

LINCOLN PIPESTONE RURAL WATER SYSTEM

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Meeting Minutes

June 29, 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 June 29, 2015, starting at 6:00 p.m. Chairman Frank Engels called the meeting to order with Commissioners Earl DeWilde, Mitch Kling, Ken Buysse, Jerry Lonneman, Randy Kraus, Bill Ufkin, Brent Feikema, Rod Spronk and Jan Moen present. Commissioner Joe Weber was absent. Also present were Board Attorney Ron Schramel, DGR Engineers Darin Schriever, CEO Mark Johnson, Field Superintendents Tom Muller and Shawn Nelson, Operations Manager Jason Overby and Enterprise Technician Jodi Greer present. USG representatives Project Manager Jamie Mays and Water System Consultant Matthew Montgomery also joined the meeting.

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

Minutes: M/S/P-U Buysse/Feikema to approve the Regular Board minutes, the Personnel Committee Minutes of June 16, 2015 as distributed and minutes of the Water Resources and Equipment Committee Meeting of June 24, 2015.

Meet with Jamie Mays of USG – Well Rehab Report and Tank Maintenance: This matter was moved up from the order of the agenda. Mays reviewed the results of the well rehab program. Wells 2, 3, 4 and 5 of Holland and Well 1 of Verdi had been rehabbed. Thien Well Company pulled the motors and pumps while the USG crew applied the treatments. The rehabilitation process consisted of pretesting for flow and drawn down yielding specific flow per foot. Then the well was adapted for CO2 injection and double cylindrical agitated and then retested for new specific yield and draw down. The results are influenced by the aquifer level and improved with minimum success at Verdi of 1.34% to much better Holland well #3 at 78.1%.. Holland Well #3 is the same one that had been rehabilitated by Ervin Well Company last year. Though these results did not show the spectacular results Brooking Municipal Utilities got, these are shallow wells and LPRW staff felt the results at Holland are satisfactory. Overby stated that the wells at Verdi appear to be in better shape than Holland as there is no iron and manganese influence in those production wells. LPRW may not want to do the rest of the wells at Verdi. Then it was mentioned that Well 2 at Verdi which is under contract and pending not to be done had issues with its motor and pump which had just come out of warranty. Ervin had pulled this equipment and had gotten the manufacturer to care for these under warranty as the failure was not characteristic of normal wear and tear. Ervin's labor was not covered. Mays said that LPRW should send USG the Ervin bill not covered under warranty and it would be taken care of through the contract. Mays was told that this well may be removed from being rehabbed. Schramel stated that there was an expectation that these wells would have done better in overall volume. Mays replied that it is specific volume - foot by foot volume increase and that low aquifers do influence the number of feet a well can pump.

Then Mays presented that USG offers a tank maintenance service and that he had visited several of the LPRW tanks and reservoirs which conditions thereof he reviewed at the meeting. The Rushmore tank is in excellent shape and the Minneota tank is in good shape. He has drafted a

proposal for consideration and further discussion. The draft proposes a schedule of maintenance work consisting of annual inspections, every 2 to 3 years to be cleaned out, repainting the outside every 10-12 years and the inside every 12- 15 years. This draft listed the expected year what is to be done with each tank over the next 10 years and the costs that he associated with them spread out over several years to lessen the cost impact for any one year. The Engineering fees are included in the maintenance costs. Schramel advised that for LPRW to contract without going through the bid process that these services have to be offered through a Minnesota licensed professional. Mays stated he has Minnesota licensed engineers on staff and this would be a professional service. Currently USG is doing tank work for MMU in Marshall. The draft goes from \$268,000 per year to \$108,000 per year. The CEO asked what it would cost to paint the Chandler tank inside and outside. Mays said about \$200,000.

Matthew Montgomery related that USG has other maintenance programs that assist utilities. USG can offer an automatic remote meter reading program that takes the risk off the utility as to investing in a system that could fail the utility.

Whereupon having made their presentations, Mays and Montgomery left. Then the question arose about the DGR schedule of tank costs. Schriever pointed out from the DGR tank maintenance schedule that DGR has outlined a tank rehabilitation program that costs \$33,000 per year. However it was pointed out that the DGR cost for rehabbing Chandler was higher than USG's and did not include the associated costs for engineering and the bid process. Engels stated this matter needs further review by staff and that DGR can put its own proposal together for presentation.

Treasurer's Report: M/S/P-U Buysse/Lonneman to approve the Treasurer's report. The CEO stated that revenues are coming up due to summer usage and are getting on track with the budget.

Pending Bills: The CEO presented the bills to be paid. M/S/P-U Moen/Kling to approve the payment of the bills. The DGR bill includes both Operations and Capital Improvement billing. The bills to be paid are as follows:

- DeWild, Grant, Rechert and Associates Company: General Services Invoice #164 = \$ 606.00; New Water Development ppe - #83= \$ 896.36 and 2014-2015 Improvements Project Invoice # 1 = \$20806.50.
- Schramel General Legal Services =\$ 3,229.48 and Expansion Project = \$1,344.00.
- USG Well Rehab Services Invoice # 369976 =\$ 7,300.00; Invoice # 369977 = \$ 7,300.00; and Invoice # 369978 = \$ 7,300.00.
- US Bank Yellow Medicine County Refunding Bonds Series 2008, Account # 802315600 = \$95,765.01
- C & K Construction Invoice # 2123 = \$ 7,858.9.
- Thomas Electric, Invoice # 3200 = \$ 18600.00.
- Northland Trust, Pipestone GO bonds, Invoice # PIPES10A= \$ 22,577.50.
- Nobles County Auditor-Treasurer, Invoice # 150415 = \$ 4,138.46.
- DSG Supplies Invoice # B326650 = \$ 10,867.91; Invoice B327987 = \$ 17,197.94; Invoice # B333880 = \$ 4,278.88; Invoice # B273942 = \$ 1,921.67; Invoice # B272699 = \$ 2,288.47; and Invoice # B301794 = \$ 7,096.50.

- Double D Gravel Inc., Invoice # 27539 = \$ 2,446.65.
- Marco, Invoice Marq133033 = \$ 9,378.00.

Lonneman brought up that the Nobles County tile repair was excessive and wanted to know if LPRW would be responsible for future tile repairs. The CEO stated he had worked to get this bill down and had followed up getting supporting documents and information and that the county engineer will hold LPRW responsible in perpetuity any future tile damage. Schramel related that Nobles cannot hold LPRW liable forever; there is a statute of limitations. Muller related this damage was from our work and that we should pay it. Also if we don't pay future claims Nobles can withhold issuing road permits. Lonneman wanted a letter to be sent that all future tile repairs would be first handled by LPRW. By consensus the Board asked Schramel to write a letter accordingly.

Attorney's Report:

- **City of Ghent Contract:** Schramel related that on June 9th that Engels and Ufkin had meet with the Ghent Administrator, Dawn Vlamincx and two Commissioners. They had worked out the details of the contract which Schramel reviewed the highlights. This contract gives them no more volume but a second hookup to the farm service business and that LPRW can regulate this meter during times of high demand; the city gets the lowest city rate and will pay ½ the costs to raise the meter into a meter house. The city will own all pipe and appurtenances except the meter and will maintain and pay heating and electric costs associated with the meter house. Overby asked what happens should the pipe inside the city supplying the meter breaks who is responsible to fix it and how timely would it be fixed. The general answer is that Ghent is to fix it and would likely fix it timely but the water could be shut off outside the city should it become that extreme. M/S/P- Lonneman/Ufkin to approve the agreement as presented.

Engineer's Report: Schriever presented:

- **Blue Grass Proteins:** Schriever had nothing new to report. The CEO then stated that he had spoken with both Kerry Williams, General Manager of Blue Grass Proteins and CEO Billy Joe Williams of Blue Grass Dairies the parent company of Blue Grass Proteins about purchasing and/or acquiring permanent easement to wells and land. Billy Williams related that he would have to present this matter to his board for any approval.
- **RRRWS:** Test pumping at the Lindstrom well is scheduled for August. RRRWS is planning for 400-500 gpm.
Work is being done on the Jackson-Martin expansion final plans and specifications.
Water sales near Balaton – nothing new (RRRWS accepted the LPRW 2 year notice letter).
Service area boundaries – nothing new.
- **Lewis and Clark:** Lonneman related that Lewis and Clark sales had increased 33% from May of 2014 to May of 2015; three full time employees are being added for the plant to expand to 45 mgd; and operational costs are dropping due to increased sales. For the new Minnesota bonds, Lewis and Clark will have to put in the \$ 9 Million of Federal funds first before the state will be put in the \$19 million of bond monies. This project

will complete the remainder of the Hills to Magnolia section, put in a tank and pump station, and get the project from Adrian to Worthington shovel ready for the next bond cycle in 2016 from the \$9 Million of Federal Money. There is now some thought that after water gets to Worthington that the next Federal project is to go to Sibley. There are some issues in Rock County as to getting easements and eminent domain procedures will likely be used to acquire these easements. Then Lonneman stated that with the bonding bill having been approved to get Lewis and Clark to east of Adrian at the LPRW (original) connection that it is expected that in 2016, the normal bonding year, that the state will bond Lewis and Clark to Worthington. Worthington would then be able to hookup possibly by fall of 2018 whereupon Worthington would no longer take water from LPRW. LPRW needs to talk with Worthington officials of their current intention so that it can inform and help prepare Osceola County Rural Water System (OCRWS) of a significant drop in purchases by LPRW from OCRWS. Both LPRW and OCRWS have benefited on their respective sales but both need to know the intentions of their purchasers so that they can plan accordingly. Thus LPRW needs to sit down with Worthington officials about their intentions and whether Worthington would want to buy-in and still purchase some water when Worthington gets Lewis and Clark water.

- **Holland Permit:** The legislative change to the PSIG statute did pass. LPRW is on the PPL and has a score of 68 (the approximate cut-off for funding is about 45). Since PSIG is not requesting PCA loan funds, LPRW does not have to meet the June deadline. The PSIG paperwork usually comes out in early July and is due late July. The CEO stated that he had just gotten a call from the MDH that following the statute change that because LPRW is using drinking water infrastructure to comply with MPCA regulations that LPRW will also have to make an application for the Drinking Water State Revolving funds to be eligible for PSIG funding even if RD will fund the loan portion of the project. That official did not know how this new requirement would affect LPRW's standing on the PP List.
- **RD Funding:** 2014-2015 Improvements Projects has been approved for funding. The total project cost is \$4,539,000.00 funded with a RD loan of \$3,108,000 at 2.75% interest for 39 years, and \$130,940 annual debt service payment plus a RD grant of \$1,431,000.00 (31.5%).
DGR is working on plans and specifications for "Part 1 – Water Source and Control Upgrades." These will include the SD Verdi well completion and existing well piping and control upgrades; the Holland wells 1-6 control upgrades; and the SCADA upgrades at various stations. Hopefully, this submittal to RD for review will happen this week. Part 2 will be the Miscellaneous Distribution System Improvements.
- **CIP Program:** DGR submitted a preliminary plan to RD for completing the Magnolia to Edgerton pipeline and for rebuilding the Edgerton Pump Station and Reservoir. This could replace the need for the BIOTTTA project at the Holland WTP. Several funding issues need to be considered. Whereupon Schriever presented a memo addressed both to LPRW and RD that outlines the need of LPRW to replace the Holland RO system and then covered various alternatives and reasoning as to the alternatives along with a cost

analysis among those alternatives. Discussed were the reliabilities of the alternatives and that BIOTTTA is not proven when compared to the reliability of the Lewis and Clark source now available to LPRW at Magnolia with the addition of piping. The piping of 12 inch and 14 inch diameters are able to deliver more water than Holland would lose with the RO treatment system removed and not replaced. The 14 inch can deliver without an inline booster 1.1 mgd (765 gpm) or the whole of the LPRW Lewis and Clark allocation and with an inline pump 1.65 mgd (1150 gpm) the future allocation of Lewis and Clark; the 12 inch can deliver 0.5 mgd (400 gpm) without an inline pump and with an inline pump 1.3 mgd (900 gpm). Any water not taken at Magnolia could be taken at Adrian. There is a need for a pump station and new ground water reservoir at Edgerton to move these flows into the Holland area. In all scenarios the Holland Water Treatment Plant will be utilized. For the water mains and w/o RO or BIOTTTA it is believed that it can produce 600-700 gpm. The biological system can be added at a later time but the water mains are the most viable option now. Lewis and Clark water is currently in the range of \$1.10/ 1000 gallons and is anticipated to drop to \$0.70/ 1000 gallons when all members are connected and fully using water. The Holland wellfields are in themselves less reliable because they are shallow and susceptible to drought. Then Schriever presented in tabular form the costs for each analysis and the differences in short lived assets additions and deletions and operational and production expenses costs for these alternatives, and showed a life cycle replacement cost analysis based on 40 years and other assumed parameters for each of the alternatives. The piping in all cases was more cost effective. Then Schriever showed possible financing scenarios for each of the alternatives. Meyer of the MPCA feels that the PSIG statute changes allow for Holland to be replaced with a pipeline sourced water as long as the RO reject water discharge is eliminated. Gernentz has stated that the water main alternatives would be eligible for the poverty interest rate for the whole of the project but she could not say what the grant portion would be other than with less interest charged the loan would be more affordable and thus in turn would reduce the grant dollar amount. Then Ufkin mentioned that he had been talking to Gernentz about the rates and grant funding and the effect of lost water revenues would have on those rates and grants when Worthington stops taking water from LPRW and goes onto Lewis and Clark. Gernentz needs a letter of intent from Worthington as to continued water purchases from LPRW soon for making her funding analysis. The Board directed Muller to set up a meeting next week with Worthington Officials and LPRW officials to discuss this matter, learn of their intent for the future of purchasing LPRW water and if also there would be possibility of a buy-in and water sales in the long-term and request a letter of intent accordingly. Then discussion reverted to the different alternatives and which would be most beneficial to LPRW for both solving the RO reject water discharge issue and for the future of LPRW. The pipeline projects are more viable whereas much money could be sunk into BIOTTTA and then it may not function properly as it is not proven technology. It is noted Gernentz of RD prefers the known pipeline solution over the unproven and single sourcing BIOTTTA alternative. Then discussion reflected on which pipeline alternative

to select and the costs of operating an inline pump station or currently placing larger pipe without an inline pump station that can utilize pressures supplied through the Magnolia meter. M/S/P-U Ufkin/Kling to authorize for the purposes of moving forward with Rural Development and making application for the Point Source Implementation Grant that DGR submit the project to construct the 14 inch water main from Magnolia to Edgerton, to do the upgrades to the pump station and GSR at Edgerton as recommended but without doing the inline booster at Kenneth with an expected project cost of \$6.9 Million.

Finally Ufkin brought up that with the new facts we know now does LPRW have its priorities right. If LPRW loses the water sales to Worthington, it will not be able to afford any more projects for some time to come after these that have been approved. All agreed that LPRW is getting the best benefit by currently doing the SCADA and Verdi well improvements project and going with the Magnolia to Edgerton waterline project to solve the MPCA reject water discharge issue was imperative. Overby asked if Holland would be abandoned. Ufkin stated no just that LPRW needs to recover its financial position before it could do a project like that. It was interjected maybe if the City of Pipestone wanted water that their fee would help pay for any upgrades then.

Regional Water Development Report:

- **Bluegrass Dairies /Clarkfield:** This was discussed previously.

Field Superintendents'/ Operations Manager's/ and Enterprise Technician's Reports:

- **Tom Muller:** Muller related that with the improved aquifer at Holland that the pumping is now back to normal and 500 gpm of water is moving from Edgerton to Chandler. Osceola is able to be backed down some now. And the water supply to Worthington is now turned back up to full capacity.
- **Shawn Nelson:** Nelson stated that he is attending the Water Operator Training at Mitchell Tech and that he is learning useful information that he can now apply to things he previously did not understand. There are several more weeks of training sessions left. He recommends this training be made available for all the LPRW water operators. The glass lined tank at Lynd has several leaks and Nelson will be having repairs made next week.
- **Jason Overby:** Overby related Bovee had conducted a wellhead protection plan with the various committee members covering surveying and making an inventory list of items that would affect wellfields. Then the Burr draft drinking water source management area per LBG was made available for review. The level of the aquifers at Verdi and Holland are up 2 to 2 ½ and 3 to 3 ½ feet, respectively. Overby thanked the board for allowing him to attend the ACE convention in Los Angeles, CA. He said he was able to network with many of his fellow colleagues and was able to learn much about the drought situation in California and what it could mean here in Minnesota.
- **Jodi Greer:** Greer stated that the new server is ready to be put into service and that new PC's have been ordered but Marco has to wait on the changeover due to waiting on the

SCADA upgrade. Marco has been very helpful with giving staff guidance on all the IT issues LPRW has been facing. Overby commended Marco as well.

CEO's Report:

- **Wonderware Scada Proposal:** The CEO presented that he was surprised by the cost to upgrade the SCADA and that instead of being in the \$10-15,000 range it is in the \$40,000 range to upgrade Wonderware the current SCADA platform software used. Thus he has investigated costs for new platforms and getting them integrated and took bids on them and they ranged from \$30,000 to \$40,000. He presented an email from Kasner of Quality Control, Inc. the current integrator, which related the extensive time and trials in changing SCADA platforms also. The Water Resources and Equipment Committee had reviewed this matter and both the Committee and the CEO stated that LPRW should remain with the current software and upgrade it as any change is too extensive and very problematic for solving any errors which could take years to even surface and resolve. Kasner stated it would take about a week to integrate the upgrade and that integration cost would be covered in the current maintenance agreement LPRW has with QCI. M/S/P-U Feikema/DeWilde to approve staying with the Wonderware SCADA platform and upgrading it as per QCI's recommendations and have QCI integrate it.
- **Credit Card Handling Policy:** The CEO presented a credit card handling policy that he had prepared. He stated that although Paymentus had assured him that no employee would be handling credit cards and the information associated therewith except the last 4 digits of the card number, he felt it best to have a policy adopted that instructs and would help protect employees when handling credit card information that inadvertently comes to them or is forced onto them. M/S/P-U Kling/Buysse to adopt the credit card handling policy as presented.
- **LBG:** This matter had been discussed previously.
- **Interim Financing:** Northland Trust has expressed a desire to bid on the interim financing of the construction projects. Oldre told the CEO Northland is doing Rock County's interim financing due to cost savings and lower interest rates. The CEO is investigating which firm would provide the most cost effective interim financing. Spronk stated MRWA does not charge bonding insurance premiums with its financing while the others do and this cost must be considered as well.

Committee Reports:

- **Executive Committee:** Nothing to report.
- **Personnel Committee:** Moen stated that New Hire Candidates were interviewed and that the interviewees were impressive and the decision was hard to make. The Committee recommended that the position be offered to Jadrien Irwin first and that in the alternative should he not accept or work out that the position then be offered to Dan Renken. The CEO then pointed out that he had communicated with Irwin about the position and potential offer pending the Board's approval. He related that following Irwin's statement that he planned to move to Redwood Falls there had been concern by

the staff that this was not conducive to daily work and being on call. The Board then discussed that it had no policy and that only Overby lived outside the service area but his daily work is mostly at the office and is not of the same nature as the water operators. Schramel stated that LPRW can with this offer add the requirement that an employee must live within the LPRW service area as part of the conditions of the offer of employment. The CEO stated that he did not want to see a new hire move in the system to accept the job and then move out after a short time. Ufkin asked if the budget covered a new hire. The CEO stated the budget did not cover funding a new hire. M/S/P-U Ufkin/Lonneman to follow the recommendation of the Personnel Committee to first offer the job to Irwin and in the alternative to Renken with the requirement that Irwin must move into the system long-term.

- **Water Resources and Equipment Committee:** These recommendations had been discussed previously and acted upon.
- **Budget and Finance Committee:** The Budget and Finance Committee will next meet August 11, 2015 at 5:00 p.m.
- **Joint Powers Board Representative:** Nothing to report.

Other Business:

- **Thank You Letters to the Governor, Legislators and Staff:** The CEO presented the thank you letter for their work in getting the Lewis and Clark Bond bill passed and for getting the PSIG statutory language changed so PSIG funding is applicable to water infrastructure facilities built to resolve MPCA regulatory issues. Whereupon the Board members signed them.
- **City of Ghent Contract:** This matter had been discussed previously and the contract was signed accordingly.

Public Comment: None

Adjournment: M/S/P-U Moen/Ufkin to adjourn at 9:30 p.m. The next meeting will be held Monday, July 27, 2105 at 6:00 p.m. at the main office in Lake Benton.

_____, Janice Moen, Secretary.