

Minutes of the Meeting of
New Jersey Water Supply Authority
of
October 6, 2008

A regular meeting of the New Jersey Water Supply Authority was convened on October 6, 2008 at 2:00 P.M. in the Conference Room of the New Jersey Water Supply Authority's Clinton Administration Building located at 1851 Route 31, Clinton, New Jersey.

As designated by New Jersey Department of Environmental Protection Commissioner and New Jersey Water Supply Authority Chair Lisa P. Jackson, Gary Sondermeyer, served as Acting Chair of the meeting and called the meeting to order.

Deputy Attorney General Helene P. 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: Gary Sondermeyer, Acting Chair
Susan Blew - By telephone
Shing-Fu Hsueh - By telephone
Louis Mai
Steven J. Picco
Absent: Robert Iacullo

Interested Parties Present:
Dave Shope, Member of the Public
Ronald Williams, Middlesex Water Company & East Brunswick
Charles Engler, Friends of Spruce Run
Oleg Kostin, New Jersey American

Authority Staff Present:
Henry S. Patterson, Executive Director
Joanna K. Stem, Executive Secretary
Edward Buss, Chief Engineer
Beth Gates, Director Finance and Administration
Michael Citarelli, Chief Financial Officer
Ken Klipstein, Director Watershed Protection Unit
Bill Bogosian, Manager Raritan Basin System
Richard Famularo, Manager Manasquan Water Supply System
Helene P. Chudzik, Deputy Attorney General
Sonia M. Frontera, Governor's Authorities Unit - By telephone

A quorum existed for the transaction of Authority business.

APPROVAL OF THE MINUTES

Acting Chair Sondermeyer asked for the approval of the minutes of the August 4, 2008 meeting. Mr. Mai moved for the approval of the minutes and this motion was seconded by Mr. Picco. The minutes of the August 4, 2008 meeting were approved by the Board.

EXECUTIVE DIRECTOR'S REPORT

Mr. Patterson informed the Board that all Commissioners would receive a packet regarding the 2008 Ethics Training, which must be completed by November 1, 2008. This training is required and can be completed online. Mr. Patterson asked that all Commissioners inform us when they have completed this required on-line training. Mr. Patterson stated that Governor Corzine visited our Spruce Run Reservoir facility on September 3, 2008 to host an event signifying his approval of the Highlands Regional Master Plan. Mr. Patterson thanked the Authority employees for their cooperation and efforts in assisting the Governor's staff.

COMMUNICATIONS/CORRESPONDENCE

Mr. Patterson stated that there were two items of Communications. An article from the New Jersey Conservation Foundation's Summer/Fall 2008 publication highlighting the 182-acre Thompson property purchase, and a recent New York Times newspaper article entitled "From a Divine Order to the Public Good" providing background information on Sisters of St. John the Baptist's sale of the Mosle property.

UNFINISHED BUSINESS

Mr. Famularo provided the operations report for the Manasquan Water Supply System. Mr. Famularo reported that the Manasquan Reservoir is approximately five foot below full capacity.

Mr. Famularo reported that all operations at the Water Treatment Plant/Transmission System have been normal. Mr. Famularo stated that resolutions for the ozone system repair and replacement project, and the evaluation and rehabilitation of the instrumentation project are included in this meeting.

Mr. Famularo gave a brief presentation on the Manasquan Water Treatment Plant Asset Management Plan. Mr. Famularo said that this presentation was also given to the Monmouth County Improvement Authority and the five customer communities at a

stakeholders meeting on July 3, 2008. This plan includes a thorough evaluation of the existing assets of the water treatment plant, and a review and an analysis of the regulatory requirements that may impact operations of the water treatment plant. This analysis resulted in a twenty-year capital plan for the water treatment plant. Mr. Famularo discussed the estimated cost values for the projects, the financial implications and the alternative funding options. Discussion was held on terms of the contract between the Monmouth County Improvement Authority and the Authority for the operation of the Manasquan Water Treatment Plant. Mr. Famularo stated that the final report was distributed to the Monmouth County Improvement Authority and the customer communities in July.

Mr. Bogosian reported that all operations in the Raritan Basin System were normal.

Mr. Klipstein reported on the Watershed Protection Unit activities, and stated that a final draft of the Lockatong and Wickecheoke plan was completed. The Watershed Protection Unit also applied for a \$650,000 grant to implement priority projects from that plan in response to the Fiscal Year 2009 319 RFP.

NEW BUSINESS

Ms. Gates referred to the draft Basis and Background Statements included with the agenda package for the proposed rate adjustments to become effective on July 1, 2009 for the Manasquan Reservoir System and the Raritan Basin System. No action was required by the Board at this meeting. At the November 3, 2008 meeting there will be resolutions authorizing the publication of amendments to the administrative code to begin the process of the rate changes. An informal briefing meeting will be held with the Manasquan contract customers to review the draft Basis and Background Statement on October 17, 2008, a Pre-Public Meeting will be held on January 9, 2009 and a Public Meeting will be held on February 13, 2009. An informal briefing meeting will be held with the Raritan contract customers to review the draft Basis and Background Statement on October 10, 2008, a Pre-Public Meeting will be held on January 8, 2009 and a Public Meeting will be held on February 6, 2009. Ms. Gates stated that the proposal reflecting the Manasquan rate increase was primarily due to the better management of optional water by NJAW and the resulting lack of overdraft revenue.

Mr. Picco, as Chair of the Audit Committee, stated that a post Audit Committee Meeting was held today with Mercadien, P.C. Mr. Picco stated that the audit prepared by Mercadien for the year ending June 30, 2008 was reviewed and discussed. The Authority received a clean opinion and no issues were in the

management letter. At the suggestion of the auditors, Mr. Picco stated that in accordance with the New Jersey Water Supply Authority - Delaware and Raritan Canal/Spruce Run/Round Valley Reservoirs System Bond Resolution #416, Adopted November 17, 1988, specifically Article One, Section 101, eligible investments include:

1. Direct obligations of the Federal Government or government backed bonds,
2. Any bonds of any state, instrumentality, or local government where principal and interest is secured and certain call features are met,
3. Bonds of agencies created by congress as an instrumentality of the US,
4. Housing Authority bonds under a payment agreement with the US,
5. Non-full faith and credit state bonds with a bond rating in the highest category,
6. New Jersey State bonds,
7. Bank Certificates of Deposit,
8. Commercial Paper rated in the highest rating category,
9. Repurchase Agreements maturing in under one year and
10. State Cash Management Fund, and 11. FDIC insured banks.

Mr. Picco moved the Resolution accepting the audit prepared by Mercadien, P.C., Certified Public Accountants, for the year ending June 30, 2008. Mr. Mai seconded this motion. All Authority members approved of the resolution.

Ms. Gates provided the background information on the Resolution authorizing the Executive Director to purchase a fee simple interest in Block 5, Lot 5 a 174+ acre critical watershed parcel in Franklin Township, Hunterdon County. Ms Gates explained that this steep slope property is approximately 1 ½ miles upstream of the South Branch Pumping Station and is known as Summit Manor. The Board previously authorized execution of a purchase contract for this property on February 4, 2008. Ms. Gates stated that Hunterdon County and Franklin Township are our partners on this purchase, and the County and Township have already closed on their portions. Ms. Gates also stated that the Authority is obtaining financing from New Jersey Environmental Infrastructure Trust Finance Program for the Authority's portion of the purchase price. Mr. Picco moved the Resolution authorizing the Executive Director to purchase a fee simple interest in Block 5, Lot 5 a 174+ acre critical watershed parcel in Franklin Township, Hunterdon County. Mr. Mai seconded this motion. All Authority members approved of the resolution.

Mr. Klipstein gave the background information on the Resolution authorizing the Executive Director to execute an agreement with the Hunterdon County Soil Conservation District regarding the project: "Comprehensive Agricultural Assistance Program for the Mulhockaway Creek Watershed, Hunterdon County, New Jersey". Mr. Klipstein explained that Resolution No. 1844 adopted on August 4, 2008 authorized the Executive Director to execute an agreement with the New Jersey Department of Environmental Protection (NJDEP) for \$300,000.00 in funding from a State Fiscal Year 2008 Grant for the implementation of projects recommended for the Mulhockaway Creek.

A portion of this funding is allocated for the development of a comprehensive agricultural assistance program to reduce nutrient and sediment loads to the Mulhockaway Creek. Mr. Klipstein stated that the Authority would enter into an agreement with the Hunterdon County Soil Conservation District (HCSCD) to implement a portion of this plan. The HCSCD has knowledge of watersheds; they have extensive experience with agricultural practices and a relationship with the agricultural community. Mrs. Blew moved the Resolution authorizing the Executive Director to execute an agreement with the Hunterdon County Soil Conservation District regarding the project: "Comprehensive Agricultural Assistance Program for the Mulhockaway Creek Watershed, Hunterdon County, New Jersey" for an amount not to exceed \$200,000.00. Mr. Picco seconded this motion. All Authority members approved of the resolution.

Mr. Famularo provided the background information on the three resolutions authorizing the Executive Director to enter into fourteen-month purchase agreements for three different chemicals for the water treatment plant. Mr. Famularo explained that the Authority advertised for bids in three newspapers of general circulation and the advertisement was also posted on the Authority's and the State's website.

Mr. Famularo stated that four bids were received for the purchase of 21,000 gallons of sodium hypochlorite, two bids were received for the purchase of 585,000 pounds of polyaluminum chloride and three bids were received for the purchase of 90,000 pounds of zinc orthophosphate. Mr. Famularo reviewed the current costs of the chemicals.

Mr. Mai moved the Resolutions:

1. Authorizing the Executive Director to enter into a purchase agreement for Sodium Hypochlorite for the Manasquan Water Treatment Plant, Wall Township, Monmouth County, New Jersey with Miracle Chemical Company of Farmingdale, NJ for a unit cost of \$1.454 per gallon and a total cost not to exceed \$30,534.00,

2. Authorizing the Executive Director to enter into a purchase agreement for Polyaluminum Chloride for the Manasquan Water Treatment Plant, Wall Township, Monmouth County, New Jersey with Delta Chemical Corporation of Baltimore, Maryland for a unit cost of \$0.158 per pound and a total cost not to exceed \$92,430 and

3. Authorizing the Executive Director to enter into a purchase agreement for Zinc Orthophosphate for the Manasquan Water Treatment Plant, Wall Township, Monmouth County, New Jersey with Carus Phosphates, Inc. of Belmont, North Carolina for a unit cost of \$1.20 per pound and a total cost not to exceed \$108,000.00. Mr. Picco seconded this motion. All Authority members approved of the resolutions.

Mr. Famularo provided the background information on the Resolution authorizing the Executive Director to amend Contract number WSA C07015 with Camp Dresser & McKee (CDM) for the rehabilitation of the ozone system at the Manasquan Water Treatment Plant, Wall Township. In accordance with Resolution No. 1755 adopted on March 5, 2007, Mr. Famularo explained that the Authority entered into a contract with CDM on April 27, 2007 for the initial phases of the rehabilitation of the ozone system at the Water Treatment Plant (WTP) for a lump sum and reimbursable-cost-not-to-exceed amount of \$173,682.00. These initial phases were intended to determine the condition of the ozone system and then make recommendations on the best alternative to rehabilitate the ozone system. Mr. Famularo stated that CDM concluded that the existing system is nearing the end of its useful life, including a recommendation that the existing air fed system be replaced with a p in three newspapers of general circulation and the advertisement was also posted on the Authority's and the State's website in three newspapers of general circulation and the advertisement was also posted on the Authority's and the State's website pure oxygen fed system. Now that the condition of the ozone system has been established, the contract is being amended to include the additional design phases are being awarded requiring a contract amendment. The Monmouth County Improvement Authority has been informed as to the anticipated costs for the proposed work. Mr. Picco moved the Resolution authorizing the Executive Director to amend Contract number WSA C07015 with Camp Dresser & McKee for the rehabilitation of the ozone system at the Manasquan Water Treatment Plant, Wall Township by a lump sum amount of \$431,000.00 to bring the total of the lump sum and reimbursable-cost-not-to-exceed amount to \$604,682.00 to Camp Dresser & McKee of Edison, NJ. Mr. Mai seconded this motion. All Authority members approved of the resolution.

Mr. Buss provided the background information on the Resolution authorizing the award of a professional services contract required for the Electrical Arc Flash Protection and Electrical Safety Program. Mr. Buss explained that the National Fire Protection Association developed a revised standard for electrical safety in the workplace. Mr. Buss stated that a consultant must be retained for an analysis of the required electrical arc flash protection and the development of an electrical safety program. Mr. Buss further stated that a Request For Proposals was advertised in three newspapers of general circulation and the advertisement was also posted on the Authority's and the State's website and eight proposals were received and reviewed. The top three rated firms were invited to submit fee proposals. Mr. Buss discussed the amounts of the fee proposals from the top three rated firms and the negotiation of the final total fee with the top ranked firm. Mr. Mai moved the Resolution authorizing the award of a professional services contract required for the Electrical Arc Flash Protection and Electrical Safety Program with Gannett Fleming, Inc. of South Plainfield, NJ for a lump sum price of \$76,000.00. Mr. Picco seconded this motion. All Authority members approved of the resolution.

Mr. Famularo provided the background information on the Resolution authorizing the Executive Director to enter into a contract for the electrical testing and maintenance program at the Manasquan Water Supply System, Wall Township, Monmouth County, New Jersey. Mr. Famularo explained that the Authority requires the services of a qualified high voltage electrical testing and maintenance contractor to perform the electrical testing and maintenance program on the electrical power distribution equipment at the Manasquan Water Supply System. Mr. Famularo stated that the Authority advertised for bids in three newspapers of general circulation and the advertisement was also posted on the Authority's and the State's website. Mr. Famularo stated that two bids were received. Mr. Picco moved the Resolution authorizing the Executive Director to enter into a contract with M & L Power Systems, Inc. of Old Bridge, NJ to furnish all labor, equipment and materials necessary to perform the electrical testing and maintenance program at the Manasquan Water Supply System, Wall Township, Monmouth County, New Jersey for a lump sum amount of \$39,940.00. Mr. Mai seconded this motion. All Authority members approved of the resolution.

Mr. Famularo provided the background information on the Resolution authorizing the Executive Director to enter into a professional services contract for the rehabilitation of the instrumentation at the Manasquan Water Treatment Plant, Wall Township, Monmouth County, New Jersey. Mr. Famularo explained that the Authority recently had an asset management and 20 year

capital improvement plan prepared for the Manasquan Water Treatment Plant (WTP). Mr. Famularo further explained that there is a need to retain the services of a professional engineering consultant for the evaluation and rehabilitation of the instrumentation and controls system at the WTP. Mr. Famularo stated that a Request For Proposals was advertised in three newspapers of general circulation and the advertisement was also posted on the Authority's and the State's website. Eleven proposals were received and reviewed. The top three rated firms were invited to submit fee proposals. Mr. Famularo stated that fee proposals from the top three rated firms were evaluated and the fee was negotiated with the top ranked firm. Mr. Picco moved the Resolution authorizing the Executive Director to enter into a professional services contract for the rehabilitation of the instrumentation at the Manasquan Water Treatment Plant, Wall Township, Monmouth County, New Jersey with Hatch Mott MacDonald of Millburn, NJ for a reimbursable-cost-not-to-exceed amount of \$519,500.00. Mr. Mai seconded this motion. All Authority members approved of the resolution.

COMMITTEE REPORTS

- (a) Personnel - no report
- (b) Finance - no report
- (c) Consumers - no report
- (d) Audit - see above
- (e) Public Participation - no report
- (f) Capital Projects - no report
- (g) Insurance - no report
- (h) Watershed Lands Acquisition Committee - no report

PUBLIC COMMENT

Charles Engler, Friends of Spruce Run thanked everyone at the Authority for maintaining the water levels in Spruce Run Reservoir. Mr. Engler provided an article from The Focus on the milfoil in Spruce Run Reservoir.

Dave Shope asked what the Authority was paying for Summit Manor, asked if Hunterdon County Soil Conservation would subcontract out any of the work that they are performing for the Authority on Mulhockaway Creek Watershed, expressed his opinion regarding the Authority's rate setting schedule of public meetings and asked what was the date of the last Statewide Water Supply Management Plan.

EXECUTIVE SESSION

There was no need for an Executive Session.

Mr. Picco moved to adjourn the meeting. Mr. Mai seconded the motion. The Authority members approved this motion. The meeting was adjourned at 2:45 P.M.

I hereby certify this to be a true and original copy of the October 6, 2008 New Jersey Water Supply Authority meeting minutes.

Joanna K. Stem
Executive Secretary I