



## NEW JERSEY WATER SUPPLY AUTHORITY

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### Minutes of the Meeting of the New Jersey Water Supply Authority June 1, 2015

A regular meeting of the New Jersey Water Supply Authority was convened on June 1, 2015 at 2:00 P.M. in the Conference Room of the New Jersey Water Supply Authority's Canal Office located at 770 Bear Tavern Road, West Trenton, New Jersey.

As designated by Bob Martin, Commissioner New Jersey Department of Environmental Protection and Chair New Jersey Water Supply Authority, Fred Sickels, Director, Division of Water Supply and Geoscience, served as Acting Chair of the meeting and called the meeting to order.

Senior Deputy Attorney General Helene Chudzik read the statement required by the "Open Public Meeting Act".

Executive Director Henry S. Patterson took the roll call of the Authority members.

Present: Fred Sickels, Acting Chair  
Susan Blew - absent  
Louis Mai  
Steven Picco - by phone  
Shing-Fu Hsueh  
Robert Iacullo  
Ellsworth Havens - by phone

A quorum existed for the transaction of Authority business.

#### Interested Parties Present:

Oleg Kostin, New Jersey American Water  
Robert Barth, D&R Canal Watch

#### Authority Staff Present:

Henry S. Patterson, Executive Director  
Zenona I. Puć, Executive Secretary II  
Marc Brooks, Chief Engineer  
Beth Gates, Director Finance & Administration  
Susan Buckley, Controller  
Rita Shaw, Supervisor Financial Services  
Ken Klipstein, Director, Watershed Protection  
Helene Chudzik, Senior Deputy Attorney General  
Christopher Howard, Governor's Authorities Unit

## APPROVAL OF THE MINUTES

Acting Chair Sickels asked for the approval of the minutes of the May 4, 2015 meeting. Mr. Iacullo moved the motion approving the Minutes as prepared and the motion was seconded by Dr. Hsueh. The Minutes of the May 4, 2015 meeting were approved by the Board.

## EXECUTIVE DIRECTOR'S REPORT

Mr. Patterson stated that everyone has his report.

Mr. Patterson thanked all Commissioners and Authority staff for completing their Annual Financial Disclosure Statements by the May 15, 2015 deadline.

Mr. Patterson stated that Ms. Gates will report on the FY2016 Budgets for the Raritan and Manasquan Systems and the new Rates to support the budgets. Mr. Brooks will report on the operations on the Raritan Basin and Manasquan Reservoir Systems.

Mr. Patterson stated that there have been newspaper articles regarding how dry it has been and that this may be the first drought in more than ten years. Mr. Patterson stated that for the month of May through May 30, 2015, there was recorded 0.31 inches of rain at the Spruce Run Gauge. Yesterday, May 31, 2015, there was recorded 2.07 inches of rain and today, June 1, 2015, 1.2 inches of rain.

Mr. Patterson stated that a Pre-Audit meeting was held prior to the June meeting. Mr. Patterson stated that Commissioner Iacullo will report on the Pre-Audit meeting.

## COMMUNICATIONS/CORRESPONDCE

Mr. Patterson stated that there were no items of communications or correspondence in this month's agenda package.

## UNFINISHED BUSINESS

Mr. Brooks reported on the Manasquan Reservoir operations. Mr. Brooks stated that through May 18, 2015 the reservoir's storage elevation was over 98 percent of capacity. Mr. Brooks stated that construction on the New Supervisory Control and Data Acquisition Control System (SCADA) is 100 percent complete. Mr. Brooks stated that they are replacing two 36KV electrical breakers, one has been completed and reinstalled and the other one will be repaired. Mr. Brooks stated that the construction of the 120' x 50' storage structure is also complete.

Mr. Brooks stated that delivery of water to the customer communities was continuous in May except for a three day period, May 12 through May 15. Mr. Brooks stated that a raw water pump failed causing raw water to flood the lowest level of the Water Treatment

Plant at elevation 38. Mr. Brooks stated that four raw water and three finished water pumps and motors were partially submerged, this caused complete shutdown of the plant. The towns serviced by the plant and NJDEP were immediately contacted and advised of the conditions at the Water Treatment Plant. Mr. Brooks stated that one new raw water and one new finish motor were purchased. Mr. Brooks stated that the incident happened on a Tuesday night and by Friday all services were restored back to the system. Changes have already been implemented, including installation of level sensors with audible alarms and replacing brass nuts with steel that would prevent reoccurrence of this event. Mr. Brooks stated that the doors and windows are being replaced at the Water Treatment Plant. The windows are installed and the doors are still being fabricated.

Mr. Sickels referred to cyanotoxin issues produced by certain algae in the reservoir and stated that there are EPA recommendations regarding issues of algae management in reservoirs. Mr. Sickels stated that cyanotoxins are not a big issue in NJ because most reservoirs in NJ that could be prone to blue green algae blooms are monitored and managed. However, algae management is important and something to remain vigilant about. Mr. Patterson stated that the AWWA NJ Section had a panel on algae management at their annual conference and that Mr. McKeon has contacted the presenters from that session. Mr. Brooks stated that Mr. McKeon has been soliciting proposals from limnologists regarding several studies we would like to have done at the Manasquan reservoir to determine factors contributing to algae growth there. Mr. Patterson stated that the Authority never had an issue with cyanotoxins because of several reasons including sampling and treatment when needed in order to stay ahead of it. Mr. Patterson stated that we had reached out to New Jersey American Water in case they might want to use the Manasquan Reservoir for testing new algae management technologies. Mr. Iacullo stated that the Authority could also contact Keith Cartnick, Sr. Director of Water Quality at United Water.

Mr. Brooks stated that the work related to the Technical Review Board (TRB) continues at the Round Valley and Spruce Run Dams. Mr. Brooks stated that the actual TRB is scheduled to meet again to discuss the Round Valley Dams the week of July 13. Mr. Brooks stated that dye testing was completed. As an ancillary result, staff determined that a 10-inch pipeline that tees off of the Round Valley Force Main at the South Dam is leaking. Preparations are underway to repair the 10-inch pipeline. The leak in the 10-inch pipeline is not a dam safety concern.

Mr. Brooks stated that the refurbished Pump Assemblies #1 and #6 were returned back to the South Branch Pumping Station on Friday, May 29, 2015. The pumps will be reinstalled and testing of the pump units will be in early fall.

Mr. Brooks reported on the Rehabilitation of the D&R Canal Field Office and stated that drainage improvements have been completed.

DCA granted final approval on the gas island last week and it is fully functional. The roofing work is 50 percent completed and paving will be the last part of the project.

Mr. Brooks reported that conceptual approval was received from the D&R Canal Commission (DRCC) this month for the Cherry Tree Lane Spillway. Final designs will be prepared once the Authority receives conceptual approval from the State Historic Preservation Office (SHPO).

Mr. Brooks stated that the schematic design is complete on the embankment from Bulls Island to Prallsville Lock, the Upper Canal Embankment. Mr. Brooks stated that staff had a site visit with staff from SHPO and DRCC to look at this embankment.

Mr. Brooks stated that the Authority is expecting the schematic design report this week for the Western Canal Embankment in Stockton.

Mr. Brooks stated that the contractor, Marine Solutions, is installing buoys around Spruce Run Reservoir tower for security measures.

Mr. Klipstein stated that everyone has a copy of his report. Mr. Klipstein stated that the Watershed Office has a kick off meeting scheduled for June 4 with Middlesex Water to begin the effort of updating the NJDEP's 2004 Source Water Assessment of pollution threats to the D&R Canal. The priority is to focus on the infalls between 10-mile lock and the Canal terminus. Mr. Klipstein stated that the Watershed Office in cooperation with USGS is starting up the second year of tracking down yellow water in the tributaries of the Manasquan River.

#### NEW BUSINESS

Ms. Buckley provided the background information on the Unaudited Financial Statements for the Nine Months ending March 31, 2015. Ms. Buckley stated that the Financial Statements show favorable results of operations. There is net income of \$2,869,357 resulting in a positive change in net assets of 2.36 percent from June 30, 2014. Ms. Buckley stated that the Unaudited Financial Statements will be available on the Authority's website at [www.njwsa.org](http://www.njwsa.org) and only a limited number of paper copies will be distributed as required. Ms. Buckley stated that Board action is not required.

Mr. Iacullo recused himself from the Rate discussion and vote on the Raritan System Rates.

Ms. Gates stated that the Board will be considering the final Rate Adoption and the budgets for FY2016 supported by those rates for both the Raritan Basin and the Manasquan Reservoir Systems. The Hearing Officers Reports and the FY2016 budgets for both systems are on the Authority's website at [www.njwsa.org](http://www.njwsa.org).

Ms. Gates provided the background information on the Resolution adopting revisions to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System, to become effective July 1, 2015. Ms. Gates stated that the Resolution will allow the final adoption of the Rates which were proposed in the NJ Register on January 20, 2015. Ms. Gates stated that the Resolution provides for a Rate of \$1,057.40 per million gallons for initial customers and \$1,190.86 per million gallons for Delayed Water Purchase Customers, both increase from last year. Ms. Gates stated that the Manasquan rates are increasing in part because of a decline in the sales base and in part because of increases in operations and maintenance expenses. Ms. Gates gave background on the decline in the sales base stating that the Authority began operations of the Manasquan System on July 1, 1990 and has currently thirteen Water Purchase Contracts customers. Six customer contracts are two-party contracts between the Authority and the customer and the balance are three-party contracts between the Authority, the customer and either New Jersey American Water or Shorelands Water Company. Ms. Gates stated that twelve of the thirteen contracts are expiring on June 30, 2015 and upon renewal, the sales base will be reduced by 1.117mgd. The full adjustment will not impact rates until FY2017. Preliminary estimates of contract renewal sales were expected to result in a reduction in initial water purchase contract sales by 403,000 gallons per day from 16.125mgd to 15.723mgd. This is the sales base that is built into the FY2016 rate calculation. Ms. Gates noted that the Sales Base for the Delayed Water Customers remains the same at 4.435mgd.

Ms. Gates provided the background information on the Resolution adopting revisions to the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System, to become effective July 1, 2015. Ms. Gates stated that the total revised Rate for the Raritan Basin System will increase from \$246.00 to \$253.00 per million gallons and that the increase is associated with a \$3.00 per million gallon increase in the Capital Fund Component of the Rate, and a \$4.00 per million gallons increase in the Operations and Maintenance Component of the Rate.

Ms. Gates provided the background information on the Resolutions authorizing the Authority's Manasquan Reservoir and Raritan Basin Systems Budgets for FY2016 and reviewed certain categories of proposed expenditures and the total budget for each system stating that the Manasquan Reservoir System's budget will increase by approximately \$89,945. The Raritan Basin System's budget in total is going up 3.6 percent or approximately \$643,072. Ms. Gates indicated that the Board proposed the rates supporting these budgets at its January 5, 2015 meeting and is scheduled to adopt the rates without change at its June 1, 2015 meeting. Ms. Gates stated that the budgets are on the Authority's website at [www.njwsa.org](http://www.njwsa.org).

Mr. Mai moved the resolution adopting the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Manasquan Reservoir System, to become effective July 1, 2015 (regulations found at N.J.A.C. 7:11-4 et seq.). Dr. Hsueh seconded the motion. All Authority members approved the Resolution.

Mr. Mai moved the Resolution adopting the Schedule of Rates, Charges and Debt Service Assessments for the Sale of Water from the Raritan Basin System (regulations found at N.J.A.C. 7:11-2.1 et seq.). Dr. Hsueh seconded the motion. Mr. Iacullo recused himself from the discussion and vote on this Resolution. All other members of the Authority voted for this Resolution. The Resolution was approved.

Mr. Iacullo moved the Resolutions authorizing the Proposed FY2016 Budgets for the Manasquan Reservoir System and the Raritan Basin System. Mr. Mai seconded this motion. All Authority members approved the Resolutions.

Ms. Gates provided the background information on the Resolution authorizing the Executive Director to negotiate and execute Manasquan Reservoir Water Supply System Water Purchase Contract renewals between the New Jersey Water Supply Authority and the respective party or parties thereto for Uninterruptible Service from the Manasquan Reservoir System. Ms. Gates stated that the two contracts in the packet are templates for two-party contracts and three-party contracts. Ms. Gates referred to the chart in the agenda package identifying each customer's current sales base and the revised sales base effective July 1, 2015. Ms. Gates stated that the Authority holds the allocation for the Manasquan Reservoir System through a water allocation permit issued by the NJDEP and that the NJDEP issued an apportionment letter to each customer and they will be appended to the contracts. Mr. Patterson thanked NJDEP and Ms. Gates for coordinating the renewal process. Mr. Mai asked if Authority personnel know why some customers reduced their contract allotments. Mr. Patterson explained that in the original contract many of the towns anticipated higher rates of housing starts and took more water than they needed. A brief discussion followed.

Mr. Mai moved the Resolution authorizing the Executive Director to negotiate and execute Manasquan Reservoir Water Supply System Water Purchase Contract renewals between the New Jersey Water Supply Authority and the respective party or parties thereto for Uninterruptible Service from the Manasquan Reservoir System. Dr. Hsueh seconded the motion. All Authority members approved of the Resolution.

COMMITTEE REPORTS

- (a) Personnel - no report
- (b) Finance - no report
- (c) Consumers - no report
- (d) Audit - Commissioner Iacullo stated that this is the first meeting with the new Auditing firm, CliftonLarsonAllen LLP. The audit will start mid-June and conclude with the final report in October 2015.
- (e) Public Participation - no report
- (f) Capital Projects - no report
- (g) Insurance - no report
- (h) Watershed Lands Acquisition Committee - no report

PUBLIC COMMENT

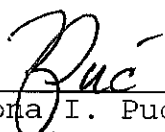
Mr. Barth from the D&R Canal Watch handed a schedule of Canal Watch Walks and other events for 2015.

EXECUTIVE SESSION

There was no need for an Executive Session.

Dr. Hsueh moved to adjourn the meeting. Mr. Mai seconded the motion. All Authority members approved of the motion. The meeting was adjourned at 2:35 P.M.

I hereby certify this to be a true and original copy of the June 1, 2015 New Jersey Water Supply Authority meeting minutes.

  
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Zenona I. Puć  
Executive Secretary II