

**Western Area Water Supply Authority  
Board of Directors Meeting  
WAWSA Office  
Wednesday January 20, 2016**

**Attendees**

Members Present: Bert Anderson, Raoul Brandt, Ellis Haake, Ward Koeser, Richard Liesener, Mark Owan, Gene Veeder and Denton Zubke

Members Absent: Chris Brostuen, Gary Rust

Others Present: Jaret Wirtz (WAWSA), Kim Schilke (WAWSA), Todd Pokrzywinski (WAWSA), Tami Norgard (Vogel Law Firm), Cory Chorne (AE2S), Dustin Schultz (AE2S), Kent Bickler (R & T Water) via phone, Jeff Shaffer (MCWRD), Luke Berry (Caliber Midstream), Jack Watson (Caliber Midstream), Pat Wheeler (IWP), John Cameron (Sen. Hoeven's Office)

**Meeting Called to Order**

Chairman Mark Owan called the meeting to order at 2:00 pm.

**Board Re-Organization**

Schilke called for nominations for Chairman. **Koeser moved and Haake seconded to nominate Mark Owan for Chairman. Veeder made a motion that nominations cease and cast a unanimous ballot for Mark Owan, Zubke seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan  
NAY: 0  
CARRIED: 8-0

Owan called for nominations for Vice-Chairman. **Zubke moved and Anderson seconded to nominate Chris Brostuen for Vice-Chairman. Koeser made a motion that nominations cease and cast a unanimous ballot for Chris Brostuen, Haake seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan  
NAY: 0  
CARRIED: 8-0

Owan called for nominations for Secretary-Treasurer. **Zubke moved and Koeser seconded to nominate Kim Schilke for Secretary-Treasurer. Zubke made a motion that nominations cease and cast a unanimous ballot for Kim Schilke, Veeder seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan  
NAY: 0  
CARRIED: 8-0

**Approval of Agenda**

The Agenda was presented for approval. Item #5 under the Executive Director's report, 2010 Baseline Sales, was moved to Executive Session for a discussion with legal counsel on contract language and negotiations with members and submembers. **Haake moved to approve the agenda with the change, Koeser seconded.**

MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

**Approval of the Minutes**

Minutes of the December 18, 2015 board meeting were presented for approval. **Liesener moved to approve the minutes for the December 18th meeting as presented, Zubke seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan  
NAY: 0  
CARRIED: 8-0

## Financial Report

The financial reports were presented for consideration and discussion. **Veeder moved to accept the financial reports as presented, Haake seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan  
NAY: 0  
CARRIED: 8-0

The NDIC passed the following motion at their January meeting concerning interest and principal payments on some of WAWSA loans. *"It was moved by \_\_\_ and seconded by \_\_\_ that effective December 1, 2015 the Bank of North Dakota (BND) consider suspending the monthly principal payments on BND Loan Number xxxxxxxxxx until 7/31/2017 with monthly interest payments continuing to be made and that suspended monthly principal payments (or a portion of a monthly principal payment) be made based on either a formula/calculation or cash threshold as negotiated between the Western Area Water Supply Authority and BND. Further that it be noted that since the Western Area Water Supply Authority has prepaid principal ahead to 7/31/2017 this is not considered a payment restructure or modification."*

## BND Loan/SWC Grant Payment Requests

The SWC \$39.5M Grant request 18-12016 in the amount of \$145,295.00, a SWC \$60M Grant request 2-12016 in the amount of \$1,737,072.37, and a BND loan request of \$900,614.36 were presented to the board for their approval. **Veeder moved to approve the pay requests for the SWC grants and the BND loan, Anderson seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan  
NAY: 0  
CARRIED: 8-0

## Executive Director's Report

### System Updates & Industrial Sales Report

Wirtz gave a system update. Only a few punch list items remain on the 21mg Williston Water Treatment expansion. The R & T WTP is now running 3 days on and 3 days off to increase efficiency and decrease operational costs.

Wirtz reported on the industrial sales; December industrial sales were \$839,430.00.

### Industrial Water Rate as Approved by NDIC

Wirtz reported on the January NDIC meeting. The NDIC approved the following motion at their January meeting and would like the WAWSA board to concur.

*"It was moved by \_\_\_ and seconded by \_\_\_ that the Industrial Commission, in accordance with §61-40-11 accepts the recommendation of the Western Area Water Supply Authority and establishes \$20.00/kgal (\$.84 a barrel) as the industrial water depot and lateral retail rate for the year 2016 and authorizes the Authority to offer additional customer services and credits to be provided with the base rate."*

**Anderson moved to approve the motion that the NDIC passed concerning industrial water rates, Veeder seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan  
NAY: 0  
CARRIED: 8-0

### Industrial Water Rate Reimbursement to WAWSA as Approved by NDIC

The NDIC approved the following motion at their January meeting concerning the industrial water rate reimbursement to WAWSA and would like the WAWSA board to concur.

*"It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_ that the Industrial Commission, in accordance with §61-40-10(1)(b) directs the Western Area Water Supply Authority (Authority) to reimburse the Authority and its member entities from the Industrial Account for the cost of delivery of potable or nonpotable water sold from the industrial water depots and laterals for the year 2016 as follows: See Attachment #6"*

**Zubke moved to approve the motion that NDIC passed concerning the industrial water rate reimbursement to WAWSA, Haake seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan

NAY: 0

CARRIED: 8-0

### **ND State Water Commission \$10M Loan**

#### **Note Modification Agreement**

Wirtz presented to the board the "Note Modification Agreement" between WAWSA and Bank of North Dakota modifying the deferred interest payments on the Series 2012B and Series 2013 Notes until July 31, 2017 and the deferred principal payment on the Series 2012A Note until July 31, 2017. The agreement also establishes a ratio for payment if WAWSA has the ability to pay the principal or interest during any given month. **Zubke moved to approved the Note Modification Agreement between WAWSA and BND, Koeser seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan

NAY: 0

CARRIED: 8-0

#### **Resolution Approving Issuance**

Wirtz presented to the board the "Resolution Approving Issuance" for the \$10M loan from the ND State Water Commission Infrastructure Revolving Loan Fund. **Zubke moved to approve the Resolution Approving the Issuance for the \$10M loan, Koeser seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan

NAY: 0

CARRIED: 8-0

#### **AE2S Rate Increase**

Wirtz presented to the board the AE2S rate increase for consideration and approval. Chorne (AE2S) reviewed the rate increase with the board. The board had discussion concerning the fact that sales are down and AE2S is presenting a rate increase to WAWSA when WAWSA is trying to cut expenses and has had to increase member rates. It was suggested to look at the increase in 6 months and see where the industrial sales are at that time. **Liesener made a motion to defer the proposed AE2S rate increase for 6 months until the July board meeting, Koeser seconded.**

AYE: Veeder, Brandt, Liesener, Koeser, Zubke

NAY: Anderson, Haake, Owan

CARRIED: 5-3 (Weighted voting calculation of 11.5 to 4)

#### **Employee Compensation**

Fourth quarter employee bonus evaluations have taken place. Chairman Owan recommended a 10% 4th quarter bonus for Executive Director Jaret Wirtz. **Koeser moved to give Wirtz a 10% 4th quarter bonus based on Chairman Owan's recommendation, Veeder seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan

NAY: 0

CARRIED: 8-0

### Armstrong Water Solutions

Wirtz reported to the board that the WAWSA Executive Committee met with Armstrong and Armstrong is looking at liquidating some of their assets. Wirtz recommended that the board allow the Executive Committee to explore and get some numbers from Armstrong on the assets they want to sell. Armstrong approached WAWSA first because of the working relationship WAWSA has with Armstrong. **Brandt made a motion to allow the Executive Committee to get more information from Armstrong and negotiate a price. Motion failed for lack of second.**

**Liesener made a motion to allow the Executive Committee to get more information from Armstrong and report back to the board, Haake seconded.**

AYE: Brandt, Liesener, Anderson, Haake, Owan

NAY: Veeder, Koeser

ABSTAIN: Zubke

**Motion Failed 5-2-1 (Weighted voting 7-6.5-2, no majority of votes to pass the motion)**

### Project Updates

Chorne presented a current water demand report and the Capital Accounting Report.

Chorne presented the board with project updates.

### MCWRD System 1 Tobacco Gardens

Murphy Pipe & Civil LLC Change Order #2 in the amount of \$5,048.50 for locating an existing 8" water line was presented to the board for the approval. **Anderson moved to approve Change Order #2 in the amount of \$5,048.50, Zubke seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan

NAY: 0

CARRIED: 8-0

### WRWD East Transmission Main Part 2

Chorne gave a recommendation to award the WRWD East Transmission Main Part 2 to low bidder JMAC Resources Inc. with a low bid of \$4,223,844.00. **Veeder made a motion to award the WRWD East Transmission Main Part 2 to the low bidder JMAC Resources, Inc. in the amount of \$4,223,844.00, Koeser seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan

NAY: 0

CARRIED: 8-0

### WRWD BWD Distribution

Carstensen Contracting Inc. Change Order #6 in the amount of \$47,732.50 to cover the cost of moving equipment due to lack of easements was presented to the board for their approval. **Zubke moved to approve Change Order #6 in the amount of \$47,732.50, Haake seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan

NAY: 0

CARRIED: 8-0

### February Board Meeting

The February board meeting will be moved to February 24<sup>th</sup> because of a conflict with the ND Rural Water Expo in Fargo during the regular scheduled week.

### Executive Session

4:25pm **Zubke made a motion to enter into executive session for the purpose of discussion with legal counsel on strategy and negotiating the contract with the members and submembers on 2010 baseline sales, Koeser seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan

NAY: 0

CARRIED: 8-0

5:00pm **Veeder made a motion to exit executive session, Zubke seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan

NAY: 0

CARRIED: 8-0

**Zubke made a motion that a Memorandum of Understanding be drafted by WAWSA's legal staff and sent to members and submembers receiving 2010 baseline sales; proposing that future monthly 2010 baseline sales payments will be made to members and submembers dependent upon monthly accrued industrial sales revenue effective January 1, 2016, Koeser seconded.**

AYE: Veeder, Brandt, Liesener, Anderson, Koeser, Zubke, Haake, Owan

NAY: 0

CARRIED: 8-0

Chairman Owan adjourned the meeting.



Mark Owan, Chairman



Kim Schilke, Secretary