

**KENNEBEC WATER DISTRICT  
REGULAR BOARD OF TRUSTEES MEETING  
THURSDAY – DECEMBER 21, 2017 at 7:30 AM**

The meeting was called to order at 7:30 a.m. by President Hodsdon.

Trustees present: Al Hodsdon, President; Karl Dornish, Vice-President; J. Michael Talbot, Treasurer; Jeff Earickson, Assistant Treasurer; Bill Boucher, Trustee; Kevin Gorman, Trustee; Joan Sanzenbacher, Trustee; Mark McCluskey, Trustee; Frank Richards, Trustee

Trustees absent: Allan Fuller, Clerk

Also present: Jeff LaCasse, General Manager; Jefferson Longfellow, KWD Engineer; Mike O'Brien, KWD Customer Service/Safety Manager; Benny LaPlante, KWD Distribution Superintendent; Sue Markatine, Recording Secretary

**ITEM 1: INTRODUCTION OF GUESTS**

Denise Bruesewitz and Alex Wild, Trustee-Elects from the City of Waterville, were welcomed to today's meeting.

**ITEM 2: REVIEW AND APPROVE THE MINUTES OF THE REGULAR BOARD OF TRUSTEES' MEETING OF DECEMBER 7, 2017.**

Motion by Trustee Sanzenbacher, "to accept the minutes of the Regular Board of Trustees' Meeting of December 7, 2017," seconded by Trustee Dornish.

Vote: Motion carried unanimously.

At this time, on behalf of the Trustees and KWD, President Hodsdon thanked Trustee Joan Sanzenbacher and Trustee Kevin Gorman and his mother Patricia Gorman, who served on the Board many years prior to Kevin being appointed, for their outstanding service and dedication. He pointed out that Trustee Sanzenbacher, who served on the Board for twelve years, was the first woman elected as president of the KWD Board of Trustees. President Hodsdon presented them each with a plaque and a gift of appreciation. Trustee Sanzenbacher and Trustee Gorman expressed their thanks for the gifts and relayed that they have enjoyed serving on the KWD Board.

**ITEM 3: FINANCIALS****A. ACCOUNT WARRANT**

December 21, 2017

CHECKS RELEASED		Check	Dollar
Vendor	Description	Date	Amount
A Partner in Technology	IT Services for new Acient Appliance/Back-Ups	12/07/17	290.70
American Messaging	Quarterly Pager Service	12/07/17	124.87
Central Maine Power	Monthly Electricity-Variou Locations	12/07/17	13,048.44
CMD Powersystems Inc.	Annual Service and Maintenance on WTP 3 Generators	12/07/17	1,392.03
CMRS-FP	Postage for Business Office Meter	12/07/17	2,000.00
Commercial Divers Inc.	Messalonskee Stream Main Break	12/07/17	9,063.00
EMSL Analytical Inc. - Products	Cryptosporidium Sampling-2 Months Annual ArcGIS Desktop/ArcPad Maintenance/ArcGIS Licenses	12/07/17	770.00
ESRI		12/07/17	5,072.60
Eurofins Eaton Analytical Inc.	Endothall and Diquat Sampling	12/07/17	300.00
General Alum N. E Corp.	Alum-WTP	12/07/17	4,884.60
GWI	Monthly Internet Service	12/07/17	284.60
Houle's Plumbing Heating & A/C	Repair Reduced Pressure Zone Valve	12/07/17	133.50
Hussey Communications Inc.	Monthly Internet Service	12/07/17	250.00
Kennebec Equipment - Fairfield	Air Compressor and Air Hose Rental-Messalonskee Main Break	12/07/17	127.00
Kennebec Water District	Monthly Petty Cash Disbursements	12/07/17	64.14
Maine Rural Water Association	Annual Conference-1 Trustee	12/07/17	157.00
Maine Water Utilities Association	2018 Membership Dues	12/07/17	3,455.00
Motor Supply Company	Oil Filter for WTP Generator	12/07/17	39.00
Northeast Laboratory	Certified Distilled H2O-Heavy Metals Testing	12/07/17	140.00
Northern Safety Company Inc.	Eye/Face Wash Station	12/07/17	255.37
Postmaster	Annual Post Office Box Rental	12/07/17	284.00
Results Engineering Inc.	Security-Programmable Logic Controller (PLC) Project	12/07/17	4,075.03
Stiles Company	Large Meter Testings at Customers Locations-11	12/07/17	4,015.00
Thayer Corporation	Quarterly Furnace/AC Service-Business Office Master Plan Project-Comprehensive Water System Facilities Plan	12/07/17	305.68
Wright-Pierce		12/07/17	3,744.96
Kennebec County Registry of Deeds	Water Lien/Discharge-2 Properties	12/07/17	44.00
Somerset County Registry of Deeds	Water Lien Discharge-1 Property	12/07/17	22.00
Treasurer, State of Maine	Monthly Sales Tax	12/08/17	2,883.79
MainePERS	Monthly Employer Retirement Contribution	12/08/17	9,405.03
MainePERS	Monthly Group Life Premiums	12/08/17	693.46
New Dimensions Federal Credit Union	2017 Employees Christmas & Trustees-Retirees Gift Cards	12/13/17	2,700.00
<b>TOTAL WARRANT</b>			<b>\$70,024.80</b>

Motion by Trustee Talbot, "to ratify the total warrant of checks released for \$70,024.80," seconded by Trustee Earickson.

Trustee Earickson referred to the payment made to Eurofins Eaton Analytical, Inc. for endothall and diquat sampling. He stated he googled these and understands that they are both herbicides and asked for further details regarding this testing. Mr. LaCasse explained that every several years the U. S. Environmental Protection Agency compiles a list of unregulated and potential new contaminants in public drinking water and requires water utilities to conduct testing over a one-

year period. Trustee McCluskey asked the results of this testing, and Mr. LaCasse responded that he has not reviewed the test results as of yet. Trustee Hodsdon commented that this nationwide data is compiled and analyzed to determine if it is necessary to require regulation and monitoring of these contaminants in the future.

Vote: Motion carried unanimously.

#### **B. October Financials**

The October financial reports have not been finalized and were not available for today's meeting.

#### **C. 2018 Rate Case Filing Documents and Update**

Mr. LaCasse updated the Board on the status of the pending rate increase. The required electronic filing has been submitted to the Maine Public Utilities Commission (MPUC) and case docket number 2017-00328 has been assigned. The public notice (stating the amount of the pending increase, the reason for the pending increase, and the time and place of the public hearing, and the customers' right to petition) was published in the legal section of the Morning Sentinel on Sunday, December 17<sup>th</sup>. A copy of this information is also available for review at the KWD Business Office, the KWD website, and MPUC website (under docket 2017-00328). In addition, this notice with the same pertinent information has been sent to a printing service for mass production, folding, and mailing to all KWD customers.

The public hearing with a PowerPoint presentation will be held at the KWD Water Treatment Plant at 7:00 p.m. on January 16<sup>th</sup> (with an alternate date of January 17<sup>th</sup> in the event of a storm). At the December 7<sup>th</sup> meeting, the Trustees had discussed Mr. Harwood, KWD's legal counsel from Verrill Dana, attending the meeting via Skype for his convenience rather than traveling to the WTP. Mr. LaCasse proposed this idea to Mr. Harwood, and Mr. Harwood offered to physically attend the meeting at a capped fee for the event. Mr. Harwood also mentioned that both his and KWD's information technology (IT) person would be required to set up the session if he did attend via Skype. Trustee Richards commented that, in all due respect to technology, he would prefer Mr. Harwood physically attend the meeting. Mr. LaCasse mentioned that having Mr. Harwood attend in person also provides more opportunity for interaction. Trustee Hodsdon commented that the overall consensus of the Trustees appears to be to ask Mr. Harwood to attend in person, but a decision on which option to accept will be made at the next meeting. After the public hearing, the Board is expected to review the public hearing minutes and make a motion for the formal filing at the January 18<sup>th</sup> Board meeting. Thereafter, the formal filing to the MPUC starts the commencement towards the effective date of the increase, April 1, 2018.

#### **D. Other**

None

**ITEM 4: MOTION ISSUES****A. 2018 Operating Budget**

At today's meeting, the Board was provided with a copy of the proposed 2018 operating budget, a brief review was conducted, and questions were entertained. For comparison purposes, included in this spreadsheet are actual figures through September 2017, and there is an extrapolated factor projected for the fourth quarter of 2017 in order to approximate the 2017 year-end figures. Mr. LaCasse reminded the Trustees that this budget is based on the present anticipated financial projections for 2018. Many of the categories for the 2018 budget are relatively predictable; however, due to the nature of the industry, there are several which can fluctuate due to indeterminable factors during the course of the year. Based on the 2017 year-end projections, the 2017 year-end deficit is projected to be a negative \$362,990, and based on the 2018 pro forma budget, the 2018 year-end deficit is projected to be a negative \$264,002. Both of these deficits will need to be funded utilizing the KWD reserved invested monies.

Mr. LaCasse stated that a major factor regarding the 2017 net income is the lack of generation revenue combined with the high cost of repairs for the M-4 hydro-generation facility. Although the Board is considering selling M-4, for budgeting purposes, Mr. LaCasse included a conservative annual revenue from the hydro-station. Mr. LaCasse also explained for revenue purposes, he did take into consideration the pending five percent increase in the rate structure to be effective April 1, 2018 when composing the budget. Because the metered sales bills are quarterly and will be prorated based on cyclic billing within each quarter, the full financial impact will not be realized until the third quarter billing. However, the public fire protection service and private hydrant service are flat fees and are billed in advance. Therefore, the April 1<sup>st</sup> quarterly billing for fire protection is for the months of April, May, and June and the full impact of the rate increase will be realized.

Regarding the operating expenses, every few years it is necessary to remove residuals at the WTP at a typical cost of \$40,000. This project is slated for 2018 and is reflected in the contractual services – others category. Furthermore, the additional cost of moving from a fixed-based server located at the KWD Business Office to an off-site third party monitoring system is reflected in this category. Regarding the employee pensions and benefits category, there is one employee who is changing his insurance election and will be opting for the family insurance plan in 2018. This change will result in an increase in this category of approximately \$18,000.

Trustee Dornish questioned the increase in salaries and wages, as it is more than two percent which is the potential amount of the employees' wage increase for 2018. Mr. LaCasse responded that this takes into consideration the overlapping of the general manager's job for three months in addition to wage increases for KWD unit employees who have or will meet certain benchmarks, such as obtaining higher classes in their water operator's licenses. Trustee Earickson observed that, inadvertently, there was an extra zero added to the 2018 regulatory commission expense – rates, etc. category. A corrected spreadsheet will be provided at the next meeting, and Mr. LaCasse will determine if the error will impact the year end projection. Trustee Earickson also noted that, surprisingly, the insurance expense is expected to decrease by \$1,000 in 2018. Mr. LaCasse explained that a portion of this is attributed to the KWD exemplary safety record which aids in preventing work-related injuries and reduces the workers' compensation experience rate and related expense as well as the property and casualty and unemployment insurance expense. With the expected efficiencies of the new Western Avenue Pumping Station (WAPS) pumps, Trustee Hodsdon asked the reason the 2018 purchased power expense is expected to be flat with 2017. Mr. LaCasse

answered that he expects the new pumps, combined with the reduced cost of purchased power due to a new Maine Power Options contract, will reduce the purchased power line but has conservatively kept the line flat until he is able to better analyze the impacts of the WAPS project on overall system electric demand. With M-4 decoupled from the WAPS, KWD will not have the advantage of the avoided electrical cost as in past years. To aid in balancing this loss, all M-4 generated electricity will be sold to the grid, boosting non-income revenue for as long as KWD owns the facility.

Motion by Trustee Earickson, “to accept the 2018 Operating Budget with the correction of the 2018 projected regulatory commission expense – rates, etc. category line item,” seconded by Trustee Talbot.

The Trustees discussed the motion. Trustee Richards asked the reason KWD will have/projected to have a small deficit for two consecutive years. Mr. LaCasse began by stating that KWD has been in the red for more than two successive years. In 2017, the repairs and non-generation and low revenue of M-4 resulted in a deficit of the non-utility income rather than the typical revenue in the vicinity of \$150,000 to \$200,000, which adversely affected the overall net income. In addition, although the rate increases for 2017 and 2018 increases the net income to a degree, the Board desired to hold the rate increase for 2017 and 2018 to 5 percent or below in order to have a minimum cost impact on the rate payers. Unfortunately, the cost of supplies and materials are always increasing on an annual basis. In 2018, debt service payments associated with the bond used to fund the WAPS project will begin.

Trustee Hodsdon pointed out that the depreciation expense line item is funded by KWD and is used for new infrastructure. Funding to meet the depreciation expense is allowed by the Maine Public Utilities Commission when a rate increase is being implemented. The depreciation expense component of the rate structure not only funds replacements of mains, hydrants, and service lines but is also utilized for vehicles, backhoes, computers, and other miscellaneous equipment and projects which depreciate over time.

Trustee Dornish recapped the fact that, although KWD is projecting a deficit in 2018 and potentially the two subsequent years, in the year 2020 a substantial amount of the present bonds will be satisfied, and in 2021 the total debt service will decrease significantly. More funds will be available to be utilized at the Board’s discretion, whether to use these monies for additional capital improvements or to reduce rates to some degree. The Board had also discussed that due to this reduced debt in 2021, after the 2018 potential rate increase, another should not be necessary for the foreseeable future.

Vote: Motion carried unanimously.

**B. Other**

None

**ITEM 5: TRUSTEES**

**A. Comments, Concerns, Ideas**

Trustee Earickson stated that he was approached by Mr. Mike Roy, Waterville’s City Manager, regarding the rate increase. Mr. Roy indicated that a couple of town officials, as Trustee

Earickson believed it was the towns of Winslow and Fairfield, called him concerned with the potential KWD rate increase. Trustee Earickson commented that he believes Mr. Roy's tenure on the KWD Board aided him by providing additional knowledge of KWD's financial challenges which he, in turn, relayed to the two concerned town officials.

#### **B. Details on Christmas Luncheon**

Mr. LaCasse reminded the Board that KWD will be closing down operations at 11:30 on December 22<sup>nd</sup> at which time a Christmas luncheon will be served for employees and Trustees who are interested in attending.

#### **C. Other**

For informational purposes, the Trustees were provided with a copy of a pamphlet from Maine Power Options containing several articles regarding the upcoming forecast for electricity, fuel, and natural gas rates.

Mr. LaCasse also mentioned that KWD received an acknowledgement from the American Lung Association for the KWD donation in memory of Mr. Phil Haines, former KWD Trustee from the Town of Vassalboro.

### **ITEM 6: ENGINEER'S REPORT**

#### **A. Engineer's Report**

China Lake Elevation: 170.0  
Stream Flow: 16 cfs

The electrical work to connect the Cool Street office and the station power to M-4 has been completed. There has been a delay with the generation output to the grid. Despite careful note taking by two electricians, they want to have the phase rotation checked before the final connections. I am in the process of getting the work done without a teardown of the generator.

The washed out section under the 16-inch main in the Messalonskee Stream has been packed with sandbags. Because a manhole on the northerly side of the stream has to be dismantled by hand, KWD has yet to disinfect the main. The crews have been sidetracked with storm clean up and leaks on the distribution system.

We have met with the Maine Department of Transportation for the upcoming 2018 and 2019 projects. The projects for next year have minimal interruption, but the year after will need some significant relocating of KWD infrastructure. They may redesign to reduce the impact, but there is no guarantee that it can be done with this culvert crossing.

I have met with Hoyle and Tanner to work on plans for crossing KWD's mains and services when the sewerage force main from Vassalboro to Winslow goes out to bid and construction in 2018. Hopefully, this project will have minimal impact on KWD operations.

**Jefferson Longfellow, P. E.**

In addition to the above, Mr. Longfellow added that KWD is planning to re-activate the 16-inch main in the Messalonskee Stream the week of December 25<sup>th</sup>. Mr. Longfellow explained that one challenge, due to safety reasons, is the means to access the manhole which will require some type of excavation and the dismantling of the manhole.

Mr. Longfellow mentioned that the Maine Department of Transportation (MDOT) is planning a project on the West River Road, Waterville, in 2018 and shortly thereafter improvements on the Trafton Road. Trustee Hodsdon asked if the Trafton Road project will involve the extension of the water main. Mr. Longfellow answered that there is potential work planned for both the years 2019 and 2020, and when and if there is an extension of the water main is presently unknown.

Trustee Dornish referred to the above report, and asked for additional details regarding the culvert crossing project. Mr. Longfellow replied that, although few plan details have been released regarding this project, it is a project being conducted by the MDOT Maintenance Department and is on the Center Road, Fairfield. The KWD water main is above the culvert and is typically suspended during the construction period. Mr. Longfellow added that in 2019 there is a culvert project scheduled to take place in Vassalboro which will also affect a KWD water main.

Motion by Trustee Talbot, “to accept the Engineer’s Report as presented,” seconded by Trustee Earickson.

Vote: Motion carried unanimously.

## **ITEM 7: GENERAL MANAGER’S REPORT**

### **A. Project Updates**

The first project update was regarding the Western Avenue Pumping Station capital project. The main body of work left to be completed is related to the electrical work related to M-4 and the Cool Street office. There are a few minor projects at the South Street complex which need to be completed, and the expected completion date for the total project is April 2018. The commemorative plaque, which includes the name of the Western Avenue Pumping Station and dates of upgrade, names of the Trustees who voted for the motion to commence this project and the respective municipality they represent, District Engineer, Project Engineer, and contractor, is ready to be mounted. The Board expressed no desire for a dedication ceremony. Mr. LaCasse recommended conducting a tour for the Trustees at a future date to view the completed upgrades at the WAPS.

The next project update was regarding the telecommunications system upgrade, including networking the various KWD facilities through a virtual private network system, and the MUNIS financial software change from the dedicated server at the KWD Business Office to an off-site administrator and back-up recovery system. Mr. LaCasse continues to work with various companies and service providers as these projects move forward.

At a past meeting, Trustee Earickson had recommending testing and documenting the new recovery system, and he volunteered to participate in this testing. A Partner in Technology recommended this system testing be conducted after 4:30 p.m. so as not to interfere with the regularly scheduled work day. Mr. LaCasse will arrange contact between Trustee Earickson and A Partner in Technology in order for them to set a date and time for this.

## **B. Other**

Trustee Boucher asked if a service line happened to be installed for the new laundromat during the repair of the main break on Halifax Street, Winslow. Mr. Longfellow replied that a service line was not installed. He explained that the leak was on a hydrant branch, and it took approximately five hours to shut down for the repair partly due to the snowbanks and large number of power and communications conduits in this area. There are plans to reconfigure this hydrant in 2018, and it is currently marked out of service. Mr. LaPlante added that this would have been the perfect opportunity to use the new device which enables the crew to replace faulty valve operating nuts from above ground, as one particular nut would not budge, and the shutdown had to be expanded. Yesterday, the KWD crew began training on this tool and will be able to utilize this technique in the future which should aid in expediting repairs.

## **C. Executive Session, (Under MRSA Title 1, Section 405-6A, Personnel Related Issues Discussions, and MRSA Title 1, Section 405-6D, Collective Bargaining Discussions)**

At 8:13 a.m., motion by Trustee Talbot, “to enter Executive Session under MRSA Title 1, Section 405-6A to discuss personnel related issues and MRSA Title 1, Section 405-6D to discuss collective bargaining issues between KWD and Teamsters Local No. 340,” seconded by Trustee Earickson.

Vote: Motion carried unanimously.

At 8:55 a.m. President Hodsdon brought the Board out of Executive Session.

Motion by Trustee Talbot, “to accept the recommendation of the Succession Planning Committee to offer the position of General Manager to its selected candidate to be effective February 1, 2018,” seconded by Trustee McCluskey.

Vote: Motion carried unanimously.

Motion by Trustee Gorman, “to award a 2.0 percent wage increase to all non-bargaining unit personnel effective January 1, 2018 and to continue the practice of reimbursing the Health Plan PPO-1500 deductibles for all participating non-bargaining unit personnel for calendar year 2018,” seconded by Trustee Sanzenbacher.

Vote: Motion carried unanimously.

Motion by Trustee Talbot, “to accept the General Manager’s Report as presented,” seconded by Trustee Earickson.

Vote: Motion carried unanimously.

**ITEM 8: PUBLIC PARTICIPATION**

None

Motion by Trustee Sanzenbacher, “to adjourn the meeting,” seconded by Trustee Gorman.

Vote: Motion carried unanimously.

Meeting adjourned at 9:00 a.m.

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Sue Markatine, Recording Secretary