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**MWRA ADVISORY BOARD MEETING
OCTOBER 18, 2012
WELLESLEY FREE LIBRARY
530 WASHINGTON STREET, WELLESLEY, MA**

MINUTES APPROVED AT THE NOVEMBER 15, 2012 MEETING

Forty-two people were in attendance, including twenty-three voting members: Michael Rademacher, ARLINGTON; Michael Bishop, BELMONT; Jay Hersey, BROOKLINE; John Sanchez, BURLINGTON; Andrew DeSantis, CHELSEA; J.R. Greene and Barbara Wyatt, GUBERNATORIAL APPOINTEES; Ed Demko, HINGHAM; Dan O'Neill, LYNN; Katherine Haynes Dunphy, MILTON; John Cosgrove, NEEDHAM; Lou Taverna, NEWTON; Bernard Cooper, NORWOOD; Michael Coffey, QUINCY; Jeff Zager, READING; Nick Rystrom, REVERE; John DeAmicis, STONEHAM; Carol Antonelli, WAKEFIELD; Patrick Fasanello, WALPOLE; Walter Woods, WELLESLEY; Bob Angelo, WESTWOOD; Zig Peret, WILBRAHAM; Joe Lobeo, WILMINGTON.

Also present: John Carroll, Andrew Pappastergion and Joseph Foti, MWRA BOARD OF DIRECTORS; Michael Collins and Eric Sherman, WAKEFIELD; Scott Gustafson, WALPOLE; William Shaughnessy, WELLESLEY; Rick Trubiano, Pam Heidell, Marcis Kempe, Kevin McCluskey, Kathy Soni, Leo Norton and David Liston, MWRA STAFF; Joe Favaloro, Matthew Romero, Maggie Kenneally and Mary Ann McClellan, MWRA ADVISORY BOARD STAFF.

AGENDA

A. APPROVAL OF THE JUNE 21, 2012 AND SEPTEMBER 20, 2012 MINUTES OF THE ADVISORY BOARD

Chairman Katherine Haynes Dunphy called the Advisory Board meeting to order at 11:40 a.m. A motion was made **TO APPROVE THE JUNE 21, 2012 AND SEPTEMBER 20, 2012 MINUTES OF THE ADVISORY BOARD**. It was seconded and passed by unanimous vote.

B. PRESENTATION: FY13/14 MWRA ADVISORY BOARD LEGISLATIVE PACKAGE – Joseph Favaloro, MWRA Advisory Board Executive Director

MWRA Advisory Board Executive Director Joseph Favaloro stated that one of the most important duties of the Advisory Board is the Legislative Package. For years this has been the Advisory Board's "bread and butter" approach to try to get funding for ratepayers and to accomplish things that will take the burden from the ratepayers' backs. The Advisory Board's package consists of nine re-files and three new initiatives.

There are three themes to the Advisory Board's package: 1) to find financial relief for ratepayers; 2) to ensure that the Commonwealth is an active partner in meeting the state's regulatory requirements; and 3) to undo unfair obligations that have been placed on the ratepayers.

In seeking critical financial resources, there are four re-files and three new initiatives. Through FY22, the MWRA has projected that an increase of \$377 million, or 64%, in rate revenue requirements will be needed. Where does this funding come from? It comes from the cities and towns through their

assessments or if the MWRA is successful, from some assistance from the Commonwealth of Massachusetts.

The re-files consist of two versions of the Bottle Bill; a tax on bottled water that would go into a fund for water-related infrastructure; and changing and putting into statutory law Debt Service Assistance (DSA) so that it doesn't have to be a hand-out every year – it would be just like the septic tax credit that would automatically appear in the budget on an annual basis.

A new initiative being submitted would restore the chemical reimbursement line item. Up until 2008, there was a line item in local aid that provided reimbursements to entities like the MWRA for their use of chemicals in wastewater treatment plants. In 2009, it was removed from the budget. Staff is attempting to have this reimbursement placed back into the state budget; if successful, this initiative could provide around \$1 million for the MWRA.

The second new initiative is \$100 million for economic development. MWRA and Advisory Board staff have spent a lot of time talking to Braintree, Holbrook and Randolph and others regarding system expansion. One of the biggest components of cost is getting a pipe to the MWRA system. The goal with an economic development bill is to get the Commonwealth to partner with communities in order to assist them in connecting into the MWRA system. The challenge here is to demonstrate the link between economic development and infrastructure. Staff has asked the Collins Center, which is part of the McCormack Institute at U-Mass, to work with the Advisory Board to develop an economic development study that could put a value on the importance of water and sewer infrastructure for economic development.

The third new initiative would be to get a share of the on-line sales tax for the MWRA. Amazon now has two buildings in Cambridge, which would allow the state to collect online sales tax; 19 states as of today have worked out deals with Amazon and e-bay, etc. for sales tax. That number is worth \$339 million a year to Massachusetts in additional tax revenue. Last year DSA was funded at \$500,000. If the MWRA could even get a 1% share of the online sales tax, it would be worth \$3.4 million, which is eight times higher than the current DSA. If the Authority could receive 10%, it would be worth \$34 million. The Advisory Board and MWRA staff met with the House Majority Leader and he noted that the Commonwealth has not decided whether it would pursue the online sales tax avenue. Transportation is the number one goal for the legislature at this point; however, the only way the MWRA can get to a "yes" is to ask in the first place.

The last of the re-filed legislation is to ensure that the Commonwealth is an active partner in meeting regulatory requirements. The Commonwealth has all of these new enforcements and regulatory requirements, including the Water Management Act permits, water conservation, I/I, and stormwater requirements, yet there isn't any funding. The re-files are geared toward getting DEP and the Commonwealth back into the game. The re-filed legislation focuses on the I/I Grant/Loan Program, water meters, and all of the things that the state used to do. Lead service replacements have been a big thing in many communities. If the state wants to make the requirements, they can at least pay their fair share of it.

Lastly, undo unfair obligations placed on ratepayers. Payments in Lieu of Taxes (PILOT) are made by the MWRA to communities in western and central Massachusetts that had their land taken to create the watersheds. It has gone from \$3 million to \$7+ million. About \$425,000 per year in duplicate payments are being made. In dollars it doesn't mean a lot, but over time, the MWRA has paid an additional \$6 million in duplicate payments to six communities. Not only do these communities get their PILOT, they also get an additional payment with the same criteria for the same thing.

A vote will be scheduled for November for Advisory Board approval so that the legislative package can be filed by January 18, 2013.

C. COMMITTEE REPORTS

Executive Committee – Katherine Haynes Dunphy

❖ **ACTION ITEM: NOMINATION AND ELECTION OF AN ADDITIONAL MEMBER TO SERVE ON THE FY13 EXECUTIVE COMMITTEE**

Chairman Dunphy stated that Revere designee Nicholas Rystrom has been nominated by the Executive Committee to join the FY13 Executive Committee.

Mr. Rystrom, City Engineer for Revere, said that he hopes to offer his services and to be involved more with the Executive Committee.

Hearing no further nominations from the floor, a motion was made **TO ADD NICHOLAS RYSTROM TO SERVE AS A MEMBER OF THE FY13 EXECUTIVE COMMITTEE**. It was seconded and passed by unanimous vote.

❖ **STATUS: WATERSHED FORESTRY PROGRAM**

Chairman Dunphy noted that copies of a letter that was sent to the Secretary of Environmental Affairs have been made available to members. The letter details the Advisory Board's frustration with the delay in getting the forestry report from the Science and Technical Advisory Committee (STAC). Yesterday the Secretary of Environmental Affairs stated that next Wednesday (October 23rd) is the deadline for the report to be turned over to his office.

The Chairman stated that over the last decade, DEP approved a waiver from the requirement to build a \$200 million filtration plant. Part of the reason for that decision was because the Division of Water Supply Protection (DWSP) had a good forest management plan that included forestry. When DEP gave the waiver, the federal government, through the EPA, challenged the decision in the federal court. The judge agreed that what Massachusetts was doing was acceptable because it had a good forest management program. This is a long journey that we have been on since August 2010 in seeking the completion of this report.

Mr. Favaloro noted that the one question that he and Chairman Dunphy asked the Secretary and the Board yesterday is, if Professor Barten misses the October 23rd deadline, as he has seven times before within the last two and one-half years, what will happen? The letter sent to the Secretary suggests some actions that the Secretary can take. Mr. Favaloro said we fully expect that the Secretary will take some definitive action on October 24th, based on our recommendation and will finally get a report out for the public process and that sometime in the new year the DWSP will have an active forestry program.

❖ **STATUS: SYSTEM EXPANSION**

Mr. Favaloro said staff is cautiously optimistic that there may be a desire by Tri-Town (Braintree, Holbrook and Randolph) to come into the MWRA water system. Discussions have been ongoing. Further, the former naval air base in Weymouth, now called Southfield, has also entered discussions about the availability of MWRA water. Additionally, talks with North Reading have continued and they are likely to join the MWRA system in the foreseeable future.

Operations Committee – Lou Taverna

❖ **PRESENTATION: BASELINE INFORMATION GUIDING THE SEWER METERING PROGRAM AND WHOLESALE WATER RATE METHODOLOGY – MWRA Staff**

Deputy Chief Operating Office Rick Trubiano stated that he and his staff are looking forward to working with Lou Taverna and the Operations Committee on a number of issues. Today's overview will be on the rates methodology for the water and wastewater systems and a brief overview on how the water and wastewater metering systems work. Staff will also introduce some of the issues that people have raised over the years regarding the water rate methodology and also some initiatives that the Operations Division wants to take to do additional testing on the wastewater system that may result in some changes to some of the community rates.

Assistant Manager of Rates, Revenue and Finance Leo Norton said the assessment methodologies are designed to allocate the rate revenue requirements for both the water and sewer utilities to member communities. For FY13, the rate revenue requirement was just over \$607 million in total for both water and sewer. There are different methodologies for allocating both the water and sewer utilities.

The allocation of the water rate revenue requirement to the communities is just a function of how much each community uses relative to the rest of the system. For example, if a community is using 1% of the water in the prior calendar year, they will be assessed 1% of the rate revenue requirement for the coming fiscal year.

Mr. Trubiano added that for the water system there are 51 communities. There are 192 meters in those communities that are used to develop the MWRA's rates. The meters cover every connection to the MWRA system and capture 100% of the water use in the system so it is a straightforward calculation. The meters are accurate within 1% and the MWRA has a greater than 98% up-time rate with its meters. Calibrations of these meters are done on at least a quarterly basis.

Recently some issues have come up relative to how the MWRA should be charging for water use in its system, primarily not just for complete users, but for partial users and standby users. Policy and Planning Manager Pamela Heidell added that five or six years ago there was discussion on whether there should be a "right to use" or "standby" fee. There are three MWRA communities that are emergency-only communities and they typically don't take water and they haven't been paying any investments into the system all along; if they do want to take water, should there be a standby charge?

There are also partial users that take water on an as-needed basis, with some of the partial users taking a relatively steady amount every year and others that have a large spike in their use of MWRA water. They have to pay for the water that they consume but they are not paying for the reserve capacity that is there. MWRA did a survey recently, with only 20 communities responding; of that, five had some sort of standby fee or reservation of capacity fee. That is a question for the MWRA to reconsider in the future. Another question is should there be a way of capturing the costs of our investment if a community has a large reduction of withdrawals from MWRA; or, alternatively, if a community has a large increase of withdrawals from MWRA? Framingham is investing in developing local sources. There are also some partial communities that very much rely on local sources but some of them are talking about new regulations that will restrict their withdrawals at certain times so if they all of a sudden increase their withdrawals from the MWRA, that is something that we should be thinking about.

Also, should emergency use be revisited? Currently the MWRA has an emergency policy if a non-MWRA community needs water for a day or so, that is not an issue; but if it is a planned emergency where they anticipate they are going to have a water shortage and they need to come onto the MWRA system for six months at a time, if they are approved, the MWRA assesses them a 10% premium charge on top of the normal water rate. Should that be revisited?

Should our current rates assessment methodology for water be revisited? Such as three-year averaging versus one-year averaging. Should a potential population component be considered? If part of the charge is based on population the way it is with sewer, that could get at some of the other issues that have been raised in terms of capturing the surety of supply that MWRA provides. A lot of utilities have different methodologies as well. They have one rate for sole-source and another rate for non-sole source or different rate categories depending where the communities are located.

Mr. Trubiano stated that the methodology is different on the wastewater side. On the sewer side, almost half of the assessment is based on population and the other half based on flow so there is a way to mitigate the impacts of use up and down. Unlike on the water side, if someone stops using water, the MWRA doesn't charge them anything; on the wastewater side, the fluctuations are balanced a bit by the fact that population is almost half of the cost. The entire sewer assessment of this year, \$400 million, is shared by all of the 43 sewer communities.

On the wastewater side, there are about 2,000 public and private connections; however, the MWRA only has about 200 metering sites so it is not capturing 100% of the flow that comes through the MWRA wastewater system. It simply can't be done because the MWRA couldn't afford to put 2,000 meters out into the system to capture every bit of it.

In 1996, MWRA started using flows as part of the communities' rates. Staff would like to do an initiative to update some of the information that was used back in 1994 to establish the rates.

John DeAmicis asked what percentage of the wastewater flow the MWRA captures with the 200 meters. Mr. Trubiano said the MWRA targets about 85% and any given community can be around 70% to 100%. It is different for every community depending on geographic location and the number of connections.

Director of Operations Support and Emergency Preparedness Marcis Kempe stated the sewer system pre-dated the installation of the metering system. The goal of the metering system is to measure flow at the point of transfer. In having 2,000 connections, it would be futile to have a meter at each one. The original vision was to do a benefit-cost-analysis on where the break point was where you were affected with your metering but not spending money unnecessarily for a small gain in information. That original goal was done in 1994. Because you weren't then measuring 100% of the flow you needed a technique to try to then estimate the contribution from the unmetered areas and the solution there was community-flow formulas where the MWRA does an estimation of what the contribution from the un-metered areas are using a proportional ratio to representative meters that are similar to the same type of land use as the un-metered areas.

Two kinds of adjustments relate to MWRA pipes that travel through a community. It was more logical and hydraulically better to make connections on individual pipes collecting neighborhoods into the MWRA interceptor. Where the MWRA crosses a community, the community may have a couple of dozen connections into that pipe so there are places where there are small direct contributions that aren't otherwise captured by a meter. There are also places where because of town geography the boundary between towns makes for conditions where there has to be some logical drainage of one community's flow into another community because you just can't get it up and over a hill. That is why a technique for estimation was developed. There was a once-through review of what flows were coming in from all of the known connections that was used to set the original 1994 numbers. Contributions can change and staff believes this information needs to be updated. Land use has changed and I/I work changes characteristics and the information is outdated. Discussions with the Operations Committee will help MWRA staff to work through the details on how the updates will be handled.

Mr. Kempe noted that an eight to ten-year life can be expected for wastewater meters because of the harsh environment in which they exist; therefore, the MWRA needs to begin to think about getting this

system updated again. There have been issues with battery life and replacement and there are other products now on the market that can extend the battery life.

All of the water meters are going to be moved to wireless to save money on the collection system but it is just as good a performance and there won't be anything different on the community's web access to the water meters.

❖ **SCHEDULE FOR UPCOMING OPERATIONS MEETINGS**

Mr. Favaloro noted that both water and sewer discussions are going to be intense and community participation will be critical. If someone other than the designee would be a more appropriate member of the Operations Committee, please provide their contact information and staff will ensure that they are notified of these meetings. Many meetings are expected. The first Operations Committee meeting will be held on Tuesday, November 13, 2012 under Lou Taverna's direction.

Finance Committee – Bernard Cooper

❖ **UPDATE**

Manager of Policy and Finance Matthew Romero provided members with a financial update on the first quarter of FY13. On the Current Expense Budget, the Authority has under-spending of \$4.3 million; consistent with what they proposed last year and consistent with the Advisory Board's *Comments and Recommendations* last year, the Authority has begun the process of transferring any funds that are associated with a favorable variance for capital spending into a specific defeasance account, which in this case \$3.3 million has been transferred to be dedicated to providing rate relief in the out-years, consistent with the MWRA's multi-year rate strategy. Of the remainder, the largest contributor for under-spending is \$559,000 from the Wages and Salaries line item.

For the Capital Budget, the Authority is about \$4.9 million, or 12.4%, over budget. The biggest contributing factor to that are the community programs, where on the wastewater side staff is seeing a \$9.6 million over-spending because more funding was borrowed by the communities than had been predicted. On the water side, the opposite has occurred with \$3.4 million under-spent for the local pipeline program and business projects are under-spent by about \$1.3 million through the end of September.

D. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 12:52 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,



William Hadley, Secretary