

**KENNEBEC WATER DISTRICT
REGULAR BOARD OF TRUSTEES MEETING
THURSDAY – FEBRUARY 18, 2016 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; Allan Fuller, Clerk; Jeff Earickson, Assistant Treasurer; Joan Sanzenbacher, Trustee; Bill Boucher, Trustee; Patricia Gorman, Trustee

Trustees absent: Gary Coull, Trustee; Mark McCluskey, Trustee

Trustee Talbot left the meeting at 8:35 a.m.

Also present: Jeff LaCasse, General Manager; Jefferson Longfellow, KWD Engineer; Benny LaPlante, KWD Distribution Superintendent; Sue Markatine, Recording Secretary

ITEM 1: INTRODUCTION OF GUESTS

None

ITEM 2: REVIEW AND APPROVE THE MINUTES OF THE REGULAR BOARD OF TRUSTEES' MEETING OF FEBRUARY 4, 2016.

Motion by Trustee Talbot, "to accept the minutes of the Regular Board of Trustees' Meeting of February 4, 2016," seconded by Trustee Gorman.

Vote: Motion carried unanimously.

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

February 18, 2016

CHECKS RELEASED		Check	Dollar
Vendor	Description	Date	Amount
Central Maine Power	Monthly Electricity-Variou Locations	02/03/16	6,741.23
GWJ	Monthly Internet Service	02/03/16	164.80
Houle's Plumbing & Heating & AC	Parts to Repair South Street Toilet	02/03/16	82.32
J & S Oil Company Inc.	Diesel Fuel	02/03/16	177.21
Kennebec Auto Service	Oil Change-Tk 9/Oil Change & Bulb-Tk 22	02/03/16	86.08
Kennebec Equipment-FF	Repair Wacker Rammer Foot Compactor	02/03/16	248.46
Maine Public Emp. Retirement	Monthly Employer Contribution	02/03/16	6,615.35
Maine Water Utilities Assoc.	Annual Conference & Tradeshow-Variou Emp. & Trustee	02/03/16	1,560.00
Maine Water Works Supply	6" Hymax Coupling	02/03/16	229.97
Treasurer State of Maine	Monthly Sales Tax	02/03/16	5,410.75
Treasurer State of Maine	Water Tests	02/03/16	270.00
MainePERS	Monthly Group Life Premiums	02/03/16	656.82
Roki Repair Shop	Repairs-Tk 1	02/03/16	29.80
Snow Pond Technology Group Inc.	SCADA Security Firewalls-3 Locations	02/03/16	2,515.00
Town of Vassalboro	Quarterly Real Estate Taxes	02/03/16	7,724.41
Walmart Community/GEMB	Windshield Washer/Coffee Maker/Office Supplies		
	Cleaning Supplies/Beverages/Vinegar	02/03/16	206.39
Ware-Butler Inc.	Bulbs for M-4	02/03/16	12.58
M C Disposal Inc./DBA CMD	Refund Shoring Box Charge & Interest	02/04/16	600.33
Somerset County Reg. of Deeds	Water Lien Discharge Fee-1 Property	02/04/16	22.00
Richard Parkhurst	Cost Share for Railroad Square Project	02/05/16	3,586.21
Postmaster	Bulk Mail Postage-Billing	02/08/16	365.97
TOTAL WARRANT			\$37,305.68

Motion by Trustee Earickson, "to ratify the total warrant of checks released for \$37,305.68", seconded by Trustee Talbot.

Vote: Motion carried unanimously.

B. 2016 Capital Budget Review/Approval

At the previous meeting, the Trustees were provided with a copy of the 2016 Capital Budget Requests spreadsheet which represented the preliminary projects and equipment wants and needs from each department. Since that meeting, Mr. LaCasse worked with his management team to obtain additional pricing quotes and to reduce this listing in order to meet the financial goals and capture some capital improvement goals of KWD. The Trustees were provided with three spreadsheets: 1) 2016 Preliminary Capital Budget Request with some supplemental information added; 2) 2016 Proposed Capital Budget Request; and 3) Revenue Projections, Potential Rate Increase Impact, and Capital Budget Funding Proposal. Mr. LaCasse and the Board reviewed these spreadsheets.

Mr. LaCasse explained that the cost of the project, the necessity of the project, and the ability to complete the project were all taken into consideration when fine tuning the budget. Some items

have been removed from and estimated pricing for other items added to the preliminary 2016 Capital Budget. This resulted in a total of \$1,285,275 for the 2016 Proposed Capital Budget.

Mr. LaCasse reviewed the funding source for these projects. The allocated depreciation funds, which are dedicated to replacing or upgrading depreciable assets, are anticipated to be \$950,000. As of November 2015, KWD has funds in the invested checking account of \$1,853,297. Subtracting from these two figures the 2015 estimated deficit of \$67,000, the 2016 projected deficit of \$265,270, and the buffer cash reserve balance of \$1,000,000 leaves a maximum funding balance available of \$1,471,027. Based on these projections, after deducting the total of the 2016 Proposed Capital Projects, there would be \$185,752 above the \$1,000,000 buffer remaining in the invested checking account.

Mr. LaCasse reminded the Trustees that this is a baseline budget and due to the nature of the industry, there are almost always unexpected and necessary projects which could arise during the course of the year which could change the budget priorities. For instance, there have been a couple of major main breaks in the West River Road, Waterville, and replacing a portion of this main could become an additional and necessary project during 2016. The Board was also reminded that any project expenditures \$5,000 and above will be presented to the Trustees for review and approval before commencing.

Trustee Hodsdon observed that infrastructure replacements are slated for Nelson Street and Union Street, Waterville, and Stuart Street, Winslow, and asked if these replacements coincide with scheduled street reconstruction projects. Mr. LaCasse replied affirmatively. Mr. LaCasse also explained that Savage Street, Fairfield, was removed from the list for several reasons, one being that there is no street rehab planned, two being that it was the most costly main replacement project on the list, three being that there is much preliminary work necessary before this main replacement, and four being that four main replacements during the construction season could be difficult to manage especially with the Western Avenue Pump Station project underway. Mr. Longfellow added that a portion of this main has already been replaced and feels that replacing the remaining main in phases could be a better option, with the potential of conducting some of this in 2016. Trustee Earickson inquired if the Savage Street main is in poor shape. Mr. LaCasse responded the main is not in poor shape; however, breaks in this area tend to be difficult and damaging.

Continuing with the financial discussion, Mr. LaCasse reviewed the third spreadsheet, Revenue Projections, Potential Rate Increase Impact, and Capital Budget Funding Proposal. Looking ahead to 2017 and taking into consideration projected revenues, the 2016 deficit, and the added new debt service for the Western Avenue Pump Station (WAPS) the projected shortfall at year end 2017 is \$376,054. Based on the 2016 projections previously stated, the \$185,752 could be applied to this deficit resulting in a shortfall of \$190,302.

In order to offset this deficit, a rate increase is planned for 2017. Based on \$5 million in annual revenues, the annual increase in revenue for a 1-percent rate increase would be \$50,000, a 5-percent increase would be \$250,000, and a 7.52-percent increase would be \$376,000. A 1-percent increase would increase the typical customer quarterly bill (based on 1500 HCF per quarter) by 0.80 cents and a 5-percent increase would increase it by \$4 dollars.

Mr. LaCasse also pointed out the formulation of the new annual debt service impact of \$110,784 for 2017. Phase one of the WAPS with principal forgiveness of 10-percent is \$1.35 million adding to the bond debt \$74,508 annually. Because it is unknown if there will be any principal

forgiveness for phase two of the WAPS, the amount is \$1.5 million adding to the bond debt \$82,788 annually. At the end of November 2016, the 1996 bond obligation will be satisfied reducing the bond debt by \$46,512.

This spreadsheet also noted the option of utilizing the monies in the retirement reserved account which is over a million dollars. As was conveyed at previous meetings, any use of this fund for other than retirement premiums would have to be pre-approved by the Maine Public Utilities Commission. Using all or a portion of this fund for capital improvement purposes and/or to offset a deficit would result in a “rate reduction” for the customers, essentially postponing an imminent rate increase. Mr. LaCasse commented that if the Board did desire to utilize these funds at some point, he would recommend using them to supplement additional capital improvements. Trustee Hodsdon stated, for the moment, he is in support of keeping these funds in the reserve account. His opinion is that the present borrowing of funds through the State Revolving Funds program is the appropriate route as the interest rate is minimal. Trustee Hodsdon asked if the retirement reserved monies are accruing interest and if investment options with higher returns could be investigated. Mr. LaCasse replied the monies are receiving interest, but due to the market, it is nominal. In addition, because KWD is a quasi-municipality, it is only permitted limited investment options.

The Board members will review and consider the 2016 Capital Budget and entertain a motion for approval at a future meeting.

C. Other

None

ITEM 4: MOTION ISSUES

A. Other

None

Because one Trustee had to leave the meeting at 8:30, President Hodsdon recommended entering Executive Session at this time instead of at the end of the meeting.

At 7:55 a.m., motion by Trustee Talbot, “to enter Executive Session under MRSA Title 1, Section 405-6A, Discussion of Personnel Issues,” seconded by Trustee Earickson.

Vote: Motion carried unanimously.

At 8:22 a.m., President Hodsdon brought the Board out of Executive Session.

ITEM 5: TRUSTEES

A. Comments, Concerns, Ideas

At the previous meeting, the Board had approved a motion to increase the KWD cost share dollar amount for a customer’s project whereas at the time of this project KWD reconfigured a

portion of its main. Trustee Earickson inquired if the customer was satisfied with the Board's decision. Mr. LaCasse replied he contacted the customer to inform him the check was processed and to his knowledge, the customer is content with the outcome. Mr. LaCasse also mentioned that although it was authorized to have the customer's and contractor's name on the check, due to a Munis software glitch, the second line did not print on the check; therefore, the check was only made payable to the customer. Mr. LaCasse does not believe this will be an issue, as the customer can issue a check to the contractor.

Because it has been in the news quite often lately, Trustee Boucher asked the potential effect the Colby College revitalization of downtown Waterville will have on KWD. Because presently there are numerous vacant buildings and inactive services, Mr. LaCasse answered when these services are reactivated and as new buildings are constructed, this will aid in boosting the KWD revenue. He also touched on the fact that due to the utilization of artificial turf, Colby College no longer needs to irrigate its sports fields which has caused the KWD water consumption and related revenues for this customer to decrease.

B. Comments on MWUA Conference

Trustee Hodsdon, Trustee Fuller, and Mr. LaCasse attended the "Trustee Session" entitled "Funding Sources – Developing a Vision for System Replacement" at the Maine Water Utilities Association Conference and found it somewhat informative this year.

Trustee Fuller also mentioned that another session he attended was "The Chemistry, Biology, and Physics of Drinking Water Treatment Operations" and found it to be quite informative. A portion of this seminar touched on the very serious problem on lead being in the drinking water in Flint, Michigan. This discussion also entailed implications that there were numerous Michigan state agencies and officials who were negligent when addressing this problem.

Because of the news attention for and the gravity of the lead problem in the drinking water in Michigan, Trustee Fuller suggested alerting the KWD customers that the District has excellent processes to ensure it provides high quality water and that all test results prove KWD is well below the Environmental Protection Agency's (EPA) threshold for allowed levels for lead, copper, and other contaminants. Mr. LaCasse reviewed the fact that he has in the past composed a newsletter which was mailed in conjunction with the customer's quarterly bills. He mentioned he could compile a newsletter and incorporate an article dedicated to this subject in the letter. The Trustees were in agreement with this suggestion. Mr. LaCasse plans to create a newsletter and will present it to the Board for review before mailing.

Because of the lead problem in Michigan, Trustee Earickson has been pondering if KWD should conduct testing for lead more often. Mr. LaCasse reviewed the fact that due to the KWD treatment processes in place, including adding an orthophosphate to coat and stabilize the internal surfaces of its piping system, lead and copper levels are minimal. KWD presently tests for levels of lead and copper as per EPA regulation. KWD is required to analyze 30 of the most susceptible services in its system, based on age, for lead and copper residuals. In fact, because of its prior test results, KWD is on the EPA's reduced testing schedule for these parameters and is only required to test every three years. Trustee Earickson commented that there is quite a time gap when testing every three years, and questioned the potential of a change in levels which would not be discovered in a timely manner. Mr. LaCasse explained that a change in levels should only occur if the filtration plant changed or altered its processes. The State of Maine Drinking Water Program, which has a focus on

the safety of drinking water, has to be informed of and has to approve any chemical regime change. At that time, it is most certainly the MDWP would require KWD to revert to testing on an annual basis again. Trustee Fuller made the suggestion to conduct the lead and copper testing quarterly; however, for a reduced customer base, possibly only four or five of the most susceptible locations, and alternating the testing sites each quarter. Mr. LaCasse stated this can be a consideration as KWD can test above and beyond the requirements stipulated by the EPA. However, additional testing would be quite costly. In addition, it is the customer that is asked by and relied upon to provide KWD this water sample, and supplemental testing could become an inconvenience to the customer. After the sample is taken, KWD delivers it to the Maine State Testing Lab for testing and results. Trustee Hodsdon and Trustee Earickson asked Mr. LaCasse to contemplate a supplemental testing program and the additional cost for such a program and to report back to the Board at the next meeting.

C. Potential Customer Information Distribution

This subject referred to a potential customer newsletter and was incorporated in the above discussion.

D. Other

None

6: ENGINEER'S REPORT

A. Engineer's Report

February 18, 2016

China Lake Elevation: 170.6

Stream Flow: 130 cfs

Operations

The February hydrant check is underway. The use of the Google docs allows an authorized user to check on the work status at any time. Time is being allocated to training for crew members. When it has been unsafe to be on the roads because of the weather, time is being used for training and practicing with the various tools. The flooring work in the South Street building is nearing completion. The walls have been painted, a new ceiling and lights have been put up, and the floor has been refinished. Time is now being spent on moving back into the room.

There was a main break on the West River Road in Waterville on Saturday, February 6th. A hole had formed in the 16-inch main and needed to be repaired. The work required that flaggers be called in, an excavator and trucks rented, and that a pole be held up. A section of main needed to be cut away since the pipe was worn away too much to use a repair clamp. During the shut-down process, one of the valves needed did not work and will need to be replaced later this year as part of the planned road work that the Maine Department of Transportation (MDOT) will be bidding out.

A main break also occurred on Tuesday, February 9th. This leak on Pleasant Street in Waterville was able to be repaired during normal business hours. A coupling used to install a valve in 2013 was not tightened enough, and the looseness resulted in a leak two and a half years later.

A planned repair to a leak was performed on Thursday, February 11th, mostly during working hours, on Taylor Road in Winslow. When work was done to reset a hydrant in 2003, the joints were not tightened properly, and because they were loose, water surfaced through the valve box. Because the flow of water was relatively small, the work was scheduled when most labor and equipment would be available. During the shut-down process, it was discovered that one of the valves needed was inoperable, and it will need to be replaced. The scheduling is uncertain because there is another valve a half mile away and with few customers between on this recently repaved roadway.

Engineering

Work orders and 2016 projects are the primary work. There was a day long kick off meeting for the planning of the WAPS upgrade. This project will require some preliminary work, likely by KWD, to make it possible to install temporary pumping around the station so that the work can be started and the needed internal valves can be installed.

Jefferson Longfellow, P.E.

Mr. Longfellow added that he had contacted the MDOT regarding the paving due to the aforementioned leak on the West River Road. Because MDOT is planning to excavate this road in the fall of this year due to the construction of the interchange for the interstate, he has requested permission to leave the main excavation area with cold patch instead of having to undergo the expense of paving. Trustee Fuller asked if it will be necessary to extend the water mains in this area. Mr. Longfellow replied this will not be necessary. That said, KWD will be required to relocate a hydrant due to this project, and Mr. Longfellow has discussed the relocation plans with the City of Waterville Fire Department staff. Trustee Hodsdon commented that Trustee Fuller made a good point regarding the extension of water lines. He continued by adding that one person owns the majority of the land in the surrounding area, and it might be a good idea to contact him to determine if he plans on establishing water service in this area before MDOT conducts the construction project. Thinking ahead, Trustee Fuller inquired if the present West River Road KWD water main is equipped to provide water if a shopping complex or other entity were to be built in that area. Mr. Longfellow replied that there was once a textile mill in that area, and this main size is more than ample to provide water if this area was expanded.

Trustee Earickson asked if KWD was impacted by the previous weather cold snap. Mr. Longfellow replied that KWD did receive a couple calls due to frozen meters. Although these meters are inside the structure, some cellars were cold enough near the plumbing to cause the meters and pipes to freeze. Because it is stated in the KWD Terms and Conditions that the customer must protect their plumbing fixtures from freezing, the cost of the new meter and a service call is assessed to the customer.

Motion by Trustee Sanzenbacher, "to accept the Engineer's Report as presented," seconded by Trustee Gorman.

Vote: Motion carried unanimously.

ITEM 7: GENERAL MANAGER'S REPORT**A. Western Avenue Pump Station Project Update**

Mr. LaCasse updated the Board on the Western Avenue Pump Station capital improvement project. During the morning of February 11th, KWD staff met with Wright-Pierce staff to discuss concerns, potential issues, and preferences. One major and necessary consideration for a portion of this project's scope is the means and method to bypass the pump station while continuing to pump and provide water to the customers.

Central Maine Power (CMP) staff joined the meeting in the afternoon to discuss various aspects of the project including the new pump station services at new voltages, the reconfiguration of the connection of the hydro station M-4, and the new metering system. CMP staff furnished an alternate scenario than the original design that should provide cost-savings to KWD and reduce the complexity of the electrical and metering configuration. Wright-Pierce will be reviewing this option to reformulate the design to incorporate these ideas. Mr. LaCasse explained that the proposal by CMP was the installation of two meters in order to retain net metering ability, one to measure the M-4 output and one to measure the WAPS electrical usage. By means of reading these two meters and as is similar to the present scenario (but with M-4 not directly connected to the WAPS), the electricity from M-4 could be used to "power" the WAPS. The two meters could "sync" remotely to provide a net consumption reading. A second option available is to solely use the M-4 generation to sell to the grid. Depending on several variables, including less electrical usage by the WAPS at the project's completion, purchase price of electricity, and sale price of electricity, the option most advantageous to KWD in the future is yet to be determined. Because the net metering system will be established, it does appear that KWD will have the availability to alternate between options as deemed appropriate. Mr. Longfellow added that with the physical disconnection between the WAPS and M-4, if KWD does consider selling M-4 there will be less complexity involved in the sale.

Mr. LaCasse also informed the Board that because of the changes, it will be necessary to revise the interconnection agreement between CMP and KWD. In addition, due to the alterations to M-4, KWD will also be required to file the project changes with the Federal Energy Regulatory Commission.

Overall, Mr. LaCasse was extremely satisfied with the collaboration efforts from all participants at these meetings. He will continue to update the Board as this project progresses.

B. Tri-Party Agreement Review – Waterville, WSD, KWD

At the request of Trustee Hodsdon, Mr. LaCasse provided to the Board a copy of the Tri-Party Memorandum of Agreement of 2015 that has the purpose of establishing an agreement for the efficient sale of tax-acquired real estate by the City of Waterville, the distribution of sale proceeds, and the discharge of sewer and water liens on such properties. To supplement this information, the Trustees were also supplied with a copy of the associated meeting minutes when this agreement was discussed at length. The acquisition of property through the lien process is also governed by Maine

statue which grants priority to municipal tax liens, secondary to sewer liens, and thirdly to water liens. Mr. LaCasse explained that the main reason water districts are third in line is that, unlike municipalities and sewer districts, water districts have the ability to utilize the water disconnection process when customers do not pay their bills.

In review, the agreement states that upon sale of tax-acquired properties with structures by the City any proceeds will first be retained by the City for accrued taxes and associated lien costs, second to Waterville Sewerage District for accrued charges and associated lien costs, and third to KWD for accrued charges and associated lien costs. If there are funds remaining, the interest on the aforementioned charges will be distributed respectively. The agreement also states that upon sale of tax acquired properties whereas the City has demolished the structure, any proceeds from the land sale will be retained by the City to recoup its demolition cost and any legal fees.

Trustee Hodsdon asked if this agreement has been exercised for any properties which had outstanding KWD liens. Mr. LaCasse responded that in 2015, two properties which had their structure demolished by the City of Waterville and which the land was sold at a loss by the City due to demolition cost, back taxes, etc. have had their KWD lien monies abated and a quit-claim deed to the new owner prepared to clear the title, as per the agreement. KWD was paid in full for all past due balances by the City for a different property with a structure and which was sold by the City.

C. Intake Facility Rehabilitation Project RFP

The task of composing the Request for Proposal (RFP) for the rehabilitation of the KWD Intake Building has now been assigned to Mr. Zetterman, KWD's Director of Water Quality, with the assistance of Mr. Bragdon, KWD Water Treatment Plant Operator. It is expected the RFP will be completed and solicitations mailed to contractors within the next week. It is anticipated that the bid tabulations will be presented to the Board for review at the March 17th meeting.

D. "Smart Meter" Legal Determination

The Trustees were provided with an article entitled "Court Confirms Smart Meter Safety Decision" which explains that the state Supreme Court ruled that CMP "smart meters" pose no credible threat to public health and safety. Throughout the past several years, there have been studies, legislation, and rulings which originated when CMP customers opposed the smart meter installation program and did not want to pay an extra fee for opting out of the CMP program. Although the KWD transmitting system has several distinct differences from the CMP Smart Meter system, the outcome of some of these cases could have resulted in rules for all transmitting systems. Therefore, Mr. LaCasse and the Board made the decision to postpone the decision of a potential extra charge for the approximate 20 customers who have opted out of the KWD transmitting system in anticipation of the outcome of some of these legislative and court rulings. Because some of these cases have now been settled, Mr. LaCasse is bringing this subject back to the Trustees for discussion. He explained that there is an extra expense to KWD for the customers who desire to opt out of the remote read system as staff has to physically drive to the location, read the meters, and manually input data. If the Board does decide to charge an opt-out fee, it would have to be approved by the MPUC and added to the KWD Terms and Conditions. Due to time constraints, this subject matter will be added to the agenda for review at a future Board meeting.

E. Legislative Issue Update

In regards to current legislative, Mr. LaCasse informed the Trustees that, as discussed at the February 4th meeting, at this time there are only two bills which could potentially have an impact on water utility operations in particular. The first is the Freedom of Access Act and, in particular, “remote meeting attendance”. Mr. LaCasse stated this bill is moving forward and is scheduled for a public hearing. The next is “An Act Concerning the Establishment of Water Levels”. Mr. LaCasse and many others testified against this bill with only one person testifying in favor of it. Therefore, he assumes the bill will not be passed after the work session.

Mr. LaCasse will continue to forward legislative information and to update the Trustees on any bills which could have an impact on water utilities.

F. Other

Today, Mr. LaCasse and Mr. Zetterman are meeting with Attorney Dan Dubord, who was one of the original organizers of the China Region Lakes Alliance (CRLA) and who has been retained by the CRLA to investigate the liability of the dam purchases for the purposes of restoring alewives to China Lake. There has been an indication from Mr. Hart, CRLA President that the CRLA and the Alewife Restoration Initiative (ARI) are planning to separate, programs and entities. However, it appears this has not occurred as of yet as there was an article in the Town Line which referred to Mr. Hart and his updating the Town of China selectmen on the ARI progress. Mr. LaCasse will report back to the Board regarding his meeting with Attorney Dubord.

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

Vote: Motion carried unanimously.

ITEM 8: EXECUTIVE SESSION

See Agenda Item 4. a.

ITEM 9: PUBLIC PARTICIPATION

None

Motion by Trustee Boucher, “to adjourn the meeting,” seconded by Trustee Earickson.

Vote: Motion carried unanimously.

Meeting adjourned at 9:05 a.m.

Sue Markatine, Recording Secretary