



MWRA Advisory Board Summary  
of the  
MWRA Board of Directors Meeting  
Wednesday, May 11, 2011

A meeting of the Board of Directors of the Massachusetts Water Resources Authority was held on May 11, 2011 at the Charlestown Navy Yard. **Present:** Chair Rick Sullivan and Michael Gove, Gubernatorial Appointee; Andrew Pappastergion and Joseph Foti, Advisory Board Representatives; Vincent Mannering, and James Hunt III, City of Boston Representatives; Jack Walsh, City of Quincy Representative. **Absent:** Joel Barrera, Gubernatorial Appointee, Kevin Cotter, City of Boston Representative, John Carroll, Advisory Board Representative & Marie Turner, Town of Winthrop Representative.

**Report of the Chair**

No Report

**Report of the Executive Director**

Executive Director Fred Laskey acknowledged Board Member John Carroll's absence and noted that Mr. Carroll expressed his sincere appreciation for all the warm support given to him and his family during a difficult time.

Mr. Laskey reported that the MWRA had successfully wrapped up a 150 million dollar bond deal. He stated the timing was very good and as a result the MWRA was able to shave off a few basis points.

Mr. Laskey stated that there were two pieces of correspondence that should be mentioned. The first was a letter from the Town of Stoneham that requested mitigation. This will be presented in the June meeting since it arrived after the agenda was set. The second piece of correspondence referenced the American Water Works Association (AWWA) case study on the Water Main Break. The AWWA study essentially pointed out what went right and what went wrong last year. Mr. Laskey felt it mainly highlighted the hard work of the MWRA employees and how well prepared they were during that time.

Mr. Laskey also mentioned that the deadline for open enrollment on health insurance just passed. There were 145 employees that changed their insurance and 117 of those opted for a less expensive plan.

Lastly, Mr. Laskey acknowledged that the MWRA was going to be receiving an Environmental Merit Award from EPA in the afternoon. It is tied to our efforts on renewable energy. He thanked the Board for being flexible with and starting at 12:30pm in order to attend the ceremony.

## **APPROVALS**

### **Memorandum of Understanding and Financial Assistance Agreement between MWRA and BWSC for Implementation of CSO Control Projects, Amendment 12**

The Board voted to authorize the Executive Director, on behalf of the Authority, to execute Amendment 12 to the *Memorandum of Understanding (MOU) and Financial Assistance Agreement (FAA) Between MWRA and BWSC for Implementation of CSO Control Projects*, increasing the financial award amount by \$784,598 from \$286,801,000 to \$287,585,598 and revising the language of the agreements in regard to the total award amount and interest.

Amendment 12 will revise the authorization amount for each of the projects in the MOU and FAA to reflect current spending (life to date), recent contract awards, and new estimates for un-awarded contracts and updated eligibility for completed contracts. The proposed increases to certain project award amounts are offset by proposed decreases for other projects, for a net increase in the total award amount of \$784,598.

The proposed increases for the South Dorchester Bay BOS088/089, Fort Point Channel and Bulfinch sewer separation projects will bring the award amounts in line with the anticipated final eligible amount for these projects. The current authorizations were last approved in July 2007 for BOS088/089, and July 2008 for Fort Point Channel and Bulfinch Triangle. The increase associated with the South Dorchester Bay BOS090 sewer separation project will add to the Agreement the estimated cost for design and construction activities associated with the removal of additional inflow from the BWSC system in this tributary area. These activities, and the need for inflow removal, have been anticipated since early in the project and have been carried in Board-approved CIPs for many years.

### **Extension of Employment Contract, Principal Civil Engineer, Deer Island Treatment Plant**

The Board voted to approve the extension of the part-time employment contract for Mr. William A. Haynes, Principal Civil Engineer, Deer Island Treatment Plant, for a period of one year from Jun 1, 2011 to June 1, 2012 at the current hourly rate of \$46.65, for an annual compensation not to exceed \$54,581.00.

Board Member Jack Walsh asked how many temporary employees the Authority has? Mr. Laskey responded by stating that there were 50 to 60 temporary employees when he joined the Authority ten years ago but now there are about nine. Mr. Laskey believed, in this case, that the Authority gets good service without having to pay the fringe benefits so it is worth it to keep these individuals

on staff. The position is for part-time work; the employee has extensive work experience and already receives benefits from their pension. Essentially, the Authority gets a seasoned engineer for a fraction of the cost.

### **Extension of Employment Contract, Administrative Assistant, Clinton**

The Board voted to approve the extension of a part-time employment contract for Ms. Jane Densmore, Administrative Assistant, Operations Division, for a period of one year from July 1, 2011 to June 30, 2012 at the current hourly rate of \$21.00, for an annual compensation not to exceed \$21,840.

The Clinton Wastewater Treatment Plant continues to have a need for part-time assistance in completing routine administrative tasks related to maintaining accurate files for invoices, attendance records, purchasing requisitions, etc. These tasks do not require a full-time position.

Since March 2008, Ms. Jane Densmore has provided this administrative support and assistance to the Superintendent of the Clinton Wastewater Treatment Plant. Ms. Densmore is extremely proficient in utilizing MWRA's Lawson computer program, researches standardized industrial codes for parts and equipment and performs some basic accounting tasks.

## **CONTRACT AWARDS**

### **Grit and Screenings Hauling and Disposal: Charter Environmental, Inc., Contract OP-149**

The Board voted to approve the award of Contract OP-149, Grit and Screenings Hauling and Disposal, to the lowest eligible and responsible bidder, Charter Environmental, Inc., and to authorize the Executive Director, on behalf of the Authority, to execute and deliver said contract in the bid amount of \$1,567,994.66 for a term of 730 calendar days from the Notice to Proceed.

Contract OP-149 is a two-year contract to haul and dispose of "minor residuals" from various MWRA wastewater facilities. Minor residuals are by-products of wastewater pre-treatment and primary/secondary treatment processes, and include grit, screenings, floatable scum, and scum screenings. Grit and screenings are essentially all the solids that remain after the largest items, such as rags, wood, plastics, and other larger floating material are removed from the wastewater. These solids are removed by bar screens that filter the material. Heavier material, such as sand and gravel, is removed by settling in the grit chambers. Scum, typically material that floats and congeals on the surface of tanks, includes fats, oils, and greases, as well as some plastic and rubber products.

This will be Charter Environmental's fourth contract for Grit and Screenings Hauling with MWRA and staff report that the firm's bid price is reasonable and their past performance has been satisfactory.

## **CONTRACT AMENDMENTS/CHANGE ORDERS**

### **Digester Sludge Pump Replacement –Deer Island Treatment Plant: Interstate Engineering Corp., Contract 7123, Change Order 5**

The Board voted to authorize the Executive Director, on behalf of the Authority, to approve Change Order No. 5 to Contract 7123, Digester Sludge Pump Replacement-Deer Island Treatment Plant, with Interstate Engineering Corp., extending the contract term by 101 calendar days from April 3, 2011 to July 13, 2011, with no increase in contract amount.

Contract 7123 is the first phase of a two-phase program to improve the overall reliability and performance of the sludge transfer system. The first phase includes the installation of one centrifugal sludge pump and one flushing pump. These new pumps will operate at a higher velocity to ensure that grit does not settle out of the sludge before reaching the Pelletizing Plant in Quincy. The flushing pump will be automatically set to clear the sludge lines from DITP to the Pelletizing Plan during the weekends when the Pelletizing Plant is normally not operating. This will ensure that the lines are cleaned on a routine basis without the need for additional staff to operate the flushing system. The new sludge pumps will utilize a newer, more reliable variable-frequency-drive technology.

## **INFORMATION**

### **FY2011 Third Quarter Orange Notebook**

Chief Operating Officer, Michael Hornbrook presented a slideshow on the FY2011 Third Quarter Orange Notebook. As it relates to energy, the contractor for the new FloDesign and Wind Turbine on Deer Island has made significant progress with construction. Mr. Hornbrook explained that from January to March of this year, the DiGas, STG, and Wind turbines all met their 95% availability target. However, the hydro turbines were off-line for a significant portion of the quarter due to a broken cable on the intake gate and a failed shaft seal. Mr. Hornbrook explained the reason the turbines were down was because of noise that was being created from them. Upon examination, the noise was created by front and rear bearings that were deteriorated. The MWRA did follow up with the warranty and instructions from the vendor which corrected the problem. Both hydro turbines were back in service in March.

There were three leaks found and repaired during the 3<sup>rd</sup> Quarter. The leak backlog for FY11 remains at zero. The Pipeline Program's goal is to repair all leaks found during the fiscal year.

The target for revenue wastewater transport calculated using meters is 95%. Estimates are generated for meters missing data due to instrument failure and/or erratic meter behavior. Estimates are produced using data from previous time periods under similar flow conditions. During the 3<sup>rd</sup> Quarter, on average, the meter actual accounted for 92.3% of flow; 7.7% of wastewater transport was estimated. Most of this estimate was due to several meters that were out of service; one meter was out of service due to construction and two others are awaiting parts.

Last year, the operation of water distribution valves was below target. In FY11, the MWRA is on target with operability of the main line valves. During the 3<sup>rd</sup> Quarter, staff exercised 284 main line valves bringing the total for the fiscal year to 759.

Board Member, Vincent Mannering inquired about how many employees used their time when out on medical or personal leave. Mr. Hornbrook responded by stating that most use their sick time first then vacation. He explained that when the Authority gets Family Medical Leave Act (FMLA) requests, it is reviewed and the Authority enforces their rights to seek clarification on any questions that arise. Mr. Mannering suggested that employees use vacation time before sick time to lower some of the workforce management costs. He also told the Authority they are making really good progress with Affirmative Action thus far.

### **Delegated Authority Report-April 2011**

There was a brief discussion about purchases of transformers and load break switches as well as security and support contract.

### **Update on Forward Capacity Market**

On February 16, 2011, the Board requested that staff provide an update on topics related to MWRA's participation in Demand Response, the Forward Capacity Market and other related matters with respect to NSTAR.

The Forward Capacity Market provided an opportunity for MWRA to sell electricity generated by Deer Island's combustion turbine generators to the grid to generate revenue. However, MWRA's participation required NSTAR's approval to use the cross-harbor cable for this purpose. NSTAR and Harbor Electric Energy Company (HEEC) have conditioned their willingness to enter into an interconnection agreement upon MWRA's acceptance of substantially all financial responsibility for the costs of a possible future repositioning of the cross-harbor cable, as originally required of NSTAR by the Army Corps of Engineers' permit for the original cable placement work. The repositioning of the cable is costly and an extremely difficult project involving underwater channel bed excavation. It has been studied by NSTAR for over four years now.

Deputy Chief Operating Officer, John Vetere explained that the Forward Capacity Market is a forward-procurement, auction-based, location capacity market that is intended to procure enough capacity to meet New England's forecasted demand and reserve requirements three to five years into the future. The FCM was developed, per a mandate by the Federal Energy Regulatory Commission, by the Independent System Operators of New England's ISO-New England, Inc. (ISO-NE) and the New England Power Pool (NEPOOL).

Mr. Vetere stated that the Authority had been exploring potential opportunities to provide excess electric generating capacity from Deer Island's CTGs over the cross-harbor cable to the grid until it was determined that the negotiation of an interconnection agreement with the owner of the cross-harbor cable would present major unanticipated costs and difficulties. Beyond issues of

cost and revenue sharing, NSTAR believes it is under no obligation to allow MWRA to use the cable to “export” off of Deer Island. Staff advised the Board that it did not expect that NSTAR’s “best and final” offer would bridge the gap.

In April of 2009, NSTAR responded with an offer. NSTAR proposed that after deducting “implementation costs”, including licensing, permitting and equipment, NSTAR and MWRA would share net revenues equally (50/50) until such time as each party had received \$20 million. Thereafter, MWRA would receive 95% and NSTAR would receive 5% of net revenues. NSTAR would also release MWRA from any costs associated with the “protection” of the cross-harbor cable from future dredging of the Boston Harbor. Staff deemed NSTAR’s proposal as unacceptable for the reasons discussed below.

While NSTAR would not specify what its implementation costs would be or project what level of revenues could be expected, it became obvious to staff that the \$20 million “recovery” level on its part was intended to allow NSTAR to recoup from an FCM project, not just its FCM implementation costs, but in addition, unrelated potential costs, and then some, associated with NSTAR’s obligations with respect to relocation (or protection) of certain portions of the cross-harbor cable under the channel bed of the inner harbor that have been alleged by the Army Corps of Engineers ACoE not to have been placed and covered to the depths below the channel bed as were required by the ACoE’s Permit.

There was a discussion among Board members and staff regarding the best offer presented by NSTAR. General Counsel, Steven Remsberg explained that \$20 million is the estimated cost to reposition the cable so that it will comply with the terms of the ACoE. He said the risks and difficulty of placing this cable deeper into the channel bed cannot be overstated. Mr. Vetere explained that NSTAR offered a number of possible construction approaches. However, none has yet been finally settled upon by NSTAR nor approved by the ACoE. Mr. Remsberg explained that a 95/5 split of FCM revenues, from the outset, appeared to be fair given MWRA’s costs for fuel for the CTG generators and given other MWRA Administrative costs of daily participation in the FCM market and stated that the subject of costs of repositioning the cable should not be part of any FCM negotiation. Mr. Vetere stated that negotiations came to a standstill because NSTAR’s offer provided the MWRA with little benefit and shifted the costs of NSTAR’s cable repositioning obligation to MWRA. Mr. Remsberg explained that the risk and danger of agreeing to the NSTAR proposal is that NSTAR and MWRA would become joint venturers with respect to the use of the cable which would make it appear that MWRA was responsible for some of the repositioning costs. It has been a long-term effort by NSTAR to shift the costs of repositioning the cable.

### **FY11 Financial Update and Summary as of April 2011**

Ms. Madden gave an FY11 Financial Update and Summary as of April 2011. She explained the total year-to-date expenses are lower than budget by \$23.1 million or 4.7%, and total revenues are higher than budget by \$209,000 for a net variance of \$23.3 million. The April results reflect lower debt service expense of \$15.9 million due to lower variable rate debt expense, primarily related to lower interest rates, and \$5.6 million in lower Direct Expenses driven by lower maintenance, wages and salaries.

In April, the Board authorized the use of the projected surplus up to \$28.5 million to defease debt in June 2011, to provide targeted rate relief in future years. As such, surplus funds are considered reserved for this defeasance.

Staff projects the year-end surplus could exceed the previous projection by \$4.5 million if conditions remain unchanged for the remainder of the fiscal year. As previously mentioned, the larger than originally projected surplus is mostly caused by the deferral of the State Revolving Fund (SRF) borrowing to the next fiscal year. As a result, the MWRA received only \$11.4 million in loans this year versus the planned \$85 million, significantly lowering the required debt service for FY11.

Mr. Mannering asked why so much money was being spent on Other Services in the next two months? Budget Director, Kathy Soni said it is for future environmental remediation projects, lead paint, PCB, pollution and some smaller projects. This is something staff had to recognize in the budget for the first time last year, according to the rules of GASB 49.

### **Update on Lead and Copper Rule Compliance, Spring 2011**

Director of Planning, Stephen Estes-Smargiassi explained that the MWRA system-wide lead levels in the March 2011 sampling were below the Action Level again for the 15<sup>th</sup> consecutive sampling round and 18 of the past 20. The 90<sup>th</sup> percentile value was 4.46 parts per billion (ppb), which is the lowest level yet seen; only 5 of the 451 samples were over the Lead Action Level and no community was individually above the Action Level. MWRA continues to meet the copper standard.

MWRA and its communities conducted the spring sampling round beginning in late March 2011. Under EPA's Lead and Copper Rule, each year MWRA and every fully-supplied community must collect and test tap water in a sample of homes that are likely to have high lead levels. These are usually homes with lead services or lead solder. EPA requires that nine out of ten or 90% of the sampled homes must have lead levels below the Action Level of 15 ppb. The 90<sup>th</sup> percentile value for the system as a whole in March 2011 was 4.46 ppb, which is below the lead Action Level of 15 ppb.

For only the second time, no community had an individual 90<sup>th</sup> percentile level above the Action Level. Several communities are continuing to implement lead service line replacement programs under DEP's interpretation of the Lead and Copper Rule. No community will be required to perform lead education for this round of sampling. Mr. Estes-Smargassi stated these were very good results and they will be reported to DEP at the end of this month.

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*This summary does not include every item discussed by the Board, nor the full extent of the discussions. Please contact Maggie Atanasov at the Advisory Board office with questions, comments or requests for more information.*