

**RVSA Minutes**  
**Engineering Committee Meeting Minutes**  
**January 12, 2006**

The Engineering Committee Chairman, Frank G. Mazzarella, called the meeting to order at 7:02 p.m.

The Committee Chairman read the following statement on "Open Public Meetings Law". In accordance with the requirements of the Open Public Meetings Act, State of New Jersey, adequate notice of this meeting has been forwarded to the Star Ledger, the Home News Tribune and the Clerk of each of the eleven member municipalities January 10, 2006. He noted that this was a Committee Meeting, no action would be taken.

The Committee Chairman asked if any member of the body believed that this meeting was being held in violation of the provisions of the Open Public Meetings Act; to please state their objection and the reasons for same.

Hearing no objections, the Committee Chairman stated we shall proceed with our regularly scheduled meeting.

The Committee Chairman requested that everyone stand to salute the Flag and a moment of silence.

**Roll Call**

The following members were present:

Allen Chin	for the Town of Westfield
Rosalie F. Berger	for the Township of Springfield
C. Clark Landale	for the Borough of Mountainside
Charles Lombardo	for the Borough of Garwood
* Robert G. Luban	for the Township of Woodbridge
John C. Ludington, II	for the City of Rahway
Frank G. Mazzarella	for the Township of Clark
Thomas J. McHale	for the Borough of Kenilworth
* James J. Murphy	for the Township of Cranford
Joan Papen	for the Township of Scotch Plains
Attilio S. Venturo	for the Borough of Roselle Park

\* Arrived after roll call.

The following were also present:

Richard P. Tokarski	Executive Director
Michael J. Brinker, Jr., P.E.	Chief Engineer
Robert L. Valent	Superintendent
Dan Ward	Maintenance Supervisor
Alexander Biel	Cogeneration Supervisor
James Wancho, P.E.	Consulting Engineer
Brian Hak, Esq.	Counsel

The following were also present (Cont'd.):

Dave Coats, P.E.	CCMS
James Fagan	NW Financial, LLP
Christopher Riat, VP Bus. Dev.	United Water
J.C. Goldman, Pres./CEO	United Water
Michael Link, Dir. Tech. Serv.	United Water
Brian Graham, Sr. Process Eng./WW	United Water

**Unfinished Business**

None.

**New Business**

1. United Water

*Mr. Mazzarella:* Mr. Christopher Riat of United Water, along with other members of his firm are in attendance this evening to make a presentation to the Commissioners on how their company may be of service to the Authority.

*Mr. Mazzarella:* I'd like to welcome Mr. Riat and his colleagues. This evening is purely fact finding. As explained to you in the letter to you, hopefully you will give us some interesting scenarios that we can look at on our present and our build out of our whole process whether it is the CSP plan or the Cogeneration Plan. With that, I'd like to ask all of the Commissioners, this is fact finding for the Commissioners to make a decision to look at this on different scenarios, I ask that if any of the Commissioners have a question or concern, if you can hold it to the end of the presentation, then certainly ask it. I will go round table after the presentation is done if any Commissioner have a question or comment or want to talk about a particular item, I will ask Rich (Tokarski) and Mike (Brinker) if they have a comment and Jim Wancho as well, if he has a question. There will be no debate tonight, its just fact finding. So with that, I am turning it over to you Chris."

\* Mr. Murphy arrived at this time.

*Mr. Riat:* I think I have introduced myself to a number of you, but if I missed you, my name is Chris Riat, I represent United Water's business interest here in New Jersey and in the Northeast. I want to thank you all, the Engineering Committee, the Executive Staff, the Executive Director, for making the time, especially the Commissioners who did the site visit as well. Before we get started, I will introduce my colleagues here with me this evening. J.C. Goldman who is the President and CEO of the contract services segment of United Water, and I will get into what that entails in a little bit. Mr. Mike Link is our Technical Director for the Contract Services segment, and he has some very unique and distinctive experience that will definitely be of interest to the folks here this evening. Also here with me is Brian Graham. Brian is Senior Process Engineer and a wastewater expert and has been helping us on this project.

We are here to outline today, how, at this critical time at the sewerage authority how utilizing an operating partner could achieve three significant goals. The first op being cost reduction, asset management / asset protection. You've spent and made a large investment and now maintaining that asset has to be a key priority, and how to achieve greater operating performance. Why does United Water think we can help you achieve these goals? Well that will obviously be the focus of our agenda. I'll give you a brief outline of our qualifications. We'll give you our history experience and expertise and why that can be a great benefit to the Authority. I'll give you an investigation status just to quickly bring you up on what we have done to date and where we stand now. And then this is what will be the key part of the presentation. We will go through all the major components, technologies, and processes that you will be bringing on with your new upgrade and we will demonstrate where we have unique experience in those separate processes and technologies. Experience has come as a price to United Water. We've learned some tough lessons. We've been around a couple of learning curves. Now we can bring those lessons to folks like the Authority here. Obviously we will go through the cost savings that can be achieved and we'll break out how we can go about doing that and how we will deliver them.

First question – we will go through our qualifications – how exactly did we go about getting this expertise this experience. Well by operating utilities for 135 years. We actually started as the Hackensack Water Company in Hackensack in 1869. We've been operating and owners and managing water and wastewater facilities for over 135 years. When I say that we're the owner/manager, basically it's the same exact situation that the Authority finds themselves in. You have to make critical decisions on everything from how and when you invest in capital and you're responsible for everything from operation maintenance, ensuring performances whether it's achieving customer service and keeping your stake holders involved and content. In addition to owning those 18 utilities, we also are a professional service provider in 65 public/private partnerships. Those are projects where we provide the operation maintenance management service for a client who owns the asset itself. Those 65 projects and all the support groups that go around to support and operate it and keep it an ongoing concern is the contract services segment of which J.C. Goldman is the President and CEO. Between those two business models, we serve 70 million people, we have 2000 employees, and we treat 720 million gallons of drinking water per day. We also treat over a billion gallons of wastewater treatment per day. Of particular interest to people here in this room, with that wastewater treatment, we produce 50,000 tons of dry sludge that is actually produced and marketed. In our cogeneration capacity; we have on the average per day 15 mega watts of generation. Our total revenues are \$500 million and our assets are just under \$2 billion. So where are we located on sludge? Well we are primarily an east coast firm. We have locations throughout the country but our birthplace, where we grew up is primarily here on the east coast in particular, New Jersey. In New Jersey alone, we serve 1.2 million people, we are actually the contract operator, operation maintenance and maintenance manager of the Rahway Water System. We also have a number of significant projects in New Jersey. Just to name some of them, Jersey City, Hoboken, Orange, and North Brunswick, just to name some of the larger facilities. These project locations are not just qualifications on the resume, they actually represent lessons learned, gained knowledge and expertise that

we can use in the locations as we go forward.

I would like to give you just a history and status of our investigation. We performed a preliminary desktop analysis, document review, of the 05 adopted budget, job descriptions, CSP/JCO and a full set of drawings of the upgrade and cogeneration. And again, I'd like to thank you for the opportunity for the site visit. While this was a preliminary investigation, we were able to come to some concrete conclusions. The Authority obviously is in the process of a major upgrade. Now the facility will be taken care of. It will be brought on line, it will be a major upgrade – you'll have this new asset. How are you going to go about upgrading your operational capabilities as well, to meet the new technology challenges that this new upgrade has in store. These new processes will obviously be very vital to the successful operation of the Authority and how well the plant and upgrade is operated, we'll go a long way to determining how well the Authority is perceived by your stake holders, the member municipalities and customers you serve. These new processes and technologies are not without risks, significant cost risks and also the need to gain new understanding and knowledge to be able to operate them efficiently and without paying the painful price that others may have already gone ahead and done for you. As I go through the presentation, I will ask Mike (Link) to come up and we will go through sludge drying, cogeneration experience, sludge management experience, SCADA implementation and start up, training and optimization. Obviously you are spending a great deal of money on SCADA alone, now you want to maximize that opportunity for the benefit of the Authority. We'll go through your disinfection system and where we have expertise and then we'll talk about start up with the commissioners, as well as asset management and just maintaining the asset. Obviously you've made a large investment and your role as public stewards now mandates that you get the best value, the most value out of the money that you've gone ahead and spent. I'm going to bring up Mike Link at this point. Mike has 25 years in utility management experience. He comes out of our Milwaukee Facility and he can give you a little bit of both operations under the municipality as well as with United Water.

*Mr. Link:* We'll start with Milwaukee. I'm not going to speak about all 65 projects, but just a few of the key ones. In Milwaukee, ten year contract that is just coming up, we are finishing year 7 there; I was a municipal employee there for over 15 years before going to work for United Water. I transitioned over to the company and have most of my plant experience out of Milwaukee. Milwaukee is comprised of two very large treatment plants. We'll talk a little bit about those but also as an interceptor system that services 28 communities, as Chris mentioned; there are actually two different cogeneration facilities there. One very large 215 MW gas turbine, the other more similar to the Authority's installation with reciprocating engines. It's a well run facility, I take a little pride in that myself. We were an AMSA Gold Winner. Previously we were a Gold and Silver. Since United Water has taken over, we have taken performance up a notch. For the last seven years, it's been seven straight Gold Awards for both plants, 5 gold with 2 platinum. That's the highest award that AMSA recognizes for the member communities. But Milwaukee in recognition of its Biosolids experience, was a UPA National Award Winner for Biosolids reuse and that recognizes the Milorganite process there, which is heat drying, producing a fertilizer product form the blended sludges and its been sold since 1926. It's a larger facility. There are actually 12 dryers there, the

contract yielded and guaranteed \$140 million worth of savings to the customers of Milwaukee over a 10 year period. But also more importantly, protected the one \$3.5 billion dollars in assets. One of the ways that those kinds of savings were able to be produced was working through the energy sludge cycle that exists. Two large plants produce close to 200 tons per day of material sludge products. Utilizing two plants, one is a methane generating digesting facility, similar to this facility; the other is not. There is actually a natural gas purchase to run the turbines, but there is such a huge investment in its energy components, that the purchase and use of natural gas, the generation of methane, the electric consumption, the electric demand, are all inputs to a rather complex model that we run, the outputs being wastewater treated. Electrical use, but also the marketing component dictated to us by our client Milwaukee Sewage Sister of how much fertilizer to produce on a weekly or monthly basis coupled with the daily price of energy. Both electricity and natural gas. Natural Gas as you may be aware can be purchased on the spot market, there are also long term procurement options; there's pipeline capacity that can be bought or leased. There are marketing/wheeling charges which, depending on the deregulated nature of natural gas, all of those components go into an energy utilizing facility. Couple that with weather, flow over which you have no control – nature still dictates that, how much solids you are receiving. Those inputs affect the way that the plant needs to be operated, in order to most efficiently utilize this large energy component. Drying of sludge uses a lot of energy. That is a fact. It's a very efficient process, but it can be very expensive. One of the keys to operating efficiently is to reduce those energy costs or manage them. Another part of that equation is the actual plant processes themselves on what capacity exists, the solids process between secondary treatment and any thickening, dewatering operations upstream of the drying. In Milwaukee just to give you a scale, in order of magnitude, utilizing straight utility figures, buying electricity from the utility, buying the gas from the utility, the cost in Milwaukee on an annual basis is about \$10 million dollars. By managing where those inputs are coming from, when they're coming, the magnitude of the volume of gas consumed, the magnitude of the electrical demand, the daily consumption in KW hours and MW hours, and the application of that energy within the plant, there can be upwards of a 20% savings, strictly on management. This was \$2 million of the savings that came out of the Milwaukee Operation. This is just a block schematic of one of the plants in Milwaukee, just to show that the anaerobic digesters are producing methane gas. The methane gas is utilized in reciprocating engines coupled with a generator. This plant produces 1.5 MW per day. That is 1 generator. That's coupled with major gas consumption. There is utilized in reciprocating engines coupled with blowers called process air compressors in the mid-west. That is the air that is needed to keep the biological part of the system alive. Couple all of that with energy coming off the heat exchangers, boilers to utilize that heat, the excess heat, to keep the digesters warm, to heat all the buildings. The output is digested Biosolids that in Milwaukee happen to get transported 12 miles by pipeline to another plant where they are dried. We take the Biosolids from both plants in order to produce that heat drying material. A second project that is a little closer to New Jersey is Springfield, Massachusetts. A much longer term contract of 20 years and it's a little closer to the size of RVSA. 45 MGD average flow, interceptor system, connects a number – about 4 small towns outside of Springfield. It's a one dryer operation and it's recently gone through a SCADA upgrade. That contract is producing \$22 million in savings. This facility is one we'll take a little closer

look at. Same dryer that RVSA is going to be operating. A Komline-Sanderson paddle dryer, hot oil system, same use. This is actually a rather complicated dryer to run. We've gone in and we've actually purchased a company, U.S. Dryer, and United Water has gone in to do the tune-up on this facility and we've taken this dryer which is a little complicated to run and taken it up to finally 100% capacity. Some of the limitations on this dryer operation, limitations are related to safety, this dryer runs at a temperature close to 300°. Gets a dry sludge product up to 300°, things tends to burn at that temperature if one is not careful. Safety of employees, safety of facilities, air permit issues associated with that, but more importantly the protection of the equipment, had our inputs here were to take the maintenance and take this up two notches from where it was being operated. That allowed us to keep the dryer in operation everyday, 7 days a week, to scheduled shutdowns for maintenance, and to actually link operation in maintenance of the wastewater system so that the plant operators are not only looking at the primary clarifiers but at the weather forecasts, in order to plan their maintenance so that they get a view 4-5—6-7 days into the future; knowing that maintenance tasks are not always accomplished in a single day. Another project to mention is West Basin, which is actually in the Los Angeles area. This started out as a five year commission and start up contract. It's very high-tech. It receives secondary effluent from the Hyperion Wastewater Plant, which is one of the largest plants in the country. We siphon off about 40 MGD from that plant after the preliminary and secondary treatment. We take that wastewater and take it to very high tech membrane filtration reverse osmosis and some other processes that Brian is more familiar with and produce recycled water, for use in the irrigation of public lands and golf courses. We also produce water for industrial use; some very high quality feed water which is actually cleaner than the drinking water that is sold by the utilities there. Title 22 water, which in the mid-west we're not very familiar with since we're very water rich; is injected into the ground to prevent salt water intrusion into the aquifers. The capital improvements and the facilities management planning that went on here, all were coupled with that commission cycle. We've been there since 1994 and our contract has been renewed as the operator, and we've continued to provide them a number of savings throughout this 12-13 year period. Ultra violet disinfection is one of the disinfection methods we run at many of our plants. We've got about a dozen plants that run ultraviolet disinfection. I'm not going to talk this evening in detail about every process that we run at each of the 65 plants, but I wanted to mention it here because of the new upgrade at RVSA. The West Basin facility is very high tech and it's a SCADA Operated System which has been upgrade twice since its original construction. SCADA, as you may be familiar with or if you're not, it's a supervisory data control. The plant gets operated from a console, its less manual input, it's more computer control, it provides for very precise operation of a facility. It takes the slack out. You can operate by time, by flow, by loadings and the computer can be programmed to adjust it to control the instruments that are out in the plant. SCADA system, Milwaukee has had two upgrades from when they initially started theirs back in the early 80's. They upgraded in the 90's and just finished a second upgrade. It allows for the operators to become more efficient, to be working more with their heads and less with their back. It also reduces the amount of Supervisory Personnel, since the computer is taking care of some of the low level supervisory activities. It gives the managers more tools to work with and a better understanding of what's actually going on. To provide them the opportunity to make the adjustments to improve the performance of the plant.

The other item to mention is, with those instruments comes a change in maintenance. This is a different type of maintenance that goes on in the treatment plant. There's less mechanical maintenance, typically even though you still have the same number of pumps to lift the wastewater, the same number of clarifiers, but programming the operation of the SCADA system in with your maintenance Management systems and your other management controls, that type of heavy labor can be reduced; there goes with this change an increase in really more of a high tech instrumentation controls type of maintenance. Those instruments need to be maintained and the network has to be maintained. With starting up a new facility, United Water can speak to this. We run over \$100 million dollars in capital at our own facilities each year. We understand what it takes to do capital investment. We understand since it at a utility it's our money. Even though we have to show a return, as a utility, we have in just 2005, commissioned major upgrades at four facilities, new plants at two of them totaling close to \$200 million, but with this kind of commissioning, with the staff that's at United Water, we have learned the lessons that come with continual commissioning. A lot of your problems come in the last 10% that final acceptance that presents operational risks. These can be in a wastewater facility, permit compliance, which can be coupled with or aggravated by wet weather conditions, and also the risk of cost overruns. This is something that we are very familiar with. I've worked on a number of start-ups throughout 25 years. Contractors are very good at making money. Wastewater operators tend to be good at operating wastewater plants. We come into risk with that final 10%, with the acceptance phase, but we also run the risk of power. I don't mean to speak badly about design engineers; I've never been a design engineer, so I tend to take a shot at them from time to time. They don't design for maintain ability. They don't design for chemical use, typically. Power use is not always the most critical factor. Those are the operator issues; they worry day to day about paying the electric bill and ordering chemicals. Those are things that United Water is very familiar with. Since we have the owner's perspective, we tend to look at facilities from an asset management view point. We look at day one as being the day after day zero. Did the constructor give us what was asked for? Did he give up what was paid for? Did he give us everything we were going to need to operate the facility? Are all the manuals presented? Are all the punch lists completed? Most engineers or construction managers are very familiar with this. But for us to take that seamlessly and move on to day one as a maintenance facility, we have to maintain that equipment. Asset management starts with day one. We want to be sure that were looking at equipment replacement avoidance. Starting on day one. It's a new piece of equipment, how long can this equipment be maintained? How well can it be maintained? How well can it be serviceable? We're not looking at a shortened shelf life. Looking at the maintain ability, were looking at it across the entire plant site, across the entire organization. It becomes a cultural change for the staff. We look at the systems, the processes, the behaviors of the employees, and look to the output of the results. I'm not going to confuse you and go through all the acronyms that are up here, these are the words that we work with, looking at failure analysis and maintainability, performance indicators and items like that. Our goal is to take the staff and turn them into part of the facility. To not keep them separate. They have become very comfortable with the data that their expected to see everyday. What's the data they're presenting up through to the management of the facility? How does that work to keeping things online? How does it reduce their workload in maintenance, preventative maintenance, predictive maintenance, are some of the more

standard tools that most contractors or service providers use. We will take that to the next level and take more of a liability centered maintenance and look to provide long term value and day to day cost reductions. The foundations of maintenance are built from day to day activities on maintenance staff. Everything from the work order system, the computer systems that we would install, the computerized maintenance management systems, up through the way that maintenance is supervised and planned. Tying these in with longer term plant, master plans, business plans associated with the organization, coupling it with operations and daily communications and checking off each of these boxes to build the organization which is going to give us world class maintenance. In order to install that kind of maintenance management system, or asset management system, and to keep it sustainable, rather than slap it on, get it started, and walk away, it takes a long time. The number out of the top is out of our typical installations, 32 weeks. To work through with the staff, they know the facility; they know the equipment as new facilities and new equipment are brought online. The staff is the key to plugging in the data, what's important, feeding back the information from the engineers, from the vendors, from the equipment suppliers, pulling all of that into an operating system; computerized maintenance management system, getting our indicators so that the managers know everyday when something starts to deviate, it can be brought back on track; that's the key to the system or facility in performing as a fine tuned instrument. That kind of sustainability is something that as managers or facility managers these are goals, these are the installed products that we would bring.

*Mr. Riat:* It was necessary to go through some of our experience, detail where we have experience with some of the processes that you're going to be bringing on. Obviously also the maintenance and asset management culture that we have at United Water is not something that was developed overnight. This is the 135 years of continually growing as an organization, as learning from your mistakes, learning these tools on how to take new groups that don't have this instilled as a culture and move forward. So thank you Mike for going through that. Now that we have taken you through most of the agenda to the point where it's now time to maybe assess where the Sewer Authority is from United Water's analysis.

Top line activities. Your average flow tends to be around 30 MGD. Your head count is 65 with 28 salaried employees, 37 hourly. Your 2005 expense was \$12.3 million of the adopted budget, and I understand you're somewhere around \$13.5 million for 2006. So where does the Authority stack up verses next to its peers. If you look at the AMSA survey, which you see pictured – what it's designed to do is give a picture where an Authority is on a competitive scale against other municipal authorities. So you're taking a municipal Authority and measuring it up against other municipal Authorities that traditionally have been a little heavy, a little non-competitive. What you have here – the picture you see - from the AMSA medium is that per MGD, you have 1.87 staff. For 30 mgd, you would have about 56; well for here at the Authority, you have about 65 staff. Your per mgd treated runs around 2.16. So you get a little feeling that you may be a little heavy around the inefficiencies. Your cost for 30 mgd and interceptors according to the AMSA database is \$11.1 million. If you take RVSA's 05 figure, you are up to \$12.3 million. Obviously your 05 figure may be a little inflated as you have this new asset coming on board. You dialed down your maintenance which is only appropriate as you

have this new asset coming on board. You start to get a picture. So your running a little high verses your immediate peers. Where would it put you against a United Water facility and we'll take a contract operated facility, about the best apples to apples that I can do with average flow treated is Springfield, MA, which was mentioned before, we treat 45 mgd of average flow which is one and a half times what your traditionally treat here on a daily basis. Our staff per mgd treated is less than one. It's 0.87 employees per mgd in Springfield. Our cost is for one and a half times what you treat here, interceptors, 25 pump stations, collection and CSO's and the sludge dryer, which is the same sludge dryer you will have here, is 9.7; so under \$10 million dollars for that same facility which treats significantly more.

On average, we have one full time employee per one million gallons per day treated. Okay so the question becomes what do we think is achievable for you here at the Authority. We have high confidence that 15-20% reduction in operating expenses is achievable, and that's given immediately what you have currently built up and operating. For your current operation that's close to \$3 million dollars worth of savings in year one. And that savings is compoundable and sustaining over time. So it's a good level of savings. This level of efficiency obviously becomes that much more important and much more critical as you bring these technically challenging highly complex components on. You're looking at a number of components that have a significant cost risk to them. Primarily your cogeneration and your sludge dryer. So I don't really know that if you have been given a figure or if the figure is available, on what the future holds for you, but it's highly likely that you're looking at an excess of \$15 million dollars and obviously that level of savings only grows when you're talking about that high of a cost.

Mr. Luban arrived at this time.

In summary, I hope that we will stay for all questions and answers. But United Water has a history and expertise particularly in some of the more complex components that you are bringing on board. Whether it is SCADA or UV or sludge dryer, and critical in all this is the energy management. You're going to have the dryer, you're going to have the cogeneration; and exactly how you manage that will be a critical component to how efficiently you can run. If the missteps are made that have been made in the past, in bringing some of these things on line, your cost will have escalated past just what they would normally bring. There not without risks. Missteps will quickly raise your cost and that will have an effect on your stake holders for sure. It's a huge investment that you've made, managing it properly from day one is the only way that you will prolong its useful life. The only way to get the full value out of this is to have highly confident asset management there, taking you through as you bring this facility on and as you operate; hopefully for generations to come, to serve the customers and municipalities of this Authority. We feel that bringing us on board, we've looked at the whole Authority operation. We hope that you find some value in our experience and in the tough lessons that we've learned, and look to the opportunity for us to be of service to you. At that point I think that we would appreciate any questions that you have. I want to thank you for your time. I know it's a lot of information in a short period of time. And again I want to thank you for the opportunity.

*Mr. Mazzarella:* Thank you Mr. Riat. I'm going to go round table now. If any of the Commissioners have a question. I know that this is a lot to digest and its mind boggling, I'm sure I'll have some questions and will want some answers, but if any of the Commissioners want to ask questions, certainly do so right now.

I am going to start with Mr. Landale.

*Mr. Landale:* I'd rather defer my questions; see if the staff or the Executive Group has any questions first. That's what I'd rather do.

*Mr. Mazzarella:* I'll do that. Naturally this is fact finding for the commissioners, and I'll allow the staff to go first if they have some questions or comments to ask Chris and his colleagues.

*Mr. Tokarski:* Having been on the Board of Directors of AMSA for over 20 years, I'm very familiar with the surveys that are performed and how you interestingly enough pulled out a couple of things to compare such as medians verses RVSA. Were in the state with the highest population and our state environmental regulations are far above other states, except with the exception of possibly California. Perhaps comparing RVSA to facilities in California rather than medians that would take into account Wyoming, Kentucky and the other states that are in similar situations, would be a fair comparison. The one number that is really absent that I find significant, is RVSA's cost per household per median, if you want to use that of AMSA communities. If you compare RVSA's cost per household, we're one of the lowest in the state and among the lowest in the nation. Perhaps that should be presented itself.

*Mr. Riat:* I think that's a fair point and I'll go back and research that. The fact is that I did not research from that parameter and I will do so.

*Mr. Tokarski:* And the environmental regulations and the additional staff are much more restrictive, the penalties are way beyond what they are in other states and that does bring on additional staff.

*Mr. Riat:* Agreed and my point is; I think you raised a good point, benchmarks are what they are. They are benchmarks and are tools to quickly assess to get a read. That's what is there. I don't want to convey more than that. But I do want to convey that the comparison to United Water is more germane. There is efficiency and there is high efficiency and that's what I was really trying to get to in those slots.

*Mr. Mazzarella:* Anything else Rich.

*Mr. Tokarski:* That's it.

*Mr. Brinker:* I have one question. By using the Springfield example of the summary at the bottom, there's an average of 1 full time employee per mgd treated. We extend that to the Authority's daily flow which is roughly 25 not 30 mgd. You're looking at 25 people, which is a reduction of 40 people from what we presently have.

How do you propose to affect that and how quickly would you propose to affect that.

*Mr. Riat:* That is our average, our whole universe of projects. Now, what would the staffing be here, that is a question that honestly what would the desire of the board be. There is an optimum number that if United Water was given the opportunity to come in, and effect complete cultural change, there's a number that we would operate at. Now if the Board is looking for a level of savings, a slow manageable reduction in workforce, let's say to solely natural attrition; well that's a different number. It's really driven by the opportunity that the client designs for us.

*Mr. Brinker:* With that in mind, if you go back one page to the RVSA verses the industry average; you're looking at roughly that analysis and the AMSA median average of a savings of about \$1.2 million dollars. How much of that \$1.2 million dollars would be again personnel or energy. Because you can affect a 15-20% savings as you say, but how much of that savings would be energy and what would be the balance of that. Would it be in personnel?

*Mr. Riat:* Mike Link, I'm going to ask you to talk about the components that go into our proposed savings. And again, it is client driven to a large extent. There are some clients that have asked us to come in and immediately effect a highly efficient organization.

*Mr. Brinker:* The reason I say that is because a lot that is related to staff per million gallons and we seem to be staying away from the energy costs and sludge costs and so on and so forth and it seems to be geared toward a lot of personnel issues.

*Mr. Riat:* I think that is a necessity in the preliminary investigation. We have not spent enough time on investigating on how we would go about its certain processes that you have in reduction. The look that we've had at this point is too preliminary but we still feel our basis is in 65 projects, and we still feel highly confident that the 15-20% is real.

*Mr. Mazzarella:* Mr. Riat in continuing with what Mike was saying, you did request additional data. Would that have put a better perspective on it?

*Mr. Riat:* All information, energy balance in particular, would be key critical, but obviously all information and more time spent, more refined our picture is with our numbers would be. But the simple answer to that question is that yes it would, particularly the energy balance.

*Mr. Link:* Typically, labor is about 40% of the facilities cost. Again depending on the unit processes that run in the case of the dryer, it skews your energy number larger than what is strictly an electric driven facility would be. You get a credit for the methane that's being produced; that helps offset that natural gas number, energy typically can run anywhere from 20-40% of what a facilities numbers are. In Milwaukee they're very large. They're on the higher side because the facilities that were constructed there. Most of our other facilities have a smaller percentage. Chemical treatment follows

the process that's built as well. UV is a higher energy user than chlorine. Chlorine is a higher chemical cost; UV is a higher energy cost.

*Mr. Brinker:* So typically you're getting rid of hypochlorite or chlorine, you're using UV your generating your own electricity.

*Mr. Link:* Yes if you can get enough methane to generate that extra electricity. So you're buying natural gas. Again, the energy balance is going to play a role and that was one of the sources of data in our preliminary analysis we would love to look at.

*Mr. Brinker:* I guess the best thing to do would be to look at a line item budget and see where your larger percentages are and then attack those percentages.

*Mr. Link:* We'll look at the details.

*Mr. Brinker:* I think that the Authority budget there's about 42% for salaries and wages, etc. versus your standard of 40%. So we're not that far off. The staffing numbers that you look at, do you simply look at operations and maintenance or do you look at the total number of people employed, whether they are in industrial pretreatment or operations or maintenance or sewer crews or whatever.

*Mr. Link:* We look at the total number. Some facilities have laboratories, some contract it out, and depending on an interceptor system versus a collection system. Engineering staff – those are all taken into account, that's why there are averages.

*Mr. Wancho:* A couple of questions about Springfield's SCADA system. Do they have a complete system in place for Springfield?

*Mr. Link:* It's not totally in place yet. About 75% of the facility is up and running. The contract is still open and they're still installing SCADA for some of the pump stations that are out on the collection system.

*Mr. Wancho:* So US Water was operating that dryer since its inception and you mention that there were changes made and you guys came in and made improvements to the dryer. Was it change in philosophy or change in staffing?

*Mr. Link:* It was more the ability to bring the experience of what was learned in Milwaukee and bring it directly to Springfield. We had some technical experts and we made them available and now were quite happy with that dryer's ability.

*Mr. Wancho:* Whose dryer is in Milwaukee?

*Mr. Link:* Davenport. They are single sash rotary dryers.

*Mr. Wancho:* It's a rotary kiln.

*Mr. Mazzarella:* Just a clarification and the time constraints on the information, the

additional information requested couldn't be produced because of the holiday and the staffing during the holiday, but the DMR/MOR reports for the last several months energy balance including electric, gas, pricing assumption, solids, balance construction and completion schedule, electric rate schedules, wastewater discharge permit, ultraviolet test and blended product. That would have given you a better perspective.

*Mr. Link:* Yes. This is not an unusual process. We go through these investigations, the amount of data that we look to be able to give you an absolute finite proposal is an effort. But yes, have no doubt, that having that information would be beneficial – we would be in a better position to answer in more detail, questions as we go forward.

*Mr. Luban:* No questions.

*Mr. Ventura:* I think that we should have a clarification of the entire concept. What the hell are we really talking about here tonight? Is your firm a private organization?

*Mr. Riat:* Yes, it's a private organization.

*Mr. Ventura:* Does it operate for profit.

*Mr. Riat:* Yes it operates for profit.

*Mr. Ventura:* So on this side of the line, we have a company that is a private organization, it's owned by stockholders or private people and they hire off the street. And they are an operating managing company of someone else's assets, or in some cases where they actually own the assets themselves. Or perhaps buy the whole thing. I don't think they have that kind of money to buy this whole plant, but they might have.

*Mr. Link:* I don't know that were into buying wastewater systems of this magnitude at this point.

*Mr. Ventura:* What they're saying is that through their knowledge that they have obtained, in the method of the operation of these systems, they can do it better than what we have. There saying that with their people and the way they run it, and why is that. Well first of all their not political, they don't have to worry about that. The next thing is that they might not offer as many benefits to their employees so their labor costs can be reduced. The next thing is there management and administration can be cut deeply, because you don't need administration for each individual plant, so the payroll for 10 different facilities can be done at a center point. We have a payroll operation here. They have a central operation. 2000 people, five people doing payroll or a payroll firm. But the cost, because of their vastness, they can effectively produce work at a much cheaper rate than we can as an individual plant. It's economics. The next thing is that they have the ability to make fast decisions. They don't have to wait for a board to meet. So what do you think of the cost of gas, how do you think that's going to effect it. Right now, in the immediate future. Why did gasoline jump from \$1.98 to \$2.19 in a week? It's what

happened over in Europe, between Russia and the Ukraine. If I had an extra couple of hundred thousand dollars, I put it in Canadian gas, that's where I'd be putting it. They should do that. You can't do that, you don't have that freedom of operation. So basically can they do it cheaper, your damn right they can. Can they do it as well as, sure they can. It's just how you want to go. So the Board still exists, it has executive control, but it no longer has to worry about all this other stuff. John Ludington should be the most familiar with that because he's got the experience with the Rahway Water Company. I don't know how he's involved in it all. You've got 10 balls in the air, get rid of 6. Save \$2 to \$3 million dollars a year. Get rid of all those guys, gone, right.

*Mr. McHale:* Would you bring in your own people to initially run the thing?

*Mr. Link:* Yes, traditionally we bring in a team that would be a transition team. They would take the facility to a sort of state and then move on.

*Mr. McHale:* If we entered into this, how long would the contract be?

*Mr. Link:* That would be a decision of the board. We have certain situations, where we come in for a year for technical operations. Some contracts are for 5 years, where we have renewable terms. Then we have projects that go 10, 15, 20 years.

*Mr. McHale:* So a minimum would be one year?

*Mr. Link:* It would depend on what you want us to do. What are your goals and objectives? What term do you require to meet those objectives?

*Mr. Hak:* We would have to work under the limits as outlined in the contracts law. I would have to check the law but I don't think we can enter into a multi-year more than 3 or 4 or 5 year contract with anyone.

*Mr. Link:* The longer term contracts are competitively bid and that's how you can get the longer term contracts.

*Mr. Chin:* In your analysis of the AMSA medium average staff verses RVSA, did you consider the age of the equipment and the age of the facility. Is that taken into account there?

*Mr. Riat:* I think as Rich points out; it's a snapshot of the whole universe. So you have some facilities old, some younger, it's really is a snapshot or a benchmark. So I don't know, but maybe your Executive Director can better inform us if there is a factor within that.

*Mr. Tokarski:* No.

*Mr. Chin:* Are we considered one of the older facilities or younger facilities compared by AMSA.

*Mr. Riat:* The facility itself would not be as old; the condition of the facility would be older. We would definitely be spending more on the condition of the facility. You're retrofitting; you're building a new facility which has an affect on cost.

*Mr. Chin:* In terms of automation, does AMSA consider automation in terms of what equipment there is. I mean there could be a new facility which is 20 years old that has a lot of automation, verses ours which is over 50-60 years old.

*Mr. Riat:* It's a snapshot of the whole universe. Absolutely. Here you will have this new facility which will be state of the art ready. The question is what number you are going to operate that brand new facility with SCADA capability at.

*Mr. Chin:* Do you have to carry Professional Liability Insurance?

*Mr. Riat:* Yes.

*Mr. Chin:* And what limits do you have, I mean what is the highest? Catastrophic Insurance? If you back up into 200,000 homes, who is going to pay for that? If you are at fault do you pay for the unlimited amount? And your premiums, do you throw that into your cost?

*Mr. Riat:* Unlimited. We pay to restore.

*Mr. Chin:* And your premiums, do you throw that into your cost?

*Mr. Riat:* Yes we do. It's built into the annual compensation.

*Mr. Chin:* Do you carry pollution insurance? Is that separate from Professional Liability Insurance? And that premium is pretty high isn't it?

*Mr. Link:* Yes we do. Yes it's separate. Pollution insurance cost is driven by the risk associated with it.

*Mr. Chin:* You have licensed operators. If you have a violation according to the State, who pays for the violation.

*Mr. Link:* We would. We have insurance for that also. It's under our General Liability, it's a cost of doing business.

*Mr. Murphy:* You're proposing to take over the operation of the plant for United Water to oversee and is your contract one fee per year or is it a menu driven fee.

*Mr. Riat:* Traditionally it's a fixed fee for year one and escalates at a mutually agreeable CPI. If it's a heavier energy consumable facility, we may mutually elect to go with an energy index component. But these are known at the time of the contract signing.

*Mr. Murphy:* Lets say there is an RVSA owned line, backed up somewhere in

Rahway, is the sewer Authority still responsible for that or is that something United Water is responsible for.

*Mr. Riat:* We would take responsibility for that if it was in the scope of what we contract for.

*Mr. Riat:* We operate sewerage authorities from what we say is “inside the fence”, but we also have systems where we are responsible for all maintenance including the pump systems as well. One system is 3,500 miles of sewers.

*Mr. Murphy:* Lets say there are repairs needed on those sewers, do we get a separate bill for that or do you ask us what the RVSA wants to do with that repair.

*Mr. Riat:* It would depend on what the goal of the Authority is. You would have a choice.

*Mr. Ludington:* One of the questions I have for Mr. Link is related to the sludge reuse and resale markets. Would you be able to be aggressive with the sludge that we generate here and finding a market for it, wherever we can sell it?

*Mr. Link:* If that’s what you’re interested in.

*Mr. Ludington:* I’m sure that’s what we’re interested in. We have a product and we think it has some value to it. Milwaukee which you’re a purveyor with, has some success with sales of there sludge.

*Mr. Link:* Our staff members in Milwaukee have worked in marketing aspects and have been involved in the product production which is actually different than maintenance sludge. Making a fertilizer and marketing the product itself can yield some significant revenue. Milwaukee obviously sells a lot and they make about \$6 million dollars in revenue per year. It costs more than that to make it, but it’s a nice offset to the facility – to bring revenue in. In that situation it’s sold in bag form, it’s sold to stores like Home Depot, etc. There are also other marketing avenues.

*Mr. Ludington:* Now in West Basin, where you sell reclaimed water, that was a market that was developed by United Water or enhanced by your operation of the plant.

*Mr. Link:* The West Basin Authority did all of the work with the refineries and then we were brought in initially as a start up operator. We were only supposed to be there six months, so we were just starting up the equipment. The plant is on its third major upgrade. We were involved with the first, second and third phases of acting as the technical representative during those meetings with the refineries. So to answer your question, we did not do the marketing of that, we assisted our client with the technical information to allow them to do that marketing with the refineries. It’s the client’s asset. We work with the client to assess what the possibilities are and then work with potential clients looking for that effluent, looking for that water, and telling them, yes, the quality that you want we can meet and we can meet it in certain quality and quantity.

*Mr. Ludington:* Do you have any experience with selling power back to the grid, or for Credits for reusing something to make power?

*Mr. Link:* Yes to both. You can either sell back to the grid or file for green credits. I am familiar with the process, but would need to become more familiar with the process here in New Jersey.

*Mrs. Papen:* You mention in the brochure about being a partner. How much of a partner, 51% or 90%, or where does the buck stop with your people or with our people?

*Mr. Riat:* I think it's with the contractual arrangement. I think I would say were a full partner. If we take over the whole operation, and are responsible for full operation, maintenance and management, then it's essential to be a full partner. Then the interface between the client and us as the operating partner has to work, without it working, the client is never satisfied and United Water never meets their goals as well. If I'm answering your question correctly, I would say were a full partner.

*Mrs. Papen:* What percentage of our employees would you keep and would you supply your own department heads?

*Mr. Riat:* In response to your question, its two fold. One we would need more time to assess the Authority and to give you an answer. If given free reign, to get to the maximum efficiency, then again it's the goal that the Commissioners set; they must decide exactly where you want to take the Authority and how much scope and responsibility you want to give your operating partner.

*Mrs. Papen:* You talk about the fact that your firm is good at making money, but we are limited in what we can do. The taxpayers pay for this place and were not supposed to be making money. We are just supposed to be taking care of their sewers. So were kind of limited on that. I also notice the kind of charities that you give to. We don't really care about that, we would rather you deduct that out of what you charge us. Let our own taxpayers decide on what charities they want to give to. In here you have a map of where you have your plants. What percentage of these plants are water and what percent are sewerage?

*Mr. Riat:* The regulated utilities are water. Out of the 65 public/private partnerships a large percentage – 85% is wastewater.

*Mrs. Papen:* You mention that you settled the contract with the AFCME Union at one of your plants. Is that a local or national union?

*Mr. Riat:* That is a national union. We went into that via public bid and it was for long term – a 14 year contract.

*Mrs. Papen:* The preliminary desktop analysis. You list the things you reviewed, the budget, the job descriptions, the CSP, the JCO and a full set of drawings of upgraded

cogeneration facility. What else did you say that you need?

*Mr. Riat:* Most importantly is the energy balance. That is going to be a key cost efficiency right there and how you manage that component.

*Mrs. Papen:* I will have to talk to the Attorney on what we can and can't do. We sit here and represent our 11 municipalities. We do not own this plant, it's owned by the 11 municipalities.

*Mr. Tokarski:* One point of clarification. Assuming you're operating the trunk sewer system, we have a collapse in the 54" main, who fixes it? Who pays for it? Does your staff fix it? Do you hire a contractor? Is it part of the obligation for you on that repair?

*Mr. Link:* In terms of the capital repairs, the size is determined by the contract. Whatever the contract says determines who pays for it. In terms of how it's done, most of the mid size and small sewers are repaired by our own staff. Large sewers that require dewatering or special excavation, typically we have on call contractors who do that for us under our own management. We will eliminate the inconvenience to the public; it just depends on the size as to who does it.

*Mr. Tokarski:* Where would this in house expertise come from?

*Mr. Link:* Part of the staff. We use in-sourcing. We have brought certain repairs back in house and it has been done by our staff. Janitorial services are in sourced, to grounds, to a significant portion of sewer repair. That also allows us to not go through staff reductions, but saves on the cost.

*Mr. Tokarski:* When you go out to get a subcontractor to do a repair that you can't do with your own in sourced personnel, how do you go about that. I know that were always in a position to get three quotes, insurance, how it is done in a timely fashion, other than declaring it an emergent situation.

*Mr. Riat:* That is a great question. Not only here but being a New Jersey company, there are certain goods and services that you can procure that you just can't translate to the local environment because of distance. But here in New Jersey where we serve 1.2 million people, we have a global contract that has been bid in advance that takes into effect, this exact scenario that you have described. We have line item costs from a large contractor and we have blanket contracts with other contractors. They are very responsive to us because of the amount of work they receive from us. So the whole benefit of both the water and wastewater side, we can get some contractors to jump at prices that we are willing to pay.

*Mr. Ludington:* Just having gone through this experience. The contract that you have with Rahway, Fletcher Cramer is one of the largest contractors in the State of New Jersey and they have typically been the one, or one of their sub-contractors, that does the repairs. The way our contract works is that we have a deductible for unforeseen

emergencies. So if a large pipe breaks, the first \$5,000 is paid by United Water, after that, which satisfies the deductible, it becomes an improvement that the City has to take on. Regarding capital improvements, United Water would look at the job that has to be done and supply a price. The City can go out and find other vendors to do it cheaper if we like, but typically we go with United Water. The City has first right of refusal since we own our system.

*Mr. Mazzarella:* We have our financial advisor here and before I turn it over to Allen Chin who has a couple of more questions for clarifications, maybe Mr. Riat or Mr. Goldman could answer. The selling back energy to the grid. Is this more of a timing issue to see when it's feasible to do, or there may be times when you can not sell back because the demand may warrant that energy be used by our facility. Or is there some thinking on your part or overseeing the operation to say when it's the most feasible time to sell it back.

*Mr. Goldman:* You're most concerned with the price you're selling your energy at. The more base guarantee that you can give to the electric utility, the higher the price you'll receive per unit of electricity. So that if you're a big producer, you can get more money. If you're a little occasional producer, you will get less money per KW hour that you will sell back. Economic analysis of how much your dealing with, how many hours per day, per week, are you just selling it on the weekend, etc. The utility doesn't have the capacity; they will pay less at that time. On a hot August afternoon when everyone's air conditioners are running, you get a higher price on that day. However, on that day, you may need that energy yourself. Therefore, you need to go through an entire analysis of what your own demand is versus your ability to produce.

*Mr. Fagan:* Frank, let me point out that when we went to the design team, we were told the cogeneration facility was designed to handle the needs of the plant, not necessarily for additional excess electricity that would be produced and then sold to the grid. That was an important tax consideration - when we went for tax exempt financing. If you were actually building for additional electricity to sell to the grid, we would have had to go for taxable financing, which is one of the taxable consequences. There are some revenues that the sewer authority can generate that are incidental to reduce costs, but you're not in the business of producing revenues.

*Mr. Mazzarella:* In keeping with that, Mrs. Papen is right, we can't be an entity that is making money and profiting from our process, however, by rethinking our sludge marketing, if that came to be, we would be in a sense making money. Wouldn't that result not necessarily in the making of money, but correlated as a direct reduction to the rate payers of our communities.

*Mr. Fagan:* If the whole plan was to make 25% of that, then yes, you would come up with issues.

*Mr. Mazzarella:* You're saying there would be a problem getting that money and giving it back to the communities as a reduction in cost.

*Mr. Venturo:* Do you actually think that we are going to run this cogeneration facility and have excess electric to sell to the grid.

*Mr. Mazzarella:* No, now we are talking about marketing the sludge.

*Mr. Venturo:* I introduced that at the beginning of last year and at that time it was determined that it was economically not feasible to do so. The Board refused to have our people go into this thing. Our staff did not generate or make any effort towards doing this. The Milorganite that they produce in Indianapolis, you can buy right over here in Clark Township at Bartells. If you're going to sell sludge, you have to get an outsider in here to do it, because we're sure not going to be able to do it.

*Mr. Chin:* The concept is, that we are set up as a board and we have a Chief Engineer and Executive Director internally, and we hire consultants externally. How would we set up with your firm? Would you have these people in house?

*Mr. Goldman:* No I think that you would need staff, I don't know, but again it's completely up to the decision of the board. Does the board want to manage the contract? Does the board want to have a staff at the Authority that manages the contract? That manages your consultants? It varies from contract to contract, from everyone including the engineer being in-house, to consultants that are hired on the outside by the Authority or the city. The Authority has to have its own legal advice.

*Mr. Chin:* So if its something that you guys did causing us to spend our Attorneys money, who pays for that.

*Mr. Goldman:* If it's our fault and it's causing you to have excess expenses, you would make a claim against us. It's a contractual relationship.

*Mr. Hak:* It's like making a claim against any contract.

*Mr. Chin:* So the Engineering consultant also, we would hire separately or you would hire them.

*Mr. Goldman:* It depends on what the Engineering responsibilities you want to pass on to us.

*Mr. Chin:* How do you handle those?

*Mr. Goldman:* Again, we have total engineering responsibility on some contracts and others we are just strictly the operator and the Authority maintains it's on Engineering Staff for long range planning or design engineering. It varies from contract to contract. It is what really make sense to you, as an Authority as to the way the contract will be.

*Mr. Chin:* If we were to hire you and were to ask you to do this whole improvement program, would you have the capability to do it in house or would you have

to go to an outside contractor?

*Mr. Goldman:* We would have subcontracted the detail engineering, and the construction, but we would have managed the entire program.

*Mr. Chin:* Now if anything goes wrong, would you come up with the proposed fix, or would we have to go to our outside consulting engineering firm.

*Mr. Goldman:* When dealing with your operating facility and there is a problem with that facility, we always propose a fix. It is up to the Authority whether that fix is accepted and how it's implemented. We have significant in house ability. Mike is one of the 13 or 14 who just spoke on operating efficiency and we have other groups that deal with design issues.

*Mr. Mazzarella:* Rich, you had a comment.

*Mr. Tokarski:* Yes, on the sludge, this is near and dear to my heart. Perhaps you missed one comment. Yes they can get a sludge derived product. The question is why you go to that.

*Mr. ? (from UW):* It's because you have a very big city or a heavily populated area. You've got to make sure that you can get rid of it. If you're somewhere in Oklahoma, getting rid of the sludge from the local plant is not all that difficult as compared to when you're in Milwaukee. Milwaukee generates a lot of sludge.

*Mr. Tokarski:* You have to listen carefully. It's a revenue source. It's also an expense. How far do you want to go? Do you want to bag RVSA's stuff and market it across the country, its not going to be a positive financial effort? We're working at getting rid of it period. Without cost; and we are very close to doing that. That's going to be a home run for us. We don't have to put extra effort into do anything. Somebody will come and haul it away. That's our goal.

*Mr. Mazzarella:* Any other Commissioners have any other questions for United Water.

*Mr. Mazzarella:* Okay, I would like to thank you for coming before us. I do have one other question. If you were to obtain that requested information, how long would it take you to turn that around to give us another analysis – a more finite analysis?

*Mr. Riat:* About three weeks.

*Mr. Mazzarella:* How are we doing with that information?

*Mr. Tokarski:* I think there are some legal questions that we have to address first.

*Mr. Mazzarella:* Okay. Chris, I want to thank you for coming before us. What we'll do is .... we'll be discussing this and we'll let you know if we want you to continue on

this.

*Mr. Riat:* Well thank you very much, I appreciated the time, I know it was a lot of information and certainly the questions that were asked were very useful and provoking and I look forward to seeing you all again.

*Mr. Mazzarella:* I'm going to take a 10 minute recess and then go on with the Engineering Committee Meeting.

The representatives from United Water left the meeting at this time.

*Mr. Mazzarella:* I'm going to ask that everyone come back to the table, we have some other stuff on the agenda.

*Mr. Mazzarella:* Lets get moving. We have a few items on the agenda. So let's get moving with this please. This was a lot to bite this evening and certainly warrants some additional discussion. What I would ask is, I would like the information that they requested be sent to them. I know that our staff had some time constraints and they couldn't do it because of the holiday and the staffing and all of that. But that should have been abated by now. If you can get that information to them, they can proceed.

*Mrs. Papen:* Frank, point of order please. First of all, I think we need some legal information before we go any further. I think we have to find out if we have the authority to hire somebody to take over the plant. I don't know if we have that authority, with our contract.

*Mr. Mazzarella:* Brian, do you want to go into closed session?

*Mr. Hak:* I don't think that's necessary. There are a lot of different scenarios. If it's a matter of just contracting out the operations, sure, no question – it's like entering into a contract with anybody else. There are other legal issues like the term or the length of that contract. Also, I'm concerned about giving someone like United Water or whoever, the ability to contract other services – other contractors. These are things we have to look at, the Local Public Contracts Law, etc. There are other issues there. Now, if you go to the other extreme, the full privatization kind of thing. That really has a lot more implications with respect to the bonding, what do you do with the Authority. You basically can dissolve the Authority and have someone else run the thing.

*Mrs. Papen:* I don't think we can. The towns would have to agree to do that.

*Mr. Hak:* Well you can do it. But obviously its one extreme that could take place. It's not something that I think is advisable and it would be very difficult. The towns would have to adopt parallel ordinances and it would have to be a unanimous vote of the 11 towns to do that. They would then also have to do something about the extended debt. But just to enter into a contract to run the operation or segment the operation, is possible. Another issue you might want to consider, I don't know, but let's say you want to get someone just to operate the Cogeneration/Sludge Dryer and leave

everything else alone. Think about doing that as well. But there are a lot of different scenarios and there are a lot of different implications with respect to each. So it's hard for me to sit here and give you the whole gamut of all the legal issues in a few minutes. I think first what the Board has to do is consider what they had to say. Decide where you want to go, what direction and then we can resolve the legal, as well as the practical and the business issues all at the same time. But there is certainly no prohibition. Now, one legal issue you do have is – and it would be my suggestion that you solicit proposals for this; you don't just award this to United Water or anybody else of your choosing. There is this new pay to play law that is in effect. I would suspect that United Water spends a lot of money and makes a lot of political contributions and I would be very hesitant to enter into a contract unless it were done through a fair and open process under the new law. This is basically soliciting proposals. That would be step number one. Before you can do that, you have to decide what your soliciting proposals for. Do you want them to just operate some segment, do you want them to operate everything, and how far do you want them to go. But once you make that decision, you would have to put it out on the street – solicit proposals through an RFP or an RFQ.

*Mrs. Papen:* So if we're going to solicit proposals, then basically we shouldn't be giving them all this information because we have to give it to everybody. Right.

*Mr. Hak:* Well, no. The pay to play law is not like a construction bid that you have to put out. It's not a bid that you have to award to the lowest bidder either. It's just that you set the parameters before you go out, and how you are going to evaluate the proposals. The information that they're getting is public information anyway and anyone can make an OPRA request to get this information.

*Mrs. Papen:* Who paid for the information they received?

*Mr. Landale:* Who gave them this information so far? The adopted budget, the job descriptions, the CSP, the JCO and the full set of plans. I'm sure that we didn't just hand that over to them. Who provided them that information?

*Mr. Tokarski:* It didn't come from us.

*Mr. Landale:* Somebody gave it to them.

*Mr. Brinker:* We haven't sent out anything to them yet.

*Mr. Tokarski:* We gave them a tour.

*Mr. Landale:* So where did this stuff come from?

*Mrs. Papen:* Where did they get the job descriptions from?

*Mr. Coats:* We provided plans and specs at Brian's request. Just like any other request.

*Mr. Landale:* So we're going to be billed for that? It's going to come back and we're going to have to pay that bill.

*Mrs. Papen:* What did it cost?

*Mr. Coats:* \$599.72.

*Mrs. Papen:* \$600.00. Are you kidding?

*Mr. Ventura:* What are we being billed for?

*Mr. Landale:* The plans and the drawings.

*Mr. Ludington:* We don't get billed for what they want; they have to pay for it, for whatever there going to take.

*Mr. Landale:* John, what Mr. Coats is saying is that they're billing us. Somebody is going to get billed for it.

*Mr. Ludington:* No we're not.

*Mr. Brinker:* The reason this is being brought up, is that I reviewed the invoices from CCMS on Sunday. I called Dave Coats at 9:15 on Sunday morning; I pulled a bill for \$599.72 which was a printing bill that Jim had sent to him which we were being asked to pay. Right now it's off the bill list, but it would have been paid, if I had not checked the invoice.

*Mr. Ludington:* Who would have paid it?

*Mr. Brinker:* It would have been on your bill list and you would have paid it.

*Mr. Ludington:* Who asked for the information? Who did they ask?

*Mr. Brinker:* They asked Jim. Brian asked Dave who asked Jim.

*Mr. Hak:* I was asked and I asked Jim and that's the way it went.

*Mr. Ludington:* If it costs money to give them something, then we should charge them. Absolutely. We're not paying for it. United Water should be paying for it.

*Mr. Mazzarella:* Then we issue them a bill.

*Mr. Ludington:* Don't hide this crap so we can go back and say we didn't. If were getting charged for it, charge them. I can't believe that.

*Mr. Brinker:* Shouldn't an OPRA request have been filed?

*Mr. Ludington:* I see you want to be a ball buster. File an OPRA request. We're still going to be copying this stuff.

*Mr. Landale:* This is crazy.

*Mr. Ludington:* I'm sorry. If you don't want to give it to them, you can't say you don't want to give it to them. Its public information.

*Mr. Landale:* Brian, UW went to you.

*Mr. Hak:* No, no. I got a request from Frank Mazzarella. I spoke to Frank and Frank asked me if I would get the plans.

*Mr. Landale:* Frank, you just said you didn't know.

*Mr. Mazzarella:* I said I didn't give it to them. It went through the proper channels. The proper channels were to me, to Brian to Jim. Now if there is any cost involved, they should be issued an invoice.

*Mr. Landale:* Well obviously you didn't think of that when you brought it to Brian's attention. Because it went full circle around and CCMS billed us. So it was a well thought out plan that just backfired on you.

*Mr. Mazzarella:* Maybe they should have brought it to our attention.

*Mr. Landale:* No. You should have brought it to the Commissioners attention. That you went to Brian and requested the plans. Maybe that's what you should have done Frank. But here is another example of you making a unilateral decision without this board. There are 11 communities here and you took it upon yourself. That's wrong.

*Mr. Mazzarella:* Okay, I stand corrected.

*Mr. Landale:* As far as I'm concerned, I think that's grounds for being terminated from this board. How much power do you think you have Frank?

*Mr. Mazzarella:* I have no power.

*Mr. Landale:* You think that you're above these other communities with that type of play. That's atrocious. I hope the Mayors get a word of this. I wonder if your Mayor knows that you did that. You don't care Frank, because you think you're above the rest of these communities.

*Mr. Mazzarella:* No, no I don't.

*Mr. Hak:* For any further outstanding documentation, we should require that they file an OPRA request so that it can be tracked properly in terms of cost.

*Mr. Tokarski:* How did they get the job descriptions? They didn't get that from the Engineers. That should have been an OPRA request which comes through the office. If anyone wants anything like that. We didn't authorize any of that to go out.

*Mr. Ventura:* That's an outside construction firm that has nothing to do with running the plant. How the hell did he get involved?

*Mr. Coats:* I got involved because Jim passed the bill onto me. I didn't know what the bill was. I didn't feel it should be billed and I subsequently pulled the bill.

*Mr. Ventura:* Doesn't anyone ever say NO! Who directed the outside company to print the documents? PS&S did because they were asked to by Mr. Hak.

*Mr. Mazzarella:* Now as far as the job descriptions, I have no idea how they got them.

*Mr. Tokarski:* The adopted budget, the CSP and the JCO. As far as I know that didn't go out of our office. If it did, I don't know about it.

*Mr. Hak:* The JCO, I was asked to provide which I did. As far as the other stuff, I don't know where that came from.

*Mrs. Papen:* Aren't the job descriptions a part of the Commissioners Handbook.

*Mr. Tokarski:* No.

*Mr. Ventura:* You know what the whole shame of this thing is, that it's never going to get into the public record.

*Mrs. Papen:* Oh yes it is, its being taped.

*Mr. Ventura:* Then I want to see the minutes on it.

*Mr. Brinker:* Contract #155, it sounds like it was printed also.

*Mr. Landale:* Well how do you know that?

*Mr. Brinker:* A full set of drawings of upgrade and cogen. The upgrade is contract #155, which is the contract that E.E. Cruz has. I haven't seen an invoice that says we printed the plans for #155.

*Mr. Landale:* And Frank, you want us to give them more information.

*Mr. Mazzarella:* I didn't say anything about #155.

*Mr. Hak:* Yes. Contract #155 is the CSP.

*Mr. Landale:* You're putting us in a bad situation Frank. Especially if we have to put an RFP together. Who's going to put the RFP together? These other vendors that are going to be bidding, from looking at the RFP, are going to say – alright you want this, this and this. It's putting us in bad light. And then you bring in the Pay to Play law. What are you doing, what are you thinking about Frank?

*Mr. Mazzarella:* Let me ask you this. Like Brian said, if we want to take it to the next level and we want to go out and solicit other firms. Now we know, and I was remiss, I apologize for that. So if any of the other companies want the same information, then everyone pays for it.

*Mr. Brinker:* Wouldn't the best way to clear this up be just to have them file an OPRA request and come up with a cost for what they received.

*Mr. Hak:* Any documentation that's outstanding, they need to file an OPRA request. This way the cost can be tracked properly.

*Mr. Ventura:* In my town, if I wanted this piece of paper, I would have to pay .75 plus.

*Mr. Mazzarella:* Now, should they back track on this. Legally. Now file an OPRA request and they pay for what they've received. So as a matter of record, should they file an OPRA request.

*Mr. Hak:* They should file an OPRA request for all the documentation.

*Mr. Lombardo:* The bigger question is how they got the rest of the information. They can file with us that they have it, but how did they get it. It's obvious – were hearing that it didn't come from the office.

*Mr. Brinker:* All you have to do Frank is take the email that you were reading from before. That's the data that we have not sent them. Have them turn in an OPRA request and they can get the data and then submit an OPRA request for this so that we can track the cost of it. And that's it.

*Mr. Landale:* I'm going back to what Brian said. I think we stop this right here. Because we as an organization, right now, do not know what our goals are, what our plan is for this, what our vision is. We have no scope of this project what so ever. We are putting the cart way before the horse at this point. This is all a moot issue. Take Brian's advise here. We don't have anything in writing on what we want to do here. We have no goals.

*Mr. Hak:* That's the thing. You have to know what you want.

*Mr. Landale:* Exactly.

*Mr. Lombardo:* When they give us decisions that they would make, we don't know

if we would concur with them.

*Mr. Hak:* I think that what you take away from this is – its some food for thought. Collectively as a group, maybe you want to put it on for an agenda session by itself to just talk about what you want to do, in terms of operation, in terms of moving forward or not moving forward. It requires some kind of work session, amongst the Commissioners.

*Mr. Ventura:* Someone said something about design concept of what's going on. We came in here blind tonight, not knowing what to expect. Right. I thought that United Water was some kind of outfit that was going to purify our wastewater or something like that. But, you have to admit, that they are very smart. They used us. They got what they wanted. They made their presentation – I'm going to vote for these guys. They're good at what they do. You all might be out of a job, but it's the way the ball bounces.

*Mr. Tokarski:* Sonny, if they're so good, how come they're not turning a profit. They are running in the red.

*Mrs. Papen:* Are they.

*Mr. Tokarski:* Yes. Do a Google search for United Water. Google tells you a lot about everybody. It's amazing what you can get there.

*Mr. Mazarella:* So let's move ahead.

*Mr. Landale:* We're not moving ahead, we haven't made any decisions.

*Mr. Mazarella:* Let's take a step back. I'm going to leave it up to the Board to see where we want to take this. If we want to let it die or if we want to discuss this further.

*Mr. Lombardo:* We've sat at this Board for the last couple of years, through a couple of different Chairman, and we have always said we were going to work on a Committee basis. I think that's where we should start. I stand on that.

*Mr. Ventura:* That's not the concept of the formation of this Sewerage Authority. We are not just going to have a committee decide.

*Mr. Lombardo:* No. That's just where the framework starts. Then they present and then you make an overall decision as a Board.

*Mr. Ventura:* Well when the Engineering Committee Chairman, who is Frank, Frank presents this to the Board and he will at the end, he will end up saying that there is a cost of \$500.... . and Frank will pay for it.

*Mr. Mazarella:* That will never happen.

*Mr. Ventura:* Let's get everything the way it's supposed to be.

*Mr. Mazzarella:* I'm going to first ask the Committee what their thoughts are and then I'm going to throw it up to the Board because I believe in what Sonny just said. This is too big of a deal to put on the way side. We're either going to put it on the table or we're not going to put it on the table. What is your opinion on that?

*Mr. Landale:* I thought there was no action at this meeting.

*Mr. Mazzarella:* No this is for if we are going to put it on for action at the Regular Meeting.

*Mrs. Papen:* No, I think we have to set up a committee meeting and I would like some background on where they stand.

*Mr. Ludington:* I can make a recommendation now if you want.

*Mr. Murphy:* Most certainly. I think that we could learn a lot from these people, even if we don't use them. At least we can get another set of eyes, from another wastewater plant, someone with experience with this.

*Mrs. Papen:* But you realize you have to put this out for bid. You may get 10 other companies coming in too.

*Mr. Ludington:* You probably will.

*Mr. Murphy:* The more we learn, the smarter we'll be.

*Mr. Luban:* That's kind of what I mentioned last month. It's an information gathering session.

*Mr. Murphy:* You never know.

*Mr. Mazzarella:* So what is your recommendation?

*Mr. Ludington:* I think we should move forward. To the next step. We should put an RFP on the agenda to put out for bid.

*Mrs. Papen:* You're jumping the gun.

*Mr. Ludington:* I'm not jumping the gun. You're talking about putting the cart before the horse. The horse is gone, the cart's gone. Everything is out of the barn. Were 5 years too far down the road? Its past time.

*Mr. Luban:* What are we putting out an RFP for?

*Everyone:* We don't know yet.

*Mr. Luban:* Then there is no RFP.

*Mr. Ventura:* We can't wash this away now, because we have an expenditure that we have to meet. We have to create a reason for spending that \$599.72.

*Mr. Brinker:* There's no bill. The charges were dropped.

*Mr. Ludington:* Really Sonny. Anyone can come before this Authority and say I can do that job for \$3.00 and United Water did just that. Frank as Engineering Committee Chairman did that and invited them to come before the board. Are we going to listen to more? Fine, I'm willing to listen to more. I also don't want to say to my mayor-who appoints me; I don't think we should save a million dollars a year! We'll guess what? You could take this name plate off and throw it in the garbage, because someone else will be sitting here next week with a new name plate.

And guess what? When my mayor calls your mayors, there will be a lot of new name plates around this table!

*Mr. Lombardo:* I want to hear the presentation, but I want the Engineering Committee to establish some ground rules so that we can review it – positive or negative – so that we can go forward.

*Mr. Landale:* I'm with Charles.

*Mrs. Papen:* Same here.

*Mrs. Berger:* I'm with Charles.

*Mr. Mazzarella:* I thought that the ground rules would have been that we would provide them with the other information they requested because they said during their presentation that they could not give a well rounded presentation without some of the key information.

*Mrs. Papen:* We have to decide what we want first. Not let them tell us.

*Mr. Lombardo:* Why should we give them more stuff, when we don't know what we want?

*Mr. Mazzarella:* So you want to go to the next step. What's the next step?

*Mr. Ludington:* The next step is we want to save as much money as we can. I gave our Authority budget to our clerk. My Business Administrator just about died. He said you guys are going to keep doing this aren't you. I said we can't keep doing this because we're all going to be strung up. And if it hasn't hit in your town yet, it will. Unfortunately, Rahway, Clark, Woodbridge and Westfield are pretty big towns and we get impacted pretty heavy. When it goes up \$4 or \$5 hundred thousand dollars a year, it's a big deal. When it goes up \$4 million a year, it's a REAL BIG DEAL. So this is

now a real big deal. Whether you like it or not. If we can save a million or two million or three million a year, we have to go for it. I like everyone hear too, but you know what, when my governing body says do the right thing, its time at the end of the day to do the right thing. They know where I live.

*Mrs. Papen:* The one concern I have with this is we are limited to how much money we can make. They are going to be charging. We may not make as much money to pay for this.

*Mr. Ludington:* We may not. And it may not make any sense to go forward with United Water. We might throw the whole thing out and say you know what it doesn't make any sense to do it. But until we get to that point, we have to keep going forward to find the reasons to say yes or no.

*Mr. Mazzarella:* Okay. We are going to put this on our next committee meeting which will be next month and the only ones that are going to be discussing it are the Committee members. I'm going to keep it that level, that's what everybody wants.

*Mrs. Papen:* No. We always said that it would be discussed at a committee meeting and the recommendation would come from the Committee.

*Mr. Mazzarella:* Point of Order. Hear me out.

*Mrs. Papen:* Oh we have new rules now.

*Mr. Mazzarella:* No we don't.

*Mrs. Papen:* Yes we do.

*Mr. Mazzarella:* We are going to deliberate and put the question out to the Board. At that time, the Board can make their comments. How else do you want to do it?

*Mrs. Papen:* I would like to do it the way we do it with all our Committees. Which is who ever shows up, discusses it, and has input. Then the committee makes a recommendation.

*Mr. Mazzarella:* So we'll be discussing this at our next Engineering Committee Meeting. Let's move along.

2. Monthly Reports

The following monthly reports were received and distributed to the Commissioners:

- PS&S Monthly Engineering Committee Report
- CCMS - Contract #105 – Cogeneration Facility, Monthly Report
- CCMS - Contract #155 – WWTP Upgrade, Monthly Report
- CCMS - Contract #156 – Gravity Relief Sewer, Monthly Report

Mr. Coats discussed his reports and the ongoing construction with the Commissioners.

Mr. Coats said that with Remsco, there were two problems. The problems had to do with property easement and an equipment problem. These problems have been resolved, the trench has been backfilled. With regard to Contract #105, the last of the equipment is on site for the cogeneration facility. With regard to contract #155, this weather is exceptional for this work.

Mr. Murphy asked what does TBM stand for. Mr. Brinker responded that it stands for Tunnel Boring Machine.

Mr. Ventura stated that in the CCMS summary, the issues with regard to the heat exchanger piping, Cat Foley was supposed to do the piping. Due to a change in the standard design due to the building layout, Cat Foley has refused to provide information on an additional cost basis. What is that cost, for the heat exchange piping?

Mr. Coats said its engineering costs. Mr. Ventura asked how much cost? Mr. Coats responded one to two thousand dollars or so. Mr. Ventura asked who is going to pay it? Mr. Coats said in the short term that it gets billed to us and we bill you, however, we have talked to Reid to get a reimbursement and reimburse us. Mr. Coats said you're going to pay and then get a credit. Mr. Ventura said what if Reid says it's not my responsibility then we have to consult our attorney. This information was supposed to be provided by Cat Foley and it shouldn't be costing us anything. Mr. Coats said he will track it and it will not be an additional cost to the Authority. That is part of CCMS's job. Mr. Ventura asked if Mr. Coats had any idea what the final Cogen cost would be. Mr. Coats stated that it would be a little over \$20 million.

Mr. Ludington said that Contract #156 is a very extensive operation. He said if anyone has been out there to see them working, it's pretty incredible. He added that we haven't had many complaints as of yet, and that Joe from Hatch Mott MacDonald is doing a good job but noted that were getting into a more populated area and we should be prepared for some complaints. When that machine is humming at 11:00 p.m. Mr. Coats stated that we have been in contact with the appropriate Councilman in Rahway throughout the job and we will do everything to work with the City. The job is being coordinated with the Police Dept., etc. and the contractor is doing everything to work with the citizens.

Mr. Ventura said he had a question related to the sprinklers and added that he noticed that there is a problem with the sprinkler system in the cogeneration facility. He added that there is not enough water and asked what the Authority expects Middlesex County Water (MCW) to do. Mr. Coats stated that the issue is that the DCA said United Water in Rahway does not have enough water coming in, to handle the system. MCW has a 20" main outside the gate and they have plenty of water. There is a legal issue with the service agreement. If we are forced to do what the State of NJ says, then the cheapest way to do it is to go 100 yards this way and tie into MCW.

Mr. Ventura noted that what you have to do is going to cost additional monies. Mr. Brinker said this will be done strictly for fire protection and that water pressure is high at

90 lbs. of pressure verses 40 lbs.; then we won't need the inner connection. We can't get the water from Rahway because, based on the density test and the sprinkler heads, we don't have adequate water flow.

Mr. Wancho then discussed his report with the Board.

3. Contract #105 – Cogeneration Facility

PS&S submitted a proposal dated January 6, 2006, for Additional Air Permitting Service. This item was pulled from the agenda at the beginning of the meeting and will discussed at a later time.

4. Contract #145 – Renovation of Old Laboratory/Administration Bldg.

PS&S has submitted Change Order #2 for W.D. Snyder of Kenilworth, NJ, for a 132 day time extension on this contract, at no additional cost, total contract amount remains unchanged at \$683,008.00. PS&S has review the Change Order and recommends approval, the Executive Director concurs.

5. Contract #145 – Renovation of Old Laboratory/Administration Bldg.

PS&S submitted a proposal dated January 6, 2006, for continuation of construction phase services at a proposed cost of \$49,800.00, total amended contract amount of \$225,260.00. These services are required in conjunction with the work being performed on Contract #145 by W.D. Snyder. The Executive Director recommends approval.

Mrs. Papen said when the project was held up for a year, what work did PS&S do on this project at that time. Mr. Wancho stated they went to meetings, worked on shop drawings, etc. and because of the loan with the State; they were required to perform requirements for the State. Mrs. Papen said that PS&S's bill has almost doubled since the inception of this contract. Mr. Wancho said that the costs are related to the contractor's lack of experience and work performance.

There was lengthy discussion on how the amended proposal cost was arrived at. Mr. Wancho said that it was based on December's hours to have one man at the site for 4 to 6 hours a day in order to bring this contract to completion.

6. Treatment Works Endorsement Application

Mr. Tokarski stated that EKA Associates on behalf of Hidden Meadows Development and the Township of Scotch Plains, submitted an application whereby a portion of the property lies within the RVSA service area and the other portion lies within the PARSA service area. The applicant is seeking approval from this Authority to amend our WMP and related map in order for the entire development to be serviced by PARSA. The application is for a total 1,800 gpd. PARSA has submitted documentation acknowledging their approval of the modification and acceptance of the additional flow. The Chief Engineer has reviewed the documentation and recommends approval. The Executive Director concurs.

Mr. Brinker stated that it is recommended that the Authority bill the applicants who require amendments to our maps and plans to offset the cost incurred by the Authority.

The Commissioners agreed and action will be on the January agenda regarding this.

7. Treatment Works Endorsement Application

Mr. Tokarski stated that the Township of Clark submitted a Treatment Works Application for a development known as Charlotte Drive Estates located on Raritan Road in the Township of Clark. The application is for a gravity sewer system to service 8 new single family homes and will generate approximately 2,400 gpd of new flow. The Chief Engineer has reviewed the application and recommends approval. The Executive Director concurs.

Mr. Ventura asked if Clark exceeds its flow rights. Mr. Mazzarella stated that they draw from a flow bank for new connections.

**Adjournment**

As there was no further business, Mr. Ludington made a motion, seconded by Mr. Murphy, that the meeting be adjourned. The motion was unanimously approved.

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Joanne Grimes, Office Administrator

/jg

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