



Explorer

Lewis & Clark
REGIONAL WATER SYSTEM

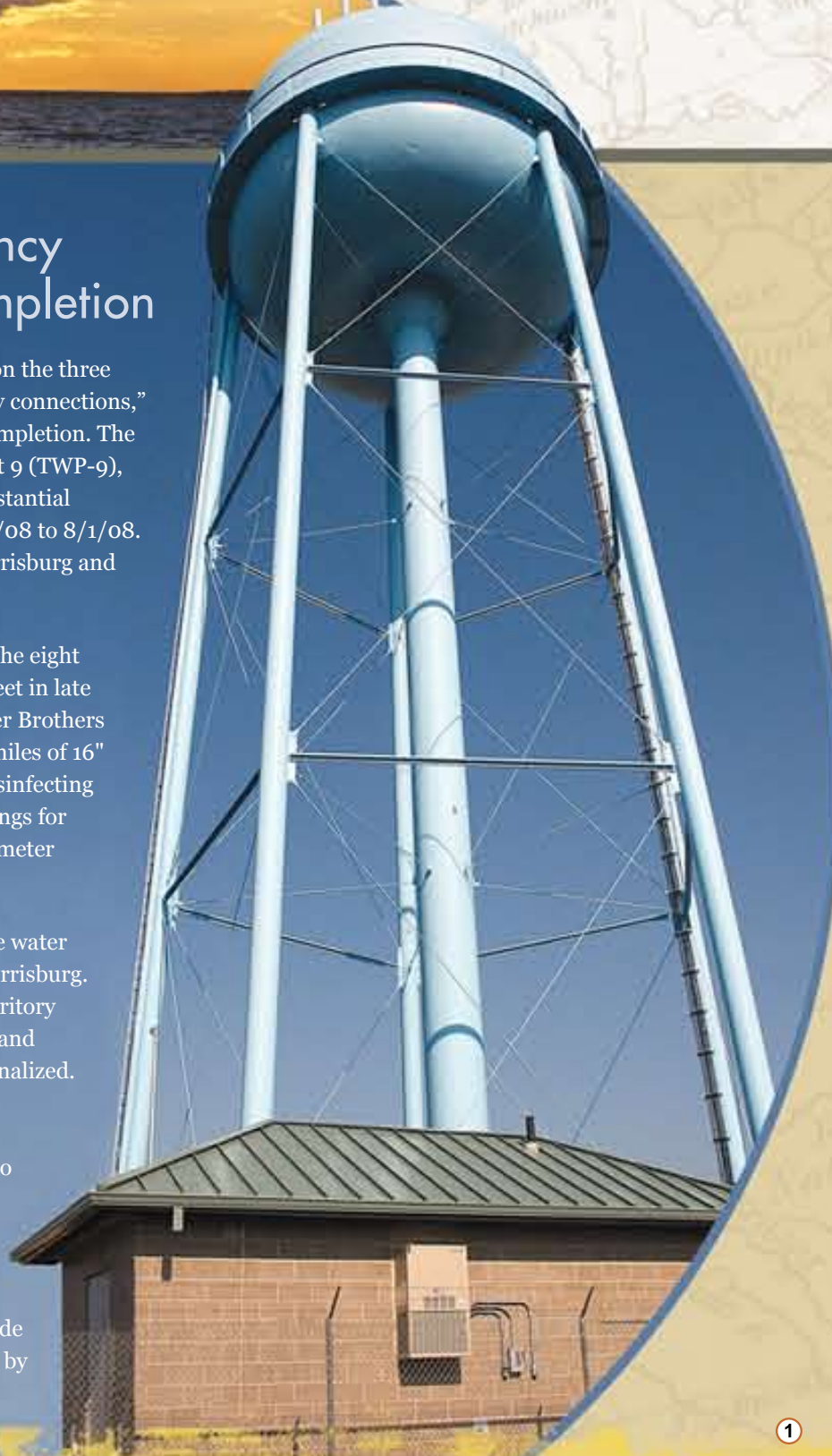
SUMMER 2008

Harrisburg & Tea “Emergency Connections” Nearing Completion

Unusually wet weather this spring slowed construction on the three separate projects for the Harrisburg and Tea “emergency connections,” but construction is now progressing well and nearing completion. The three projects include Treated Water Pipeline – Segment 9 (TWP-9), the service lines and meter houses. The deadline for substantial completion on the three projects was extended from 7/1/08 to 8/1/08. With the wet weather though, the water demands in Harrisburg and Tea have been lessened.

On TWP-9, SJ Louis Construction completed installing the eight and a half miles of 36" and 30" steel pipe along 85th Street in late June and is in the process of disinfecting the pipe. Winter Brothers Underground completed installing the three and a half miles of 16" PVC service lines in early July and is in the process of disinfecting the pipe. Gridor Construction has constructed the buildings for both meter houses (see photo at right of the Harrisburg meter house) and is now testing the equipment.

The Lewis & Clark (L&C) Board in late July approved the water purchase/sales agreements with Sioux Falls, Tea and Harrisburg. However, the separate agreements relating to service territory among Lincoln County RWS (LCRWS), Sioux Falls, Tea and Harrisburg, to which L&C is not a party, are still being finalized. As a result, it is unlikely water will begin flowing until September. When operational, L&C will purchase up to one million gallons a day from Sioux Falls and re-sell it to Harrisburg and Tea (500,000 gallons each). LCRWS, who is the current provider of water to those communities, will receive a portion of the proceeds in fulfillment of previous contractual obligations. Utilizing its existing connections, LCRWS will also provide water to those communities above the amounts received by L&C if needed.



Chairman's Report - Red Arndt



Federal funding continues to be a roller coaster ride of highs and lows. Fortunately, we're now heading up with the great news that the House and Senate Appropriations Committees approved funding increases. The House Appropriations Committee in late June included \$25M for Lewis & Clark (L&C), an increase of \$2.7M over last year's House number. The Senate Appropriations Committee in early July approved \$30M, an increase of \$2M over last year's Senate number. This comes after the disappointment in February that L&C was not included in the Administration's FY09 Budget.

Given our dismal starting point and

an ever-tightening Federal budget, these increases were a "heavy lift" and demonstrate not only the incredibly strong support and leadership by our entire congressional delegation, but also how important it is to complete this critically needed project in a timely manner. We cannot thank our elected leaders enough. Their hard work across state lines and party lines has put us in a strong position as we continue to work toward the funding needed to keep construction on schedule. The pre-payments made by the members and the three states, as well as the good progress being made with construction and persistent lobbying efforts by The Bockorny Group and project leaders,

no doubt helped our congressional delegation make the case to their colleagues for increased funding.

We are sitting in better shape than last year, but we have a long way to go. With the Presidential election it is unknown when or even if the budget will be passed. Congress may instead pass a year-long Continuing Resolution that could hold spending at last year's level (\$26.5M). We'll have to wait and see how it all plays out as the roller coaster rolls on.



Annual Membership Meeting

Over 160 people attended the 18th Annual Membership Meeting in Sioux Falls on 5/29. Special guests included Senator John Thune and Congressman Tim Walz. Citing the impacts of inflation, Thune said, "I will press very hard for adequate funding...the longer we wait the more expensive it becomes." He noted "it is really important the project be completed in a timely way to ensure we're using the taxpayers' money as efficiently as possible." Thune concluded, "I hope we can get it done sooner rather than later, but we will get it done."

Walz called Lewis & Clark (L&C) "an example of good government" in terms of the need for the project and the unique cooperative effort among the Federal government, three states and 20 local members. He commended the members for pre-paying their share of the project, which he said "is basically unheard of" and "took a lot of courage and vision." Calling the Federal government's commitment "an investment in the future," Walz said with the expanded economic development opportunities the project will provide, "we know we'll get this investment back many times over." He concluded, "you have my unwavering support until we get this done." Video taped messages of support and encouragement were shared from Senators Chuck Grassley and Norm Coleman.

Greetings were also shared from the staffs of Senator Tim Johnson and Representatives Steve King and Stephanie Herseth Sandlin.

During his remarks, Chairman Red Arndt noted the good progress made this year. When considering the challenges the project continues to face from time to time, he reminded everyone of the huge obstacle L&C overcame in getting the project authorized in the first place. "I have faith it'll get done," he said. Executive Director Troy Larson provided an update on the project's construction and funding. The following directors were re-elected to another three year term; Ben Bjordal (Centerville), Dan Cook (Rock County RWD), Scott Hain (Worthington), Jim Hoye (Rock Rapids), Murray Hulstein (Sioux Center), Glen Wollman (Parker) and Scott Wynja (Sheldon).



Construction Update

The unusually wet weather this spring slowed construction, but the contractors are now making good progress. In addition to the three “emergency connection” projects (see story on page one), below is an update on the other projects underway.

Treated Water Pipeline – Segment 6/7A:

As of early August, SJ Louis has installed seven miles of 54" pipe on this 11 mile segment of the main trunk line in northern Clay County (see photo of pipe laid out below). The deadline for substantial completion is 11/1/08.

Treated Water Pipeline – Segment 8/7B:

The \$30.7M contract for this 11 mile segment of the main trunk line was awarded in late May to the low bidder, Don Kelly Construction, who has offices in Bozeman, MT, and Tucson, AZ. In late July, the Court ruled in Lewis & Clark’s favor on a bid protest that was filed. Pipe installation is planned to begin in early August.

Continued on page 6



The last section of 16" pipe being installed on the Harrisburg service line.



Well house at Mullberry Point.



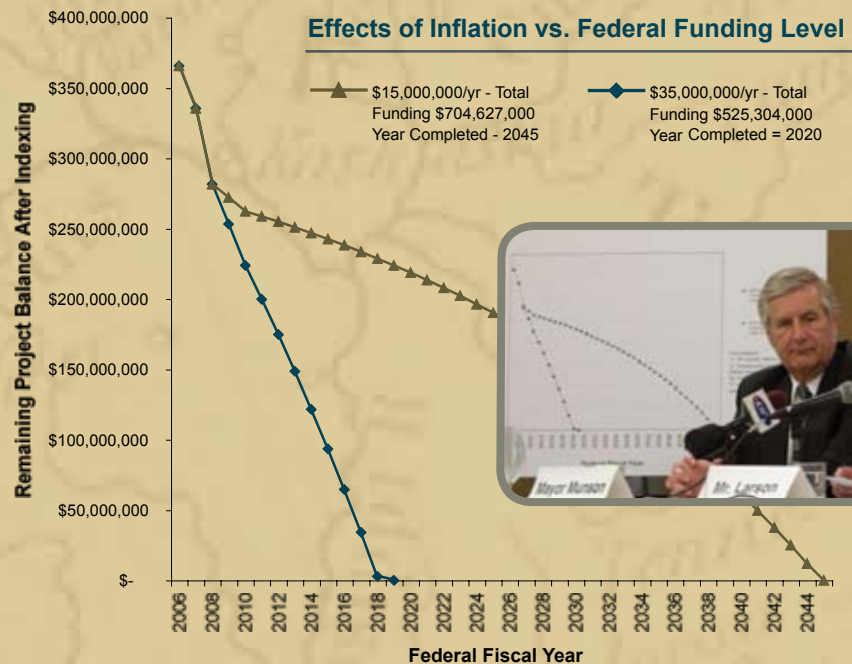
Executive Director's Report - Troy Larson

The Senate Water and Power Subcommittee held a Field Hearing in Sioux Falls on 5/27. Senator Tim Johnson chairs the Subcommittee and was joined by Senator Jon Tester of MT. The hearing focused on the status of rural water projects under construction in SD, MT and ND – with Lewis & Clark (L&C) and Mni Wiconi being the main focus. Mike Ryan, the Bureau of Reclamation's Regional Director in Billings, was a witness. Johnson expressed his frustration with the Administration's inconsistent funding for L&C. He said, "There is no rhyme or reason on how a project is funded. L&C received \$15M one year and the next year nothing...I don't understand the Administration's priorities at all." Johnson asked Ryan if he felt L&C and other projects are a priority. Notwithstanding the ever decreasing funds available to Reclamation for water projects, Ryan said they are a priority and that "the need is great for systems that have been authorized to date." In his remarks, Tester noted "water is the most important issue facing the West. These projects will not be completed if not funded completely...if we can get people within the bureaucracy to see firsthand what is going on, it makes our job easier." Tester further remarked that "some of these funding levels aren't keeping up with inflation. If funding levels stay where they are, these projects will never get done."

Sioux Falls Mayor Dave Munson and I testified on the importance of L&C to the City and region for continued growth and economic development (see photo below). We also highlighted that the longer it takes to complete the project the more expensive it becomes due to skyrocketing inflation and the longer critical water needs go unmet. I shared the members' frustration with not being included in the Administration's budget, especially when they had just stepped up to the plate by pre-paying their share of the project, in many cases a decade or more before they'll see a drop of water. In terms of how it impacts long-range planning, I said we're spending a lot of

time and money developing contingency plans based on various funding scenarios - money that could otherwise be spent putting pipe in the ground.

The hearing was an excellent opportunity to re-emphasize the importance of the Federal government adequately funding its priorities and why L&C should be viewed as a high priority. Below is an updated inflation chart showing how long it will take to complete the project and what the overall price tag is estimated to be at various Federal funding levels (assumes a conservative 4% rate of inflation).



Contract Awarded for First Phase of Treatment Plant

Nine bids were opened on 7/17 for Phase 1 of the Water Treatment Plant (WTP). The Lewis & Clark (L&C) Board subsequently awarded the contract to Foley Company of Kansas City for \$20,844,000. Phase 1 includes a three million gallon underground reservoir, high capacity pumps, electrical building and two standby generators. These are separate structures from the main WTP

building. Work will begin this fall on the site, which is three miles north of Vermillion, SD, along Highway 19. The deadline for substantial completion is 8/1/10.

Phase 2 includes the main WTP building and is expected to be bid in mid-2009. The completion of Phase 2, estimated for mid-2012, will allow L&C to deliver

28 or 34 million gallons a day (MGD) of treated water, depending on the number of filters constructed. Phase 3 would expand the plant's capacity to the originally planned 45 MGD, and will be bid when more water is needed. This is anticipated to be one of the last projects in completing the overall System.

Progress Map



Construction Update - *continued from page 3*

Well Facilities / Bank Stabilization:

Welfl Construction substantially completed the well facilities in early August. This included two well houses, four valve vaults and 2,900' of ductile iron pipe that connects to the raw water pipeline.

As part of the same contract, the one mile bank stabilization project that will protect L&C's primary well field from erosion was substantially completed in late July by Lake Regional Contracting (subcontractor). After sloping the river bank, 55,000 tons of rock revetment was installed, covered with soil and planted with grass and 108,300 trees and shrubs. Logs jutting into the river were also "locked" into place to soften the impact of the current. The National Park Service and Army Corps of Engineers plan to use this project as a model nationwide on how bank stabilization can be achieved using a more environmentally friendly approach.



The last section of well piping being connected to the raw water pipeline.



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