

EXHIBIT 2
DATE 1/12/05
HB 11

TOWN OF HYSHAM
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January 11, 2005

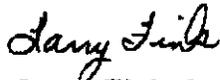
Dept. of Commerce
TSEP
Jim Edgecomb

To Whom It May Concern:

Due to the drought years, the river (Yellowstone) that the Town of Hysham pumps water from is very low. The gallery lines are short of being able to pump water to the community and definitely need to be extended.

The filters are old and very much in need of being rehabilitated when the water supply is replenished. It is an expensive project, but very necessary for the welfare of the community.

Respectfully,



Larry Fink, Mayor

The importance of the improvements to the Hysham Water System concerns the health and the safety of the citizens of Hysham.

The extension of the existing infiltration gallery will insure the town of an adequate supply of raw water for drinking, irrigation and public safety. At present the river level is so low that it has moved away from the existing galley lines approximately 100 ft. This move has stopped the hydraulic pressure of the river water over the line resulting in diminished flow from the gallery. The proposed new gallery line would extend the line up stream and out under the river, to regain our lost water. This will insure that the town will again have an abundant supply of water for the public and for fire protection.

The next step is the rehab of the filters. It only follows that once we have solved the raw water supply problem, that we must then be able to treat that water for use by the public. The steps called for by the engineers will take care of the problems that now exist with the filters.

It then follows that once the first two steps are finished, raw water supply, and the ability to filter that water. It must then be delivered to town. As the old control system can no longer be repaired because parts are no longer available. The new SCADA system proposed will solve the nightmare of trying to keep the old system functioning.

Thank You,



Lyle Maasch
Public Works Director
The Town of Hysham

January 12, 2005

Town of Hysham Testimony for TSEP Funds

Mr. Chairman and members of the committee I am Julie Jones of Double-Tree, Inc, a consulting firm from Bridger that has been hired as the project administrator for this project. Lyle Maasch, the Hysham Public Works Director, was scheduled to testify today, however, was unable due to an emergency repair to the water plant. I have a letter of testimony from Lyle and the Mayor of Hysham, Larry Fink.

The Town of Hysham is chiefly an agricultural community located 81 miles east of Billings. Similar to most of eastern Montana, Hysham's population has decreased by 9% in ten years. According to the Census 20.6% of the population in 65 and over, an increase of .70% from 1990. Twenty six percent of the households in Hysham have an income less than \$15,000 a year, that is 40% of area median income.

The Town of Hysham initially started this project when it became apparent with the continued drought in Montana the Yellowstone river was receding away from the Town's current infiltration gallery. In addition, the water facility treatment trains are deteriorating and the control system for the plant has become obsolete.

The water rates in Hysham are already above the State's target rate of \$31.69 (\$33.98). Water rates have increased by 24% since 1990 to cover increased costs to the operation and maintenance and debt service of the utility. Without this funding from the Treasure State Endowment Program the rates would need to be increased to 42% (\$54.21) over the target rate.

Hysham has already incurred a debt of \$56,039 from the Intercap Program for the preliminary engineering report and an outstanding balance of \$548,080 (June 30, 2003) from USDA/Rural Development for water system improvements made in 1990. This project is estimated at \$924,719 to complete. Even with the TSEP funds the Town would still need to secure of loan of \$462,360. They have already contacted USDA/Rural Development in securing the funds for the remainder of this project if funded by TSEP.

The Town of Hysham maintains three reserve accounts. They have a reserve fund of \$41,000 required by RD, a reserve for operations and maintenance of \$16,322, and reserves for future payments of \$14,548 for a total of \$71,870. It is imperative that the Town continues to contribute to and maintain these reserve accounts for future emergencies.

In closing, the community of Hysham is a clean, well kept agricultural Town in eastern Montana. Their needs to maintain the public facilities for the Town are as important as any other community in the State. They take pride in their park, their school, housing, and main street businesses.