

Winnepesaukee River Basin Program

Advisory Board

Laconia Compound Tuesday October 18, 2011 9:00 A.M.

Brian Sullivan-Franklin	Jeanne Beaudin-Belmont	Steve Dolloff-WRBP	Sharon McMillin-WRBP
Dan Leonard-Meredith	Paul Moynihan/Chairman-Laconia	Sheldon Morgan-Gilford	Johanna Ames-Tilton
Scott Dunn-Gilford	Paul Tierney-Northfield	Scott Myers-Laconia	Harry Stewart-DES
Ray Korber-Bay District	Bob Veloski- Sanbornton	Neil Campbell- CDM/Project Manager	Joe Ridge-CDM

P. Moynihan called the meeting to order at 9:05.

1) Review of minutes from Special Advisory Board Meeting of August 30, 2011

J. Beaudin made a motion to accept the minutes as written; B. Sullivan seconded, all were in favor, motion passed.

2) WRBP Budget

• FY 12 Update/FY 11 Costs

S. Dolloff handed out worksheets pertaining to the budget. A total of \$26,694.98 will be returned to the members from the Administration budget. S. Dunn asked if overbilling with a credit could be avoided. He said it makes accounting messy for the communities. S. McMillin explained that the overage is reduced from the next billing as a credit, and that communities have historically wanted slight over billing as an estimate than receive a larger bill for which they have not budgeted.

S. Dolloff then went over the O & M budget stating there would be approximately \$427,000 returned to the communities from this budget. He explained that although benefit expenses were a bit greater than expected the line item was saved by some retirements. Also, no chlorine tablets were purchased this year; there was plenty in the stockpile. He went on to say the utility line item had not been this low since the UV system went on line. D. Leonard asked if the utilities would be monitored once the new blower system is in place and operating. S. Dolloff indicated that we do not sub-meter individual processes but that we had been receiving the benefit of the trial blower and the newly installed blowers for over a year. A significant portion of the O&M credit is because the lack of or inability to move projects forward in the "capital expense line of the O&M budget. S. McMillin explained that there was no way to encumber these projects in FY11 without an actual contract being in place and that the books were closed for FY11. The money for any new projects will need to come from FY12.

S. Dolloff handed out a summarization of current O & M costs, with the credit to members in the amount of \$416,658.79 issued from this fund. A summary of Income and Expenditures was also handed out. The total amount credited to members from the O & M and Administration will be \$453,353.77. He also went over the

Replacement Fund saying there is a balance of \$1,511,484.47 in this fund. This fund is assessed based on depreciable assets. An encumbrance made in a prior year will be carried forward to next year. A Billing Summary also showed FY 09, FY 10, FY11 & FY12 for all four billing categories. This represents billing to members, less credits. B. Sullivan asked going back to FY 09 was there a progressive increase mostly attributed to Capital. S. Dolloff explained yes, since the O&M expenses include a vacant operator position, as well as no COLA'S for the last six years, along with efforts to reduce energy and cut power costs. S. Dunn asked if the presented FY12 estimates include credits, the answer was no they do not.

3.) UV/Plant Water/SCADA Improvement Project Update

- Building excavation and concrete, FRP piping replacement (Add Alt #2), winter shut down

S. McMillin gave a brief overview saying ground had been broken and concrete was in the process of being poured. How much gets done will depend on the weather conditions. The pipes are being replaced in the tunnels. The onsite testing for the concrete was not included in the contract cost and will be paid out of a change of order allowance of \$7,500. The change order to relocate the water main which is in conflict with the influent line to the disinfection building, whose cost is still unknown, will be paid from the project's contingency fund.

4.) Meredith SSO

- Unresolved ownership issues within the WRBP

D. Leonard explained that the Meredith interceptor that leaked belongs to the WRBP, and he was under the impression it would be covered under the sinking fund. The total cost could be in the range of \$80,000-\$100,000 which would be reimbursable to Meredith. D. Leonard would also like to charge the time of Meredith's staff who worked on the issue to the WRBP, possibly as a credit to Meredith.

- Board vote regarding payment for Meredith repairs from Sinking Fund

J. Beaudin made a motion for reimbursing Meredith for repair work; B. Sullivan seconded, all were in favor, motion passed. Meredith will present details of costs and work out details of how money is received with the WRBP.

S. McMillin explained that the Sinking Fund assessment which is currently only collecting on asset value of stations and the treatment plant and not pipes in the ground is not adequate as a capital reserve account as has been proposed by the Advisory Board. Discussion included an increase in the percentage assessment or including all depreciable assets in the valuation, thus changing the assessment to each member community. H. Stewart indicated that the time to change the statute would be now with a new bill as a "place holder" brought forward in the current legislative session if the communities wished to propose such a change to the statute. The bill could be amended later with details agreed by the members. Otherwise, it would have to wait until FY13. We would need to justify an increase from the current 5% assessment to 10% or other level based on future discussions. S. Dunn suggested holding off with any actions, saying the Governance Group is currently looking at several statutes and that ownership of the pipes should be determined first. Further discussion was tabled with no Board action proposed.

5.) Flow Metering Implementation and Cost Allocation System Project

- CDM Cost Allocation Methodology Presentation

Neil Campbell & Joe Ridge from CDM gave an overview of alternatives for cost allocation, examples of how other utilities assess costs, and the cost method allocation methodologies that they are suggesting be evaluated by the WRBP. These are detailed in the “Rate Allocation Methodology technical CDM memo provided to the Board.

They presented the following alternatives:

- Total System Costs (capital and operating together)
- Total system capital costs (both debt service and cash funded)-this category can include cost items analogous to the WRBP’s Sinking/Replacement Fund.
- Total system operating costs, which may fully incorporate or separately treat administrative and overhead costs.
- “Cost Centers”, which may include both operating and capital, but allows allocation of costs where not all customers use elements of the system in similar situations. Given the physical structure of WRBP’s system, potential cost centers might include:
 1. Plant
 2. Pump stations
 3. Interceptor segments
 4. Infiltration/inflow (WRBP interceptors)

Some of the factors that could be used to allocate costs are: flow (which is the most common), peak flow, population, connected population, and community purchased capacity. A methodology applicable to the WRBP would need to reflect the flow of non-residential and seasonal customers. There should also be some enforcement provisions if the capacity based assessment is used and a community sends more flow than their allocated capacity, perhaps paying a penalty, as well as a mechanism for communities to trade percentages of capacity.

- Q&A on Flow Metering Implementation and Cost Allocation Methodology

B. Sullivan asked how the example district (GLSD) spreads out the cost between communities for the I/I in common pipes and addresses the accuracy of flow meters. CDM replied that flow is measured for each community as it reaches each Town line. I/I is included in the overall flow metering at the town line so is assessed to that community. Flow can be allocated based on miles of pipe or inch miles of pipe. Whatever percentage of flow is captured at that metering point belongs to that community. It’s not a perfect system and there will be fluctuations. In a similar setting in Detroit Michigan, a federal judge sets the rates on the I/I measured in the pipes. J. Beaudin asked if it would be possible to have a conceptual model using actual budgetary numbers and estimating the average flow, a model could be built so we can see what it would look like. S. McMillin explained that a draft basic model has been provided by CDM and will be provided to communities to manipulate. We could play around with some estimated numbers but it may open a can of worms between the communities with distinct winners and losers. R. Korber stated we would need historical flow data from the communities. There was general discussion as to whether we would be able to capture accurate flow with the meters suggested. CDM indicated that 90% of the measured flow will be 93-95% accurate. Questions arose over whether it was obvious when a meter malfunctioned and the answer was yes and that this would be taken into account during data validation. B. Sullivan made a point of mentioning that it would be much simpler to ignore the I/I in pipes.

CDM recommendations for moving forward

It is suggested that the WRBP will consider a cost allocation system that relies heavily on measured flow. To mitigate the impact of meter malfunctions and provide relative stability to the member communities, it would be best to base the flow parameter on a multi-year rolling average of perhaps three years (when that history is available).

The system could be broken down into cost centers so that communities closer to the plant are not paying for facilities that they do not use. The current cost allocation system is set up in this manner. It will complicate the budgeting and cost accounting and will be necessary to establish a methodology to assign/allocate costs to the various cost centers. The WRBP's time allocation system may need to be expanded to increase the number of locations that staff may assign time and then there would need to be a means to enforce diligent use of the time accounting system. Ultimately there are many considerations; including its cost and complexity that will need to be taken into account before a system can be finalized

References were made throughout the presentation by CDM to other programs somewhat similar to ours: Greater Lawrence Sewer District (GLSD), Massachusetts Water Resource Authority (MWRA), Upper Blackstone Water Pollution Abatement District, and Greater Augusta Utilities District (GAUD).

B. Sullivan made a recommendation that we deal with the same person for consistency from CDM throughout the process, to have a facilitator for guidance. Additional discussion will be needed to finalize the allocation model and determine which factors to include. S. Dunn suggested simplifying the model and not using costs centers, just allocating all O&M by average annual flow.

- AB concurrence on meter locations (proposed Board vote)

There was a slight change in Belmont's location, with the meter now being located near the Winnisquam Beach Campground; however, the cost to install the meter at this location is similar to the other proposed location with money saved from reduced vandalism in the future, which would have been very likely at the first proposed location. Franklin is all set with their location. Soda Brook was added and River Street was also added to the locations. S. McMillin will contact CDM and have them move forward with the design based upon this agreement by each community.

General discussion ensued concerning the meeting with CDM on how to implement changes, and a target date for the Advisory Board to agree on the framework of a new billing procedure. S. McMillin asked if the board would like her to craft something based on today's discussion to put on the CIP agenda. Also, do we want CDM to prepare a quote for work on a methodology, data management piece, and other out of scope work? It was agreed S. McMillin would work on getting a draft scope and budget from CDM for bidding assisting, evaluations, & construction administration oversight, then send to members via e-mail. She explained it would be a contract amendment, and we could have a special meeting and then vote on it. Dan Leonard requested that the CDM proposal be delivered to members at least a week before the meeting in order for people to review the proposal before being asked to make a decision on it. The board agreed on a special meeting December 6th at 9:00am at the Laconia Compound.

6.) Review of draft MOU - goal is to set realistic timelines based on NHDES staff and Advisory Board Members' workload and the amount of time needed to complete projects.

S. Dunn said they had relied on R. Korber for dates but apparently no one told him this. R. Korber said he will get back to the board with recommended dates. Some discussion on items 6 & 11 in the MOU resulted in the board

contemplating combining these items. B. Sullivan said they would discuss it further in the CIP committee meeting. J. Beaudin would like to see “deemed necessary” left in the language for # 11.

7.) Regional Wastewater Utility Authority “Fact Finding” Subcommittee Report

J. Beaudin sent out letters to member communities requesting their financial data for the past 5 years. She noted that nothing had been received from Administrative Services, Laconia and Gilford. Additional information had been requested from Meredith. S. McMillin will follow up with Dave Clapp. J. Beaudin has also compiled a spreadsheet using the Franklin template that will be used once information is compiled and completed. They will need to meet as a board to decide the next steps to take.

8.) CIP Subcommittee Report

- Subcommittee to meet following full Advisory Board session today (lunch provided)

9.) Other Business

- Northfield Status on payment

S. McMillin explained that no payment has been made as of yet. The Town requested more time, and the AG’s office still has not heard anything. This is an issue for the Town to work out with the district commissioners.

10.) Adjournment by P. Tierney at 12:25 seconded by R. Korber; all were in favor motion passed.