



Lewis & Clark Rural Water System

EXPLORER

PROJECT RECEIVES \$17 MILLION IN FY04 FEDERAL FUNDING

Lewis & Clark Rural Water System received great news in November that a conference committee approved \$17 million in funding for the project. The House and Senate subsequently approved the \$17 million appropriation. The legislation was signed into law by President Bush on December 1st. This is most welcome news, especially considering how far the project has come this past year.

There were many ups and downs during 2003, but the project certainly ended the year on a positive note. At a press conference with Senator Tim Johnson announcing the funding, Chairman Charlie Kuehl joked, "It has been quite a roller coaster year. At my age I can't take too many more wild

rides like that. Some days it felt like the 'big one' was coming on." Johnson noted the strong biparti-

Troy Larson each thanked our tri-state elected leaders for everything they've done for the project

this past year. "We couldn't have done it without them," said Larson.

The \$17 million (before under-funding) will be used in 2004 to construct a number of critical project components, including completion of the



Sioux Falls Mayor Dave Munson; Don Habicht, Worthington; Red Arndt, Laverne; John Buss, Minnehaha CWC; Chairman Charlie Kuehl, South Lincoln RWS; Senator Tim Johnson; Murray Hulstein, Sioux Center; Dave Odens, Banner Associates and Executive Director Troy Larson.

san effort it took from the elected leaders in South Dakota, Iowa, and Minnesota to secure the funding. He said, "This funding will provide serious momentum for construction," and pledged to continue fighting for project funding. Sioux Falls Mayor Dave Munson also participated in the press conference. Noting that all the members are in this together, Munson reflected on the importance of this vital water project not only to Sioux Falls' economy, but the entire region. Kuehl, Munson, and Executive Director

raw water pipeline, and portions of the treated water pipeline in South Dakota and Iowa. In South Dakota, the first portion of treated water pipeline will be between Minnehaha Community Water Corporation's connection on the west side of Sioux Falls to Tea and possibly Lennox. Sioux Center to Hull will be the first segment of pipeline constructed in Iowa. These first segments of pipeline, known as "emergency connections," create the opportunity for Lewis & Clark to buy and sell water in order to address

...continued on page 5

FEATURE ARTICLE

Read a summary regarding the economic impact of the Lewis & Clark Rural Water project for the region on page 3.

CHAIRMAN'S REPORT



Charlie Kuehl

2003 was certainly a cross-roads year for the Lewis & Clark Rural Water System. It felt like we were on a wild roller coaster ride for most of

the year. We started the year with a series of challenges, but finished with a number of victories. The highlights included the restoration of most of the \$5 million that had been cut from our FY03 funding, our successful

groundbreaking ceremony, first construction activity, and securing \$17 million in FY04 funding. These successes have given the project a great deal of momentum as we move forward with construction.

The foundation of Lewis & Clark continues to be the strong bi-partisan support from its state and federal leaders. I've said this many times before, but it proved especially true this year. Senators Daschle, Johnson, Grassley, Harkin, Dayton, and Coleman, along with Congressmen King,

Gutknecht, Janklow, and Kennedy, and Governor Rounds really stepped up to the plate. It is because of their strong leadership and steadfast support, along with the determination and resolve of the membership, that I'm so optimistic about the future of Lewis & Clark.

To each of you reading this newsletter, a special thank you for everything you have done and continue to do to ensure the success of this project. On behalf of the Board of Directors, I wish all of you a Happy New Year.

CONTRACTS AWARDED

Lewis & Clark recently awarded a number of contracts. The contract for the first segment of the raw water pipeline was awarded to Winter Brothers Underground of Sioux Falls with the low bid of \$1.85 million, which was below the engineers' estimate. This first segment will primarily be 48" steel pipe (the second and third segments increase to 54" diameter). The contract calls for work to be completed by September 30, 2004. Winter Brothers anticipates starting construction this spring.

As a result of Lewis & Clark changing its construction schedule to implement a "tri-state phased design," it became necessary to accelerate the land acquisition process. It was determined that the most efficient and effective way for that to be done was to acquire professional right-of-way and appraisal services from outside firms. There was interest from literally across the nation to provide these services. With so many qualified and experienced firms submitting proposals, it made for some very difficult decisions. In the end, working closely with Reclamation officials, the decision was made to hire Allen, Williford, & Seale out of Houston to pro-

vide the appraisals. Graham Land Acquisition Associates from Nevada, Iowa, was selected to provide the right-of-way and review appraisal services. Both firms bring a great deal of experience and expertise to the project, and are welcome additions

to the team. They began work on January 5 and have set up offices in Sioux Falls.

With these additions, Terry Pellman's position has transitioned from being an in-the-field land agent to more of a management role.



Connie Williford with AW&S,
Jim Graham with GLAA, and Terry Pellman

While Terry will continue to have some direct contact with landowners, including finalizing the easements for the raw water pipeline, as Land Acquisition Coordinator he will primarily be responsible for the day-to-day coordination and planning of the four land acquisition components - legal, engineering, right-of-way, and appraisals.

ECONOMIC IMPACT ANALYSIS

HDR Engineering recently completed an Economic Impact Analysis of the Lewis & Clark project. The primary focus was calculating the financial impact of the project in terms of jobs and tax revenue generated by the construction of the pipeline, as well as the ongoing operation and maintenance of the system once it's completed. It also identified areas of potential economic development as a result of having a source of quality, dependable drinking water.

Construction Impact:

Project construction will have a large financial impact to state and local governments. Depending on federal funding levels, it'll take roughly twelve years to construct the project. The 2003 estimate for project construction is \$384.4 million. The percentage of federal funding allocated to this project will generate new tax revenue from a number of applicable sources, including the fuel tax, direct sales/use tax, sales tax on personal spending, contractor's excise tax, and state income tax. Based on the federal component of project expenditures, it's estimated that the economic impact to the region from construction of the project will total \$374 million, which includes the creation of 266 construction jobs a year on average, or 3,730 jobs over the lifetime of the project. Of these figures, approximately 72% of the impact will be realized in South Dakota, with 17% in Iowa, and 11% in Minnesota. The three industry sectors receiving the greatest benefit from construction costs include: construction; retail trade; and professional, scientific, and technical services.

Operation and Maintenance Impact:

The direct impacts of on-going O&M of the system will also have a significant economic impact. For each year of operation, the direct output for O&M will total \$4.4 million, and

direct labor income will be approximately \$1.2 million. This includes the creation of 34 permanent jobs, plus an additional 40 indirect jobs. The three industry sectors receiving the greatest benefit from O&M costs include: utilities; construction; and professional, scientific, and technical services. The water treatment plant, well fields and administrative offices will be located in South Dakota. As a result, most of the O&M impact will be felt in South Dakota.

culture, the project will also have a large indirect impact on the farmers and ranchers of the region.

The project means growth by allowing new homes and businesses to be built that might not otherwise be served with water. The impact of this growth varies from community to community. One example is the City of Sioux Falls. In 2003, the construction value of building permits issued alone totaled \$346.6 mil-

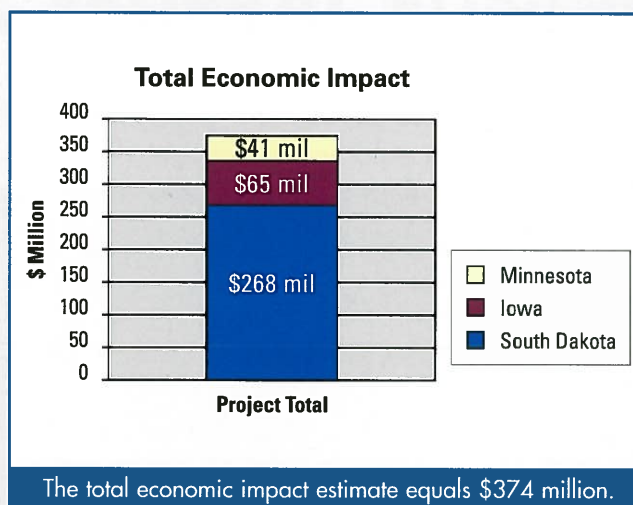
lion (not including federal and state projects). This does not include other indirect impacts. Without additional water, by 2012 this growth comes to a halt. Other members face similar constraints.

In terms of quality of life, in addition to having jobs and homes, a quality source of drinking

water promotes healthier lives and reduces the chances of water restrictions during drought conditions. For some communities, it also means they will no longer need to replace or maintain outdated water treatment facilities, which will result in sizeable cost savings that can be used for other improvement projects.

It is for all these economic development reasons that the project was developed in the first place. The bottom line is that Lewis & Clark will have an enormous financial impact on the region.

For those interested in seeing a summary of the Economic Impact Analysis, please call the Lewis & Clark office for a copy, or view it on the Lewis & Clark website at www.lcrws.org.



Economic Development Impact:

It has been said that not since the interstate highways were built has this region seen a project that will have as significant an economic development impact as Lewis & Clark. While economic development is the biggest benefit of the project, it's also the hardest to quantify. In the simplest terms, water equals jobs, growth, and quality of life. Being able to provide additional water to existing industries and providing water to new industries, will both preserve and create jobs. Industries that use the most water typically involve value-added agriculture. These "wet industries" could include ethanol plants, soybean processing facilities, or food processors to name just a few. Because of the importance of water to value-added agri-

MEMBER PROFILE: BERESFORD

Located in southeast South Dakota, on the line dividing Lincoln and Union counties, Beresford is a city on the move. With the community recently reaching a population of over 2,000, Beresford was designated a "Class A" member and given a seat on the Lewis & Clark Board. Dan Cotton was elected this past February to serve a three year term (with the recent by-law change, the class system was eliminated and all members now have a seat on the Board).



Dan Cotton

Retired from Cotton Chevrolet, Dan is a native Beresford Watchdog and has served at different times on the city council for about 34 years. On September 15th, Dan was appointed by his fellow council

members to serve out the remaining term of mayor.

Beresford has reserved 800,000 gallons a day from Lewis & Clark. Although the city has adequate water supplies at this point, it has an eye to the future. Beresford's water treatment facility is over 40 years old and needs to be replaced in the near future. It's the goal of city leaders to eventually eliminate this facility when the treated drinking water from Lewis & Clark arrives. This will not only save the community the cost of replacing the treatment facility, it will also save the annual operating and maintenance cost.

The city has seen the recent additions of a number of new businesses and industries, such as Slumberland and Quality Park Products. With this recent growth, Beresford has purchased 100 acres for a second industrial park. In addition, it's in the process of expanding its golf course and adding lots for roughly 75 homes and 30 multi-family dwellings. The water from Lewis & Clark will help ensure there is an adequate and affordable water supply for its new businesses, industries, and residents.

EXECUTIVE DIRECTOR'S REPORT

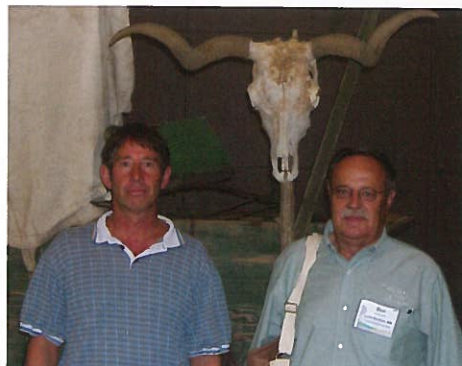
Lori Seten and I attended the National Rural Water Association's Technical Conference in Oklahoma City in October, along with officials from Lewis & Clark's six rural water systems. It was a very informational and educational conference. Lori and I are

implementing some ideas from the conference, including overhauling the website and establishing an accounting manual.

Shortly after receiving the great news about our \$17 million in FY04 funding, we started working on next year's request. Working closely with our engineers, we determined we need \$35 million in FY05 federal funding. The President's budget will be released to Congress in February. The subsequent appropriation request from Congress will be submitted this spring. In the past, the South Dakota representative has usually taken the lead on the appropriation request in the House. With Congressman Janklow's recent resignation, we are counting on the continued support from Congressmen King and Gutknecht, and our other friends in the House, to help fill in the gap during this transition. We are planning a trip to Washington, D.C. in late February to visit with our congressional leaders about this and other project issues.

I join with Lewis & Clark's directors in thanking Congressman Janklow for everything he did on our behalf, including helping to restore our FY03 funding cuts. He was a strong advocate of the project and will be

missed. Our best wishes to him and his family.

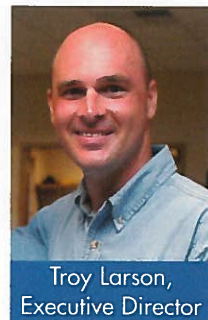


Oklahoma is OK!
Director Dan Cook, Rock County RW and
Director Don Evers, Lincoln-Pipestone RW.

The Administration previously committed to providing a combined \$18 million in FY05 for Lewis & Clark and Perkins County RWS. Our elected leaders will fight hard on our behalf, but with our need for \$35 million, we're anticipating a funding shortfall. To help keep con-

struction on schedule and reduce inflationary costs, we continue to work on a supplemental financing plan whereby bond funds would be used to make up any funding shortfalls. If the bond plan receives approval from the members and their respective councils and boards, a portion of our future federal grants would be used to retire the debt. Lewis & Clark would essentially be borrowing against its future federal grants, not replacing the federal funding. As of September 30, 2002, the federal appropriation ceiling was \$295,403,000, and is indexed each year for inflation. The federal government has committed to providing this amount to Lewis & Clark, but not to a regular funding schedule. This bond plan would help remove some of the funding level uncertainty.

2003 was a very busy and exciting year, and we made a lot of progress in our journey. 2004 promises to be more of the same. God bless.



Troy Larson,
Executive Director

Happy New Year!
2004

ENGINEERING NEWS AND NOTES

By David Odens, Project Engineer

The pace of activities on project design and construction continues to increase. Highlights of current activities are summarized as follows.

1. Production Test Well at Site D -

Layne-Western has completed the construction and testing of the angled well. The well was tested at a rate of 2,200 gallons per minute and it appears to be capable of operating at that rate. The aquifer conditions encountered during drilling permitted a change to a larger diameter screen and naturally packed well in lieu of installing gravel pack. This increased the anticipated well capacity by over 30%. The net change in contract amount due to the changes was a reduction of over \$2,000.

2. Raw Water Pipeline (RWP) -

The contract for the construction of the first segment of the RWP has been awarded to Winter Brothers Underground of Sioux Falls. They are planning to submit the shop drawings for the pipe and valves this winter and plan to start installing pipe this spring. The plans for the second and third segments of the RWP were reviewed by a Value Engineering (VE) Team in November. The team offered several suggestions for modifications to the design that could reduce the costs. Those

suggestions that would provide a savings without reducing the capacity of the pipeline were also incorporated where appropriate into the final design of the first segment of the raw water pipeline.

3. Water Treatment Plant and Treated Water Pump Station -

Design activities on the treatment plant, associated clearwell and pumping station, and related site improvements began in January. The design activities planned for 2004 will develop the plans and specifications and design documentation necessary for the Value Engineering review of the proposed facilities. We are anticipating delivery of the documents for the VE team in early 2005, to permit a VE review study in February or March of 2005. Following the VE review, the design team can proceed with development of the final design and documents necessary to advertise and bid the project. The water treatment plant construction is being designed for completion by 2010, but that schedule will depend on funding levels.

4. Design of Treated Water Pipelines for Emergency Connections -

The design team is proceeding with the design of the treated water pipelines for the emergency connections between Sioux Center and Sheldon, and between Minnehaha Community Water Corporation and the communities of Tea and Lennox. These emergency connections, which are planned for bid in 2004, will provide the opportunity for a short-term solution to critical water needs by allowing members to exchange water until Missouri River water

arrives. An emergency connection in Minnesota is being planned for 2005. As the plans are being developed for the pipeline, route changes have been identified that have resulted in cost savings.



The VE Study in the Lewis & Clark Board room. Clockwise from top: Ted Hall, Bruce McCollum, Norman Hyndman, Jame Todd, Jim Cavalli, Richard Furst and Richard Newell.

...Federal Funding continued from page 1

members' immediate water needs until Missouri River water arrives. The emergency connection in Minnesota is now being planned for 2005.

In other federal news, the Office of Management and Budget approved Lewis & Clark's Final Engineering Report (FER) in



Federal funding announcement: Mayor Dave Munson, Senator Johnson, Charlie Kuehl, and Troy Larson.

November. This is great news. The FER has since made its way through the signature process at the Bureau of Reclamation and the Department of Interior, and is now awaiting the final step of a congressional review. Congress previously approved the FER, so this is a mere formality. The reason the FER's approval is so important is that no federal funds can be spent on construction until the final approval is received.

On the state level, the focus is on securing continued funding from the South Dakota, Iowa and Minnesota legislatures, which are now in session. Lewis & Clark isn't taking anything for granted, but things look very positive in each state.

Lewis & Clark Rural Water System Staff:

Troy Larson
Executive Director
tlarson@lcrws.org

Terry Pellman
Land Acquisition
Coordinator
tpellman@lcrws.org
Phone: 605.336.8688
Fax: 605.336.8696

Lori Seten
Office Manager
lseten@lcrws.org

* Please Recycle This Newsletter!
Pass it on to a Colleague.

SPECIAL MEMBERSHIP MEETING

A Special Membership Meeting was held on November 20 to vote on five by-law changes, which were approved.

The first change eliminated the class structure of the membership, which now gives every member a seat on the Board. 20 of the 22 members already had seats on the Board, so this has the net effect of adding two more directors. Mary McClung, the finance officer for Harrisburg, and Lori Wolkow, the city administrator for Boyden, were later elected to serve on the Board. Both have been attending the meetings in the past, so they are very familiar with the project and have already hit the ground running. It's great to move them up from the "peanut gallery" to the table.

Another by-law change involved allowing the Board to delegate certain authorities and responsibilities. In the

past, the Board could only empower the Executive Committee. With the increased construction activity and the Board only meeting once a month, it is important for the

Board to be able to authorize the other committees, such as the Construction Committee, to take specific actions on its behalf.

Adding two "At-Large" positions to the Executive Committee was the third by-law change. The other committees have six members, but the Executive Committee only had four. With the pace of activity increasing and this committee meeting more frequently, it is important to have the added help and input. Don Habicht from Worthington and Kevin Smith from Sioux Falls were later elected to these positions by the Board. They join Chairman Charlie Kuehl, Vice Chairman Red Arndt, Secretary Murray Hulstein, and Treasurer John Buss.

The last two by-law changes were housekeeping items that modified the notification requirements for the annual meeting and special membership meetings.

