

Western Area Water Supply Authority
Board of Directors Meeting
Williston City Hall
Tuesday, January 10, 2012
1:30 p.m.

Attendees

Members Present: Denton Zubke, Bert Anderson, Gary Rust, Gene Veeder, Karen Burau, Ward Koeser, Liz Suhr, Mark Owan, Jaret Wirtz, Mike Hynek, Michelle Klose, Brent Bogar

Members Absent:

Others Present: Alternate Jeffery Mattern, Alternate Ben Clarys, Cory Chorne (AE2S), Melinda Rasmussen (AE2S), David Johnson (AE2S), Tami Norgard (Vogel Law Firm), Jeff Nelson (Vogel Law Firm), Dan Musson (Armstrong International), Jeff Romig (Armstrong International), Cal Thelen (AE2S), Perry Johnson (AE2S), Steve Mortenson (IWP), Mike Forman (Legal Counsel for IWP and Lindale Pipeline), Walt Peterson (NDDOT), Kent Reiersen (Legal Counsel for WRWD)

Meeting called to order

Meeting was called to order at 1:30 pm by Chairman Denton Zubke.

Introductions

All in attendance introduced themselves.

Approval of Agenda

Changes made to agenda: Under financial report, add a request for a credit card for Jaret Wirtz. Under project updates, move discussion of legal issues involving McKenzie County System IV award contract to executive session.

Ward Koeser made a motion to approve the agenda with these changes. Karen Burau seconded the motion, motion passed unanimously.

Election of Officers

Jaret Wirtz opened the floor for nominations for Chairman. Liz Suhr nominated Denton Zubke and Denton accepted the nomination. The board was asked for any more nominations, hearing none, nominations ceased. Gary Rust made a motion to appoint Denton Zubke Chairman. Ward Koeser seconded the motion. Vote results are as follows:

Karen Burau	1.5	Yes	Mike Hynek	1.5	Yes
Mark Owan	1.5	Yes	Liz Suhr	1.5	Yes
Denton Zubke	2.0	Yes	Bert Anderson	1.0	Yes
Gene Veeder	2.0	Yes	Gary Rust	1.0	Yes
Ward Koeser	4.5	Yes	Michelle Klose	1.0	Yes
Brent Bogar	4.5	Yes			

Denton Zubke opened the floor for nominations for Vice Chairman. Gene Veeder nominated Brent Bogar and Brent accepted the nomination. The board was asked for any more nominations, hearing none, nominations ceased. Karen Burau made a motion to appoint Brent Bogar Vice Chairman. Bert Anderson seconded the motion. Vote results are as follows:

Karen Burau	1.5	Yes	Mike Hynek	1.5	Yes
Mark Owan	1.5	Yes	Liz Suhr	1.5	Yes
Denton Zubke	2.0	Yes	Bert Anderson	1.0	Yes
Gene Veeder	2.0	Yes	Gary Rust	1.0	Yes
Ward Koeser	4.5	Yes	Michelle Klose	1.0	Yes
Brent Bogar	4.5	Yes			

Denton Zubke opened the floor for nominations for Secretary. Mark Owan nominated Karen Burau and Karen accepted the nomination. The board was asked for any more nominations, hearing none, nominations ceased. Gary Rust made a motion to appoint Karen Burau secretary. Liz Suhr seconded the motion. Vote results are as follows:

Karen Burau	1.5	Yes	Mike Hynek	1.5	Yes
Mark Owan	1.5	Yes	Liz Suhr	1.5	Yes
Denton Zubke	2.0	Yes	Bert Anderson	1.0	Yes
Gene Veeder	2.0	Yes	Gary Rust	1.0	Yes
Ward Koeser	4.5	Yes	Michelle Klose	1.0	Yes
Brent Bogar	4.5	Yes			

Denton Zubke opened the floor for nominations for treasurer. Karen Burau nominated Liz Suhr and Liz accepted the nomination. The board was asked for any more nominations, hearing none, nominations ceased. Gene Veeder made a motion to appoint Liz Suhr treasurer. Bert Anderson seconded the motion. Vote results are as follows:

Karen Burau	1.5	Yes	Mike Hynek	1.5	Yes
Mark Owan	1.5	Yes	Liz Suhr	1.5	Yes
Denton Zubke	2.0	Yes	Bert Anderson	1.0	Yes
Gene Veeder	2.0	Yes	Gary Rust	1.0	Yes
Ward Koeser	4.5	Yes	Michelle Klose	1.0	Yes
Brent Bogar	4.5	Yes			

Approval of Minutes

Corrections were made to the December 12, 2011 meeting minutes: Under the 'Jaret Wirtz' section, it was requested that the comment be clarified to say "\$3000.00 per connection". Under SWC Request, it was requested to remove the wording "next \$100 million" and replace it with "\$75 million". Clarification was requested on page 5 and the motion made by Ward Koeser. It should be stated as "Ward Koeser made a motion to bill the City of Williston for Change Order No. 3 for the US 2 to County Highway 7 project for the second water connection to the Bakken Industrial Park and leave it up to the City of Williston to break out the billing." Ward Koeser made a motion to accept the December 12, 2011 and the December 30, 2011 meeting minutes with these changes. Mark Owan seconded the motion, motion passed unanimously.

Financial Report

The financial report was presented for consideration and was open for discussion. Gene Veeder made a motion to accept the financial report, Brent Bogar seconded the motion, motion passed unanimously.

It was noted that the easement had not been paid for Ike Tomlinson/Kris Bird. Ike Tomlinson / Kris Bird have not sent in a signed easement and therefore a payment will not be sent out. Tami Norgard is working with the Tomlinson/Bird easement.

It was noted that AE2S had three invoices that were outstanding. Cory Chorne explained that they were part of a McKenzie County Contract that had been transferred to WAWSA. Cory stated that the three invoices would be resubmitted with next month's payment voucher.

A request was made to acquire a credit card for Jaret Wirtz.

Gary Rust made a motion to acquire a credit card and raise the limit to \$5000.00. Liz Suhr seconded the motion, motion passed unanimously.

Payment Voucher

Denton Zubke opened discussion on payment voucher 7-12012. Questions were raised on the AE2S invoice number 29424 relating to professional services. The board wanted clarification as to the large number of hours for all levels of principles for professional services. The board wondered how much of this was related to the issues that arose with County Road 7. It was clarified by AE2S that some of the billing was for the 26th Street Pump Station portion of the project, but AE2S will hold out section 060 of that invoice in the amount of \$44,356.50 and resubmit to the board with a breakdown and clarification of cost and work done. Clarification was also requested on the checks written to Williams County and Easement Checks written. Jaret Wirtz clarified that the Williams County check was to file the easements for the US 2 to County Road 7 and Regional Reservoir No 1 to Bakken Industrial Park projects. The checks written for easements were for the Wildrose to Crosby Watermain project.

Brent Bogar made a motion to approve payment voucher 7-12012 for \$1,372,848.66, the total minus the amount AE2S is holding out. Gene Veeder seconded the motion, motion passed unanimously.

Office Space

The office space agreed to with Gary Wendel will not be completed until April 1, 2012 at the earliest. A temporary office space is needed for Jaret Wirtz and possibly an administrative assistant. It was discussed and agreed that a temporary office should be acquired. Jaret Wirtz will begin working on a temporary space.

It was discussed that WAWSA could possibly have some space at the Williston Water Treatment Plant as a permanent location after the improvements and upgrades have been made. That would not be completed and available until late 2013 to early 2014.

Membership Agreements

Jeff Nelson explained the membership agreements that were included in the board packet. These agreements have the specific numbers filled in, but the basic form has not changed. It was also clarified that these agreements are between WAWSA and the member entities, sub-agreements will need to be established between member entities and their members. These are the agreements that board members should be able to take to their boards for negotiations and approval. The goal of the WAWSA board is to have substantial completion; all member entities discuss the agreements and decide on changes that they would like to negotiate, by January 27, 2012. The next step would be to negotiate and have all agreements signed by the end of February 2012.

Discussion was started on clarification as to water quality responsibility. It was clarified that each member entity was responsible for O&M for specific parts of WAWSA and that it included water samples and testing.

Any questions from member entity boards can be addressed to Jeff Nelson, any questions on financial aspects can be addressed to Cory Chorne or David Johnson, and Jaret Wirtz would like to be copied on all questions and responses so that he can stay updated in the process.

Bulk Water Direct Connection Agreements

The agreements that were handed out in the board packet are versions of an agreement that was originally created for McKenzie County and it was clarified that this is just a draft to be reviewed by members and the numbers inserted are just placeholders. Jaret Wirtz requested that this agreement be reviewed by the board members and that everyone return with changes or comments by the next meeting.

Executive Committee

Denton Zubke asked to appoint an executive committee. Ward Koeser asked if anyone would like to volunteer to be on the executive committee. Mark Owan and Michelle Klose volunteered to be on the committee with Denton Zubke and Brent Bogar.

Project Updates

Dave Johnson handed out and explained the capital accounting spreadsheet. The Capital Accounting spreadsheet will be turned in to show an update on where projects are at financially. Project estimates are given 10% contingency and actual totals when possible. Next, Dave handed out a draft budget crafted on what has been done, the business plan, and current costs of materials. The draft budget was written with three scenarios based on water depots coming on line.

A 10 minutes break was called at 2:50 pm

Brent Bogar left at 2:55 pm.

The meeting reconvened at 3:05 pm.

Project Updates Continued

Cory Chorne updated the board on current projects. Construction continues on the McKenzie County Regional Water Service project. The Indian Hills Water Depot will be a 2 port cold water depot as hot water is not cost effective. It is scheduled for completion on March 1, 2012, but does not look to be on schedule. There have been two environmental assessments done on this project for the section that crosses the USCOE property. Construction on the USCOE property has halted after a protest on the latest Environmental Assessment from the Independent Water Providers. The board has not seen a copy of the protest letter, but has requested a copy from the USCOE. Mike Forman, legal counsel for IWP and Lindale Pipeline, was in attendance and agreed to send a copy of the letter to the Board.

There has been a request for a 1" residential tap for commercial use at the cost of \$6000.00 with no construction costs needing to be paid. Jaret Wirtz was instructed to work with Vogel Law Firm and come back to the board with a proposal of hook up costs as to assist the board in establishing a policy. The

board suggested that the hook up request be revised to two ¾" hookups at \$3000.00 per connection as that policy is already in place.

Bert Anderson made a motion to approve two ¾" hookups. Liz Suhr seconded the motion, motion passed unanimously.

The Regional Water Service to Crosby is scheduled for a bid opening on Jan 31, 2012.

The 26th Street pump station portion of the Regional Water Service Phase I Pipeline project is working toward finalizing out the contract and should be done soon. Change Order No. 3 was submitted to the board.

Gary Rust made a motion to approve Change Order No. 3. Gene Veeder seconded the motion, motion passed unanimously.

The Regional Water Service Phase I Reservoir is scheduled for a bid opening on Jan 31, 2012. Cory Chorne will get together with Michelle Klose discuss any updates. This is the last of the Phase I projects. Perry Johnson presented an update on the Water Treatment Plant Expansion. There is a need to increase the output sooner than originally expected. Perry explained the next phases that were scheduled and introduced a new phase that could increase the output at the schedule needed. There is no cost savings to speeding up the phases. Ray WTP is on line for later this year, but does not supply maintainable flows, just peak flows. Cory Chorne will work with Michelle Klose to approve the phase IV expansion to allow for approval of an increased output.

Karen Bureau made a motion to advertise the phase 3 expansion with and alternate for the phase 3.5 expansion and an alternate for the phase 4. Ward Koeser seconded the motion, motion passed unanimously.

Perry also updated the board on the current condition of the intake gates. One gate is stuck shut and will need to be fixed to meet the output need. Also, the lines must be flushed and a flow test for capacity. There is going to be a flow test with the plant using one chamber and compare the results with the hydraulic modeling.

Gene Veeder made a motion for the executive committee to work with Tami Norgard to solicit bids from 3 general contractors and approve a contract up to \$100,000.00 for work needed to get the intake gates open and cleaned. Mark Owan seconded the motion, motion passed unanimously.

The North Fill Station project is proceeding and a purchase agreement has been signed. The DOT, County, and City are working on a truck site and interchange near the area. The board will work with Walt Peterson with the DOT also to insure that everything will work together. Michelle updated the board on the fact that the State is having meetings to address infrastructure including roads and highways. The Independent Water Providers have requested documentation on the placement of water depots. The IWP wants to make sure that the Board took into account private depot locations when deciding where to place water depots. The Board consulted Tami Norgard as to whether the IWP could be billed for the extra time and copies that would accumulate from gathering this information. Tami informed the Board that the first hour is free and after that time could be billed out per the ND Century Code, with a maximum hourly rate for some gathering and the actual costs for reproduction of other items.

Ward Koeser made a motion to provide the IWP with an estimate of cost to gather all of the information requested. Gene Veeder seconded the motion, motion carried unanimously.

Depot Locations

The board discussed the various correspondences from the IWP and the effect their letter had on the Corps of Engineers, ordering no work to proceed until the letter was analyzed. Jaret Wirtz updated the board on the current locations for water depots. The Board referred to Exhibit V under the Summary of WAWSA Infrastructure Technical Memorandum during the update. Steve Mortenson inquired as to whether there had been any more consideration to lessening the number of ports at the WAWSA water depots. He was informed that the number of ports will not be lessened as they reflect the water sales

amounts that have been in the business plan from the beginning. After a discussion of the limited number of depots that are actually new (as opposed to preexisting or delayed), Steve Mortenson outlined the IWP's concerns generally as follows:

The IWP is "glad that WAWSA has adjusted some of the locations in response to IWP's concerns". He thinks there will probably always be some impacts, but it looks like WAWSA has "minimized most of them." Steve doesn't "know what will happen when WAWSA opens, and whether anyone will be affected." In response to comments of Michelle Klose regarding the fact that there are no perceived impacts at the depots slated for Keene and Watford City, Steve responded that "the only real issue is at 13 Mile Corner." In that regard, Steve noted that they are concerned about quantities sold. He advised "it may not affect anything – we just don't know yet." Mark Owan requested information from Steve Mortenson as to the number of private water depot owners that have contracted water. Steve agreed that he could gather that information and turn it over to the Board.

Gene Veeder asked Walt Peterson, NDDOT, if he was comfortable with the current water depot locations as they appear on Exhibit V. Walt responded that yes, he was comfortable with the locations and will want to show the impacts to the roads.

Gene Veeder made a motion to finalize the siting of the full set of depot locations. Gary Rust seconded the motion. Vote results are as follows: Denton Zubke - yes, Bert Anderson - yes, Gary Rust - yes, Gene Veeder - yes, Karen Bureau - yes, Ward Koeser - yes, Liz Suhr - yes, Mark Owan - yes, Mike Hynek - yes, Michelle Klose - no, Brent Bogar - yes. Michelle indicated she did not have time to review the packet on the depot locations and could not vote to approve at this time.

Task Orders

The task order for depot final design was not handed out. The Amendment for Task Order No 8 was not handed out as AE2S needs to come back with an updated scope for work in 2012. The Task Order for Right of Way Services was not handed out, however; there was an invoice submitted by Bill Benes for Right of Way work done on the system IV McKenzie County Project that has now become a WAWSA project.

Gary Rust made a motion to pay Bill Benes for the Right of Way work done and add it to next month's payment voucher. Bert Anderson seconded the motion, motion passed unanimously.

Liz Suhr left at 4:30 pm.

Board Entered Executive Session

Karen Bureau made a motion to enter Executive Session. Ward Koeser seconded the motion, motion carried unanimously. The Board entered Executive Session at 4:31 pm.

Gary Rust made a motion to adjourn Executive Session. Gene Veeder seconded the motion, motion carried unanimously. The Board left Executive Session at 5:20 pm.

McKenzie County System IV

The Board reported discussing legal issues involving the award of the contract in executive session, since there was concern about the validity of the low bid. The low bidder contacted AE2S within 24 hours of the bid opening to advise of two typographical errors that would have decreased their bid by over \$600,000. After consultation with counsel and in light of the potential for protests regarding potential

violation of the competitive bidding laws if issued to the low bidder, Gene Veeder made a motion to award the contract to Merryman Construction based on the bid received. Ward Koeser seconded the motion, motion carried unanimously.

Montana Dakota Utilities (MDU) / Armstrong Services

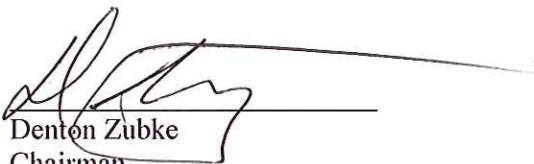
The Board discussed the negotiations with Armstrong regarding the Letter of Credit required of MDU for gas connections to water depots in executive session. Gary Rust made a motion to authorize the Executive Committee to enter into contracts with MDU and Armstrong Services to provide natural gas service to five water depot locations in the general format discussed with the board and after review by the Executive Committee. The general format of the agreements were that Armstrong is to provide a letter of credit or other security acceptable to MDU not to exceed \$5.5 million, WAWSA would contribute \$.02 per barrel of hot water sold at all of the fill stations and an additional \$.03 per barrel of hot water sold at the 13 Mile Corner fill station to an escrow account to be used to reduce Armstrong Service's letter of credit requirements to MDU. Bert Anderson seconded the motion, motion carried unanimously.

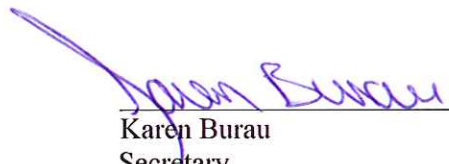
Mike Hynek left at 5:25 pm

Jaret Wirtz was given permission to start looking for and administrative assistant for support staff.

Gary Rust inquired about electronic notebooks for meetings as opposed to paper board packets. Jaret Wirtz is going to look into cost and get back to the Board.

Ward Koeser made a motion to adjourn the meeting at 5:30 pm. Bert Anderson seconded the motion, motion passed unanimously.


Denton Zubke
Chairman


Karen Bureau
Secretary