

LINCOLN PIPESTONE RURAL WATER SYSTEM

East Highway 14, P.O. Box 188, Lake Benton, MN 56149
(507) 368-4248 or (800) 462-0309 fax (507) 368-4573 email: lprw@itctel.com

Meeting Minutes January 26, 2015

The regular scheduled meeting of the Lincoln Pipestone Rural Water (LPRW) System Board of Commissioners was held at the LPRW office in Lake Benton on Monday January 26 2015, starting at 10:00 a.m. Chairman Frank Engels called the meeting to order with Commissioners Earl DeWilde, Mitch Kling, Ken Buysse and Jerry Lonneman, Randy Kraus and Bill Ufkin with Brent Feikema and Joe Weber arriving late and with Rod Spronk and Jan Moen being absent. Also present were Board Attorney Ron Schramel, CEO Mark Johnson, Field Superintendents Tom Muller and Shawn Nelson, Operations Manager Jason Overby and Enterprise Technician Jodi Greer present with DGR Engineer Darin Schreiber arriving late.

Agenda: M/S/P-U. Lonneman/Buysse to approve the agenda.

Minutes: M/S/P-U Ufkin/Kling to approve the Regular Board minutes and the read minutes of both the Personnel Committee Meeting of January 12, 2015, and the Joint Committees minutes of the Executive and Water Resources and Equipment Committees on January 14, 2015, as presented.

Treasurer's Report: M/S/P-U Buysse/Ufkin to approve the Treasurer's report. The CEO presented an end of the year budget analysis comparing actual year end to the 2014 budget and the August estimate used to design the 2015 budget. Lonneman related that large users in the south are putting in cisterns to save costs from raising water rates and low prices for livestock. Also Scott Hain of the City of Worthington has stated that when Worthington gets water from Lewis and Clark that it will not be buying water from LPRW. Engels encouraged the Board Members to review the budget handout for any questions or comments next month.

Pending Bills: The CEO presented the bills to be paid. M/S/P-U Ufkin/Kraus to approve the payment of the bills.

The bills to be paid are as follows:

- DeWild, Grant, Rechert and Associates Company: General Services Invoice #159 = \$ 8,975.50; and New Water Development ppe - #78= \$ 335.50.
- Schramel General Legal Services =\$ 4,882.84.
- Northland Trust Services Nobles County GO Refunding Bonds Series 2013 A = \$ 149,528.13.
- HD Supply Invoice # D074555 = \$13,338.00; and Invoice # D443237= \$ 13,338.00.
- Midwest Boring, LCL Invoice # Schwartz # 16128 = \$ 3,000.00.
- T.E. Underground Invoice # 1952 = \$ 15,980.00.
- Winter Brothers Underground, Inc. Invoice = \$ 3,400.00.
- Legette, Brashear, & Graham, Inc., Burr Wellfield WHP Invoice # 201501149 = \$ 3,917.82.

Attorney's Report:

- **Sign RD Paperwork:** Gernentz of Rural Development needs a resolution adopted and signed as to legal services with Schramel for the CIP projects to be funded. M/S/P- U Lonneman/Kling to approve the legal services resolution.
- **Assessments:** Schramel took up this matter next and stated that Judge Bush had approved the 2014 assessments. Then Judge Bush took him into chambers and related his concern of assessing customers for 38 years and wants to see less number of years to be more compliant with the law and without having to seek his approval for longer years. Judge Bush understands LPRW's reason that assessments income over 38 years and Rural Development loan debt service would more nearly correspond. He would like to see 30 years. Interest rate charges were not at issue. Schramel showed that for \$16,000 that there is only \$85.00 per month higher difference but with less years of payment there would be \$6,000 less total interest paid. Ufkin asked if there is a different requirement for project and non-project assessments. M/S/P-U Lonneman/DeWilde to approve changing the assessment debt schedule to be based on 30 years of amortization at 5.9%. Then it was discussed that the current signees could be allowed to be assessed for 38 years and Judge Bush should accept this or they at their option could take the 30 years assessment.
- **Easements:** Schramel reviewed the easement process for entities like CAP-X which know their route years in advance and acquire easements prior to construction and condemn on a quick entry basis and work the costs out later. They have the financial ability to do this. Unlike these entities, LPRW does not know its specific routes beforehand and gets crop-damage easements just ahead of any construction. Nor does LPRW have the financial wherewithal to pay for easements. Also many of the current unrecorded LPRW crop damage easement documents in hand are vague, unreadable and in some cases the ownership has changed. Where ownership has changed the new owner is without notice and can restrict LPRW from entering their land for repair work. Overby explained the process of confining the easements and related all the Counties have different requirements and he has to adjust to each county's particular requirements. The documents now must be rewritten, confined as LPRW needs, signed by the current deed holders, and recorded. He doesn't need to write each easement but it would be good practice for him to review each document prior to recording. Recording fees are \$46 for each document whether written right or wrong and recorded. Going back to the owners and new owners can be problematic. DeWilde stated LPRW should expect to have to use the condemnation process. Kling asked, what if nothing is done. Schramel stated it takes 15 years to get an easement by prescription but such easement is vague as to what is actually acquired and could result in lawsuits as to the breath of what is taken. Lonneman stated that he feels this can be done by the current field supervisor and that he will be available to assist as a Board Member.

Engineer's Report: Schriever presented the following:

- **Dawson and Madison:** DGR is taking a preliminary look at developing a new LPRW Dawson Regional water supply east of Dawson consisting of consisting of new wells and a lime softening WTP. Water would be delivered to Madison, Dawson, Montevideo, Clarkfield, Granite Falls and LPRW. Water quality benefits would be

significant from both a drinking water perspective and wastewater perspective. A system like this would help these communities with the MPCA as to salty water discharge issues in their wastewater systems.

- **Clarkfield:** RD reported that the PER submitted by Clarkfield's Engineers indicates that a connection to LPRW is the preferred alternative. Clarkfield's Engineers requested a peak day service of 205,000 gpd, or 145 gpm in 24 hours. To make a full commitment, LPRW will need to make capacity improvements in or to this area. Ufkin asked if Marshall is turned off could Clarkfield be supplied. Nelson stated that there were still major supply problems during the drought of 2012 even with Marshall shut off for 2-3 days at a time. Schriever is not sure if serving from Green Valley Booster to Clarkfield would work. The big picture is that it is a very long route from Burr to the North East and LPRW cannot commit to Clarkfield except on an as available basis. Then Clarkfield would need to have its own source for those times. Montevideo has limited well capacity. Granite Falls has a new plant but Kling added there is not any extra capacity and Schriever added the piping system would be very long. Ufkin related that even without Clarkfield that a water source in this area is needed, then asked if this is in the PER and if not it should be added. Schriever said it is not and also that the problem with developing a new source is there is a lengthy time consuming environmental review process that needs to be done. The consensus of the Board is that the PER be amended to include that a water source needs to be developed whether it is to develop a new well east of Dawson with a small iron and manganese WTP, buy water from Dawson though the water rate is high, buy water from Montevideo, or buy capacity from Blue Grass Dairy with a WTP added. RD seems intent that LPRW should supply Clarkfield. Blomme of the MHD wants Clarkfield to keep its own source. Kling brought up the question of whether Clarkfield is really interested in tying into LPRW as it has been on and off again many times over the years. Engels responded that Clarkfield has submitted a financial request to RD. Then Engels added that RD should help with the water source, wells and piping. Nelson and Drietz should visit with Blue Grass Dairies about acquiring a water source.
- **RRRWS:** Potential Joint Project: RRRWS continues with their water exploration efforts.
- **Lewis and Clark:** Nothing new to report.
- **New Users Requests:** Son D farms, 110-43-07 (half mile into Iowa near Ellsworth) has requested water. This lies in Iowa and within the OCRWS service area. Muller related OCRWS is okay with LPRW serving them. OCRWS serves into Minnesota as well besides LPRW. The consensus of the Board is to try to serve them but the legal ramifications need to be reviewed prior to committing to serve this facility. Son-D needs an answer by the end of February. Schramel will look at this and the matter will be placed on the agenda for next month.
- **Holland Permit:** Meyer of the MPCA noted that the project cannot be place on the PPL until legislative language is changed to allow it; the propose change is in process. Assuming the language is changed then LPRW could be placed on the PPL and

potentially could receive PSIG funding. We should know more in the next few months. Alternatives to the BIOTTTA solution were discussed. The Board is of the consensus that DGR should look at how Lewis and Clark could help Holland. DGR is to work this out on the assumption LPRW will take and use the cheapest cost waters first. Thus DGR is to assume LPRW will take the all the water allocation from Lewis and Clark with the minimum required to be taken from OCRWS and assume there is no water going to Worthington. Lonneman asked if there is any extra from Rock County and how far its new improvements are from LPRW's current facilities. There is some water but the mains are not near LPRW's distribution system. The Lewis and Clark Magnolia connection is nearer than existing Rock County facilities and has a dedicated volume of 150,000 gpm currently.

- **CIP Program:** Adjustments will be made based on RD comments. RD has indicated that new signed up users could be included into the PER to add customers along the new pipelines. Buysse brought up that Louwagie of RD that RD has money on an annual basis for small projects and that LPRW could gather a list of sign-ups over the previous year and then submit for loan funding for this project. Ufkin asked if the PER could be amended to include new hookups. Schriever stated yes and this is not difficult. Then Ufkin asked about the costs associated with doing a RD funded users hookup project versus self-funding. Schriever stated there is extra costs with engineering to RD specifications that would be an offset against a 20% grant. Schramel added that there would also be interest charges against any grants and that the current hookup projects have been fully self-funded. Any RD users' additions cannot be for non-signed up users. Schramel then asked Greer if the new \$6,000.00 capacity fee is making a difference in people wanting to sign up. Greer expressed it has not been an issue. Lonneman then spoke to the costs and particularly the water rates in a soft livestock market. He related that many livestock people are putting in a new type cistern system that can to blend rural water and well water and take water off peak and save costs. Also some are getting away from the buying rural water and using the cistern to take and store water from their own wells for use at peak times. He also related that livestock rural users are looking hard at rural water rates and are asking what the trend is for water rate increases over the next few years. If it is high then they could discontinue rural water for their own wells. At the end of the meeting Schriever announced he needed a formal resolution as to adjusting the priorities as discussed during the board meeting and in his handout. M/S/P-U Kling/DeWilde to approve adjusting priorities per the Board's recommendations discussed and the new priority list presented.
- **RD Funding:** RD has provided PER review comments and discussed them with us directly at a meeting in Marshall on January 22nd. Additional information is needed for several items: DGR will make it a priority to provide the required responses. RD requested responses by March 1st. The RD national pooling fund deadline is May 1st. Generally speaking, a maximum of \$3-5 Million projects are easier for RD to manage, so they would like to prioritize projects accordingly on an annual basis.

- **LPRW 100 Mile Project- “LP 100 – 100 Miles for 100 Years”**: DGR is developing a preliminary concept of transmission facilities along the east side of the system from Dawson to the L&C connection point. The system would be able to transfer water in either direction and would tie-in to significant existing facilities such as Chandler Tower, Minneota Tower, Russell area, etc. The piping and pump system would be designed so that the piping can carry water in a dual fashion but not override local pressures so tie-ins and hookups can be effectuated all along the way without undue expense. The CEO stated building this pipeline would aid in regional drought, aquifer and terrorism utility management for LPRW and the cities it serves and others it could serve.

Regional Water Development Report:

- **Montevideo/Clarkfield- RD Information:** This was discussed previously.
- **Lewis and Clark:** Lonneman shared that Lewis and Clark lost its lawsuit to require that Sioux Falls pay for capital calls until after its true up costs have been depleted. The Judge ordered Lewis and Clark to pay the legal fees of Sioux Falls and that those fees cannot be paid from operations. Expect LPRW to have to pay its pro rata share on at least \$300,000 as Sioux Falls had 5 lawyers present. The Lewis and Clark lawyer’s fee will be about \$150,000 which will be paid out of operations revenues. Larson of Lewis and Clark and Scott Hain of Worthington will be testifying before the Water Resources House Committee as to the small bonding bill being presented this year.

Field Superintendent's/ Operations Manager's/ and Enterprise Technician's and Water Operator's Reports:

- **Tom Muller:** Muller reported that 30 meters have been installed in his area, there was one leak and that he and Dave Maras have been pulling deeds in Jackson and Nobles County to rewrite easements. A Roger Schmidt has complained that when his service was installed 21 years ago that a tile was broken by LPRW and he wants it fixed. It only recently became a problem and was reported. Muller wanted guidance as to how to handle the matter. Schramel stated all Statutes of Limitations have run and LPRW cannot be responsible for such an old construction problem especially since it worked for years without notice.
- **Shawn Nelson:** Two new hog barns have been installed in the North East on a line that is generally stagnant and has to be flushed. His crews are reworking the flow pattern so that these facilities will keep the water fresh in this area.
- **Jason Overby:** Wenck Engineering is due to do its next biological testing report on the Topeka Shiner in 2016. Since LPRW has not taken anywhere near its 10 MGY allocation at Adrian and the Topeka Shiner issue revolves around the expectation of utilizing most of this allocation, Wenck has suggested that it and LPRW approach the Fish and Wildlife Agency as to being released of these continued studies and having to make costly reports. This is agreeable to the Board.

Ron Carr is under workers compensation. Overby has found essential and necessary light duty work for Carr as he has extensive knowledge of the system and can clarify and establish a good and functional operations manuals library and remove outdated and useless manuals. Thus Carr has returned to half days to last throughout his recovery periods on this shoulder and the next shoulder as well.

The DNR and Well Head Protection Meetings are both scheduled for February 19th at 10:00 am and 1:00 pm, respectively. The DNR meeting will focus only on appropriations thus it is suggested only a limited number of Board members be, i.e. the Water Resources Committee attend along with Randy Kraus in his role with the Lincoln County SWCD.

The Meters used in the meter program can be expanded into a network reading system and the meter helps reduce O&M costs as there are no parts inside to wear out.

Jodi Greer: There are many computer problems throughout the system and they are affecting the SCADA system and the communications among facilities and creating water service problems. The computers and servers are old and the software is out of date and no longer supported. There have been many service calls due to computer issues. A good IT program can help pinpoint the real problem areas and give LPRW guidance on what hardware and software to purchase. Marco has an IT program were they come in and analyze and trouble shoot and direct what needs to happen. Their pricing is about \$16,000 per year for three years and is based on the number people in the organization not the number of devices. Currently LPRW handles on a case by case basis its computer problems through Computers and Beyond. This type situation has outlived its usefulness as to technical problems. M/S/P-U Feikema/Buysse to look at getting an IT service plan that assists with computer and software upgrades as well as Scada so as to be proactive not reactive. Lonneman asked if this includes equipment. No, equipment is separate and can be bought from other companies.

Jay Stuefen: Stuefen was called upon by the CEO to add to the discussion on of the newly developing factors affecting the Holland aquifer and well pumpage. Well # 3 was shot due to cavitation. After being jetted it still cavitates and must be run at a lower pumping rate to avoid cavitation. This is both an aquifer and well issue. Well #2's pumpage is well below normal levels after jetting and as reported before to the Board it is in the works for replacement. The well field is trending in dropping and has had these trends before. Overby stated that since 2010 the drought cycle is trending further down and it has now been five years since the last big water event that recharged the aquifer. Both the Verdi and Holland well fields are shallow and directly susceptible to drought conditions while the Burr well field has deep wells. Stuefen related that Well # 2 is in static condition and that the static level of the aquifer is dropping in relation to the top of the screen. Schramel asked how far do you keep the draw down level above the screen. Stuefen stated ideally 10 feet. Jason then revisited with the Board that the City of Brookings had used a new type of well refurbishment technique provided by Utility Service Group. This process consists of injecting 3000-5000 lbs CO2 into the well under pressure and forcing it into the ground. Brookings knew the CO2 injection was

effective as the pH in its other wells had to be adjusted from its normal process following injection. The well production greatly increased much higher than with the jetting technique. Utility Service who offers this service also will maintain the wells over a period of 10 years with a 1 year buyout clause; higher in the earlier years than the latter. There are several other wells that LPRW needs to look at and with the summer use getting closer it is imperative to see if Utility Service Group can address and solve LPRW's well pumpage problems. Overby would like to get pricing and report it to a special meeting. M/S/P-U DeWilde/Buysse to have the Executive committee approve pricing and the contract on well refurbishing through Utility Service Group. Then the CEO pointed out that the aquifer problem at Holland makes it more imperative that LPRW seek to get Lewis and Clark water brought to it under this bonding bill. Lonneman stated that the legislative hearing is limited to testimony being presented and there will be other opportunities this session to make the case for Lewis and Clark. Lonneman added that although the CEO doesn't need to go that he should share with Larson about the Holland aquifer problems for use at this legislative hearing.

CEO's Report:

- **LCCMR- Environmental Trust Grant Resolution:** The CEO stated he needed a resolution for submitting a grant request to the LCCMR. He thinks it would be better to lower the amount this year maybe to \$5,000,000 to have a better chance at getting a grant. Kraus stated that most grants for land are about \$2,500,000. M/S/P-U Lonneman/Feikema to approve the resolution to apply for the LCCMR-ENTF for up to \$2,500,000.00.
- **PSIG Legislation update- Bill Priebe's Comments/Soderbeck Letter:** The CEO reported he had not gotten the Soderbeck letter even in today's mail. However, from his conversation with Bill Priebe of the MPCA is that LPRW is doing everything properly in taking steps to financially resolve the RO discharge problem.
- **RIM Legislation:** The RIM legislative will not be supported by BWSR and thus is dead. BWSR does not want to see a change from paying only private entities to include paying public entities.
- **Insurance Resolutions:** The CEO presented the Tort Liability Insurance Resolution and Workers Compensation Coverage to the LPRW Board of Commissioners Resolution for approval. M/S/P-U Ufkin/Weber to approve that it does not waive the tort limits. M/S/P-U Kling/Weber to approve extending workers compensation coverage to the Board of Commissioners. Then he presented the Liability Waiver Form and the HAS agreement. The consensus of the Board was to continue with the HAS program and for the CEO to sign the documents.
- **Appropriations Meeting with the DNR:** This matter had been discussed above.
- **Iowa Priority Use Letter:** The CEO presented a draft of a letter to be sent to Worthington. He had thought that the other cities and counties might want to be included in this letter. Lonneman stated that Worthington is served on an emergency basis and that the Iowa priority would affect them first. Schramel reviewed before the

Board the priority laws for Iowa, Minnesota and South Dakota. There was Board consensus that the regular customers including large users and cities would be overly alarmed with a letter like this that they might be cut off since they might not understand that the Worthington's contract is an emergency services contract only. They would wonder if they should return to their old wells if they still exist and are able to be reworked. It is thought that with Worthington cut off there would still be ample water for the regular customers and only a general announcement as to Iowa, Minnesota and South Dakota Priority Use in the annual newsletter would be sufficient for their purposes. The CEO will redraft the letter and address it only to Worthington.

Committee Reports:

- **Executive Committee:** Nothing more to discuss.
- **Personnel Committee: January 12, 2015 Meetings Recommendations:**
The CEO read the two resolutions and recommendations adopted by the Personnel Committee. The first resolution is to have management look into becoming compliant with OSHA regulations. The CEO explained the many efforts he and the staff have taken and that he is reviewing the safety policies. M/S/P-U DeWilde/Kraus to approve the management to do a study of OSHA compliance and to address short falls and to take whatever actions when necessary.
The other recommendation is that the CEO have the ability to suspend, discipline and fire with the proviso of firing that the CEO report the matter to the Personnel Chair prior to taking action. Schramel was asked if this can be done legally. He replied that for firing there are legal requirements by law and these legal requirements were followed in the recent disciplinary action. Lonneman asked how would LPRW prevent any biased firing where there may be personal problems toward and employee. This is where the notice to the Personnel Chair comes into play. Schramel was directed to draft a policy accordingly and present it to the Board for further action.
- **Water Resources Committee- meeting with Rock County February 3rd:** This meeting will take place at the Rock County Court House. Rock County's Administrator had called for this meeting about developing relations. This is only an informational and fact gathering and initial meet meeting. Rock County Water has a good financial basis but their rates are a lot higher than LPRW's. A limited group should only go.
- **Budget and Finance Committee:** Nothing to report.
- **Joint Powers Board Representative- Lewis and Clark Bond Bill/ Legislative Testifying 2-3-2015:** This matter has been discussed above.

Other Business:

- **Committee Assignments – Fill Vacancy:** Engels asked the Board Members to review the list of committees and their assignments and voice their comments. No comments were made. He pointed out the need to fill vacancy for the Minnesota Government. Spronk was nominated as he is already on the Minnesota Rural Water Association Board and goes to the annual ST. Cloud meeting. M/S/P-U Lonneman/Ufkin to approve appointment of Spronk to be the MGAFG Representative.

Lonneman then asked how it was going with the disciplined employee. The general consensus is that it is going good at this time. The easement issue has dramatically changed (as previously discussed) and the employee is relieved of moving forward with the old documents and will have to work with the new requirements and preparing new documents.

Public Comment: None

Adjournment: M/S/P-U Kling/Feikema to adjourn at 2:45 p.m. The next meeting will be held Monday, February 23, 2105 at 10:00 a.m. at the main office in Lake Benton.

_____, Janice Moen, Secretary.