances in

the state where other municipalities serve these districts with wholesale water via a master meter without a franchise agreement. The Town or municipality's responsibility ends at the master meter. Mr. Abernathy suggested Mr. Lubing contact the WWDC attorney general, Jane Caten, with the Town's legal questions surrounding franchising and annexation.

Donn Wooden, Council: Mr. Wooden advised that when the Town created its water district they were required to sever each private well as to prevent the well water from contaminating the Town's water system. Mr. Wooden assumes that a transmission line from each well would need to be created to the holding tank on the North Side of the river prior to distribution to allow for treated. Mr. Ablondi advised that if the water is good quality water it does not require any treatment. If there is potential contamination from the well then it would be a different story and treatment would be needed. Mr. Ablondi advised that individual chlorination systems can be installed in each well.

Diggs Lewis, Resident Rees Subdivision: Mr. Lewis, former representative for the North Alpine Water Improvement District, expressed concerns for all the pipes being installed in the ground in the North Alpine area and where the water will come from. They currently do not chlorinate their water and do not intend to. Their main concern is that someone may drill a well in their area and draw from their water supply. The owners have expressed their concerns to the State Engineer's office. The subdivision monitors the drawdown on their wells and the district owns a 200,000 gallon storage tank.

Tom Colletti, North Alpine Resident: Mr. Colletti asked whether chlorine residuals would need to be maintained in the system and whether the well water would dilute any chlorine residual requirements. Mr. Ablondi advised typically with ground water systems do not require chlorination according to the Safe Water Drinking Act; however, with larger systems it is suggested.

Shirley Brown, Council member: Ms. Brown inquired what would happen if the Town annexes the land where these wells exist whether the Town would assume responsibility for them to which Mr. Ablondi advised the Town can eliminate all wells and only use their water source. He feels, however, having additional wells would be a good idea. He agreed any well would have to have proper casings, seals, etc. that would be tied into the system. All wells would need DEQ approval.

Victoria DeCora, local resident: Ms. DeCora questioned who is responsible for what is going on in the north side of the river {development and growth} to which Mr. Jorgensen advised the Town is watching what is happening in the North Alpine area and any water infrastructure would have check valves. The Town is only trying to sell water at this time and the Town's obligation ends at the meter. John Woodward could not be here tonight to the clerk's knowledge. The clerk offered that perhaps the county planning office should be represented when any activity or discussions occur regarding the North Alpine area. Ms. DeCora questioned what the Town administration is doing to ensure the North side of the river development is not going to be a problem for the Town in 5-10 years from now. The clerk suggested the county planner, John Woodward, and Ray Sarcletti, Wyoming Business Council, should be invited to any subsequent meetings.

James Dorsey, N. Alpine Land Owner: Mr. Dorsey questioned Mr. Ablondi whether the check valve would save the south side from any north side 'contamination' which he indicated it would. If North Alpine added water from North Alpine wells to their own system, the water would not travel back to the south side. Mr. Dorsey questioned what the impetus is for the Town to sell wholesale water, i.e., increase revenues, service the north side, etc.

(Clerk's Note: Tape # 2 – Side A Begins Here)

Brenda Bennett, Treasurer, advised the Town does not make extra money from anything and the impetus is to look toward the future to service any annexed areas. Many agencies anticipate annexation to occur all the way to the Idaho/ Wyoming line in North Alpine eventually.

Donn Wooden, council member: Mr. Wooden, in response to Victoria DeCora's question, advised that during the initial water improvements to the Alpine Water System {the addition of the 250,000 and 500,000 gallon storage tanks} the Town had to make an agreement with the WWDC that they would cooperate with the North Side of the Snake River and assist with water regionalization. The Town at that time had to sign and agree to this in writing by passing a resolution. Moreover, he feels the Town is committed to working cooperatively to develop water resources in North Alpine from 10 years ago. The state prefers to deal with regionalized water systems. The resolution was passed ten years ago with the understanding that water development on the North side would not cost the existing residents additional money.

Additionally, the hangars for a future, water pipeline were installed on the bridge based on this resolution. Mr. Wooden feels the Town should proceed in a progressive manner to serve the public and residents of the Town. He stated the fact the governing body looks to their own legal counsel and engineers to steer them correctly. He stressed for everyone to have an open mind regarding expansion of services and he feels the demand for water can be there if the North Alpine land owners express interest. The public will have to trust in their public officials that they are making the right decision and trying to avoid any exploitation of the Town's residents. If there is no interest from the North side, the Town can still move forward to upgrade the water system and make the water available when the interest arises again.

Remy Levy, N. Alpine Owner: Mr. Levy questioned why the Town administration would allow NSU to offer water services in the North Alpine area if they feel their Town will eventually annex all the way to the Idaho border. Mr. Wooden cannot totally answer Mr. Levy's question. He advised that he is not in favor of the way this all came about; however, Mr. Wooden did consent the Town is in that 'groove.' Originally, Mr. Wooden opposed the PSC (Public Service Commission) in the formation of the NSU. Mr. Wooden feels the Town should control both water and sewer; however, be as it may that is not happening as a sewer agreement has already been entered into. Mr. Wooden feels that annexation is the only answer for the Town of Alpine to move forward in assessed valuation, increased tax revenue, and a greater, unified voice at the state, county, and local levels. It is in the Town's best interest to annex.

Mr. Levy stated, "I don't pretend to know all the details or understand it completely. But it seems to me that you are giving up that potential to have the benefit of the income to offset these huge expenses {capital infrastructure on the north side} which will certainly come." Mr. Lloyd advised NSU was formed to provide the infrastructure on the North Side which the Town could not provide at this time and that Mr. Halpin plans, once he has recouped his cost with the utility, to turn the utility over to the Town with a proper bond/ guarantee in place.

Kathy Ellsworth, North Star Utility: To lessen confusion and to add clarity, Ms. Ellsworth clarified many issues. There have been numerous discussions in the past between NSU and the TOA explaining the general reasoning is that once NSU recoups its cost to develop the infrastructure, NSU would consider turning the system over to the Town of Alpine. The Wastewater Treatment Agreement details this premise in writing and Ms. Ellsworth states there is no reason why this same scenario couldn't be used for water as well. The water is just further behind than the wastewater in this area. Additionally, Ms. Ellsworth advised that the Public Service Commission regulates water, but does not regulate sewer. Therefore, if NSU makes any decisions or promises this must be approved by the PSC as they regulate rates, the service area, and the utility. Moreover, the PSC will ensure that water is developed properly, according to DEQ standards, and that rates are affordable. No one on the north side is obligated to obtain service from North Star Utility, but the benefit is that they can use their storage tank and if the Town's and NSU's water systems integrate, the customers of NSU get added storage capacity, for example. Currently, NSU only has authorization from the PSC to provide water to the Alpine Meadows Subdivision and the Flying Saddle Lodge. The water source is already secured on the North side. To the extent that NSU wants to expand its service area, NSU wants to see a regionalized system as a whole community rather than in pieces and parts. In order to expand NSUs service area, the PSC must give them permission. One of the factors in getting the PSC's approval is that the utility must prove it is able to supply the water. Therefore, the selling of water by the Town of Alpine needs to be explored if there is enough interest from the North side for expansion of their service area.

NSU hopes to provide North Alpine an option for regionalized services; however, if individual owners want to develop their own resources there is nothing preventing this option as well. Tonight's meeting and future meetings will center on this

concept. Mr. Diggs Lewis advised he feels the Town should consider whether they want to get involved with NSU who is controlled by the PSC as it may create problems down the road. Ms. Ellsworth advised to her knowledge that the rules would be different with a municipality assuming the utility rather than a private entity as the PSC does not regulate municipalities.

Ms. Ellsworth advised 'franchising' and the 'selling of water' are two separate issues. The only reason the Town would have to consider offering a franchise to NSU is if the Town annexes the Alpine Meadows Subdivision. According to State Statutes the Town, *within its own boundaries*, either has to offer water itself or the Town has to franchise the service to another entity. In order to offer a franchise, to her understanding, the statues also require the granting of the franchise must first go to a public vote. If NSU wants to offer water to any section in the North Alpine area which isn't annexed, the utility can by resolution purchase water from the Town and distribute the water in their service district.

To Ms. Ellsworth's understanding, if the Town's residents deny the franchise by vote, then Alpine Meadows cannot be annexed until such time as the Town can offer water services there on its own. As a practical matter the annexation cannot occur unless the Town residents allow the franchise. Mr. Jim Lubing advised he concurs with Kathy Ellsworth that franchise is needed if the Alpine Meadows subdivision in annexed and this franchise must be voted on. However, he believes the Town can sell water to the unincorporated lands to the Idaho border without any franchise. If the Town is incapable of servicing the North Alpine area's water needs on its own, then practically speaking the Town can't annex the land if the residents deny the vote for the franchise and the Town cannot take care of it on its own. The land would remain in the county's jurisdiction.

Dave Gustafson, local resident: Mr. Gustafson expressed his frustration and anger there is such a division between communities and personally thanked Mr. Halpin for the division. He feels there will be one community at this end of the valley and the division should never have occurred. To his understanding tonight's meeting is to arrive to some conclusion and agree upon what the Town will do with its water system in order to provide water to the annexed areas in the future. He wants to skip the political 'mumbo jumbo' and move on.

Donn Wooden, council: Mr. Wooden stated, "I would suggest that we ought to be able to take care of the right-side of the, the east side of the highway across the bridge if they want to be annexed in and we could do something like that and go along the corridor and wherever it is that wanted it. Sell water to the Alpine Meadows project, but I don't think NSU should control the whole, North side and I don't think we should be in the position of 'not competing' against North Star if people want the water. I think we had that discussion here last time. In other words Mike Halpin wants to compete with us but he doesn't want us to compete back against him. I think it should be a free reign." Mr. Wooden feels that if the Town cannot annex Alpine Meadows there is no reason to do it 'across the board.'

Leon Kjellgren, Nelson Engineering: Not necessarily in defense of NSU but rather to explain the reality, Mr. Kjellgren advised, in his opinion, that NSU offers a definite service as they want and need service now. The Town will not have a sewage treatment plant on-line that isn't overloaded or at its capacity until 2008. Mr. Kjellgren doesn't know how the Town can provide sewer service to the North side of the river at this time. The Town doesn't even have enough capacity currently to expand services in its own boundaries with our own system. That is why North Star is involved as the entity was set up to bridge the gap until such time as the Town can catch up to the development. The Town physically cannot provide sewer service to the North side in a timely manner, period. Mr. Kjellgren believes the Town has been 'asleep' for five years regarding the growth in that area.

As far as water is concerned the water system will be expanded to 750 gpm each. Nothing is for certain and until such time as the Town's wells are upgraded the true capacity of each well is unknown. Currently, the Town is not in the position to offer water to the North side until such upgrades, including the addition of a third well, are completed. After the proposed upgrades, Mr. Kjellgren advised the Town will only have approximately 100 gpm in surplus water to sell to the North Side and it will not carry the development alone. Essentially, Mr. Kjellgren stated the reason why NSU is involved at all is simply because the Town cannot do it alone at this time. NSU is exercising its right to free enterprise on

their timeframe. The Town cannot commit to provide any water or service until it has its 'ducks in a row' which Mr. Kjellgren has always maintained.

Dave Gustafson, Planning & Zoning Commission/ local resident: Mr. Gustafson questioned why Mr. Halpin couldn't give the Town the money now to complete the infrastructure. Mr. Gustafson agreed the Town was uneducated regarding the growth in the past five years; however, he expressed confusion as to why Mr. Halpin couldn't extend his resources and come to this side of the river, i.e., tanks, transmission lines, etc.

Leon Kjellgren, Nelson Engineering: Mr. Kjellgren advised NSU is providing $1.8 million to help fund the wastewater utility plant. This is not 'free' money as the Town is obligated to provide sewer taps for this money. However, his contribution to the project allows residents on the south side to have better rates as the costs are shared amongst many users. Mr. Kjellgren feels the costs of water should be spread over and amongst as many people as possible. He suggests similar negotiations should occur similar to the wastewater negotiations. Possibly he should pay for a 'capacity to serve' fee similar to the wastewater treatment plant. Mr. Halpin, so far, has only contributed to portions of the project in which he will be using and is not contributing to the Alpine's south side collection system. The total costs for the wastewater treatment plant is $5.3 million and $1.8 million of that is being paid for by Mr. Halpin.

Mr. Kjellgren stated, "I don't think the Town has a choice. You are gonna have to allow somebody to provide the service over there you can't provide. It is intended to be a bridge scenario that gets you up to the point where you have 2,000 gpm of water supply and you have the transmission lines to supply those folks. Then you can talk about taking the water system back. The same thing applies to the sewer. But you can't do that. You can just waive your hand and say 'O.K.' we're going take care of all the sewage over there if you don't have a treatment plant to put it into."

Kathy Ellsworth, North Star Utility: Ms. Ellsworth expressed vehemently again that NSU is not in the business of competing with the Town of Alpine. This has been expressed at the numerous public meetings for various issues. NSU has no interest in 'hustling' business on the North side and having two systems competing against each other. NSU originated out of a need for water and sewer services in the North side in the unincorporated county. The utility has already tried to make the sewer system interchangeable and compatible with the Town and a similar attempt is being made tonight for the water system's to be integrate able. NSU believes the system should be a 'community system' and this north vs. south side division shouldn't be in place.

Ms. Ellsworth reiterated the fact that NSU is willing to put in the sewage line underneath the Snake River at their expense. She feels the misconceptions need to be discussed and that the utility has no intention of being into the water and sewer business forever.

Donn Wooden, council: Mr. Wooden expressed that he is not opposed to development and feels that Alpine should develop. However, he does feel developers should come in and assist the community. Mr. Wooden agreed Mr. Halpin is paying his share of the sewer system; however, he expressed concern only one pipe is being installed underneath the river when the Town's engineer has recommended two lines in case one fails. Tonight water is the focus and the sewer system is underway and he is not here to impede the progress of that project. Moreover, his emphasis is for a cooperative exchange to expand water. He feels annexation is the priority and not just to get our water bills a little bit cheaper. The Town will still incur expense if the area isn't annexed and it remains in the county's jurisdiction as the Town is the most reachable to the development.

The best thing for everyone is to become one community. Again, Mr. Wooden recapped the fact when River View Meadows Subdivision was created the developer, at his own expense, created a sewer treatment plant, installed the roads, and water system. Moreover, the developer gave this infrastructure to the Town with money to care for the water system. He feels this is the appropriate way to handle developments and that he believes this is how it is usually done. Mr. Wooden is not disparaging Mr. Halpin as that is what a developer will do. He feels the playing field must be equal and there must be mutual respect. He doesn't feel we are there yet and expressed discouragement. He asked how many

developers are interested in moving forward. Mr. Wooden feels that if the Town brings water across the bridge and there are developers across the bridge that are willing to install the infrastructure at their own expense and give it to the Town that this is the way the Town should proceed. Again, he is opposed to NSU having total control across the bridge. Annexation is the key to the success of the community. He feels a joint powers board is the way to proceed.

The clerk suggested anyone with feedback, questions, and suggestions to provide them in writing as this meeting will most likely me the first of many to come.

Chris Abernathy, WWDC: Mr. Abernathy advised that Lincoln County Commissioners have submitted an application for a regional water master plan which would cover Alpine to Smoot. Mr. Abernathy feels that the entire Star Valley area is 'ripe' for regionalization and interconnection of these multiple, close systems. The questions before the council tonight do not have to be decided tonight. The WWDC will hire a firm to work in 2007 to begin the study which will research each existing system and what their desire is to become a member of a regionalized system.

The Lincoln County Commissioners made application to the WWDC for this regionalized study as they determined a need in Star Valley. The exact scope of the project isn't defined yet. But part of the project will be to educate the residents as to the need for regionalized water systems, the benefits, and pros and cons. The regionalized water study will take two (2) years to complete and a recommendation resulting from the study may be the creation of a regional, joint powers board. Mr. Wooden concurred with pursuing a joint powers board.

Mr. Abernathy advised he completed a proposal, draft recommendation approving funding for the two transmission lines, and the piping to the third undeveloped well . This will be presented to the commission in November 2006 for preliminary approval with final approval in December 2006 and then onto the legislature for approval in January 2007. Funding could be available in June 2007 with construction beginning in the Fall of 2007. Mr. Abernathy agreed the individual's needs cannot be overlooked in the pursuit of the regional water study. The Town's proposed upgrades will have the capacity to connect to the North side of the river. Alpine's water system can become a true anchor at this end of the valley for a regionalized water system.

James Dorsey, N. Alpine Owner: Mr. Dorsey questioned the developed of a third well. Mr. Ablondi clarified the third well's site location has been determined but not drilled. He is at minimum 50 % confident that the Town can produce up to 2,000 gpm with all upgrades. This estimated capacity is for all three wells combined. The third well in the same zone and production area will, theoretically, produce a similar capacity. Again, the Forest Service must approve the drilling of a third well.

The Mayor adjourned the meeting at approximately 9:15 p.m.

_____ _____
Don Jorgensen, Mayor Date

ATTEST:

_____ _____
Tracy Matthews, Clerk Date