

**MWRA ADVISORY BOARD MEETING
JANUARY 21, 2010
MWRA CHELSEA FACILITY
TWO GRIFFIN WAY, CHELSEA, MA 02150 – 11:30 A.M.
MINUTES APPROVED AT THE MARCH 18, 2010 MEETING**

Thirty-nine people were in attendance, including twenty-two voting members: Peter Castanino, BELMONT; John Sullivan, BOSTON; John Sanchez, BURLINGTON; Andrew DeSantis, CHELSEA; J.R. Greene, GUBERNATORIAL APPOINTEE; Barbara Stevens, LEXINGTON; Jay Fink, LYNN; Bruce Kenerson, LYNNFIELD; Dana Snow, MARBLEHEAD; Cassandra Koutalidis, MEDFORD; Katherine Haynes Dunphy, MILTON; Wiff Peterson, NATICK; Lou Taverna, NEWTON; Bernie Cooper, NORWOOD; Brian Carlisle, QUINCY; Jeff Zager, READING; John DeAmicis, STONEHAM; Michael Collins, WAKEFIELD; Earl Forman, WESTON; Bob Angelo, WESTWOOD; Zig Peret, WILBRAHAM; Anthony Blazejowski, WOBURN.

Also present: John Carroll, Andrew Pappastergion and Joseph Foti, MWRA BOARD OF DIRECTORS; Michael Bishop, BELMONT; Jonathan Yeo, Bill Pula, Thom Kyker-Snowman, DCR DIVISION OF WATER SUPPLY PROTECTION; Fred Laskey, Michael Hornbrook, Kathy Soni, Pam Heidell and Mike Morris, 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 11:46 a.m. and introduced MWRA Executive Director Fred Laskey, who welcomed everyone to the Chelsea Operations facility.

B. APPROVAL OF THE MINUTES FROM THE OCTOBER 15, 2009 AND NOVEMBER 19, 2009 ADVISORY BOARD MEETINGS

A Motion was made **TO APPROVE THE MINUTES FROM THE OCTOBER 15, 2009 AND NOVEMBER 19, 2009 ADVISORY BOARD MEETINGS**. It was seconded and passed by unanimous vote.

C. REPORT OF THE EXECUTIVE DIRECTOR

MWRA Advisory Board Executive Director Joseph Favaloro stated that the *2009 Annual Water and Sewer Retail Rate Survey* has some significant changes this year. The DEP actual use numbers, provided to DEP by the communities, will be incorporated into each community's page, along with the historical number of 120 HCF or 90,000 gallons used in all previous years.

Proofs of each community's page have gone out, which has led to much discussion back and forth between the Advisory Board and the communities as they see these numbers, represented now in the front on each community's page rather than as an addendum at the back of the book.

Staff wants to reinforce that the numbers that are represented as the “DEP actual use numbers” came either from the community or DEP, not from the Advisory Board. If there is a concern with the numbers, Leo Norton at the MWRA may be able to help.

Some communities were concerned that representing the 120 HCF and the actual use numbers side by side made it look as if it was comparing rate increases from one year to the next. Staff will “tweak” the language relating to the DEP numbers; it will now no longer say “2008 actual community usage” but rather “actual community usage” because it does compare 2009 to 2009. Two communities had commented that it looked like their rates had skyrocketed. This is just one item that will be changed based on feedback from the communities.

D. PRESENTATION: DCR DIVISION OF WATER SUPPLY PROTECTION FORESTRY MANAGEMENT PROGRAM AT QUABBIN AND WACHUSETT RESERVOIRS –
Jonathan Yeo, Director, Division of Water Supply Protection

Jonathan Yeo, Director of the Division of Water Supply Protection (DWSP), introduced Bill Pula, Superintendent and Regional Director of the Quabbin-Ware System and Thom Kyker-Snowman, Environmental Analyst, Natural Resources, who has helped manage and guide the watershed forestry program that is specifically designed to produce excellent quality drinking water for the service area over the long term.

Mr. Kyker-Snowman said the primary mandate is the development of a system that provides pure water for this and future generations, every day in perpetuity. The water supply is protected by a dynamic forest eco-system that wisely was captured and saved around the vast majority of the system. It is DWSP’s general perspective that there is an opportunity, through forest management, to provide protection to the water supply going forward.

The management provided “fine tunes” the protection provided by the forest and falls within natural disturbance rates. It is estimated that all over the northeast the natural disturbance rate of the forest systems is about 0.5% to 2% annually being disturbed by natural events; DWSP’s management program is well within those numbers.

The system has been described as unfiltered; Mr. Kyker-Snowman said he liked to refer to it as being “forest filtered”. It is a system that works 24 hours a day from free solar energy in a biological system to filter all the water that comes through, with the exception of what falls directly by precipitation onto the reservoir surface. The best forest cover is vigorous and diverse – its species and age classes are diverse and are actively reproducing and therefore are less susceptible to some of the species specific pests and weather events. The forest accumulates biomass and in that process is aggressively assimilating nutrients so that they don’t make their way into the water supply.

The tallest part of the forest, in particular, is regulating temperature and decomposition rates, which is what releases some of these nutrients. It is deliberately patterned for filter zones. The sum total of all of this is a forest that is resistant and resilient.

This management strategy partially pays for itself; timber and products that come from this effort are marketable. Although that is not the motivating factor for doing it, it does help to pay for moving toward this design.

The forestry program consistently cuts less than 30% of its annual growth throughout the watershed. Annual growth on the managed Quabbin watershed is estimated at somewhere

between 13 and 15 million board feet per year. The management program typically harvests three to five million board feet annually.

Massachusetts has some of the most restrictive cutting practices and regulations in the country that must be followed. In addition, the forestry program has developed its own conservation management practices that exceed the state regulations that have to do with matching equipment with the soils and what the soils can handle and keeping the operations separate from the water.

Quabbin was the first public land to receive the FSE green certification in 1996. Since that time the effort expanded to include all state lands. That certification went through to 2003 and DWSP is in the process to be re-certified sometime this year.

The Forest Management Program has about 100,000 acres of forest land on three watersheds, of which 75% is considered to be actively under management; within that 75%, less than 1% is cut annually to bring about the desired structure. There are eight field foresters and most of the work is done by bidding these jobs out to private contractors and loggers who have to follow both the cutting practices regulations administered by the Foresters and also within the Department of Water Supply Protection's Conservation Management Program restrictions.

Revenues range from \$200,000 depending on markets and in the best year has reached \$1 million in revenue.

An Advisory Board member asked if any seed planting is done on areas that have been cleared or is it left up to the forest to reestablish what grows in that area. Mr. Kyker-Snowman stated that New England forests are aggressive on recapturing land that has opened so only a very small amount of planting is required.

A member asked if this work involves chemical treatment or pesticides. Mr. Kyker-Snowman said no.

Zig Peret described the Quabbin as a hidden gem. How does DWSP feel about more or less visitors coming to the area? Mr. Pula said there is a public access plan but, on the whole, we do not want to encourage it. Staff tries to control it so that the local population may use it for passive recreation. Mr. Kyker-Snowman added that there is a tremendous interest in the Forest Management Program from foresters all over the world. Groups have come from Japan, Scandinavia, Germany and South America because the forestry program gets attention as an unusual system, particularly the Quabbin Reservoir. That interest is encouraged because staff learns from it as well.

Wiff Peterson said it appears that these practices are geared to improve water quality and risk management. How do these practices affect overall reservoir yield and safe yield and how have the withdrawals been comparing with the safe yield? Mr. Yeo said the program now is not designed to increase yield. The program is designed just around quality. Reservoir withdrawals last year were shockingly low at 184 million gallons per day (MGD) compared to the safe yield of 300 MGD. There is plenty of water so staff can manage the watersheds for water quality.

Mr. Yeo provided a brief update on the Quabbin Boat Program, stating that further improvements have been made to the boat decontamination program for the coming year. More than 600 boats were tagged last year after decontamination so those boats are eligible,

assuming they are still tagged and secured to their trailers, to come back into the program next year.

This winter additional boats will be tagged and secured to their trailers. With the extreme cold, staff can be assured that any kind of plants or mussels on these boats would be dead long before the April boat opening. DWSP has worked closely with the MWRA on water quality issues on the decontamination program. Further, a tank study is being conducted by Rensselaer Polytechnic Institute (RPI) where mussels have been taken out of Laurel Lake in the Town of Lee, the only lake in Massachusetts where zebra mussels have been found, and put them into two tanks at RPI – one with Laurel Lake water and one with Quabbin water. The scientists have been monitoring them and will issue a report within the next few months on how the mussels might do if they ever get into the Quabbin.

The Boat Program has now been designed to not only ensure that mussels don't get into the Quabbin but also other invasive plants, of which there are many in Massachusetts that could cause ecological problems, problems for the fishermen or, more importantly, for the water supply.

E. COMMITTEE REPORTS

Finance Committee – Bernard Cooper

❖ **PRESENTATION: PROPOSED MWRA FY11 CAPITAL IMPROVEMENT PROGRAM –**
Kathy Soni, MWRA Budget Director

MWRA Budget Director Kathy Soni stated that last December, MWRA transmitted its Proposed FY11 Capital Improvement Program (CIP) to the MWRA Advisory Board for its statutory 60-day review and comment.

Based on a joint effort between the Advisory Board and the MWRA, in 2003 the concept of placing a limit on capital spending with the goal of ensuring that the rate increases are sustainable, predictable and reasonable for the communities, was established.

The FY10 CIP had \$1.14 billion established for the FY09-FY13 cap period (according to the cap calculation). The FY11 Proposed Budget is very close to this target at \$14.4 million under this target. MWRA has spent in excess of \$7 billion (through FY2009) since the MWRA was formed. All of the capital projects (such as the Deer Island Wastewater Treatment Plant, the John J. Carroll Water Treatment Plant, CSO Program, Boston Harbor Project, MetroWest Tunnel, etc.) resulted in a significant debt obligation for the MWRA.

The Current Expense Budget (CEB) is driven in large part (approximately 70%) by the debt structure. Between the years of FY11 and FY15, because of the debt service, MWRA is going to have approximately \$32 million increases in the rate revenue requirement over the next few years.

With the majority of the CSO Program complete, spending going forward in the FY09 to FY13 period will focus mostly on asset protection. In terms of new projects, \$35 million worth of projects have been added to the MWRA budget for FY11.

For energy projects, about \$10 million has been added in this cycle, of which about \$9.2 million is coming from stimulus funding. Those projects are specifically the DeLauri Wind Project, some solar projects at the CWTP, the Loring Road Hydro Project and the second phase of the Deer Island photovoltaic solar project.

Going forward on the wastewater projects in the cap period, there is about \$670 million of spending; Deer Island asset protection is a huge part of that at about \$244 million.

MWRA Chief Operating Officer Michael Hornbrook added that of the \$244 million allocated for Deer Island, about \$67 million will be spent during the next year alone. Any replacement or rehabilitation on Deer Island is a big project that involves a lot of money.

❖ **UPDATE ON ADVISORY BOARD RECOMMENDATION FOR A \$0 RATE REVENUE REQUIREMENT INCREASE FOR FY11**

Mr. Favaloro noted that the Advisory Board jump-started the budget process this year by proposing one pathway to get to a \$0 rate revenue requirement increase for FY11. Staff made a presentation to the MWRA Board of Directors in December and had great discussions with the Board and MWRA staff. The Authority came back at the January meeting with its scenarios, which resulted in further exchanges between the Board and MWRA and Advisory Board staffs on how best to get to a rate revenue number for FY11 that benefits FY11, but also looks at the years to follow. This resulted in a February Board deliberation where the absolute worst case scenario will be under 2% for assessments that will be going out in February for FY11.

The differences between the Advisory Board's and the MWRA's pathway are relatively small. For Direct Expenses the Advisory Board assumed 1.7% growth and the Authority assumed 1.6% in its scenario.

For pension, the Advisory Board put in "pay as you go" for pension costs plus a small amount more to acknowledge that the pension system had done better from where it was during the last actuarial study; the Authority said they have to use the actuarial number but will request that the Retirement Board do a mid-year actuarial study to take advantage of the fact that there was 21% growth in the pension system from its worst case a year ago until now.

Lastly, the Advisory Board's assumptions included proposals on how much rate stabilization funds to use and how much defeasance of debt to use in FY11; the Authority wants to use less of the rate stabilization funds but would like to restructure some debt to help with FY11, FY12 and FY13.

This continues to be a healthy and productive exchange between the Advisory Board, the Authority and the Board of Directors. Clearly the winner wherever it ends up will be the cities and towns and, most importantly, the ratepayers.

Operations Committee – Jay Fink

❖ **PREVIEW: UPCOMING OPERATIONS COMMITTEE ISSUES**

Mr. Favaloro flagged two issues for possible discussion at upcoming Advisory Board/Operations Committee Meetings. The Authority is proposing that the final CIP include an extension and expansion of the Local Pipeline Assistance Program for communities. In the \$200 million that is proposed, MWRA and Advisory Board staffs have talked about how to best utilize the next round of funding. Currently the program is geared to pipes, with some expansion a few years ago to allow communities that were feeling the impacts of replacing lead lines.

The Operations Committee should hold some discussion in an effort to influence the decision with the Authority staff as relates to how the program can be expanded. The potential list of projects is a lot larger than just pipes.

The second issue was that there was some discussion at the Board of Directors meeting about the methodology and population and audits on census numbers for communities as they relate to how it impacts assessments. At this juncture, there may be some discussion and participation as it relates to the FY10 assessments. It is a zero sum game. If there is going to be an alteration, it should come from a vote of the other communities. This relates to a Suffolk County appeal by the City of Boston on its population and the winning of that appeal to the U.S. Census, which altered the other assessments in Suffolk County, principally it is Boston, Winthrop, Chelsea and Revere.

For FY11, the City of Boston appealed the 2008 census numbers, along with Winthrop, and both communities won their appeals and assessments can easily be adjusted. The 2010 assessments have been left in limbo relating to the 2007 census numbers. It is somewhat technical but is something that may or may not come before the Operations Committee meeting in the next couple of months.

Executive Committee – Katherine Haynes Dunphy

❖ **RECOGNITION OF MWRA MANAGING DIRECTOR KEVIN FEELEY'S 25 YEARS OF DEDICATED SERVICE UPON HIS RETIREMENT**

Chairman Dunphy presented a plaque to Kevin Feeley, MWRA's Managing Director, in recognition of his 25 years of dedicated service to MWRA, the communities and the ratepayers. Mr. Feeley expressed his thanks.

❖ **LEGISLATIVE UPDATE**

The Governor's House 1 Budget will be released next week; however, it is not expected to include funding for Debt Service Assistance (DSA).

There is a belief that the Bottle Bill will still play some role in House 1; however, it is unclear how the allocation of the bottle bill receipts will go out. Last year the Governor bought into an idea that part of those revenues should go for DSA. It may or may not be there this year.

F. ADJOURNMENT

A MOTION WAS MADE TO ADJOURN THE MEETING AT 1:15 P.M. It was seconded and passed by unanimous vote.

Respectfully submitted,

Edward Sullivan, Secretary