



Explorer

Lewis & Clark
REGIONAL WATER SYSTEM

WINTER 2013

Lewis & Clark Delivers 2.8 Billion Gallons in First Year

Production to Increase in Second Year; Water Rates Unchanged

July 30, 2013, was the one year anniversary for Lewis & Clark's (L&C) operations. In the first year L&C delivered a total of 2.8 billion gallons to its eleven connected members, which was an average of 7.6 million gallons a day (MGD). Production is expected to increase the second year as some of the connected members have made adjustments to their systems allowing them to take even more L&C water. For example, Sioux Falls officials have indicated they now plan to take a minimum of 7 MGD even during the winter, with their usage increasing in the summer.

Each member is required to pay for 25% of their reserved capacity even if they are unable to use that much water, which happens for some of the members during the winter months. The water rates are structured so that all of L&C's operational expenses and reserve contributions are collected in the members' rate for their first 25%. The incremental rate for the rest of the members' reserved capacity is "at cost," which covers the chemical, electricity and overtime expenses related to producing the water. Consequently, unlike most systems L&C does not generate more revenue by selling more water. L&C generates the same revenue whether it delivers 7 MGD or 17 MGD. However, the more water a member purchases



Water Operator Jon Anderson testing water quality in the lab.

from L&C the lower their "effective rate," which is simply the total dollars paid for the water divided by the total gallons purchased. To date Harrisburg has the lowest effective rate at \$1.24 per 1,000 gallons and Parker has the highest effective rate at \$2.28. The Board of Directors decided in late September to leave the 25% and incremental rates unchanged for FY14 at \$2.12 and .68 per 1,000 gallons respectively.

Obama Administration Proposes More Cuts for Lewis & Clark

Senate and House Budgets Include Additional \$25 Million for Reclamation's Rural Water Program

Just when you thought it couldn't get any worse... In April President Obama released his FY14 Budget, which only allocates \$3.2 million for Lewis & Clark (L&C). This will not even cover inflation on the remaining federal cost share, let alone allow L&C to approve any new pipeline projects. The only new contract in FY14 will be a joint meter house for Rock Rapids and Rock County RWD. "There are no words left but cuss words to describe this travesty. This leaves us completely dead in the water," said Chairman Red Arndt. The remaining federal cost share in September 2010 was \$194.3 million. That number increased to \$207.4 million in September 2013, which demonstrates how federal funding is not even keeping up with inflation. As of September 2013 the federal government has paid just over 50 percent of its cost share – \$212 million. By contrast, the 20 members and three states have pre-paid 100 percent of their cost share – combined close to \$154 million.

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The tri-state congressional delegation put on the full court press in their effort to increase funding for L&C in the FY14 Budget, including a joint meeting with key officials from the Office of Management & Budget (OMB), Department of the Interior and the Bureau of Reclamation (BoR), as well as follow-up letters and telephone calls. To the anger and outrage of the L&C members, instead of a funding increase BoR's Rural Water Program was cut by \$29 million – leaving only \$22 million for construction of BoR's six rural water projects. By contrast, the remaining federal cost share for the six projects is a combined \$1.2 billion. "If there was any doubt, the FY14 Budget confirms Reclamation doesn't have a clue, let alone a plan, how to ever complete these projects. They just won't admit it," said Arndt.

Lead by Senator Tim Johnson and Representative Kristi Noem, the Senate and House approved an additional \$25 million for the Rural Water Program. However, it is still unknown whether this additional funding will be included



Senator Tim Johnson



Representative Kristi Noem

in the final FY14 Budget. If approved, BoR decides how much of the \$25 million L&C would receive. "We really appreciate Senator Johnson and Representative Noem taking the lead on this. Even though the earmark ban that wrongly includes authorized projects ties their hands, we appreciate how they and the other members of the congressional delegation are doing what they can to help. We strongly urge Congress to include the \$25 million in the final FY14 Budget. The success of this project hinges on the federal government honoring their commitment and this would be a small step in that direction," said Arndt.

"If there was any doubt, the FY14 Budget confirms Reclamation doesn't have a clue, let alone a plan, how to ever complete these projects. They just won't admit it." - Red Arndt

Recent federal funding history:

FY07	\$21 million
FY08	\$26.5 million
FY09	\$27 million (plus \$56.5 million in stimulus funding)
FY10	\$10 million (plus \$3 million in stimulus funding)
FY11	\$2 million
FY12	\$5.5 million
FY13	\$4.5 million
FY14	\$3.2 million (proposed funding in the Administration's budget)

New Legal Counsel for Lewis & Clark



Jon Brown

Jon Brown from Davenport Evans in Sioux Falls took over in September as corporate counsel for Lewis & Clark after the retirement of Monte Walz. Monte began working with easement acquisition in 2004 and transitioned to corporate counsel in 2007. “I wouldn’t know where to start or stop in singing Monte’s praises. He has been such a huge help to us through the years. We cannot thank him enough,” said Executive Director Troy Larson. Brown has been with Davenport for 27 years. He earned a BS degree in Agriculture Mechanization from Iowa State and was planning to farm full-time before an accident changed his plans and he headed to law school. Jon is a native of Paulina, IA. Despite that earlier set back, Jon also is an active farmer. His farm is near Corson. “Jon has a lot to get up to speed on, but we know he is a quick learner,” said Larson.

Staffing Changes

To address the staffing needed to operate the plant seven days a week due to increased water demands, as well as keep up with system-wide maintenance, the Board in January approved two new positions – Distribution Operator and Maintenance Mechanic – bringing the number of staff to 13. These new positions and the departure of an employee in January resulted in some staff changes.

Mike Duchscher was promoted to Plant Supervisor and Justin “JD” Walsh made the lateral move to Distribution Operator. To fill one of the two water operator vacancies from these moves, Brook Hansen was hired in February. Brook is from Vermillion and still lives in the area with his wife and one child. He worked as a water operator for the City of Vermillion. The other operator we hired in February, Darrik DeLozier of Yankton, resigned in November. It is hoped this position will be filled soon.

Roger Adam was hired as a Maintenance Mechanic in March. He lives in his hometown of Yankton with his wife and two children. Roger has 25 years of experience in the general maintenance field, with a focus on HVAC. For the previous 14 years Roger was employed by USD – the last seven years as a Building Maintenance Specialist.

With the departure of two water operators this summer, Jon Anderson and Tanner Hanson were hired in June and September respectively to fill those spots. Jon is originally from Fargo. He attended MN State Community & Technical College in Moorhead for a firefighter certification program. Jon moved to the Vermillion area a year ago and worked for Crop Production Services in Meckling where he was mainly hauling fertilizer. He and his fiancée have two



Left to right: Maintenance Mechanic Roger Adam and Water Operators Tanner Hanson, Brook Hansen and Jon Anderson

children at home. Tanner grew up on a cattle farm north of Yankton and worked in the City of Yankton’s Wastewater Department. He has a B.S. in Biology from St. Cloud State. Tanner and his wife have three children.

Operations Manager Jim Auen remarked, “We unfortunately have had a fair amount of staff turnover these past several months, but the new guys have been quick learners and are doing a great job. In addition, Mike and Justin are excelling in their new roles. Despite the changes, we have maintained the highest standards of water quality and dependability.”



Left to right: Mike Duchscher and Justin “JD” Walsh

Lewis & Clark Receives National Engineering Recognition

Chairman Red Arndt, Executive Director Troy Larson, and Banner Associate's Daryl Englund and Dave Odens attended the American Council of Engineering Company's (ACEC) "2013 Engineering Excellence Awards Gala" in Washington, DC on April 23. ACEC named Lewis & Clark (L&C) the top engineering project in SD for 2012, so it competed against nationwide projects for top honors. L&C didn't receive top honors but was recognized with a "National Recognition Award." There were many impressive projects, such as the Miami Marlins baseball stadium, Kauffman Center for Performing Arts in KC and a "Synchrotron Light Source" (a.k.a. atom smasher) project. The Kauffman Center received the top honor. Starting second from the left, the photo at right shows Englund, Odens, Arndt and Larson with the award. The two folks on either end are with ACEC. This award is well deserved recognition to Banner and HDR for their distinguished work through the years helping to turn the dream of L&C into a reality.



Arndt and Larson Meet with Congressional Leaders

"What is happening to Lewis & Clark is a damn Greek tragedy." - Representative Tim Walz



Left to right: Red Arndt, Senator Tom Harkin and Troy Larson

"Undermining this contract with the local governments undermines people's faith in government." - Senator Al Franken

While in DC for the American Council of Engineering Companies' Awards Gala in April, Chairman Red Arndt and Executive Director Troy Larson had two full days of meetings with the ten members of the tri-state congressional delegation and their staffs. The FY14 Budget had just been released ten days earlier, so the shocking funding news was the main topic of discussion. "The meetings were frank and candid. No "happy smoke" was blown. Everyone was in a state of shock at the terribly low number in the budget," said Larson. Calling the proposed funding of \$3.2 million "crap upon crap," Representative Tim Walz summed up the situation best when he said "What is happening to Lewis & Clark is a damn Greek tragedy." Acknowledging there is no silver bullet to solve this funding problem, each office reiterated their strong support for the project and willingness to continue to press the case with the Administration. Senator Al Franken said "I'm like a dog with a bone on this; I'm not going to give up." He also said "Undermining this contract with the local governments undermines people's faith in government."

Auen Receives Two Operations Awards



Jim Auen (left) receiving the NALCO Award from SDWWA President Gavin Graverson

At a water conference in Aberdeen on September 12, Operations Manager Jim Auen was presented with two distinguished operations awards – the NALCO Award from the SD Water & Wastewater Association and the Operator’s Meritorious Service Award from the SD Chapter of the American Water Works Association. These are the top operations awards for both organizations.

The well deserved honors recognize the significant contributions and leadership Jim provided in bringing the treatment plant, wells and distribution system on-line in July 2012. Bringing a system of this size on-line involved countless fires to put out and late nights. It also recognizes his contributions during the design and construction phases of the project, which included switching treatment processes. The original design planned to use a 12.5% onsite sodium hypochlorite generation (OSG) system. One of the first things Jim did after he was hired in 2007 was to contact

other entities who used this same treatment process. He found there were a number of downsides, including lower reliability and more maintenance. After sharing these concerns with the directors, they approved his recommendation to change the design to a traditional 0.8% OSG system. Despite the cost for the re-design, this change has saved and will continue to save a considerable amount of money for Lewis & Clark for years to come. Congratulations to Jim on these well deserved awards!

Kooiker and Lonneman Appointed to Board of Directors

Aaron Kooiker and Jerry Lonneman were appointed to the Board of Directors to fill the remaining terms of departing directors Les Van Roekel and Dennis Healy respectively. Kooiker was appointed to the Board last December. After a 17 year law enforcement career in Iowa, he took over as Hull City Administrator after Van Roekel accepted a different position. Kooiker is originally from Sioux Center and during his college days was a starting offensive lineman for the Iowa Hawkeyes. He is married with two children.

Lonneman was appointed to the Board in February after Healy’s retirement as Lincoln Pipestone Rural Water System (LPRWS) manager. He has served on the LPRWS board since 1999, including two terms as chairman. Lonneman is part of a family farming operation near Adrian and referees high school basketball games on the side. He participated in numerous Lewis & Clark meetings through the years, including many involving elected officials and their staffs, so he was already very knowledgeable about the project. Lonneman is married with three children and four grandchildren.



Jerry Lonneman (left) and Aaron Kooiker

Healy was on the Board of Directors for over eight years, including serving on the Construction-Operations Committee and Budget Committee. Van Roekel served on the Board for close to three years.

“We express our deepest thanks and appreciation to Dennis and Les for their distinguished and dedicated service on the Board. They were both tremendous assets to Lewis & Clark and will be missed. Aaron and Jerry came in with big shoes to fill but have been doing a great job helping in our efforts to move the project forward,” said Chairman Red Arndt.

Delay Price Tag for Non-Connected Members – \$17.5 Million

Due to the delay in receiving federal funding to complete Lewis & Clark (L&C), the non-connected members have been forced to spend \$8.9 million and will soon spend \$8.6 million more on unplanned infrastructure expenses. This \$17.5 million, which is on top of what they already paid for their share of L&C, will address their short-term water needs but does not eliminate the need for L&C water.

“They would not have needed to spend this money if they had access to L&C water, which only adds insult to injury,” said Executive Director Troy Larson. The delay has hit the MN and IA members particularly hard. Until the project is completed, this list of unplanned and unneeded expenses will continue to grow.

Iowa Members Meet with Senator Grassley

Representatives from Hull, Rock Rapids, Sheldon, Sibley and Sioux Center met with Senator Chuck Grassley at a town hall meeting in Rock Rapids on August 28 to urge increased funding for Lewis & Clark (L&C) so construction can resume. Director Scott Wynja also attended a town hall meeting the day before in Primghar. Using terms like “urgency” and “imperative” and sharing stories of how economic development is being adversely impacted in the region, the Iowa members emphasized the critical importance of ensuring they receive water from L&C in the near future. Grassley reiterated his support for the project and willingness to do what he can to help, but noted with the earmark ban his hands are tied in terms of appropriations. Grassley was urged to support future changes to the earmark ban so authorized projects like L&C that have been fully vetted are excluded.



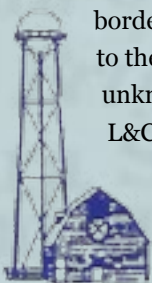
Left to right: Sheldon’s Scott Wynja, Rock Rapids’ Stan Knobloch, Sioux Center’s Harold Schiebout, Lewis & Clark’s Dan Zulkosky, Sioux Center’s Murray Hulstein, Senator Grassley, Rock Rapids’ Jim Hoye, Sioux Center’s Matt Van Schouwen and Hull’s Aaron Kooiker. Not pictured: Sibley’s Larry Pedley and L&C’s Troy Larson.

Rock County RWD Expected to Receive Water in Late 2014

Rock County Rural Water District (RCRWD), which is headquartered south of Luverne, MN, has two planned connection points to receive the 300,000 gallons a day of capacity reserved from Lewis & Clark (L&C). Their first connection was planned for six miles north of the Iowa border, where L&C’s pipeline currently ends. Due to the uncertainty with federal funding, it was unknown when RCRWD would begin receiving L&C water. Because of this uncertainty, as well as

some changes in their distribution system

that made taking the water closer to the IA border advantageous, RCRWD requested their first connection point be moved five miles to the south, which is one mile north of the IA border. Ultimately, RCRWD and L&C reached agreement in late October to move this first connection point to the IA side of the MN/IA border. This will allow L&C to build a joint meter house for Rock Rapids and RCRWD instead of two, which will save an estimated \$288,000 (Rock Rapids is currently receiving water through a temporary metering facility). Construction of the joint meter house is planned for 2014 with the expectation that RCRWD will begin receiving water in late 2014.



**ROCK COUNTY
RURAL WATER**

Construction Loan Rejected

Will Continue the “Wait and See Strategy” for Another Year

Off and on in 2012 the Board of Directors discussed the possibility of borrowing money to keep construction moving forward. Beginning this past February, the Board embarked in earnest on a long-range planning process that involved lengthy discussions at each monthly meeting, as well as many other related meetings. The long-range planning culminated in a vote on October 24 whether to have the members provide a \$16 million loan to Lewis & Clark (L&C) in order to construct the 18-mile pipeline from the Iowa border to Luverne, as well as other related infrastructure. The proposal, which was rejected by a vote of 5-14 (one director was absent due to a death in the family), was to use future federal funds to repay the members with the exception of any interest. There were a variety of reasons directors voted against the loan, but the central issue was the uncertainty of when the members would be re-paid. “The Board was unfortunately faced with two bad options. What this vote amounted to was the federal government forcing the members to pick their poison,” said Executive Director Troy Larson.

It is expected the construction loan will be voted on again in the summer of 2014 for possible inclusion in the FY15 Construction Budget. There are five things currently unknown that should be known by the summer of 2014: 1.) Final federal funding for FY14, 2.) Proposed federal funding for FY15, 3.) Whether additional funding will be provided by the State of Minnesota, 4.) Whether additional funding will be provided by the State of Iowa, and 5.) Whether Sioux Falls is contractually required to participate in a loan like the other members.

“I’m in no way predicting the loan will pass next time, but there is every reason to believe these items will impact the vote,” said Larson. In the meantime L&C will continue the “wait and see strategy,” which involves pressing the case for the Administration and Congress to honor its commitment to finish the project.

23rd Annual Membership Meeting



Dennis Micko

Close to 150 people attended the 23rd Annual Membership Meeting held in Tea on the evening of May 23. It was another successful annual meeting. Chairman Red Arndt’s remarks focused on the good news of the system becoming operational after 23 years in the making and the bad news of the lack of

federal funding. Executive Director Troy Larson provided an update on construction and operations activities. Senators Harkin and Klobuchar and Representative Noem provided video greetings that focused on the need to increase federal funding, as well as change the earmark ban so authorized projects are excluded. Staffers from Senators Johnson, Thune, Grassley and Franken, as well as Representative King, provided similar remarks. All offices expressed their disappointment and frustration with the

current funding situation and pledged to keep up the fight to ensure the remaining nine members are connected.

Two minor “housekeeping” by-law changes were approved. Directors Roger Lamp, Scott Buss, Don Sweeter, Chad Comes, Mary McClung and Chad Huwe were re-elected to another three year term. Thanks to these six directors for their continued service!

Dennis Micko, who retired earlier this year after a long and distinguished career at Banner Associates, was presented with the Spirit of Discovery Award. He stepped down as president of Banner to oversee the construction of the water treatment plant. “Dennis did a great job being a watchdog and ensuring L&C got what we paid for. Congratulations to Dennis on this well deserved recognition,” said Arndt. Former director Les Van Roekel of Hull was presented with the Friend of Lewis & Clark Certificate in thanks and appreciation for his three years of service on the Board. “Les was always a strong advocate for the project and no doubt will continue to be an advocate for L&C in the community,” said Arndt.

Final Completion Reached on Water Treatment Plant – Phase 2

Phase 2 includes the main water treatment plant building. Substantial completion was reached in late July 2012 when Lewis & Clark (L&C) started delivering water to the first eleven members. However, a large number of punch list items remained before final completion was reached. These included things like electrical and site work, as well as repairing a number of leaks in the recarbonation and solids contact basins. It was the repair of these leaks that turned out to be the last item on the punch list. Final payment was issued to Foley Company on October 31. It took five and a quarter years – 1,943 days to be exact – from the bid opening on July 7, 2008 for Phase 1 (high service pump station, underground reservoir and electrical switchgear building) until the final payment on Phase 2.

The final price tag for both phases, including installation of the SCADA system, was \$92.1 million. It is impressive to note that the total amount of change orders was only \$474,140 (does not include owner requested additions after the bid openings, such as the gravity thickener). This is a miniscule .54 percent of the original bid amounts. It would not be uncommon for a project of this magnitude to have change orders that run into the three percent range.

This is a testament to the great work by the engineers at Banner and HDR!

Executive Director Troy Larson said, “Feels great to finally be done! Like most things with L&C, the construction of the water treatment plant turned out to be quite the roller coaster ride. There were plenty of highs and lows and twists and turns along the way. In the end though, the job got done. Our thanks to Foley Company and their subcontractors for their hard work. Our thanks and appreciation as well to the engineers at Banner and HDR, who regularly went above and beyond to ensure L&C received the best possible product. They did an outstanding job. L&C’s operations team also played a key role throughout the process. We really appreciate their hard work as well.”



Top: Leak in one of the solids contact basins.



Right: Repaired leak in the gravity thickener.