



\$17 Million of Construction to Begin This Spring

A \$6,673,743 contract was awarded in November to SJ Louis Construction of Waite Park, MN, on segment four of the treated water pipeline (TWP-4). SJ Louis was also the contractor on segment one of the treated water pipeline. TWP-4 is just over six miles of 36" diameter steel pipe located west of Sioux Falls, and will run from 12th Street north to Benson Road. This segment will provide water to Sioux Falls, and ultimately will connect with Madison.



St. Louis Construction works on a joint on TWP-1 west of Sioux Falls.

As previously mentioned, a \$10,306,324 million contract for segments two and

three of the treated water pipeline (TWP-2 and 3) was awarded in September to High Country Pipeline of Penrose, CO. High Country was also the contractor on two of the raw water pipeline segments. TWP-2 and 3 includes seven miles of 54" diameter steel pipe. It will run from south of Tea to south of Lennox, and is part of the main trunk line between the treatment plant near Vermillion and Sioux Falls.

Construction on both contracts is planned to begin this spring and be substantially completed by the end of this year.

Lewis & Clark Requests \$53 Million for FY07

For FY07, Lewis & Clark has requested \$53 million in federal funding, which matches its construction capabilities. L&C officials were honored to host three meetings in December with

Senators Tim Johnson and John Thune (SD) and Representatives Gil Gutknecht (MN), Steve King (IA), and Stephanie Herseth (SD) to discuss this funding request and provide them with an update on construction activities. The first step in the budget process is to urge the Administration to increase the funding level for L&C in its FY07 Budget. L&C officials stressed that continued federal funding shortfalls cause two main problems--the longer the project is delayed the more expensive it becomes due to inflation

and critical water needs will not be met in a timely manner (see story on page 4).

In Sioux Falls, Johnson and Thune met together with a large group of L&C directors, mayors, and other officials on December 5, and Herseth met with the same group on December 22. Gutknecht and King met jointly with more than 50 officials in Worthington, MN, on December 29. At these meetings, city and rural water system officials emphasized the water challenges being faced and the

Congressional Leaders - continued on page 3



Senators John Thune and Tim Johnson

Kuehl Receives the “Friend of Rural Water Award”

Chairman Charlie Kuehl was honored with the prestigious “Friend of Rural Water Award” at the SD Association of Rural Water System’s annual conference in Pierre in January. This award recognized Charlie for his long-time leadership and dedication to the development of rural

“I have always had a passion for rural water and how its impacts will be felt for generations to come.”

—Chairman Charlie Kuehl

water through his work with South Lincoln RWS and Lewis & Clark RWS. Past recipients of this award have ranged from Senators and Governors to Federal and State agencies.

Charlie was unable to attend for health

reasons. As many know, he has been courageously battling lung cancer for the past several months. The effects of the chemotherapy make it difficult for him to travel. He greatly appreciates the many prayers and well wishes he continues to receive.

In receiving the award on his behalf, South Lincoln’s John Sievers shared some heartfelt remarks about how Charlie has always been there for him, and L&C’s Troy Larson read prepared remarks from Charlie, a portion of which follows:

“Whether it has been my work with South Lincoln or Lewis & Clark, I have always had a passion for rural water and how its impacts will be felt for generations to come. There is something about the correlation of water and how it sustains and improves life and that gets into a person’s blood. I am pleased to have



Charlie Kuehl

played a role in helping bring these two rural water systems to where they are today. It has kind of been like watching your kids grow up. Along the way, I have made many friends and worked with a lot of great people. To each of you, my sincere thanks for being a part of this wonderful journey.”

Congratulations, Charlie, on this well deserved honor!

Congressional Leaders Make Funding Case to OMB

In support of Lewis & Clark’s request for \$53 million in the FY07 Budget, congressional leaders held conference calls with Office of Management and Budget Director Josh Bolten and sent letters to the White House. The Administration’s budget will be released in early February.

Senators Tim Johnson, John Thune, and Congresswoman Stephanie Herseth held a joint conference call with Bolten on December 15. On December 23, Congressmen Gil Gutknecht, Steve King, and Mark Kennedy also had a joint conference call with Bolten.

In both conference calls, the congressional leaders outlined the consequences of continued federal funding shortfalls for the project, and stressed the importance of the Administration increasing funding for L&C in order to ensure that critical water needs are met in a timely manner and to keep the project’s price tag from spiraling upward due to inflation. They also pointed out that those benefiting from the project are helping foot the bill.

Of their own accord, Johnson, Thune, and Herseth pledged to Bolten that if the Administration increases its funding level for L&C, they in turn would agree not to authorize additional water projects. They said Bolten was “receptive” to this offer.

One of the questions Bolten asked Gutknecht, King and Kennedy, as well as the Bureau of Reclamation, was whether the past easement delays L&C has experienced would impact its ability to use the full \$53 million requested. Troy Larson, L&C’s executive director, provided an easement report to these

congressional leaders and Reclamation that shows right-of-way acquisition will in no way impact the use of L&C’s FY06 funding, let alone FY07 funding. These congressional leaders and Reclamation in turn provided this update to Bolten.

The congressional leaders each felt the conference calls were productive, the timing was good because the budget had not been finalized, and that Bolten appreciated their calls and input. Although Bolten did not make any commitments, he indicated he understood the points they were making.

In addition, L&C’s six Senators, including Chuck Grassley, Tom Harkin, Mark Dayton, and Norm Coleman, sent a joint letter to the White House in support of L&C’s \$53 million request. The four above mentioned House leaders also sent a joint letter of support to the Administration.

Representatives Gil Gutknecht and Steve King



New Director

the Bureau of Reclamation. Chad has been coming with Bill to the L&C Construction Committee and Board meetings to get up to speed on the project. At the request of the Madison City Commission, the L&C directors appointed Chad to the Board in January to complete Bill's remaining term.

Bill has served on the L&C Board since its inception in 1990 and has been a valuable member of Construction Committee. To say his years of experience have been an asset to L&C would be an understatement. Bill is always willing to ask the tough questions and encourage others to look at an issue from a new perspective. L&C extends its sincere thanks and appreciation to Bill for his distinguished and dedicated service on the Board, and warmly welcomes Chad to the L&C team.

On a sad note, L&C mourned the recent passing of Madison Mayor Royce Hueners. Royce was a strong supporter and advocate of the project, and always willing to help. He will be greatly missed.

Chad and his wife Heidi have four children. His free time primarily revolves around family activities, but is also actively involved in his church and enjoys hunting and playing fantasy football.



Bill Heyer and Chad Comes

After over 30 years as Madison City Engineer, Director Bill Heyer retired this past spring. Chad Comes, a native of Waverly, SD, and a graduate of SDSU, was hired in April. He previously worked for the SD Department of Transportation and

Congressional Leaders continued from page 1

important role L&C plays in their future quality of life and economic development. Each congressional leader voiced their continued strong support for the project, agreed with the need to increase funding in order to provide water in a timely manner and keep the overall cost down, but also pointed out the realities of an increasingly tight budget.

Johnson and Thune offered to make the case directly to Office of Management and Budget Director Josh Bolten (see story on page 2). They also talked about the importance of the

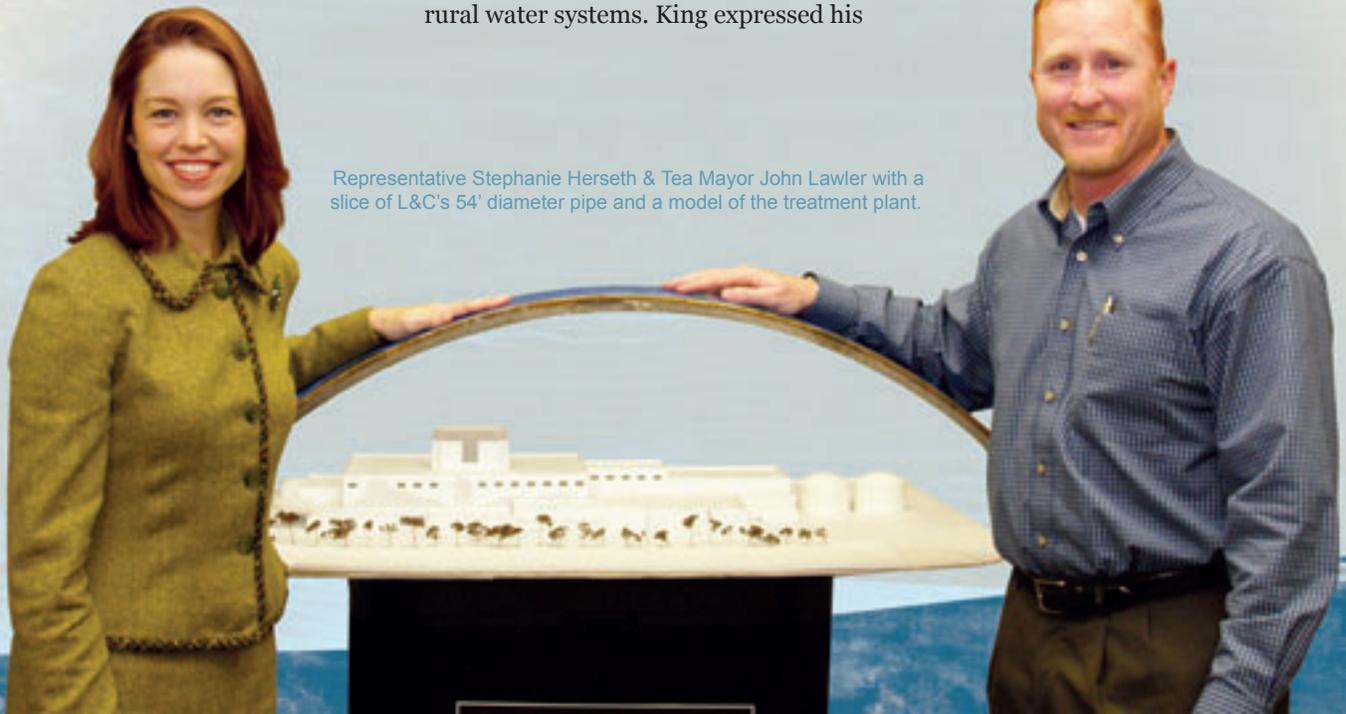
involvement from the Iowa and Minnesota congressional delegations, and that the more heavy lifting they can help with the better. If funding cannot be raised to the level needed to keep the project on schedule, Thune suggested L&C examine "creative, innovative and flexible" alternative funding options, such as bonding, which Johnson echoed.

Herseth talked about the value of getting as many groups and coalitions involved as possible, and that she'll continue advocating the efficiency of L&C providing one solution for the needs of 20 cities and rural water systems. King expressed his

concern that if funding is not substantially increased this year, the current level could become "institutionalized," which makes it harder to increase in the future. In terms of making the case to the Administration and their colleagues for increased funding, Gutknecht summed it up best by saying, "the facts are our friends and we just need to keep telling people the facts."

Everyone involved felt these were very productive meetings. L&C is grateful to the congressional leaders for taking time to meet, and the many people who attended.

Representative Stephanie Herseth & Tea Mayor John Lawler with a slice of L&C's 54' diameter pipe and a model of the treatment plant.



Member Profile ● ● ● Lincoln County RWS

Lincoln County RWS has helped spur a lot of growth and change in its service area through the years. It was organized in 1969 and incorporated in 1971. The System started serving its 350 original members in 1973. Today, it serves more than 2,000 people in northern Lincoln County and part of southern Minnehaha County. The System has a peak demand of 1.4 million gallons a day (MGD) and pumps an average of 900,000 gallons through 230 miles of pipe. Its source of water is the City of Sioux Falls and the Big Sioux Aquifer.

LCRWS joined L&C because of water quantity issues. As the area continues to grow, the System wants to ensure both water quality and quantity for the future. It has reserved 1.4 MGD from L&C.

The System has five employees. Dennis Larson, a native of Wakonda, SD, has been the manager since 1977. He will retire this June after 29 years of service.

Director Roger Lamp is a native of the Elkton, SD, area and an original customer of LCRWS. He joined the board in 1987, has served as its chairman since 1989, and has been a L&C director since 1992.

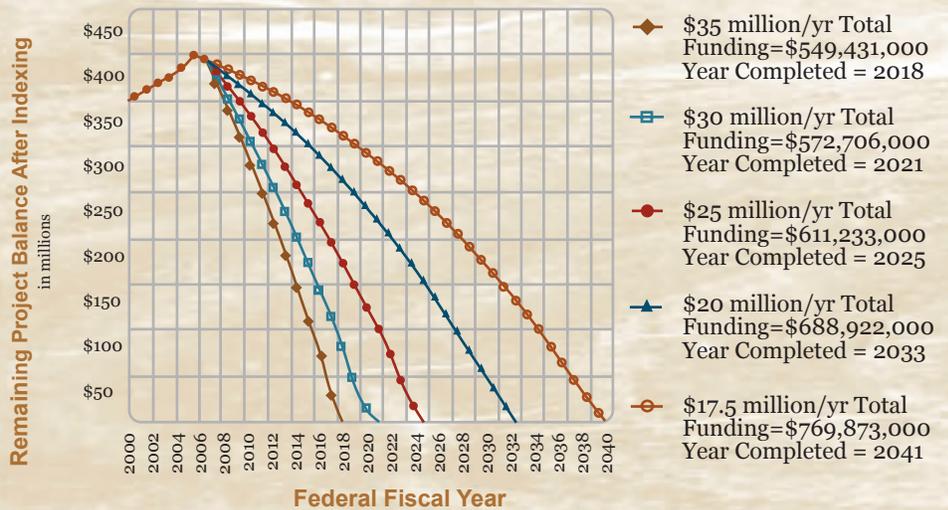
Roger has provided strong leadership to the development of rural water in the area, and says "I have enjoyed the ride." Being a Harley Davidson enthusiast, that says a lot.

Roger and Bev raised two children and are involved with the activities of their eight grandchildren. After he worked for fabricators in the structural steel industry for over 20 years, Roger and Bev started their own drafting and estimating firm in 1984. Roger says "retirement is always on the horizon." Other interests are working on their acreage, numerous local volunteer activities, fishing and traveling.



Roger Lamp

Effects of Inflation vs. Federal Funding Level



Assumptions:
 1. 4% annual inflation after 2006.
 2. Federal grant amount shown is further reduced by 10% to account for underfinancing and recession.
 3. Local and State shares are based on concurrent match of actual net Federal grant amount.

\$17.5 Million Appropriated for FY06

Project organizers were disappointed when notified in November that Lewis & Clark was only appropriated \$17.5 million in federal funding for FY06. This amount was a compromise in the Conference Committee between the House's \$15 million and the Senate's \$20 million. The request had been for \$35 million. There was optimism that the Conference

Committee would at least be able to hold the Senate's number, but unfortunately that was not the case.

With the Mid-Dakota RWS nearing completion, there were high hopes for substantially ramped up funding for L&C. Last year Mid-Dakota received \$17 million. This year they received \$400,000 to wrap up some loose ends. It was anticipated that a good portion of the remaining funds would be re-directed to L&C. Not only did that not occur,

but L&C's appropriation was actually reduced from last year's level of \$18.75 million.

The nation is facing very difficult budgetary constraints, so L&C officials were grateful to receive continued funding that will allow construction to proceed, and thankful for the efforts of its tri-state congressional delegation. However, if the FY07 funding is a trend rather than a one-year aberration, it poses further challenges. Continued federal funding shortfalls would delay meeting the members' critical water needs and increase the project cost due to inflation.

Above is a graph that shows how long it will take to complete the project and what the overall cost would be under different funding scenarios. As you will note, if L&C continues to receive \$17.5 million a year, L&C's engineers estimate it will take 35 years to complete and the appropriation ceiling would be close to \$770 million, compared to today's \$423 million.

Lewis & Clark Rural Water System Staff:

Troy Larson, Executive Director

Lori Seten, Office Manager

Dan Simon, Acquisition Project Manager

Phone: 605.336.8688

Fax: 605.336.8696

tlarson@lcrws.org

lseten@lcrws.org

dsimon@lcrws.org

Web: www.lcrws.org

How can six years and 18 months represent the same time frame? The time line for having well field capacity developed to permit delivery of up to 10 MGD of water for Sioux Falls is now down to six years. The contract obligation is to have the capacity to deliver water in place by January 1, 2012. The work to construct the well field and develop the wells is work that must be accomplished within the limitations on construction activities adjacent to the Missouri River. Environmental constraints limit activities in spring due to potential for nesting of threatened and endangered species. Constraints are also in place for late fall and winter because it is a roosting area for bald eagles. The consequence of these restrictions is that the only time each year when construction can proceed without restrictions is August 15 to November 15. Construction outside those time frames has time of day limitations and requirements for surveys of threatened and endangered species. Recognizing these constraints on our schedule means there are 18 months available for unrestricted construction activities between now and January 1, 2012. This situation makes it necessary to continue our focus on getting construction plans and specifications

ready for development of wells each year between now and 2012. At this point, two test wells and one production well are in place.

Well design work currently in progress will provide the plans and specifications for bidding additional production wells this summer at Sites C and D on Mulberry Point. The raw water main line in this area has been constructed and pressure tested. Preliminary pump testing at sites B and D have provided the design parameters needed to design the wells at each of those sites. There may be as many as five additional wells at sites C and D. One angle well has been constructed at Site D and additional angle wells are planned. The well design work includes the design of the actual well, including well screen, casing, and pump system, raw water pipeline, well house and control system, electrical power systems, and site improvements necessary for operation and maintenance access.

The design of the entire Mulberry Point well field will be considered when developing the design of the electrical power systems for the site. The system will need to well have capacity for the long term, beyond that which is required

for the first years of operation. The well field electrical design to be done this year will include the preliminary design of the electrical system and standby power system necessary for the proposed wells in that area. The construction contracts to be awarded this summer provide for the construction of the wells and pipeline, but will not include the purchase of the well pumps and controls. Well pumps and controls are expected to be a part of a separate bid to be let closer to the time the pumps can be placed in service.

Construction of the wells, pumps, controls, and electrical systems is a major part of the preparation to be ready to deliver water by 2012. Another important aspect of the well field development work is the completion of the water rights permitting process. Lewis and Clark currently holds Future Use appropriation rights to water from the Mulberry Point area. When the wells are going to be placed in service, it will also be necessary to take care of the administrative responsibilities associated with converting the Future Use right to an appropriated right. The services required this year are included in the current engineering service order and will be provided concurrently with the progress of the design and construction of the wells.

A well at Site J, a secondary well field a few miles west of Mulberry Point, being test pumped.



Construction Update

Lewis & Clark has awarded construction contracts for almost 32 miles of 36" through 54" pipeline at this point. Of that quantity, 18 miles of pipeline are constructed and a portion has been successfully pressure tested. Work remaining on those 18 miles of pipeline is focused on cleanup, completion of finished grading and structures, fencing, reseeding, and correcting areas where deflection (roundness of pipe) exceeds specifications. Over eight of the 18 miles of pipe "in the ground" represent the main raw water pipeline from the well sites on Mulberry Point to the water treatment plant site north of Vermillion. The other 10 miles of pipe is constructed between Tea and SD Highway 42 (West 12th Street) west of Sioux Falls.

Another 13.8 miles of pipeline contracts have been awarded (see front page story). With the completion of these projects, approximately 46% of the pipeline connecting the well field to the Sioux Falls service connection will be complete. Plans and specifications are being developed for bidding the next 16 miles of 54" pipeline this spring (segment 5), which runs from

south of Lennox to the Clay County line (Highway 46). Depending on easement acquisition, this contract may be divided into two phases.

When those contracts are awarded, close to 70% of the trunk line will be either under contract or completed. This represents only a portion of the overall

project. However, it is a critical portion since it is the core pipeline that will serve the rest of the System, and it will enable L&C to meet its contract deadline for delivery of water to Sioux Falls by January 2012.



High County Pipeline installs 54" diameter steel pipe on the crest of a bluff west of Vermillion, SD.

Lewis & Clark Rural Water System

401 East 8th Street, Suite 306
Sioux Falls, SD 57103