

**MWRA ADVISORY BOARD MEETING**  
**APRIL 16, 2009**  
**BRADLEY ESTATE**  
**2468B WASHINGTON STREET, CANTON, MA 02021-1124 – 11:30 A.M.**  
Minutes Approved at the May 21, 2009 Meeting.

Forty-seven people were in attendance, including twenty-five voting members: John Bean, ARLINGTON; E. A. Maguire, ASHLAND; Peter Castanino, BELMONT; John Sullivan, BOSTON; Michael Trotta, CANTON; Andrew DeSantis, CHELSEA; J.R. Greene, GUBERNATORIAL APPOINTEE; Edmund Demko, HINGHAM; Bill Hadley, LEXINGTON; Jay Fink, LYNN; Bruce Kenerson, LYNNFIELD; Doran Crouse, MARLBOROUGH; Katherine Haynes Dunphy, MILTON; John Cosgrove, NEEDHAM; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; Ted McIntire, READING; Carol Antonelli, SOMERVILLE; Lawrence J. Barrett, STOUGHTON; Richard Stinson, WAKEFIELD; Patrick Fasanello, WALPOLE; Walter Woods, WELLESLEY; Zig Peret, WILBRAHAM; Michael Woods, WILMINGTON; Anthony Blazejowski, WOBURN.

Also present: John Carroll and Andrew Pappastergion, MWRA BOARD OF DIRECTORS; Dennis Meehan, LEXINGTON; Ryan Ferrara, NEWTON; Jeff Zager, READING; Ana Singleton, STOUGHTON; Michael Collins, WAKEFIELD; William Shaughnessy, WELLESLEY; Phil Jasset, Mike Galli and Joe Welch, UCANE; Ed Bretschneider, WAC; Fred Laskey, Marian Orfeo, Rachel Madden, Marcis Kempe and Carl Leone, MWRA STAFF; Joe Favaloro, Cornelia Potter, Matthew Romero, Christine Hevelone-Byler and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

**A. WELCOME**

Chairman Dunphy called the meeting to order at 11:37 a.m.

**B. REPORT OF THE EXECUTIVE DIRECTOR**

MWRA Advisory Board Executive Director Joseph Favaloro noted the presence of a camera in the meeting room. Staff is creating an Advisory Board video to describe the Advisory Board and what it does, along with details on the legislative initiatives that the Advisory Board is actively supporting. Participants in the video include MWRA Caucus Chair Representative Ron Mariano, Vice Chair Senator Anthony Petruccelli; Advisory Board Chairwoman Katherine Haynes Dunphy; Board Members, John Carroll, Andrew Pappastergion and Joseph Foti; and Advisory Board Executive Director Joseph Favaloro. Once the video has been completed, it will be posted on the Advisory Board website and distributed to all of the members of the specific legislative committees via thumb drives. Christine Hevelone-Byler is spearheading the project for the office.

**C. PRESENTATION: STATUS, TIMELINE AND DIRECTION OF THE ECONOMIC STIMULUS PACKAGE** – Marian Orfeo, Director of Planning and Rachel Madden, Chief Financial Officer

MWRA Director of Planning Marian Orfeo described how the Authority is positioning itself to receive stimulus money. The American Recovery and Reinvestment Act was signed by the President on February 17, 2009 worth \$787 billion. The Patrick Administration has described this as an extraordinary opportunity for Massachusetts. The state is in tough shape and is trying to plug as many holes as it can with stimulus money. The Authority is trying to maximize its use of stimulus

funds for water, wastewater and energy projects. The goal is rate relief and to improve the economics of some of the Authority's renewable energy projects.

Massachusetts share of the stimulus monies in the category of Clean Energy and Environment is \$482 million, with \$186 million going to the SRF. The stimulus funds will be targeted for specific, restricted purposes, primarily through existing programs and mechanisms like the SRF. The most important thing to keep in mind is the use it or lose it requirement.

For SRF stimulus funds, projects must be committed by February 17, 2010; however, the guidelines are actually stricter in that projects must be lined up more in the September to October timeframe.

MWRA was fortunate to be represented on three of the Governor's task forces. MWRA Executive Director Fred Laskey was on the municipal facilities task force; Energy Manager Kristen Patneau was on the Energy Task Force; and Managing Director Kevin Feeley was on the Procurement Task Force. The Chair of MWRA's Board sets both Energy and Environmental spending priorities for the Commonwealth.

The MWRA submitted \$154.5 million in Clean Energy Projects (energy efficiency, solar, wind and hydro); close to \$96 million for traditional water projects; and \$220 million for wastewater projects. These projects came out of the Master Planning process.

For clean energy, there are 31 projects over the next two years; about half of the projects are for energy efficiency improvements and the other half are for solar, wind and hydro projects. Due to the large number of projects, the MWRA Board of Directors has approved four as-needed technical assistance consulting contracts to help Authority staff package some of these projects. The Board put some strings on how they would like to see that advance; staff must ensure that it maxes out on the amount of stimulus monies it can get for these projects and the payback periods must be reasonable.

Staff is using design/build on the solar and wind projects and some efficiency projects to enhance the MWRA's readiness for stimulus funding. The Authority's goal is to have a total of five wind turbines. The design/build contract has already been awarded for two of the wind turbines; FAA approval is needed for the other three and the Authority will proceed on those after evaluating the performance of the first two.

On Nut Island, staff is hoping to install a wind turbine beginning in June. A one megawatt wind turbine has been submitted to the FAA for approval and staff is optimistic because the height of that wind tower is lower than the heights of some of the existing structures there.

A 1.5 megawatt wind turbine is planned for the John J. Carroll Water Treatment Plant (CWTP). The wind monitoring and feasibility study is complete and a September start date is targeted for that project. Staff also has a large array of solar cells planned for the CWTP. Between solar and wind, staff's goal is to supply 25% of the plant's needs; most of it will be wind generated.

Roof replacements at a number of MWRA facilities are either under way or planned. The roofing materials are called Photovoltaic (PV) ready and will be able to have solar panels mounted on them. The Secretary is executing a statewide procurement process for solar projects (20 megawatts statewide); his goal is to have the solar installed at a cost of about \$450 per installed watt, which is about half the cost of what the solar panels on Deer Island were. The Authority is evaluating the pros and cons of joining this statewide process.

MWRA is also looking at hydroelectric power at Loring Road Covered Storage in Weston, a site where the hydraulic grade line drops approximately 80 feet. Sleeve valves in a large underground vault are currently used to reduce the pressure so 22 million gallons per day of water can be safely sent to the storage tanks for the low service system; a hydropower turbine at this location makes a lot of sense to harness the power of that water. It is currently in the Federal Energy Regulatory Commission (FERC) approval process and staff is hoping for a Notice to Proceed by the end of the year.

The Wachusett Dam Hydro Project is further out in terms of timeframe. This project is a 154 kilowatt turbine at an existing gatehouse where the water discharges from the Wachusett Reservoir to the south branch of the Nashua River. Even before the stimulus monies became available, MWRA had been fortunate with a lot of these projects, capitalizing on various pots of state energy money, whether it was through the Massachusetts Technology Collaborative or projects funded with Clean Renewable Energy Bonds.

For energy efficiency-type projects, the Authority is undergoing a multi-year, multi-phase project at Deer Island to look at the lighting at that plant; the \$1 million project at the plant is just one phase of that multi-phase effort. Lighting improvements can be paid back in a timeframe that is as short as one year. At Deer Island, payback will likely be in the three to four-year timeframe, which is still a great payback period. The project will replace existing lamps, ballasts and fixtures with high performance, reduced wattage fixtures. Day lighting and occupancy controls will also be integrated and exit signs will be replaced with LED signs. Doing it on the scale of Deer Island is a huge undertaking but the Authority should reap big benefits from the project.

In a similar vein, the Deer Island Steam Turbine Generator Upgrade will optimize the use of digester gas and will allow the Authority to produce more electricity instead of steam and hot water. This project will allow the Authority to see a payback in a relatively short period of time.

The MWRA has many more projects with a total cost far greater than available stimulus funding; staff's goal is to try to capture as much of the stimulus funds as possible, in addition to the SRF monies that the MWRA is typically eligible for (as high as 28%).

For water projects, the lower Hultman Aqueduct interconnection and rehabilitation project is a critically important interconnection between the Hultman Aqueduct and the MetroWest Tunnel; it also will allow the Authority to repair the Hultman. This project is already on the intended use plan for SRF funds.

Currently there is one pipe in the ozone building at the CWTP that goes to the ozone generators and carries all the oxygen for the plant. Failure of that pipe would disrupt plant operations. A Gaseous Oxygen Pipe Project would provide redundancy by constructing a second pipe. It is a relatively small but very important project that is included on the list for stimulus funds.

The Southern Spine Distribution Mains is the surface piping that parallels MWRA's Dorchester Tunnel. It serves the southern high and southern extra high communities of Boston, Brookline, Milton, Quincy, Norwood and Canton. This particular project replaces section 21 and section 43. It is 11,000 feet of new 48" diameter main from Dorchester Lower Mills to East Milton Square. Work is already underway on Phase 1.

On the wastewater side, there are \$222 million in projects that are expected to go into construction over a fifteen-month timeframe. With the way the stimulus money on SRF projects has been structured, there is a possibility that a case can be made that the chains and flights work being done on the primary and secondary clarifiers at Deer Island that started before the stimulus bill was

signed can be exempt from some of the requirements. The project includes sixty miles of stainless steel chain made in the United States with a price tag of \$59 million.

Due to a competitive market, the South Boston CSO 15 MGD Dewatering Pump Station Project, originally estimated at \$38 million, was awarded yesterday by the Board at \$25 million.

The Reserved Channel Sewer Separation is another project being touted for stimulus money. When the project is complete, it will reduce overflows to the Reserved Channel from 37 to 3 in a typical year.

The Heat Loop Piping contract, which will supply heat for the entire Deer Island Wastewater Treatment Plant, was approved by the Board yesterday and came in slightly under budget.

The MWRA has a lot of projects that could potentially be eligible for stimulus monies, including Brookline Sewer Separation, the South Boston CSO Storage Tunnel and Odor Control Facility, and the Alewife Brook CSO Control.

Projects to be funded must be shovel ready. Further, the Commonwealth is concerned about job creation. The SRF does not have a separate job creation requirement so the MWRA should not get caught up in head-counting on those jobs.

Chief Financial Officer Rachel Madden stated that staff has been working diligently with the Department of Environmental Protection (DEP) who oversees the administering of the SRF Program. DEP determines the amount and the distribution of those funds. Staff's understanding is that the distribution of the stimulus dollars will mirror very much what they do in a traditional SRF. All of the same rules will apply, with some new additions.

The Commonwealth is expected to receive \$185 million SRF-related stimulus dollars in the form of principal forgiveness and grants; there has been some reference to zero-interest loans but most of the dialogue has been directed at principal forgiveness and grants.

The Authority has been working with DEP to determine how to prioritize projects. The Commonwealth is getting \$185 million; following the traditional standards, staff can do some extrapolation to determine how much the MWRA would be eligible for. While MWRA has not received a final figure, staff believes it will be in the range of \$44 million as a maximum amount on the wastewater side and approximately \$13 million on the drinking water side, if the MWRA were maxed out on the traditional thresholds.

Staff has tried to prioritize its projects to best meet all of the requirements of the SRF funding. For bidding, there is the minority and women-owned business thresholds that must be met and projects have to already be approved or on an intended use plan. There is a finite list that is already approved by DEP and, in this case, will also be approved by EPA moving forward. There are also "buy American" and prevailing wage requirements. Within the Governor's stimulus bill, there is a requirement for 20% apprentice workers. Staff has actively pursued clarifications on all the requirements but has not been able to get absolute, steadfast, definitive responses and is working within the confines of the information they do have.

Staff has gone through the projects to determine which ones would be guaranteed to be at the right stage and ready for construction by the cutoff point, which is the February 17, 2010. The MWRA must determine which projects will have enough subcontracting opportunities to ensure that it meets the minority and women-owned business requirements and the "buy American" requirement. The feedback received from DEP thus far has been that the projects MWRA has submitted should

already be on its intended use plan, for which MWRA already had an extensive list; however, the Authority had extras that weren't on the intended use plan and is still endeavoring to get more included on the list. MWRA projects have been prioritized to the extent they can be. Staff is waiting for further clarification and is confident that MWRA will be able to leverage as much stimulus dollars from the SRF as possible.

A number of the energy projects were not on the MWRA's intended use plan for a variety of reasons. Staff is working with DEP to ensure that there are energy projects that can be incorporated into the MWRA's SRF list. There is a direct correlation between Deer Island improvements and the wind turbines. The Department of Energy Resources says that the Commonwealth will have approximately \$53 million worth of Clean Energy Initiative Funds; how much the MWRA will get is yet to be determined. Staff has heard that the directive is that they are looking to sprinkle the funds across the board, not to fund any one project in its entirety but to give enough of an additional grant toward the energy projects so that the economics work.

Jay Fink said some contracts were just awarded: Are those contracts eligible under the SRF and has the MWRA met all of the requirements for them? Ms. Madden stated that a number of the projects that were just launched had certain components of the provisions, such as "buy American"; however, the projects did not have the M/WBE requirement. Staff is working with DEP to determine a mechanism by which the MWRA could receive a waiver or, if there is enough sub-contracting capacity, do a "change order" to the bid in order to leverage those projects for stimulus dollars. There was also a federal directive that said that projects that had actually issued and awarded a contract that meet all the requirements post-October 17 through February 17 are still eligible. The projects that were just awarded did not include all of the provisions that are necessary to slide through without a waiver.

John Bean asked if MWRA is certain that this "SRF" money is to be debt-forgiven and, therefore, essentially grants. Ms. Madden said yes, the federal language speaks to that. As part of the Governor's stimulus bill, the Commonwealth had to file language to change Massachusetts' SRF statute, which specifically referenced the loans as 2%. Staff has heard the options as principal forgiveness and grants and has not heard DEP referencing zero-interest loans. Ms. Orfeo said their goal is to give everyone the same deal with the same terms under the SRF.

Mike Collins asked if they see this possibly translating to some form of rate relief for the cities and towns. Ms. Madden said the projects on MWRA's list are critically essential projects in its Master Plan that the MWRA intends to execute. If the stimulus funding is truly principal forgiveness or a grant, that is money that the MWRA is not borrowing that won't be paid back at 4%, which, over time, shortens the MWRA's debt service so ultimately it will result in some rate relief for communities. It is not demonstrable in the first year because communities are paying back debt on various amortization schedules.

Mr. Favaloro said the assumption is that the dollars will come into the Authority as it has under the existing SRF. With 2% loans you can see communities not necessarily participating if they are not ready. Under the assumption of forgiveness or full grants, does staff believe that communities will be less likely to participate? This is a one in a million chance to find 0% monies. Ms. Madden said it is a different dynamic than traditional without question. No city or town is going to pass up free money. It is going to be a lot more competitive for the allotment of those SRF dollars but the MWRA still wants to be poised to be there in case somebody does stumble and can't make the timeframe.

Mr. Favaloro said the Authority is probably well ahead of most in the Commonwealth on trying to be ready and the staff deserves a lot of credit. In June, Lt. Governor Tim Murray will be at the Advisory Board meeting at BWSC to discuss the stimulus bill and the impacts to communities.

## **D. COMMITTEE REPORTS**

### **Operations Committee** – Jay Fink

#### **❖ WATER METER MODERNIZATION GRANT PROGRAM**

Operations Committee Chair Jay Fink stated that the Operations Committee met prior to the Advisory Board meeting to discuss a proposal on a potential Water Meter Modernization Grant Program. An outline prepared by MWRA staff looked at some ideas on what might be eligible from a purchase point of view. A few others ideas were discussed at the meeting and added to the Authority's list. With the limited number of dollars that will be available to each community, the Committee felt that emphasis should be on larger meters for a "bigger bang for the buck" and more water that could be conserved. One of the things the Committee thought should be on the eligibility list is a service of testing and downsizing the meters.

DEP's general project requirements included the provision that any community that receives a grant would have to move to a bi-monthly or more frequent retail billing. Several communities expressed that it would be problematic due to staffing resources in both meter reading and billing. There were also other issues as far as increased costs in printing, the time of creating the bills on other staff of the municipality, not just in DPW, water or sewer, such as a Treasurer. Other communities expressed that they currently are billing monthly and for cost-saving measures could be going back to a quarterly billing program.

To mandate that a community move to a bi-monthly or monthly billing with the limited amount of dollars available would make it difficult for any community to accept this money, which is not going to replace an entire billing or computer system, or meters, to enable them to go to a monthly billing.

If the emphasis from DEP is on conservation, replacing the larger meters could satisfy that goal and changing the billing for the larger meters to bi-monthly or more frequent billing for just those meters could meet that DEP requirement.

The whole program is based on one big "if" and that is if the money comes forward, it does have potential. However, it is only \$10 million divided among all the communities that might be eligible so there is not a lot of money to go around. This information was conveyed to MWRA staff so they can, in their discussions with DEP, express those ideas for the communities.

Communities can put their thoughts in writing and direct them to Chairman Fink or Joe Favaloro and the comments will be passed on to the Operations Committee and the Authority.

Mr. Favaloro informed members that DEP just sent out notices to 13 communities regarding water bubblers in schools exceeding lead levels. Appurtenances on bubblers can cause lead to leach out into the water.

### **Finance Committee** – Bernard Cooper

#### **❖ EVOLVING ADVISORY BOARD CIP/CEB REVIEW PROCESS**

Matthew Romero said last month staff proposed two basic recommendations that MWRA reduce the rate revenue requirement over the course of the next few years by "x" dollars and reduce capital spending by "y" percent. Staff can now put some numbers to those recommendations through two two-part recommendations:

1a) Upon accounting for the addition of I/I Program Phase VII costs (which are being proposed to be put back into the CIP), lower further capital spending by no less than \$100 million over the next four years.

1b) Further reduce new borrowing by amount of stimulus funding received during the cap period.

2a) Reduce the rate revenue requirement by no less than \$100 million over the next four years (FY10-13).

2b) Regardless of levels of Debt Service Assistance in FY10, MWRA final assessments can be no higher than the preliminary assessments. Should the \$7 million of DSA that is being included in the Authority's proposed budget not come through, Advisory Board staff wants to be on record that the rate revenue requirement should not be the source of making up those funds.

On the CIP side, bid prices have come in and scope and schedule revisions can be looked at over the next four years and altered as needed to help reduce spending during that timeframe. Stimulus funds received will also be reduced from new borrowings.

On the CEB side, there are a lot of different areas that the Authority can look at including basic assumptions and what they decide to use as these assumptions in the FY10-13 timeframe. It includes FY09 debt service, refunding and the new borrowing that had taken place just prior to the proposed budget going to print.

There might be some play moving forward with the Authority's variable rate debt interest rate assumptions; if they take a bit more risk, they might be able to reduce the debt service line item somewhat.

There is a possibility that there could be some refundings in FY11 that could have some impact on the further out years. If borrowings are lowered by \$100 million and by the amount of stimulus funds received, it will have a corresponding impact on debt service.

Other Post-Employment Benefits (OPEB) is another topic that the Advisory Board has consistently gone to for revisions. The Authority, in its proposed budget, only allotted \$1.4 million, which was tied to the Governor's proposed legislation to increase the employees' share of fringe benefits.

Direct Expenses were purposely put at the bottom of the list of various efficiencies that the Authority might look at between now and FY13 because the Authority turned in a very tight budget. On the Direct Expenses side, there are not necessarily a lot of places where staff can make cuts. Some of the cuts that were made in FY10 are not sustainable and will need to be revisited; some will have to be restored in future years and some will need to be restored. Where do we find the extra money? Direct Expenses will be a part of it; however, the largest part of the Advisory Board's discussion centers on debt because that is where the money is at.

Mr. Favaloro said we have dramatically changed the format and approach to our budget review. It is one integrated document showing the overlap of CIP and CEB. It has fewer recommendations and with that it allows for a much broader view. It is not just about tomorrow; it is tomorrow and the years after. The Authority has done an excellent job of controlling costs; however, the world has changed. It forces the Advisory Board and the Authority to look deeper and more creatively, be it on the debt side or the revenue side. All of those pieces will hopefully get the Authority to a rate revenue requirement that is \$100 million less for its ratepayers over the next four years.

**Executive Committee** – Katherine Haynes Dunphy

❖ **SYSTEM EXPANSION AND SMART GROWTH**

Mr. Favaloro said there has been a lot of back and forth on system expansion and smart growth. The Authority has worked aggressively in trying to simplify the process for system expansion to

make it work more smoothly so communities won't have to spend three to five years to get through the process.

The Executive Office of Energy and Environmental Affairs would like to include smart growth in the System Expansion Policy. At the Board meeting, Mr. Carroll suggested that all parties on all sides of system expansion, including the regulators, Authority, Advisory Board and communities that might be interested in joining, get together for a facilitated discussion regarding what role, if any, that the MWRA should play in system expansion and what needs to occur to get to a point where communities that are interested in joining the MWRA will have a process that runs smoothly and efficiently to allow them to come in as quickly as possible.

❖ **LEGISLATIVE UPDATE**

The Governor, as part of his budget, included \$10 million from receipts that would come from an expansion of the Bottle Bill. The MWRA would receive \$7 million of the total; that was the basis for the DSA that was included in the MWRA's proposed budget.

The House version of the budget came out yesterday and had dramatic cuts of almost \$500 million in local aid, cutting it by nearly 25%. There is no Debt Service Assistance included in the House Budget, either direct or through an expansion of the Bottle Bill.

Over the last month MWRA and Advisory Board staff have met with every member of leadership in both the House and the Senate in trying to gauge their interest in the possibility of the MWRA receiving Debt Service Assistance in any form; it will be a challenge.

❖ **PROCESS AND TIMELINE FOR ELECTION OF ADVISORY BOARD MEMBER TO THE MWRA BOARD OF DIRECTORS**

The election for an Advisory Board representative to the MWRA Board of Directors will be held at the Knights of Columbus in Lexington on May 21. Andrew Pappastergion has submitted a letter of intent seeking re-election to the Board. All are welcome to participate and run as well. It is the one vote of the Advisory Board that is not a weighted vote and a quorum of 32 voting members must be in attendance.

**E. ADJOURNMENT**

**A MOTION WAS MADE TO ADJOURN THE MEETING AT 12:49 P.M.** It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary