

**NORTH SHORE WATER COMMISSION  
MEETING OF October 12, 2011**

A meeting of the North Shore Water Commission was held at the Filtration Plant, 400 West Bender Road, Glendale, Wisconsin on Wednesday, October 12, 2011.

Meeting was called to order at 7:30 A.M.

Present: Michael West, Chairman; Richard Maslowski, Secretary; Daniel Naze, Member

Also present: Eric Kiefer, Plant Manager & Recording Secretary; Jonathan Lee, Computer Administrator; Andrew Cegielski, Relief Operator Technician; John Mayer, Rate Consultant; Shawn Lanser, Finance Director of Glendale

Absent: Richard Foster, Alternate for Whitefish Bay; Susan Robertson, Alternate for Fox Point; Dave Eastman, Alternate for Glendale

MINUTES

It was moved by Mr. Naze, seconded by Mr. Maslowski, and unanimously carried that the minutes for the meeting held Wednesday, September 7, 2011 be approved as drafted.

MONTHLY REPORT OF PLANT OPERATIONS

Mr. Kiefer discussed the recent replacement of the Whitefish Bay master meter with a calibrated spare. There was no observable difference in the flow split with the different meter. The Glendale master meter will also be exchanged with a calibrated meter later in the month.

The monthly report of plant operations for September was placed on file without motion.

ANNUAL OPERATING BUDGET

The monthly budget reports were placed on file without motion.

MONTHLY BILLS

It was moved by Mr. Naze, seconded by Mr. Maslowski and unanimously carried that the following bills for the month of September, 2011 be approved and authorization was given to the Fiscal Agent to make such payments:

Vendor

Total Due

Allied Electronics (relays)	48.73
American Water Works Association (membership 12/01/2011 to 11/30/2011)	1,777.00
Batteries Plus (UPS and batteries)	128.97
Buelow Vetter (legal services)	954.00
Cintas (uniform and custodial supplies)	257.29
Diversified Benefit Services (section 125 plan admin)	91.76
Eric Kiefer (reimb for antenna magnetic mounts, leak test analysis and meeting registration)	179.91
FedEx Office (copies and digitization of prints)	440.45
Fuchs & Boyle (legal services)	97.50
General Chemical (treatment chemical: aluminum sulfate)	5,401.44
Glendale Water Utility (storm water and environmental charges for 4th qtr)	414.90
Grainger (photocontrol, first aid supplies, garbage can liners)	109.65
Great America (lease payment for copier/printer)	87.00
Hach Company (fluoride electrode assembly, turbidity standards)	664.90
Hawkins (treatment chemicals: aqua ammonia and polymer)	1,130.50
HD Supply (gaskets and megaflange)	219.52
Home Depot (vacuum cleaner and disinfectant)	109.91
Idexx (collection vessels)	346.02
KA Steel (treatment chemical: sodium hypochlorite)	2,488.01
Liquid Asset Diving Service (inspection of intake)	3,705.00
MMSD (sludge disposal for 3rd qtr)	1,867.94
Northern Lake Service (water quality analysis)	196.00
Office Copying Equipment (maintenance payment)	38.44
Office Depot (office supplies)	147.21
Personnel Concepts (compliance posters)	187.85
Pristine Water Solutions (treatment chemical: phosphate)	2,196.30
Rotroff Jeanson (monthly accounting service)	875.00
SEH (engineering inspection of SW reservoir)	650.00
Swan (chlorine reagent for online analyzer)	250.10
Time Warner Cable (Klode phone)	32.30
Time Warner Cable (Internet)	764.80
UPS Store (shipping)	310.65
US Cellular (plant cell phones)	56.11
USABluebook (chemical feed pump, surfactant test kit)	833.13
Vacuum Pump & Compressor (sump pump)	597.97
Verizon (internet service, meter cabinet)	77.40

Village Ace Hardware (paint and prep chemicals)	211.42
Village of Fox Point (fuel for truck)	155.70
Waste Management (waste disposal)	425.58
We Energies (Bender electric)	16,483.41
We Energies (Green Tree electric)	129.10
We Energies (Henry Clay electric)	45.10
We Energies (Klode electric - 2 months of service)	11,206.33
We Energies (Bender gas)	185.37
We Energies (Klode gas)	9.30
Wisconsin State Lab of Hygiene (fluoride analysis)	20.00
Wisconsin Water Association (conference registration)	125.00
SUB-TOTAL	\$56,729.97
<u>Maintenance Reserve</u>	
CDM (peer review and validation of SCADA Upgrade Project)	6,838.56
SUB-TOTAL	\$6,838.56
 TOTAL	 \$63,568.53

PAYMENT REQUEST FROM JF AHERN

Mr. Kiefer presented the second payment request from J.F. Ahern and confirmed the payment request was appropriate based on the work completed to date. After brief discussion, it was moved by Mr. Naze, seconded by Mr. Maslowski, and unanimously carried that the Commission approve payment to J.F. Ahern in the amount of \$16,402.70. Funding to come from each community based on current capital allocation percentages.

CHANGE ORDERS FROM JF AHERN

Mr. Kiefer presented two changes orders from JF Ahern. Change order #2 for \$256.00 was proposed to upgrade one of the ball valves at Klode Park, and change order #3 for \$492.00 was proposed to reroute the polymer fill line at Klode Park. Mr. Kiefer briefly discussed the details of the change order and recommended approval of the change orders. After brief discussion, it was moved by Mr. Naze, seconded by Mr. Maslowski, and unanimously carried that the Commission approve change orders #2 and #3 as submitted by JF Ahern for an amount of \$748.00. Funding to come from each community based on current capital allocation percentages.

AUTHORIZATION OF CHANGE ORDERS ON CONTRACT 2011-1

Mr. Kiefer discussed the possibility of authorizing the Plant Manager to approve future change orders to Contract 2011-1. The authorization would allow the Commission to respond faster to small changes to the project. It was moved by

Mr. Naze, seconded by Mr. Maslowski, and unanimously carried to authorize the Plant Manager to approve change orders up to \$1,000 in cost on this contract.

#### COMPUTER ADMINISTRATOR'S REPORT

Mr. Lee presented his final computer administrator report. During the last couple of months, Mr. Lee reported that he completed all of the outstanding work making the project complete. During this final reporting period, Mr. Lee finished RTU8, RT11, and the MTU. The project came in well under budget. Mr. Lee's full report is on file.

Mr. Lee also announced that he will be starting employment at Pieper Electric starting Monday, October 17. The Commission congratulated Mr. Lee and wished him the best in his future endeavors.

#### RESOLUTION TO SELL SCRAPPED EQUIPMENT

Mr. Kiefer presented a draft resolution that would authorize the sale of scrapped SCADA equipment. According to the Plant Manager, the scrap value of the equipment is estimated to be \$3,000 if sold as a single lot. Potentially, the Commission could receive a greater return if the items were sold individually. In the best case scenario, Mr. Kiefer assumes the most that can be earned from the sale of the equipment is around \$15,000. The Commission briefly discussed the mechanism for splitting the proceeds amongst the members and decided it was appropriate to use the current capital allocation percentages. Since the assets belong to the member communities, the resolution would require adoption by each member community first. The Plant Manager has been directed to work with Mr. Fuchs to draft resolutions for the member communities.

#### TECHNICIAN MECHANIC POSITION

Mr. Kiefer discussed the upcoming changes in staffing. With Mr. Lee's last day on October 14, 2011, the overall staffing level will drop by one person. Mr. Kiefer recommended that the Commission authorize the filling of the vacant Technician Mechanic to maintain a staffing level of 7 full-time employees. Because internal candidates will be considered first, it is likely that several employees will change positions. Consequently, Mr. Kiefer anticipates that a new employee will ultimately be hired to fill an Operator Technician position in January or February 2012.

By unanimous consent, the Commission authorized the filling of the vacant Technician Mechanic position.

#### PLANT MANAGER'S MONTHLY REPORT

1. The Whitefish Bay master meter was replaced with a calibrated spare. The pulled meter was returned to Badger Meter for testing and calibration. As received, the meter tested out between 100.3% and 101.0% for all of the tested flow ranges. The Glendale master meter is being scheduled for the same maintenance in the near future.

2. The RTU in the School Road meter pit stopped working after September 30. Plant staff has replaced the RTU and the meter is now recording flow appropriately. The volume during this period will be estimated, however, it is anticipated to be insignificant.
3. Liquid Asset Diving Service inspected the intake. While the potassium permanganate system has been off, mussels have accumulated at the intake cones. It is anticipated that the mussels will begin detaching after our new polymer system at Klode Park starts up later this year.
4. We changed our tower filling schedule now that summer has ended and demands have declined. This alternative schedule is designed to reduce electrical costs during low-demand periods.
5. The backup server for the SCADA system, which has never been used to run the SCADA system, failed. Extra backup hard drives have been purchased (in the form of a network-attached storage unit). Set up of device is anticipated to be complete next week.
6. The floor of the ammonia feed room has been prepped for painting. After cleaning in that room, plant staff discovered the containment area does not have an appropriate chemical-resistant coating.
7. Andrew Cegielski and his teammates from Oak Creek Water Utility won the Top Ops competition at the WWA annual conference. Mr. Cegielski will be going to the national competition in June for his second time. Duane Ziege also won the Gizmo and Gadget Award for his non-corrosive chemical feed pump stand.

#### DISCUSSION OF SHOREWOOD'S REQUEST TO BECOME A MEMBER

Mr. Mayer presented 4 documents he developed for the Commission dated October 6, 2011.

##### *NSWC Historical Vintage Asset Additions by Member*

Mr. Mayer examined the financial records that exist for capital asset additions and retirements going back to 1963, the same data set used by Baker Tilly to develop its report to the Commission in March 2011. In his report, Mr. Mayer discusses the historical aggregate capital contributed by each community. He feels it is more appropriate to use that percentage instead of the capital rates formally discussed in reports from staff and Baker Tilly.

Furthermore, Mr. Mayer expressed concern about a specific section of the Baker Tilly report. Mr. Kiefer was directed to contact Baker Tilly about the section and ask for clarification.

### *Future Treatment Plant Sale Member Protection*

Mr. Mayer expressed concern about the mechanism used for selling plant assets, should it occur in the future. Because the fair market value of the water treatment plant exceeds the net book value, it is possible a future sale could result in Shorewood earning an inequitable share of the proceeds. To prevent that from occurring, Mr. Mayer suggested a mechanism detailed in his report.

### *Sale of NSWC Assets - Accounting & Cash Flow Effects*

Mr. Mayer discussed how the sale of assets would affect member utilities in reporting to the Public Service Commission and in earning a return. In essence, the sale of assets will reduce the asset value that each community uses to earn a return. Cash received from the sale could not be used by the members in their rate base.

Mr. West inquired as to the effect on the rate base if the proceeds of the sale were reinvested in the utility. According to Mr. Mayer, if the money is used to make capital improvements, then the rate base would be restored to the pre-sale value. If the money is used to pay debt or anything else, the rate base would not increase.

Mr. Mayer also described what would happen if members sold a right to use the Commission's infrastructure instead of selling assets, much like the "economic development charge" used by Milwaukee and New Berlin. According to Mr. Mayer, it is likely that such arrangement would result in money being exchanged between the municipalities, not the water utilities. In that case, the rate base would not be affected.

### *Update of Letter Dated September 1, 2011*

Mr. Mayer updated a previous report to reflect changes in main inventory. He also discussed another version of the updated letter that accounted for pumped water instead of sold water. As a result, Mr. Mayer's calculated value of the "cost avoidance" savings slightly increased.

### CLOSED SESSION

At 8:40 A.M. it was moved by Mr. Naze, seconded by Mr. Maslowski, and unanimously carried that the Commission enter into closed session pursuant to section 19.85 (1)(c) and 19.85 (1)(e) of Wisconsin Statutes to conduct business pertaining to the following 3 items:

- (i) to discuss and contemplate possible terms of an agreement with Shorewood which would provide them membership in the North Shore Water Commission,
- (ii) to consider an offer made by an employee to purchase scrapped SCADA equipment, and

(iii) to discuss the compensation, performance, and employment of Jonathan Lee.

At 9:35 A.M. it was moved by Mr. Naze, seconded by Mr. Maslowski, and unanimously carried that the Commission reconvene into open session.

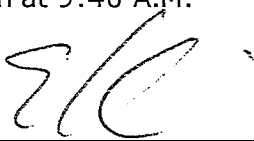
No action was taken regarding matters taken up during in closed session.

NEXT MEETING DATE

The next scheduled regular meeting will be on Wednesday, November 9, 2011 at 7:30 A.M.

ADJOURNMENT

It was moved by Mr. Maslowski, seconded by Mr. Naze, and unanimously carried to adjourn at 9:40 A.M.



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Eric Kiefer, Plant Manager & Recording Secretary