

Exhibit No. 5

Date 3-31-15

Bill No. HB 2

St. Mary Rehabilitation Working Group
c/o Bear Paw Development Corporation
48 2nd Ave, Suite 202
Havre, MT 59501

February 5, 2015

Joint Subcommittee
Natural Resources and Transportation

RE: Funding for the St. Mary Rehabilitation Project

Dear Chairman Glimm and Members of the Committee:

We are writing to respectfully request that the Subcommittee consider including an appropriation to help fund the St. Mary Rehabilitation Working Group for the next biennium. As many know the infrastructure comprising the project is in dire need, and the future of these works are of critical importance to a large number of Montanans. We are enclosing some general information about the status of the project and the need to take action. The project is a large undertaking and will require a partnership with the federal government.

In order to continue previous progress made, it is necessary to for the working group to have sufficient resources to work with federal and state partners to ensure the necessary work is undertaken in a timely and cost efficient manner. As a result we are respectfully requesting that the Legislature appropriate \$175,000 per year for the next biennium. In the event that such an appropriation is made, the Working Group would suggest it be passed through the Department of Natural Resources and Conservation with the Working Group entering into an appropriate agreement to ensure appropriate reporting and oversight.

Thank you for considering this request.

Sincerely,



Marko Manoukian
Interim Chair, St. Mary Working Group

St. Mary Rehabilitation Working Group Strategic Plan

Part I. BACKGROUND

This background information is a compilation of documents from Montana Department of Natural Resources and Conservation and U.S. Bureau of Reclamation

A. St. Mary Rehabilitation Working Group History

On November 18, 2003, Lt. Governor Karl Ohs convened a meeting in Havre, Montana, to raise awareness of the urgent need to rehabilitate the aging St. Mary Diversion and Conveyance Works. The meeting set in motion a process through which representatives from the State of Montana, federal and tribal governments, and Milk River basin water users could work together to seek congressional authorization and funding to rehabilitate and modernize the system. The St. Mary Rehabilitation Working Group was created to craft a “workable solution” for rehabilitation of the St. Mary facilities before the system suffers catastrophic failure. SMRWG is made up of 16 volunteer members representing irrigation, Blackfoot Tribe, Fort Belknap Indian Community, recreation, fisheries, economic development, and local government.

B. Mission Statement

The St. Mary Rehabilitation Working Group was created to craft a “workable solution” for rehabilitating the St. Mary Facilities before the system suffers catastrophic failure. A workable solution does not mean a perfect solution, and it does not mean a solution with which every interest is 100% satisfied. A workable solution is one that can be implemented by the parties involved because those parties feel that, on balance, the solution is reasonable, sensible, and responsible.

C. Components of Rehabilitation

C.1 Facilities

The U.S. Bureau of Reclamation’s (USBR) St. Mary Facilities of the Milk River Project are in urgent need of rehabilitation. The St. Mary Facilities, located on the Blackfoot Indian Reservation in Glacier County, consists of a storage dam (Sherburne Dam), diversion dam, head gate, 29 miles of canal, two sets of steel siphons, and 5 concrete drop structures. This system, which brings water from the St. Mary River Basin to the Milk River Basin, has been in operation for over 97 years with only minor repairs and improvements since its original construction. Most of the structures have exceeded their design life and are in need of major repairs or replacement. The capacity of the system has dropped from a design capacity of 850 cubic feet per second (cfs) to approximately 670 cfs. The steel siphons are plagued with slope stability problems and leaks, and the concrete in the drop structures is severely deteriorating. Landslides along the canal and condition of the structures threaten this reliable water source. Failure of one of the drop structures in 2002 resulted in the canal being turned off for approximately 2 months during the irrigation season. The economy of the Hi-Line region has been built around the stable water supply provided by the St. Mary Facilities. Without the needed rehabilitation the aging system may soon suffer catastrophic failure. Loss of the St. Mary Facilities will have a disastrous

economic impact on the Milk River Basin and the state of Montana in general.

C.2 Beneficiaries

The St. Mary Facilities are the keystone to large-scale irrigated agriculture in the Milk River Basin. The system provides water to irrigate over 110,000 acres on approximately 660 farms within the U.S. Bureau of Reclamation (USBR) Milk River Project.

Although originally authorized and built to supply irrigation water to the lower Milk River Basin, the importance of the St. Mary Facilities reaches far beyond irrigated agriculture. The Milk River Project Facilities also provides municipal water to approximately 14,000 people in the communities of Havre, Chinook, and Harlem. In addition, two rural water systems are supplied from Fresno Reservoir. Beneficiaries also include fisheries, recreation, tourism, water quality, and wildlife. However, operation and maintenance costs are still borne primarily by irrigators on approximately 660 farms within the USBR's Milk River Project.

C.3 Hydrology

In a normal irrigation season (May through September), approximately 70 percent of Milk River flow near Havre originates from the St. Mary River Basin. In dry years the imported water may make up to 90 percent of the Milk River flows past Havre. During the drought of 2001, 95 percent of available water in the Milk River originated in the St. Mary River Basin.

C.4 Economics

Failure of the St. Mary Facilities would be catastrophic to the Hi-Line economy of north central Montana. The stable supply of irrigation water provided by the system secures the "backbone" of the region's agricultural economy and communities. Without imported water from the St. Mary River Basin, irrigated agriculture, as we know it in the Milk River Basin, and the influx of local dollars generated by it, will cease to exist. Failure of the canal, siphons, or drop structures may also result in environmental damage on the Blackfeet Reservation and in southern Alberta.

The cost of rehabilitating and replacing the structures of the St. Mary Facilities will be substantial. It will take a cooperative partnership of all water users in the basin - municipal, tribal, recreational, and irrigated agriculture - to raise the capital necessary to rehabilitate the aging structures that deliver water to the Milk River Basin. The partnership must also include state and federal governments. Without significant federal and state funding assistance, local governments and water users will never be able to afford the repairs.

C.5 Politics, Environment and Legalities

In addition to the huge monetary cost, rehabilitating the St. Mary Facilities will involve complex political and legal considerations. The USBR and US Fish and Wildlife Service studies indicate that the St. Mary diversion facilities are having a negative impact on the bull trout (*Salvelinus confluentus*), which is listed as a threatened species under the Endangered Species Act. Rehabilitation of the system will involve two Federal Indian Reserved Water Right Compacts. The Fort Belknap Water Rights Compact is predicated on the continued viability of the St. Mary Facilities to deliver water to the Milk River Basin. The Compact is a delicate negotiated balance of water rights, including the Gros Ventre and Assiniboine Tribes' right to essentially all of the natural flow of the Milk River, subject to the claims of the Blackfeet Nation. The St. Mary

Facilities are located on the Blackfeet Indian Reservation. The State and the Blackfeet Tribe have negotiated a water rights compact that includes claims for water from the St. Mary and Milk rivers. The Blackfeet Tribe must be consulted on any rehabilitation of the St. Mary Facilities.

With the cooperation of all parties, the rehabilitation of the Saint Mary Diversion will allow the Milk River Irrigation Project to continue to supply the lifeblood of North Central Montana. This lifeblood will allow all communities, Indian, non-Indian, agricultural, environmental and main street businesses to prosper through cooperation.

C.6 Costs

2006 repair/replacement costs were estimated to be \$120 million. Subsequent work and estimates by Bureau of Reclamation (BOR) has increased that to \$205 million. This appropriation would be used to update existing engineering studies and costs, and then seek federal funding. The nexus for federal funding is the Fort Belknap Water Compact, which is contingent on continued delivery of water to the Milk River Drainage from the St. Mary Diversion. Economic studies are available showing Cost/Benefit Analysis.