



FROM THE NORTH DAKOTA STATE WATER COMMISSION

## Water Commission Developing Economic Analysis and Life Cycle Cost Analysis Guidelines For Water Projects

During the 2017 Legislative Assembly, lawmakers passed House Bill 1020 – the State Water Commission’s budget bill. Section 21 of that bill provided for a new section of North Dakota Century Code in Chapter 61-03, as well as related definitions in Chapter 61-02.

The new law requires the State Engineer to “develop an economic analysis process for water conveyance projects and flood-related projects expected to cost more than one million dollars, and a life cycle analysis process for municipal water supply projects.” In that legislation, water conveyance projects were defined as “any surface drainage works, bank stabilization, or snagging and clearing of water courses.”

In discussions leading up to the passage of HB 1020, Legislators expressed an interest and a need for more closely identifying the state’s return on investments in water development infrastructure. By developing an economic analysis process for certain types of projects, the State Water Commission will be better positioned to identify projects that will provide a positive economic return to the state.

Similarly, the new law requiring the development of a life cycle cost analysis process will enable the state and project sponsors to identify a more complete picture of

water supply project costs – from planning and design, to construction, operation, and even decommissioning. This is expected to eliminate surprises for project sponsors who start down the road of developing a water supply project, but maybe don’t completely account for all costs that they may incur over the life of the project.

To comply with the 2017 legislation, the Water Commission has contracted with HDR to assist the agency in drafting economic analysis and life cycle cost analysis guidelines. In addition, the agency and HDR are also working on a fillable platform that project sponsors and the agency will be able to access to assist with more rapid assessments of projects. Both the guidelines and the fillable platform are being developed with two key goals in mind: 1) ease of use; and 2) defensible and useful for the agency and decision-makers tasked with funding-related decisions.

As a first step in the process, the Water Commission and HDR held two workshops in early November – inviting a broad spectrum of stakeholders who ultimately will use, and be subject to requirements related to the economic analysis and life cycle cost analysis processes. The workshops were an opportunity for stakeholders to provide valuable input to the agency. Additional opportunities for feedback will also be provided as the processes become more refined. In the end, that feedback will help the Commission develop guidelines and a fillable platform that will be simplified, yet accurate and beneficial.

As required in statute, the Water Commission is expected to have the economic analysis and life cycle cost analysis guidelines in place before the end of the current biennium, which concludes June 30, 2019.



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