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2005 President Judy Kelley

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Conference No. 475

October 14, 2004

Gray



Welcome to Gray, Maine

Pamela Wilkinson, Chair, Town Council

Good morning and welcome to our community. We encourage you to visit the many other places that we have in town. We are blessed with a lot of water. Gray has 4 lakes. We have bogs, we have wetlands and, as you probably know, we have our share of aquifers. A concern that we have is the protection of our surface and groundwaters. This protection is crucial for all of us, not just for our town, but also for all the surrounding towns. We've worked

to focus on that.

The Town of Gray works very well with its water district. We have a very good working relationship. In working with our water district we use team approaches to resolve some of the issues. Some of the tools that we have include a comprehensive plan; they were very involved in that process. They are also working with us to implement some of those changes.

The team approach goes well beyond our boundaries. We have worked together as part of a Central Corridor Coalition, where we have embraced area towns such as New Gloucester, Yarmouth, Pownal, North Windham, and Raymond, working together once a month to determine the needs within our area and our region. One of those focus areas is the protection of our water resources.

I am pleased to be here today because this is another form of outreach education. It is a time when we can share some of the information that needs to be expressed to our public. I looked at your website and at the vision statement, mission statement, and newsletter and know you are trying to reach those people who will assist you in the protection of our water resources. Gray embraces these messages and we encourage you to contact us if there is any thing we can do to help you send your message abroad.

So again, thank you for coming here. I encourage you to touch base with the town office if there is anything we can do facilitate the message of tax reform. The Town of Gray has been active in identifying some of the tax reform issues. We have worked with the surrounding town of New Gloucester and the school administration district to try and get information out, so that people are better informed when they vote. Have a great meeting. Thank you.

An Overview of the Gray Water District

Bruce Sawyer, President

Board of Trustees, Gray Water District

Good morning and welcome to the Gray area. Just before I start I want to mention that we just did our recent sample of our water this month and I encourage everybody to enjoy the clarity. On behalf of the Gray Water District I want to welcome you today, and also on behalf of Jim Foster who unfortunately couldn't be here today. He is in Mississippi attending the National Rural Water Association meetings.



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We would also like to give you a brief history of the water district. Although I have been a trustee for 21 years the water district was actually established in 1929 by an Act of the Maine Legislature, primarily to provide fire protection for the village area. At the time the daily usage was about 20,000 gallons a day. We have two storage tanks in Gray. The one in the village was put up in the 1929-1930 time period. Then in the 1960's, because of some expansion, one was erected off Route 126, in the Dry Mills area. One of the things that we face over the next few years is replacing the 1930 vintage tank.

Over the years, the water system has slowly expanded. In the 1970's a number of families in the East Gray area experienced contamination of their wells due to the groundwater contamination incident at the McKinn site. At that time the town and the water district, using money that became available from the federal government, extended our water mains from the village 2 miles out into East Gray in order to provide water. That actually increased the amount of water main we had by about thirty percent, so that was really the first major expansion that the water district had undertaken. In the mid 1980's the water district abandoned the two ponds we had for our water source, due to the Safe Drinking Water Act. At that time we constructed a gravel-packed well and also a second back up well. We have about 300 gallons per minute of safe yield. Currently we only use about 200 gallons per minute, on a daily basis.

Just last year, the water district extended the water main down Route 100, towards Portland, for a distance of about 3 miles. That was our latest major expansion. So, really for a number of years there wasn't a lot of growth and then for the last thirty years there has really been a fair amount of expansion for the water district. Today, our major priority is to establish a secondary source of water for municipal use. We have engaged a consultant to help us delineate potential areas in town. We have identified at least six different areas within the town that we are pursuing to see if we can develop a secondary source. One of the results of the McKinn site contamination back in the seventies was the fact that the water district benefited in that we were able to earmark some money for the development of a secondary source. So, that silver lining will allow us to pursue that course of action.

We remain a relatively small utility. Jim Foster is our Superintendent, Carrie is our office manager and Kathy is our water operator. They are the people that run the day to day operations of the water district. We have an elected board of trustees that provide guidance where we can. So, with that I do want to say thank you for coming here. Enjoy the view and enjoy the rest of your agenda.



Regulatory Update

*Nancy Beardsley, Director
Maine Drinking Water Program*

Good morning everybody. It's nice to be out of Augusta; not that I don't like Augusta, it's just that I had just a few things that I wanted to mention on the regulatory side.

The first thing I would like to do is to give you the status on our drinking water SRF loan program. As you know we were not able to get our matching funds this year during the legislative session. We have really been scrambling to try to

find an alternative and it looks like we may be able to use some of the interest from what we have loaned out to come up with a 20 percent match. If we cannot find a way to come up with our 20 percent match then there is a chance we will have no construction season next year. We have been talking about that possibility for years now and its come to the harsh reality that if we can't get our matching money we may have to forego the construction projects for next year. It's really very serious and I know that some of you worked really hard last session with legislators trying to convince them that this is a good program and that they should support the bond package. Unfortunately, it didn't happen this year, so we are really scrambling trying to find another way to do it. We have \$28.6 million in projects that are viable for next year. That's a lot of money. If we do not get our matching funds somehow then those projects are not

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going to move forward. Even if we do get our matching money then the maximum amount of money we will have next year is \$16 million. So, clearly, this is a very big problem.

This is something we have really been struggling with and I'd be happy to hear your ideas on how we are going to come up with our matching funds. We can go to the legislature in the next session, maybe January. We were not successful this year despite our best efforts. I am not very encouraged about that prospect.

We just became aware of the option of using interest money for the match. Other states in the country are doing that. We also have an option of going to the Bond Bank. The Bond Bank has expressed some interest in issuing a bond for us. Again that's money that we have to pay back. It's not a general obligation bond, like we have used in the past.

That's the sobering news to open my update but it's very real. As you all know it's a very successful program. We have put \$67 million out on the streets since 1997. The SRF program is one that many of you have benefited from and we hope we continue to have a program.

Last week I was in Austin, Texas for an Association of State Drinking Water Administrators meeting and that was when the Washington Post story broke. As you know, Portland was singled out as a water system with lead problems. The story was based on completely inaccurate information but Portland was singled out, as were other cities across the nation. Lead is a huge focus for the EPA right now, mostly because that's pretty much all they are dealing with in DC in the Office of Groundwater and Drinking Water. That focus is filtering down to the states. EPA is coming to see us next week. We have to give a detailed description of what each system is doing to try to optimize corrosion control.

What we're trying to advocate from the state perspective is that this is an isolated problem in Washington, DC and not a problem throughout the country. We are trying to inject some reason into this situation so we don't end up with a new Lead and Copper rule that is worse than the existing rule - which I think we all acknowledge, has some problems. However, those are fixable problems. We are strongly advocating that we don't need a complete rule overhaul, but what we need is public education; we don't need an MCL on the cap. EPA is very focused on schools and daycares. That's the next area of focus.

I will provide a very quick rule update. I received this information last week. The Groundwater Rule is expected to come out in the spring of 2005. The Long Term 2 Surface Water Treatment Rule and the Stage 2 DBP Rule will be promulgated in late summer of 2005. A Radon Rule is not on anyone's radar screen right now, it is low priority.

There are a few other things we are working on with the association; sustainable water use being one. You probably all know the DEP has been tasked with coming up with rules for sustainable water use. We are working actively with a subcommittee of this association to provide input. DEP has been very willing to listen. I don't think it's going to be some kind of pass a test water use standard. I think they are really trying to listen and get stakeholders and respective parties involved. I don't think I have anything else for this regulatory update, unless you have questions for me. I would be happy to answer any question about the SRF program, which is probably the biggest headache we are experiencing now.

How will the Maine Tax Cap Referendum Affect You?



Bruce Berger, Moderator



Jim Cohen, Jeff Austin, Gary Foster

Why Maine Needs a Tax Cap

*Gary Foster
Tax Cap Yes*

Good morning. I want to thank you for inviting me here today to speak. I have been directly concerned with tax reform over the last couple years. Our tax burden, as compared to other states, has really had quite a devastating burden. This is particularly true for our business clients and more recently low-middle income people and retirees. Property taxes have increased dramatically; many towns have gone through re-evaluation in recent years, followed by some drastic changes. Maine is well known for its high tax burden.

The Palesky tax cap initiative has been in the works for a number of years now. To be honest with you I don't think it's perfect. I think it is flawed to some degree but we need something and we need it immediately. We cannot allow our current means of taxes to drive people from their homes, especially people who have lived on their property for several generations. If we allow this to happen, there won't be any second, third, fourth or fifth generation property owners. To me I find it completely unacceptable for those people to be forced from their homes.

We have seen advertisements in many communities and have viewed presentations on the impact of the cap on local government. A lot of it is focused on emergency services. That naturally will impact a lot of people. One thing that I have noticed in these presentations and advertisements that is conspicuously absent, is this impact of our current tax burden on our citizens - how devastating this is and how wrong it is. I wonder if those who are opposing the cap have really genuinely considered this impact that our property taxes are having. There is a negative message being sent that if your income no longer meets the standards that we have raised so high then we don't want you anymore. We want you to leave and bring in people with an income that can pay the cost of living here. That's a pretty bad message.

I would like to talk about property ownership, and I will start by saying that I am a real fan of some of our founders - Thomas Jefferson, Thomas Paine, Samuel Adams, and others. All of them, at least prior to the Declaration of Independence, stressed the importance of property ownership rights. It's a very crucial part of our freedom. To quote Samuel Adams, he wrote in 1772 that there are three fundamental rights: "among the natural rights of the colonists are these, first a right to life, second liberty, thirdly property". This demonstrates the importance of property ownership.

Our current means of taxing property is really long outdated; it has long been recognized as a reasonable means of raising revenue to conduct business in our communities. Years ago land itself had a uniform value throughout the state. It was the improvements made on the land that changed the value. Things change, as they always do, and now land in the southern part of the state has a higher value. Location is often more valuable than the building on the land and this has created a huge disparity within communities. The means of taxing that property, based on its valuation, suggests that the owner of that property can adjust his income to support these new assessments. This philosophy particularly impacts retirees and middle income families. Our legislature has had the opportunity to acknowledge this situation for roughly thirty years now. This isn't something that just appeared overnight. For whatever reason, they have chosen to ignore this disparity.

That is the very reason we are looking at this so called Palesky proposal. Fortunately our Constitution provides the right for citizen initiative, so if our representatives do fail to represent us and conduct our business as we see fit, we as citizens can take the reigns for ourselves, which is what is happening in this case.

There is another point I will make. Assistant Chief Justice Robert Jackson, who was a Supreme Court Justice during World War II, made the observation that it is not the function of our government to keep the citizens from falling into error, it is the function of our citizens to keep the government from falling into error. Our state government has seemed to fall into error and our citizens are now trying to correct that.

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Most communities have roughly 70-80 percent of their taxes going to education. This is something that, over the years, has really seemed to be getting out of control. For the period 1979-2003, school enrollment on average across the state has decreased 14 percent. Coincident with that, we have added a lot of special education, much in the way of structures and other things. The teaching staff has increased 28 percent while enrollment has decreased 14 percent. The real shock is administration. In that same time period administration has increased 47 percent and that has really placed a tremendous load on our tax payments.

We have gotten together in Gray - New Gloucester with our school district and tried to seek some cooperation if this tax cap does pass. I think the school district really needs to reassess their priorities. I think there are probably a lot of areas that could be cut without impacting the quality of education. In fact I grew up with a mother who is a retired teacher and has had the inside scoop in the schools for years. It can happen.

Getting back to the tax burden, taxes have always been a means of funding our government. I think our views of what is essential and what is nonessential have changed from what our founders have envisioned. Their idea of government was basically to provide a means for people to govern themselves and maintain law and order. President Calvin Coolidge was the son of a tax collector. In one of his papers he commented: "as I learned more about my father I knew that when taxes were paid someone had to work hard to earn money to pay them". I think there are many areas where our towns and our schools can reduce expenditures without having a negative impact. I don't think that our emergency services will be gutted. Many towns have areas where they can reduce some services. It will be disappointing to some. We need to salvage the right for some of these people to remain on their property. We need to make some sacrifices in other areas. It has been suggested that this tax is going to cost Maine communities \$600-700 million. Another way of looking at it is that this tax burden has been building over a number of years. Many people say that, because we lacked some kind of spending and tax management in the past, this lack of control has cost the tax payers this \$600-700 million.

They say when a public official spends for his own profit an extra hundred dollars it implies that a taxpayer spends for his profit a hundred dollars less.

As I mentioned, this tax will have a definite impact on our community. In Gray this spring, at the town meeting, the voters amended the proposed budget, which reflected a 14 percent increase over the previous. They felt that was too much so they amended it to a 5 percent increase. The town council had to naturally go back through and make some adjustments here and there which we did. If the cap passes, we are going to have to do the same thing, but we can do it, I am sure. We'll survive.

What has appeared to happen is that, essentially, property owners really aren't the owners of the property. If in fact they don't comply with the terms of their agreement on their property, then they can be evicted and actually lose their assets in that property. We need to amend our means of taxing property. It's unfair to force people off their property and out of their homes.

I believe it is essential, at this point, that this tax cap be passed because of the inaction of our legislature - unless there is a huge change in the legislative body makeup this fall. If, in fact, this tax cap is rejected by the voters the legislature will perceive that people are content with their tax burden as it is and this problem will probably continue and grow further.

In closing I don't think this tax cap is a perfect solution, I think it is flawed in some ways. I do think it's a sad affair that our representatives are not being just that, our representatives. For some reason, they are not listening. They have been trying to ignore this problem all along. If indeed this cap is passed I think it will need to be amended before it is enacted. It could be amended to make it a little more friendly. We must take action so that people can remain in their homes. Hopefully they can pick up the reins and move forward with this so called overhaul of tax reform that is desperately needed. That's all I have to say at this point.

Thank you very much.

The Palesky Tax Cap – Bad Public Policy?

Jeffrey Austin, Maine Municipal Association

Good morning. This referendum is a ballot initiative which received the requisite signatures to get on the ballot in Maine. Like any ballot initiative, prior to going on the ballot, it is presented to legislature. The legislature has the option of adopting it or rejecting it. The legislature rejected it, I think unanimously. Once it goes on the ballot the legislature has the option of putting up a competing measure or letting it go on alone. The legislature chose not to put out a competing measure.



The initiative itself is 3,000 words. It is largely, and almost literally, from California's Proposition 13 that was instituted over 20 years ago in California. The majority of those 3,000 words are now largely irrelevant because the Maine Supreme Court has advised that much of the initiative is likely unconstitutional. It is important for everyone to be aware that this is not a constitutional amendment. Proposition 13 in California was an amendment to California's constitution; this is not an amendment to Maine's constitution and therefore has to comply to Maine's constitutional provisions.

There are those who are hoping that the Palesky initiative will act to prevent revaluation and valuation increases. Actually I think the reverse would come true, that is if you cap the rate, annual revaluations will be the norm in Maine and that will be the only way to increase revenue.

So, what's left? There is a ten mil cap, meaning no municipality in Maine can have a mill rate that is greater than ten mills. There is one exception, for certain qualifying debt. The tax cap supporters have absolutely misrepresented what the bill actually says. It does not say that all pre-existing debt is outside the cap and therefore we may raise bills above ten mills to pay existing debt. That is false. It applies to debt incurred since 1999 and the debt must have had 2/3 voter approval. If you're a council town, then that's not voter approval. Any debt approved by a council does not qualify, as it has to be 2/3 approval of the voters. If you're a town meeting town and you got voter approval of your debt, you have to have records showing that you had a 2/3 vote. Many towns do it by a voice vote or a show of hands and don't have an official record that they achieved the 2/3 majority. Therefore there is a lot of debt out there that will not qualify and will have to compete with other operating expenses within that ten mil framework.

The third condition is that the debt be for capital expenditures and not operating expenditures. Some communities have bonded their pension liabilities. No matter how many people approved it, it will not qualify. So if we end up with a ten mil cap, some of your debt will be excluded.

There are a few other provisions I would like to discuss that you may be hearing about. One says that municipalities can raise other taxes if they go to their voters and seek approval. The Maine Supreme Court did not review that provision. It looks like it clearly violates Maine's constitution. The state constitution says that the state of Maine shall never, in any manner, surrender the power of taxation. What this bill would do, would be to give complete control to municipalities relative to make any tax that they wanted as long as they got approval of the voters. Examples might include local sales tax and local income tax. That is an unconstitutional delegation of taxation authority from the states to the towns. We think that would clearly not survive.

There are other provisions concerning the ten mil cap itself and whether or not we can touch that in the future. The bill, by its own terms, seems to prohibit the Maine Legislature from ever amending the bill. Its states that a state-wide referendum and a 2/3 majority can change this bill.

That's the spirit of the Palesky proposal. Not only should the municipalities not be able to control the tax rate, neither should the Maine Legislature.

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So what does a ten mil cap mean in the state of Maine? The average mil rate in Maine now is somewhere around 17 mils. That does not include full evaluation. Many communities are higher. As a side note there are about 77 communities in Maine that currently have a full value mil rate of less than ten. If you found one common factor for these, it would be water. They are either on the coast or by the lakes or high value communities, where they can have low mil rates. There is no property tax revenue benefit, if your mil rate right now is eight and it's capped at ten. Yet many people would believe that the state would provide some assistance to the communities which are affected, in the event this passes. How is the state going to do that? They would do it with additional sales tax or income tax. The people in those 77 communities pay the sales tax or income tax. So if you are a sub ten mil rate town you get no relief, but if the state provides some assistance to municipalities that are hurting you will share some of the pain.

Approximately 200 - 220 communities have full value mil rates of above ten for education alone. There would zero property tax revenue left in those communities for any municipal services that are needed.

We have projected (for 2006) that the revenue impact of the Palesky proposal would be around \$600 million. As I indicated earlier, there would be different impacts in different communities. Seventy communities won't feel it at all. A few hundred will feel it severely. That estimate of \$600 million has not been refuted. There have been chicken-little scare tactics. You can go to Tax Cap Yes website, as I do every day, and see that they have yet to present a number for what they believe their proposal does in Maine. I don't know about you, but I am rather stunned that we are a few weeks away from an election on a significant proposal and a radically different way of doing things in Maine and the proponents don't tell you what it does. There has been zero information on that front.

Our information is on our website and sources, assumptions, calculations and conclusions are disclosed. The bond rating agency, which is not based in our state, has been using our numbers. They don't rush headlong into issuing warning and alert letters like they did a couple of weeks ago. Are the numbers perfect? Probably not. Are there some calculation errors? Probably there are, but were talking - just in scope - approximately \$600 million.

What does \$600 million mean in the way of a service impact? It's different from community to community. What does \$500,000 mean in Gray? I don't live in Gray; I don't know. Let's take my town of Brunswick. It will be a \$10 million impact. I live there, and I don't even know what it means. I need somebody to sort of articulate and illustrate, what it means in terms of service impacts. That's all the towns are trying to do.

If you are going to put forward a policy proposal of this magnitude and of this scope I think you have a responsibility to predict the impacts. The proponents have not done that and they won't do it before election day.

Let me move on now to some of the things you have heard from the previous speaker and from people in your community who are supporting this issue. The number one message you hear is: "send a message. I know it's not a perfect proposal. I know Palesky's proposal has flaws in it and they need to be remedied, but I am so fed up and so frustrated that we need to send a message to Augusta - they don't get it." If you read the bill, it doesn't send a message to Augusta. It sends your power to Augusta.

You currently set your tax rate in your community. If this passes, the tax rate in Maine is set in state statute by politicians in Augusta. If you think they have done such a bang up job on your property tax issues, why on earth would you give them control of your tax revenue? They have sales tax that they have to deal with and many people think it's broken. They have the income tax that they have to deal with at the state level which many people think it's broken. And now we want to give them control over local tax records? I think they have failed in many respects and we should not be delegating our power to them.

This isn't a message, it's a law. And the heart of the law, according to proponents, is this ten mil cap. It comes down to a ten mil rate tax cap versus tax rates that are currently set in your communities. One of the principles of government is taxation and representation and the relation of the two. I asked someone what the population of Gray is and learned it's about 6,000 in a state population of 1.2 million. Is Gray going to be able to have its voice heard on what it thinks it should have for its community? I don't

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think so. No single community can do that. The biggest untold story of this proposal is that you are turning control of your community over to the very people that you think have failed.

Whether the cap is 10, 20, or 30 mils we are sacrificing a very important principle of basic democracy which is having a very close relationship involving the tax, those people that have to pay it and those who receive the services from it.

Schools do receive local funding in Maine in the form of local property tax and local money. Say what you will about spending on education in Maine. Maybe it does increase too much. It's different in each community. You will hear about what was going on in 1980 as opposed to what is going on now. In 1980 we didn't have the federal intervention on special ed. It was there but they weren't driving and the lawsuits weren't present for the local citizens demanding the services that we now have. No Child Left Behind didn't exist. Learning results didn't exist. The two inch thick 1985 Maine education reform act didn't exist. There are many external factors, not under the municipality's control that may drive some spending even though student populations may have decreased. There are a few communities in Maine where student population is going up. The Palesky proposal makes no attempt to address that. There is no sensitivity concerning what the conditions in a local community are. You would get the same mil rate as everybody else. Education is a tough issue. Currently communities are free to spend more on education and I think that is right. I think each community should be able to decide whether it wants to exceed what the state says is essential, on their own dime. Palesky ties your hands and says no, you're not free to decide for yourself.

There isn't much time before the election. I think for the water utilities, one of the things you have to keep in mind is the relationship with your municipality. Do you receive money from your municipality? If your municipality is losing revenue, are you going to be losing revenue and what does that mean? As people who generate revenue via your own rates - like anybody else who generates money at the local level - I think you are going to be looked at to generate more. Is that a scare tactic? I hope not but I do think it is a reality.

People are saying that we need to do something. Unfortunately, in some quarters, that's really translated as we need to do anything. I think that's irresponsible. I think we should vote for solutions if they are good solutions and reject them if we don't think that. The environment in Maine is not one where a rejection to Palesky will be a message to local officials and legislatures that everything is OK, don't worry about it. There is a lot of work to be done in this area. There is a lot of attention being focused in this area and it is not the case that if we don't do Palesky then nothing will ever get done. If Gray wants a property tax cap, they can do one today, they can do one tomorrow. There is nothing in state law prohibiting a town from doing that. We don't need this initiative. Thank you.



The Maine Plan

*James Cohen, Esquire
Verrill Dana LLP*

Good morning. It's good to see you all here today. I am glad you are all facing with your backs away from the golf course for the course of the next 20 minutes. What I wanted to talk to you about today is probably one of the most important public policy issues we have faced in this state, in our lifetimes. The ramifications of what happens over the next three weeks and over the course of the next year are going to be extremely significant

to our lives, our businesses and our families. At this point we really don't know what that is going to look like. What's interesting is that most of the discussion we hear is that: "we need to do something". We

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absolutely do need to do something. That's what I hear from my constituents, that's what I hear from people I work with and that's what I hear from people in Augusta. We need to do something.

It's very clear that Maine people want to change; the question is: "what should we do about it"? We want to send a message, but do we want to send the wrong message? I think we all want to send the right message. Now interestingly, as I think we all know, taxes in Maine are too high. We have known that for a long time. We know that because we have just gone through two hard fought referendum campaigns about property taxes. If you look at the tracking information from polls, two years ago the big thing on people's minds was education or health care. Now it's taxes. Taxes have gone to the top of the list because we have educated the people of Maine that it is the number one problem in this state and we need to fix it. We now know where Maine stands relative to its tax burden. We now know that other states have ways of dealing with it.

In Maine our problem is one of trust. Can we trust our government officials to do something about taxes? I've worked in the Maine Legislature now for over eleven years. Rarely when I walked down my street at home did I ever hear people talking about the Maine Legislature, but these days people are talking about the legislature. Everybody has an opinion about the Maine Legislature and most of it isn't good. Most of the discussions revolve around the fact that they failed. They had a chance to get the job done and they didn't, and furthermore, they have had a chance for 25 years to get it done and they didn't - and people are frustrated about that. I think that if the legislature had done something in the last session, then we wouldn't be having the kind of debate we are having today.

I am pleased that the Maine State Chamber of Commerce has stepped forward, using a proactive approach, and has offered a solution. It is not just a solution for big business or small business, but it's a solution that would work for the people, the communities and for Maine. They put together a plan, that is not borrowed from another state, but one that was based on the needs of Maine. That is why the Chamber is calling it The Maine Plan. It really was developed with Maine in mind. These are ideas that were culled from business people, municipal workers, educators, state officials and a wide variety of other sources.

When this proposal comes forward it will not go to the Legislature for them to decide that maybe they will do something with it and maybe they won't. We have seen what can happen if we give it to the legislature. This is formed to come forward as a ballot initiative. In fact we are going to be collecting signatures, this November 2nd.

We hope to collect enough signatures so that we won't have to go to the legislature and obtain their approval. It would be nice if we could obtain that approval but, either way, we are going to have a chance to vote on it. When the proposal is put before the voters it will not be a scenario where we stand up and say: "you know it is not the greatest proposal, and maybe it will work and maybe it won't and yeah it has a ton of flaws, and it may be a big failure, but it sends a message". No, this is crafted in a way so it can work. It is ready to go into affect the day it is enacted. It's a plan we can live with and it is tax relief we can afford.

Next year we are going to have a legislature, that's maybe 20 percent new. I think it is going to be higher. I think it is going to be 30 percent, maybe higher than that. A major chunk of the legislature is going to be walking in January 1, not knowing where the men's room is or the women's room is and they will be handed a fiscal mess and will be asked to fix that problem. I don't have a tremendous amount of confidence about what that is going to look like.

I think Jeff is correct. I think every community is going to be impacted differently. We don't know exactly if everybody is going to be pulling with the same oar in terms of how we solve the problem. Portland has been on the short end of the school funding stick and maybe many of your communities are also on the short end of the stick. So, a top down solution that tries to prescribe a statewide solution, not tailored to local needs, is at risk that when it gets to the legislature.

This plan was developed in a way to be more suited to local needs. The Maine Chamber has come out in favor of this plan and opposed to the other plans.

If the projected \$600 million impact is a real number - and I know of no reason why it isn't - here is what the math looks like. If we raise sales taxes one percent, it generates \$132 million. You can do the math and figure out how many percentage points of sales tax you would have to raise, to offset that \$600

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million. A one percent increase in the Maine income tax raises \$84 million. Maine is already one of the highest income tax states. If you want to talk about a tax that is bad for attracting business, it's the income tax. Our income tax is too high and we need to lower it. Maine business understands that.

All of the other taxes you could raise really don't amount to that much. You could raise the cigarette tax at 25 cents. For every quarter that you add to it, people find other ways to buy cigarettes and you get less revenue. We are already sort of maxing out in that source. What about motel taxes and meal taxes? Well, for every one percent increase in meal taxes, we get \$15 million. We are at seven percent right now. We could double it and we still aren't talking about that much money. We could raise our lodging tax. Raise it one percent and we realize \$5 million dollars.

When you do the math you start to realize what a half million dollars or more in tax shifts does to business in Maine. It doesn't look good. This plan has one fundamental aspect in that it seeks to limit the rate of growth of spending.

The plan limits the growth of all levels of government: county, municipal, school and state. It is directed at the state and at all levels of government. There won't be some of the cost shifting and tax shifting that could occur under some of the other plans. It limits growth to the average ten year rate of real personal income growth. That equates to the actual money that is in your pockets, adjusted for inflation. It is a rate that is actually a slower rate of growth than the economy.

I don't know about you, but when I read the letters to the editor and when I read about what is wrong with the government, it is about spending. I don't hear a lot of people say that the problem with Maine is the mil rate – it's about spending. That is the problem. If you just focus on one little aspect of it, that's when you cause all sorts of shifting; you have to be comprehensive in the way you approach it and go after the problem - which is spending.

This plan is also fair. One of the things that we have learned as we have studied this is that every community is different. Let's take Kennebunkport or York as examples. Those communities are low mil rate, high value communities. There are many people in those communities who are suffering mightily because of revaluations and the value of their property increasing. A solution that doesn't do anything for those communities is really no solution at all. Those people won't get any benefit as a result of the tax cap. They can only lose. The same is true for renters, because they don't pay property taxes.

We need a solution that is going to affect all levels of government and not cause those kinds of shifts.

It's also one that is workable. As water utility managers, you never know from one year to the next what your costs are going to look like. You don't know what mill is going to shut down, or what mandate is going to come from the federal government. Well, it is no different in any other sector of government. You don't know when you are going to have to separate your storm drains, you don't know when you are going to have to satisfy a special education mandate or when the next ice storm is going to hit. The plan is workable in that it builds in exceptions for those types of unforeseen events.

The plan also gives local control and that is important because every community is going to be different. A one size fits all plan is probably not going to work for most communities. What we built in is the ability to go directly to the voters and approve funds to address specific needs.

The goal is to get Maine into the middle third of the nation in terms of tax burden. We don't want to be an Arkansas or a Mississippi, but we would like to be a Kentucky, a Connecticut or like some of the other states that have a balance in terms of the quality of life and public services. The plan says we are going to limit the rate of spending until we get there.

This is also a collaborative plan. Last week the service center coalition, which is comprised of the 70+ largest municipalities in Maine, unanimously endorsed this plan. Why did they endorse this plan? It was not because it limits spending, but because it does it responsibly. That is the important thing here; it is relief within a form.

We have also had an analysis done by Planning Decisions, which is an economic consulting group. What they did was to take the measure of growth in this plan and project forward and backwards. What they found was, had this plan had been in affect ten years ago, Maine would today be in that middle third of state taxes and that, going forward, within 5 to 10 years Maine can be within that same window.

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I know, as a municipal official, it would be great to say no sometimes, but it is very difficult to say no. You have constituents come forward and they want a fence or they want a new street light on their street or they want a sidewalk. It is very difficult to say no. Having the spending limit is something that most politicians would find helpful. So, this is a wise plan in that respect.

Let me just conclude by talking about where we need to go from here. The next step is to collect signatures in order to make this a real concrete alternative. We are going to be out on November 2nd collecting those signatures and we are going to need help collecting those signatures. We are going to need partners in that effort. Anyone who is interested in that collection effort can see me after my presentation. The Maine Chamber website has the ability to get you plugged in and participating. We need all your help to do this.

Another thing I would like to add is that we have heard of another alternative plan that is being proposed. One of the things that alternative plan does is impose a limitation on the ability to raise revenues in all levels of government. One of those units of government that is covered is water utilities. I don't know if that is legal or not, but it would certainly conflict with the whole regime of Public Utility Commission oversight. Such a provision would prevent you from raising revenues unless you go to the voters. So if that passed, maybe that trumps PUC regulation. I don't know.

The plan that the Chamber has proposed does not get into water utilities or sewer districts; its focus is on municipalities and their spending.

Thank you for your time.

Conference No. 476

December 9, 2004

Biddeford

Welcome to Biddeford

Jerry Mansfield

General Manager, Biddeford & Saco Water Company

Good morning on behalf of everyone who lives and works here, welcome to this beautiful campus.



Regulatory Update

Roger Crouse, Maine Drinking Water Program

Good morning everyone. We're in a little bit of a chaos at the Drinking Water Program. We're involved in a move. We're moving to the Key Bank building at 286 Water Street in Augusta. The movers are packing everything up this morning and we'll be bringing our stuff over through the weekend and reassembling our module furniture. We won't be back in operations until Tuesday.

We have been working with the State Planning Office and the Governor's office on submitting legislation for the next bond package. We requested 2 year's worth of match, since we didn't get any match last year. We'll be

seeing where that goes and we'll be working with the Governor's office on that.

There's nothing really new as far as rules in the last few months. We are going to be working on a fluoride rule revision, although that hasn't started yet. If you have any comments, let us know. I would like to simplify it a little bit, if we can still do that and maintain public health protection, that would be

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great. It's been 4 years since that rule was last revised. I will try to answer questions, if there are any. Thank you.

Business Meeting

Report of the Nominating Committee

*David Parent, Chair
Sanford Water District*



The Nominating Committee had recommended to the Board that the by-laws be amended so as to create the position of Past President for those situations where the current President is not a Director the year following his or her term. The Board approved the recommendation.

The members had been provided the following proposed amendments with the required notice ten (10) day notice:

ARTICLE IV

Directors

Section 4.1. Management by Directors. All the powers of the corporation are vested in the Board of Directors and the Directors shall have the control and management of the affairs of the corporation including, but not limited to, charge of the property and business of the corporation.

Section 4.2. Number. The number of directors shall be seven (7), except when the Past President provision of Section 4.5.1 is in effect, in which case the number of directors shall be eight (8).

Section 4.3. Nominations. Nominations for Directors shall be presented at the October meeting of the corporation by the Nominating Committee or from the floor by any member of the corporation. Only members in good standing may be nominated. The Nominating Committee shall notify the membership of the corporation, in writing, of their selections for the nomination of Directors at least 10 days prior to the October meeting. The Nominating Committee shall consist of the succeeding five past Presidents of the corporation who are members in good standing and who are not serving as Directors. The most recent Past President serving on the committee shall chair the committee.

Section 4.4. Elections. The directors shall be elected by a majority of the eligible voting members by election to be conducted in November of each year and shall accede to office at the annual meeting of the directors to be held in January. The election shall be by a mailing to all eligible voting members. Ballots shall be received and tabulated by the Nominating Committee. The results shall be reported to the Board of Directors, presented to the membership at the December membership meeting and published in the January edition of the Maine Water News.

Section 4.5 Terms. The terms of the Directors shall be for a period of 3 years. The term of a Director serving as Past President under Section 4.5.1 shall be for a period of 1 year. In the first election

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~~following adoption of this By Law revision, the top 3 vote getters shall be elected to 3 year terms, the next 2 top vote getters shall be elected to 2 year terms and the remaining 2 elected Directors shall serve 1 year terms. All subsequent terms shall be for 3 years.~~

Section 4.5.1 Past President. When a Director serves as President of the Association during the third year of said Director's term, that Director may opt to serve one additional year as a Director on the Board in the role of Past President. The Past President seat shall be considered an additional seat on the Board; the seat of a Director serving under this provision shall be deemed open upon the end of the Director's regular three year term.

Section 4.6. Vacancies. Any vacancies, however occurring in the Board of Directors, may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum, at any meeting called for that purpose. A Director appointed to fill a vacancy shall be a member in good standing and shall serve until the next annual meeting of the Directors. At the next regular election, a Director(s) shall be elected to serve the remaining unexpired term(s) created by any vacated Directorship(s). The top vote getter(s) not elected to the regular 3 year terms shall be elected to serve any remaining 2 year and/or 1 year terms, respectively, as applicable.

Michael Nadeau made a motion to adopt the proposed amendments and the motion was seconded by Brian Tarbuck. The motion was approved

Parent also announced that Judy Kelley of Aqua Maine and Michael Nadeau of the South Berwick Water District had been elected as Directors for a three year term, starting in 2005.

Legislative and Regulatory Affairs Committee Report

*David Parent, Chair,
Sanford Water District*

I took over as chair of the Legislative and Regulatory Affairs Committee 2 months ago. I've been involved over the last year. Last year, the first thing that came up was changes to the Dig Safe law. The PUC seems to be submitting tweaks and sometimes major changes every year to Dig Safe. You really have to read them through every year to see how they affect you and sometimes it affects us more than they even think it will. The PUC was asking for changes last year whereby well drillers wouldn't have to wait 3 days on the locate request. They wanted to be able to get an instant clearance. We were involved in that discussion and, thanks to Jim West, we were successful in that the final language is to our satisfaction.

The efforts of the Augusta Water District have to be recognized. The Capitol Region Coalition to Preserve Fair Water and Sanitary Service was organized to derail a takeover effort by the City of Augusta. The end result benefited the customers. The district instituted many changes that will save money for the customers.

Concerning the tax cap referendum, the school funding referendum and the failure of the Legislature to pass tax reform, it was all about tax reform and nothing really happened. They are, hopefully, moving ahead this year. Although it was significant that nothing happened last year, it's very important that something happen this year.

As Roger said, there was no bond request of any kind passed. On the surface it kind of looks like that was a failure. However, we were in every single bond proposal for the full \$2 million. Although the bond did not pass, we were very successful in not being cut from the packages that were considered.

For the 122nd Legislature, our legislative hotline is up and running. For those of you not familiar that's just a spread sheet of names, each committee member and Board members. They are going to call you when there's an issue so that you can call your legislators. If you get a call from the committee member or a Board member, please make those calls. It's the most effective tool that we have, when a

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legislator gets a call from the local utility manager telling them how legislation will impact their operation.

For the environmental bond, which includes the SRF matching funds, we are going to be using a scatter gun approach this year. The first thing that we're doing is a different approach. We're going to submit a bill for general funding for the match. Many legislators have told us that's the way it should be handled. That would make our jobs, and Roger's and Nancy's jobs, much easier. That's one that is going to have to be pushed hard.

It's up in the air as to whether there is going to be a June bond, but we will be advocating for that. If that does not come to pass, we will be pursuing a November bond.

In short, the Maine Legislature is now in session; nothing is sacred. I looked at the Governor's tax relief proposal. It will put the squeeze on municipalities; we'll see how that goes. Thank you.



Program Committee

*Jefferson Longfellow, Chair
Kennebec Water District*

Good morning. We were in Wells in December discussing cellular phone installations and the legal issues and perspectives of Maine's Tort Reform system. For our February meeting and trade show in Portland, we've tried different things. We had technical modules on Tuesday. It's a good thing for those who need training certificate hours. We encourage all of you to have your employees attend.

We also put together a Sunday night get together which

was well attended. Classes were also well attended. We did have a few down sides, including people not attending the banquet.

In April, we were in Livermore Falls. Wachs Utility Service presented on out-sourcing valve maintenance programs. Aqua Maine presented an overview of internal cost analysis for out-sourcing evaluation and the Bath Water District shared their experience in billing in-sourcing.

In June we were in Bar Harbor. There was a presentation on In Situ Filter Remediation Cleaning, as well as an introduction to the Maine NEMO Program.

In August, we had our clambake and golf tournament. For those of us wondering what a cannon start was, I think we all found out. We made a few changes there. I think everyone enjoyed having a shirt to take home with them, other than door prizes. The clambake was well attended and the weather cooperated.

In October we were in Gray discussing the advantages and disadvantages of the tax cap referendum - as well as the Maine Chamber of Commerce's proposal. That leads us back to here for this December meeting.

Looking forward to 2005, the February meeting and trade show will be February 6 - 8. We're doing well with that. We have a new work style brochure that has forced us to get our work done earlier so that we aren't waiting until the last minute - which is a lot of help to the committee members. We continue to work with the Maine Wastewater Control Association and have invited them to the show and to participate in a disinfection technologies session. Our Monday morning session will be on succession planning - a session for the managers that will also include a discussion of diversity. We'll be improving the technical modules. We have made some changes to the layout of the floor to help the vendors. On Tuesday afternoon we're going to do more of a show and have entertainment and food to hopefully encourage people to stick around a little bit longer, because we won't be having the banquet. I think it would be nice if we can encourage our employees who come down on Tuesday to take advantage of that and not leave the show early. That would really help out the vendors who spend a lot of money on their booth and make it a more worthwhile show for them.

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April 14, 2005 we're going to Old Town. In June we'll be in Rangeley. August is our clambake and in October we'll be in Augusta. In December we'll be in York.

If there are any questions, feel free to ask me or any member of the committee. Thank you.

Public Awareness Committee

*Brian Tarbuck, Chair
Augusta Water District*

We had a couple of changes in the Public Awareness Committee over the last year. Joy Adamson, who was an integral part of our team, is now at Efficiency Maine at the PUC. Julia Coes from Bath Water District has replaced Joy on the PAC.

We submitted a couple of press releases throughout the year. One of them was a cold weather press release encouraging customers to prepare their water meters to ensure that they won't freeze up during lousy weather. We wrote the paper opposing the bottled water tax initiative, as well as writing an informational letter on the Palesky tax cap referendum, which was sent out both to members and distributed as a press release.

We had a good time at the February Trade Show. This year we are going to do a 50/50 raffle to benefit the Bikers Against E-coli, which you all have generously sponsored. We're also going to have a Rigs & Gigs contest, as well as a Photo contest. So, if you have an innovative idea or a great photo submit it at next year's trade show.

We were a sponsor of the Southern Maine Children's Water Festival and participated again this year. We had our "Stump the Chumps" contest. I wasn't able to attend the Southern Maine Festival, but at the Northern Maine Water festival, I did have a kid call me "Mr. Chump." We gave away a lot of prizes because there were questions we couldn't answer.

The Bikers Against E - coli ride is coming up again next year. The MWUA team is riding to help benefit the Maine Lung Association. If you're interested in sponsoring the team we can offer you decent publicity with your name on our team shirts.

We also made a poster regarding water and what utilities do for you. We helped MWUA personnel with the website and we continue to analyze the association's publications. Thank you.



Water Resources Committee

*Jon Van Bourg, Chair
Kennebec Water District*

Good morning. Right about this time last year, we were just finishing up a response paper on the LT2 ESWTR and the DBP2 rules. Low and behold, pretty much every other water association sent in comments as well. At any rate, there will be substantial changes to the rules.

We completed an article on the permitting process for new sources in the state of Maine; regarding the DEP process and how it has changed over the years and how it's become a much more restrictive process than it was. We established a subcommittee on sustainable water use. We helped to organize a couple of training programs; one on algal identification and one on the

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Stage 2 Disinfection by Products Rule. We reviewed some of the issues behind the H2O for ME proposal and brought it to the Board for comments. We attended stakeholders meetings and submitted comments on the new DEP storm water rules and regulations. They were changed a half dozen times over the course of the many meetings. If you want to avoid storm water regulations, just avoid disturbing anything more than 1 acre.

We're currently working with the stakeholders group at the DEP on erosion and sedimentation control. There are some problems with the way that law has been administered. We also reviewed changes in regulations and the effects on water systems concerning the problems occurring in the District of Columbia with lead and copper. I expect that there will be additional changes proposed mostly by the Senate on the requirements on lead and copper. We added several new members, including John Storer, Susan Breau and Naleen Mayberry.

In the upcoming year, we're going to organize the other half of the algal identification training course. I encourage anybody who is interested to sign up. In conjunction with the Drinking Water Program, we will set up a course on the Long Term 2 Enhanced Surface Water Treatment Rule and the Stage 2 Disinfectant By Product Rule. EPA may be putting out the proposal for the new Coliform Rule. That rule will have a massive impact on our industry.

We hope in the future to work more with the other committees. Thank you.



Committee on Sustainable Water Use

*Jon Ziegra, Chair
Boothbay Region Water District*

The sustainable water use Committee was put together during October. We're a combination of the Legislative and Regulatory Affairs and the Water Resources Committees. The DEP is developing water use standards. The greatest affect on drinking water would be minimum stream flows. We're charged with developing a position paper. We've received a lot of input. We have met with the PUC and the Maine Wild Blueberry Commission.

We met with the latter because the blueberry growers have been significantly impacted Downeast because of the reclassifications of rivers. That has the potential to limit their withdrawal from rivers in Washington County.

The paper will ask for an exemption for water utilities and advocates that public water is the highest use of water in the state of Maine. As we move forward we will have to be more involved with conversation efforts. We need to make it clear that we are probably the best water stewards for bodies of water in the state of Maine. Essentially our focus is to advocate for the interests of water utilities.

Education & Operations Committee

Provided by Jeffrey L. McNelly

Good morning to all. The Education and Operations Committee enjoyed a productive year in continuing to offer quality training opportunities to operators throughout the State. I'm going to review some of the things that we did last year, and some of the things that we have on the plate for this year.

We continue to work with the technical college system to offer computer training. This has worked out well and we are planning more computer classes for 2005.

The association continues to offer classes to our membership through NEWWA. In January, NEWWA will have a chemical feed pumps class where you actually trouble shoot pumps, hands on – in

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three locations. We're looking at excavation safety and a backhoe class – a two day class in April where you get to operate a backhoe. That's always popular.

The committee is currently working on technical sessions for the February 2005 meeting. We have two NEWWA sessions planned. The technical sessions will include test taking tips and learning to learn. Be sure to submit an entry in the association's Photo contest and Rigs & Gigs contest at the show. One of the things that we are evaluating is long distance learning. We had an ITV session, which was actually developed by the Water Resources Committee. The session was on the Stage I Disinfection By Product Rule. We held the session at the University of Maine's Augusta location and then shot it up to Presque Isle so that the folks up there wouldn't have to travel 4 or 5 hours just to attend. We had Katie Leo Porter and Maria Lopez-Carbo from DC, as well as Jennifer Hitchcock from the Maine Drinking Water Program. That worked out pretty well. It wasn't cheap, but it gave us a pretty good sense of where we can go in the future - or at least where we need to start, relative to distance learning.

The committee has taken an active role in working with the Water Operators Licensure Board in an effort to define what specifically is needed for training. There will be other things that come up that we will want to address. We had discussions with the PUC the other day; they are redoing the spreadsheet for the PUC reports, so there's a chance that we may partner with them for some training on that.

As always, the committee is actively recruiting new members. Thank you.

New England Waterworks Association State Directors Report

James W. West

2004 was a year of positive change for NEWWA. A number of initiatives have propelled the association forward and have set the stage for future growth and stability while maintaining our position as the preeminent provider of quality training for waterworks professionals. Certainly key among the changes, as well as a driving force behind many of them, was the election of Norm Lamie as President of the association for the upcoming year.

The dedication of the addition to the association's Holliston complex was held in November, marking the completion of its distribution system "wet lab". This facility provides hands-on training for cross connection control devices, other distribution system components, as well as a confined space entry man hole, complete with associated equipment. It is a marvelous facility that will assist in meeting the needs of our operators for years to come. To assist in the funding of the addition as well as to provide for additional regional training centers the Association has embarked on a fund raising effort called Project 2005. This effort is an extension of the Project 2000 in that it recognizes previous contributions. The goal of Project 2005 is \$300,000 and I would be happy to discuss possible donations at your convenience.

The value of developing a strategic plan to provide direction for the foreseeable future cannot be understated. As with MWUA, the NEWWA embarked on this effort in earnest in 2004. While the process differed slightly, many of the same issues were prevalent in the discussions the planning teams from both organizations addressed. Regionalization, competition for Association services, utilization of technology, demand side water management, and the "brain drain" within our utilities and associations. The challenges that lie ahead mandate that our associations clearly define long term strategies to meet those challenges. Sound planning, with specific goals, will allow us to provide direction and purpose for our volunteers, maintain the highest levels of mutually beneficial services to our membership, and with our yearly work plans, to maintain the organizational flexibility to respond to our "hot stove" issues.

Training remained the cornerstone of NEWWA's programs, both from a budget and membership service perspective. Over 200 courses and specialty symposia were conducted, as well as contracted



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training with a number of utilities, AWWA, and various state SRF training efforts. A new regional training center is being piloted at the Champlain Water District in Burlington, Vermont. The ongoing effort to reach into areas located far from Holliston continues and it is hoped that other sites will consider the benefits of on-site training. At present the Nixon Center in Portland and the Training Center in Franklin, New Hampshire have on-going programs that have proven very successful.

The budget issues that were problematic in 2003 have been stabilized and the organization is showing a small profit to date in FY 2004. Much work was done by the Association's Budget and Executive Committees, as well as the Board to reduce spending in a number of areas. That fiscal restraint will continue as cost of service remains an issue for many utilities relative to NEWWA programs.

Lastly, the association's 2005 Annual Conference will be held at the Samoset next September. We are obviously hoping for a great Maine turnout for this event.

Please remember that if you have questions or issues with NEWWA you can feel free to give me a call.



Technical Program **Working Together, Making a Difference**

James Cohen, Esq. Verrill Dana, LLP
Moderator

Good Morning. I am a member of Verrill Dana's Utilities and Energy Group and represent the Maine Water Utilities Association in the legislature. This morning's technical session includes a presentation from Dave Willauer of the Southern Maine Regional Council of Government. Dave will report on the Portland regionalization task force. It's a good background on the

issue of regionalization. He will share the mutual benefits to participants, the value of maintaining local communicantes and how we can all benefit from best practices.

Greg Reed of the Bangor Water District and Mike Riley of Woodard & Curran will talk about what Bangor has been doing in regard to mutual aid. Chris Crovo, the Director of Assets at the Portland Water District, and Bob Therieault, the Finance Director at Biddeford & Saco Water District will provide an update on the proposed regional water council concept.

Mutual Aid

Greg Reed
Assistant General Manager, Bangor Water District

Good Morning. Since late in 2001, utilities from the Bangor area have been meeting on a monthly basis. The utilities involved from the beginning were Bangor Water District, Brewer Water District, Hampden Water District, Old Town Water District and the Orono-Veazie Water District. Since then, we have expanded to include the Newport Water District, Plymouth Water District and the Winterport Water District. The utilities involved serve 60,000 people over a 210 square mile area.

There are significant differences between the utilities. Some are groundwater systems with green sand treatment and disinfectants. Others use surface water and treatment consists of either ozone or direct filtration.



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However, as a group, we have always focused on the similarities inherent in the utilities. Our purpose is to review mutual concerns, mutual problems, mutual activities and mutual aid. We will discuss our mutual aid activities momentarily.

The structural format of the group includes: one utility / one vote, unanimous consent from the group, an equal share of financial commitment and the Bangor Water District acts as the financial clearing house. Bangor Water District hired a consultant to serve all five clients; we invoiced the other utilities and have received a capacity development grant to assist us.

Mutual aid - the reason we are all here today - was the scope of our study. The mutual aid study can be whatever is desired by the clients. Our study recommended system improvements. It did not develop specific protocols or Standard Operating Procedures (SOPs.) Therefore, we are in the process of developing specific protocols / SOPs at this time.

At this time, I will turn the presentation over to Mike Riley to discuss what the study is and how we did it.



Mutual Aid Study Examining Five Water Utilities in the Greater Bangor Area

*Michael Riley, P.E.
Woodard & Curran Engineers*

Over the past four years, five water utilities in the Greater Bangor area (Bangor Water District, Brewer Water Department, Hampden Water District, Old Town Water District, and Orono/Veazie Water District.) have been working on a collaborative effort to implement mutual aid during an emergency.

Mutual aid is a concept that has been used successfully for many years by fire departments, police departments and other agencies to provide better service to the public. Unfortunately, water utilities have only recently started to recognize the benefits of this approach. Historically, water utilities in Maine have operated independently, with turf battles and territorial issues preventing a higher level of cooperation. However, with real threats now present, water professionals have recognized that we can't afford the luxury of turf battles any longer. There is an acknowledgement that we need to strengthen our water infrastructure by promoting cooperation amongst water providers.

Why has the idea of mutual aid finally started to catch on with water utilities? It begins with the primary water utility goal of providing uninterrupted service to their customers 100% of the time. This is a difficult goal for any water utility to achieve operating independently. Most utilities have only limited source redundancy, so in the event of a source contamination, they have few options to maintain uninterrupted service.

Providing source redundancy is the real value of mutual aid. As we know, developing a new groundwater source is very expensive and fraught with risk. Developing a new surface water source in this day and age is almost impossible. As a result, most utilities cannot afford source redundancy by themselves. Only through the concept of mutual aid can this happen.

How does mutual aid make water utilities more secure? By providing for source redundancy, mutual aid increases the reliability of service, and moves the utility much closer to the ultimate goal of uninterrupted service. Managers need water supply options during an emergency. Mutual aid answers this need.

How is a mutual aid study different from vulnerability assessments (VA)? VAs focus on increasing water utility security via prevention (fences, cameras, other hardware, etc.). Mutual aid on the other hand approaches the security issue from a totally different angle. It assumes that no amount of hardware can protect a water utility completely from man-made or natural emergencies. Instead mutual

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aid provides water officials options after an emergency has already started. In our opinion this is a more practical approach, where a relatively minor investment can lead to huge benefits.

Because of the almost institutionalized turf battles in the water industry, getting a mutual aid program off the ground can be daunting. A champion is needed to lay out the benefits. The champion convinces the utilities involved that they can no longer afford the luxury of operating independently, convinces the group that the regional infrastructure must be made more secure because we have very real threats and convinces each participating utility of the value of having water supply options during an emergency. Once this process has taken place and the barriers to cooperation have been removed a mutual aid study can be undertaken.

In the Greater Bangor case, Woodard & Curran was selected to address the technical challenges involved in sharing water during an emergency, while the utility group tackled other issues such as communications between utilities, public notification and emergency protocols. This two-pronged approach took place concurrently with each party providing essential information to the other.

From a technical standpoint there is a series of questions that must be answered. First and foremost, do any of the utilities involved have any excess water to share? If not, mutual aid is just a theoretical concept. If excess water is available, how much can be conveyed through existing interconnections? What chemical compatibility issues will arise when you blend waters from different utilities? What capital expenditures, including new interconnections, pump stations and pressure reducing stations will be needed to achieve the desired level of water conveyance? Can emergency aid be accomplished without jeopardizing regulatory compliance?

To answer these questions Woodard & Curran developed a hydraulic model of the regional system. Once completed, the model provided a quantitative method of assessing the impacts of the proposed interconnections over time, in terms of both water quality and quantity of water that can be conveyed. By running extended period simulations (EPS) the model provided pressures in the regional system during an interconnection, as well as changes in hydraulic grade and tank level over time. The model can also be used to predict water age in any part of the regional system (an indicator of overall water quality since nothing good happens to water as it ages) and can also trace the source waters to determine the percent of blended water.

On top of the hydraulic model, we then constructed a water quality model to assess the impacts of the various interconnection scenarios. Existing water quality characteristics of each utility were used as a baseline to predict changes in water quality that would occur under given interconnect options. Depending on the sources involved, water quality concerns from blending different waters may include disruption to chlorine to ammonia ratios (if some systems chlorinate and others chloramine) rapid changes in pH or alkalinity and the potential for discolored water as a result of flow reversals. Fluoridated water versus non fluoridated water is also a concern in some communities.

Based on the hydraulic and water quality analysis, the various interconnect options were prioritized based on likelihood of success, capital cost and operational considerations. Benefits achieved by the Greater Bangor mutual aid study include documentation of the current level of aid possible, identification of needed infrastructure to enhance conveyance capabilities and recommendations on operational changes needed to minimize water quality impacts. In a nutshell, the study provided a road map for enhanced reliability of service by giving each utility options during an emergency.

The value of mutual aid for water utilities is becoming apparent. Based on the success of the Greater Bangor study, ten water utilities in the seacoast region of New Hampshire recently contracted with Woodard & Curran to conduct an emergency interconnection study on a much greater scale. The water utilities involved serve 145,000 people over a 250 square mile area. Many people ask if a mutual aid study is the first step in the development of a regional water system. Not necessarily, although if regionalization is the objective a mutual aid study would be the first logical step.

Thank you for inviting us to share this important concept with you.

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Regional Councils of Government

Dave Willauer

*Transportation and Land Use Director, The Greater
Portland Council of Governments*



The Greater Portland Council of Governments has a number of coalitions addressing regional issues. The Southern Maine Corridors Committee is reviewing the new MDOT effort: corridor planning, the Pennsylvania Plan, transportation, land use, economic development, regional needs, assessment and more public outreach. The Lakes Region Coalition is working to build a consensus between municipalities, the business community and other interested parties. It will assess regional transportation, land use and economic development needs for the region. It will prioritize transportation infrastructure improvements and communicate these priorities to the Maine DOT and the Legislature.

In regard to the Portland Task Force on Regionalization, we concluded that regional efforts should only be pursued if they either lower costs, and/or improve services. Successful regional initiatives must offer a mutual benefit to the participants. There is value in maintaining local community or neighborhood connections or identities. Communities participating regionally can benefit from “best practices” developed in one or more the communities.

The purpose of generating the GPCOG Bylaws was to strengthen local self government while combining total resources for meeting regional challenges beyond individual capacities, to serve as a mutual forum and liaison with members, government and other organizations, to provide organizational structure for the exchange of information to enable effective communication and to create a means to exercise powers jointly by member governments for regional issues.



The Proposed Regional Water Council Concept

Bob Therieault

Finance Director, Biddeford & Saco Water District

Chris Crovo

Director of Assets, Portland Water District

Chris and I are representing the Southern Maine Regional Water Coalition. The coalition is an initiative to form a regional group of water utilities in southern Maine.

What I would like to go over is the history of the coalition, talk about why we were formed and discuss the issues and drivers that caused us to get together in the first place. We will also talk about the proposed legislation that we’re proposing and why we feel the legislation is important. We’re also going to talk about what happens after the legislation is passed. We’ll also talk about potential benefits that we see deriving from our organization.

Who are we? We are seven water utilities performing the same work for our customers. We represent twenty-three communities servicing a population of 375,000 people. We collect over \$32 million in annual revenue. I think it’s important to know who we are individually. Kittery Water District is a public water district serving Kittery, Elliot and a small portion of York. It serves 5000 customers and it plans to interconnect with York Water District. York Water District serves the town of York and has 5200 customers and will be tied into Kittery Water District. South Berwick Water District is a public water district serving South Berwick and Berwick with 1350 customers. It has potential interconnections between Kittery, York, Berwick and North Berwick. Sanford Water District is a public water district that

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serves Sanford & Springvale with 5700 customers and has the potential of interconnections between the Kennebunk, Kennebunkport and Wells Water District, the Alfred Water District, the Biddeford Water District and the North Berwick Water District.

Kennebunk, Kennebunkport and Wells Water District is a public water district serving the towns of Kennebunk, Kennebunkport, Wells, Arundel, Oquonquit and portions of Biddeford and York, with 11,400 customers and currently interconnects with the Biddeford & Saco Water District and the York Water District. Biddeford & Saco Water Company is an investor owned, private company serving Biddeford, Saco, Old Orchard and a portion of Scarborough with 14,400 customers and currently interconnects with KKW and there's a proposal to interconnect with Portland Water District.

The largest district is the Portland Water District, a public water district, serving eleven communities in Cumberland County with 49,000 customers. It has interconnections with Yarmouth and is proposing an interconnection with Biddeford & Saco Water Company.

I want to talk a little bit about how we got to where we are. This started with a conversation with Ron Miller and Dave Michniewicz. They were concerned about various issues. They started talking and the other five utilities actually got brought into the conversation. The conversation had been going on for about a year, but it really got started back in February. In February, we really started meeting on a regular basis. Some of these were very long meetings, heavy discussions - not easy to talk about. But, we got through all of that.

Basically we're all trying to do the same thing. When we realized that and got it on paper, we moved forward. We weren't able to reach consensus on an authority. We could all agree on forming a council and it definitely was the logical way to go.

Concerning issues and drivers, why did we get together? We wanted to talk about water supply and the redundancy of water supply. Cost savings was an important issue and regionalization was an issue we wanted to talk about. I'll talk about each of those in more detail.

The drought conditions that we face really focused our issues on water supply. Some of our utilities are reaching the maximum capacity of who they serve and we needed to do something. In the southern Maine region, there are basically two main large water supplies. There's the Saco River that we use as a surface supply and there's Sebago Lake that Portland Water District uses as a surface water supply. Those are not necessarily excess capacity, but if we need additional water supply, that's where we're going to need to go.

The other thing that focused our issue was the proposed casino in southern Maine. They would have been a significant water user. There was no clear idea of where that water was going to come from. Also, when we did our vulnerability assessments, we realized that almost all of our systems are supplied by one source of water. If something were to happen to that one source of water, we really don't have a good back up. If we work together as a regional group, we could start providing backup for those supplies.

There a number of items that we can consider to realize economies of scale. We talked about having a centralized call center for centralized billing and Dig Safes. There are possibly some metering functions that we could work jointly, as well as accounting, SCADA systems, the purchasing of items and GIS.

Most of us in southern Maine are facing problems with growth and additional demands for water. We need to do planning for the Southern Maine Region. We feel there is potential to get federal grant money for this.

We have the whole issue of towns possibly wanting to take over water districts. This serves as a certain amount of pressure for some of our organizations. It seemed reasonable that if we we're going to work together with other organizations, we would work together with like minded organizations; other water utilities. That provides the best chance for an efficient utilization of our resources. We're really not sure if this is a real worthwhile preventative measure as far as town takeovers, but it is definitely something to consider.

Where are we going? We have a proposed bill that enables utilities to form regional water councils. The idea is that the Southern Maine Regional Coalition will become the Southern Maine

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Regional Council. How are we going to get there? We are going to start by getting support from our trustees and our Board of Directors. We're going to do outreach. We're going to talk to the Governor's office, PUC, and all of the state agencies that are involved in water utilities. In fact, we are quite far along in that process. We've talked to most of the people on that list.

We had a meeting of all our Trustees and started to break down some of the barriers we talked about earlier. It was a very productive meeting. Trustees got to talk to each other and found out that basically other organizations are trying to do what they are trying to do. We provided information to keep people up to date on what we were doing as a group. In November we were working with the legislative sponsors for the bill. The timeline proposed at this time is to file the proposed bill in December 2004.

Basically the legislation we are proposing is based on the Council of Government statute, which is a statute that's been around for a while and has been used successfully by municipalities. The legislation sets up a general framework. All it does is to allow water utilities to form a nonprofit corporation. Those nonprofit corporations will be the councils. We specified that the councils cannot become regulated water utilities. They're not going to be able to sell water directly to retail customers. Those are strictly reserved for the water utilities. Any utility can opt in or out of the program. It's strictly up to any individual utility whether or not they want to be involved in the council. If they are members of the council and want to opt out, the legislation gives them that possibility, so that's always an option. The legislation sets up the PUC as a coordinator for the council. We felt this was important for two reasons. We felt that the legislature would probably feel that there was a state organization watching the councils and the other thing was that we wanted to make sure that no one felt that we were trying to avoid regulation by forming a water council.

Why is legislation important? Why don't we just form a voluntary group? One of the first things that we want to do is look at regional water uses. In our case this is going to be significant expensive. We need to split costs equitably. In our case we cannot just take the total bill of the master regional water plan and divide it seven ways. That's just not going to work. We need a form to decide how that is going to be done and actually allocate those costs. Again we're looking into the possibility of federal grants and we also want to be able to own assets jointly. We don't exactly know where that is going to go, but we want to leave that possibility open. If we do a regional master plan we want the consultant to be working for the council, not individual water utilities. That may have a lot to do with the diversity of the water utilities involved and just the geographical region we're talking about.

That hard part is going to come after we get the legislation passed. That's when we as a group are going to have to make a decision. We have to set up a nonprofit corporation, establish bylaws and we're going to have to decide how we are going to make decisions. Is it going to be a utility one vote or is it going to be something different? How are we going to allocate costs? Are we going to divide it up seven ways or are we going to try and find some allocation method? These are all issues that we have had some conversations on. They're not easy issues to resolve. I don't know how we're going to resolve it yet, but I feel fairly sure that we're going to do it because the benefits are such that it makes it only reasonable to find solutions to the problems.

So what are these benefits going to be? We're going to share resources. We're going to coordinate regional water resource planning for Southern Maine. That's a significant issue for us. Again, it's going to take a lot of time and money to solve those issues.

Our goal is adequate water for all of our customers at a reasonable price. That's what we're all working for - to provide adequate supply. We want to create redundancy. If there is a problem in our treatment plant, what do we do in that case? Hopefully we have a solution in place and we can solve it when it happens. Is there a problem with source supply? Hopefully if there is a problem, we'll have solutions in place and will be able to deal with it.

Then we have more administrative types of cost savings measures: common billing, centralized dispatch, common equipment ownership, joint purchases of chemicals, pipes and other supplies and the possibility of having consultants hired by the group as a whole. The important part of this is that we have tried to make sure that individual utilities can opt in or out of this. If it works for five of our members they

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can participate. If it doesn't work for the others, they don't have to join this particular aspect of the coalition.

In conclusion, we really don't have all of the answers yet. We feel that the council provides a good first step of moving us forward. It provides us a basis to go forward. It provides our customers with better service. Hopefully it maintains water supplies. Are there any questions?

Conference No. 477

February 7-8, 2005

Portland

79th Annual February Meeting and Tradeshow Business Meeting

Normand Lamie

President, New England Water Works Association

As President of New England Water Works Association I would like to welcome the many members of the New England Water Works Association from other states to Maine. I know we have folks here from Rhode Island, New Hampshire, Massachusetts, Connecticut and Vermont. I love bringing these folks to Maine. Hopefully we will see many more of them at the Samoset this September for our annual convention. We hope to see all of you there.

On behalf of New England Water Works I have awards to present. The first award is presented to the Bath Water District. Bath is presented with the second place award for small systems for their Consumer Confidence Report. You did a tremendous job. Thank you.

The next award is from the American Water Works Association. It's an honor to present it to the management and employees of the Bangor Water District, in recognition of safety achievements. The award is presented to Wayne Rogalski. You folks must be safe up there because I think you get this quite frequently. Congratulations.

The next award I have is for membership recognition on behalf of AWWA for commitment to the waterworks profession for over 25 years. It goes to Aqua Maine. Congratulations and thank you for that commitment.



Vivian Matkivich

President, Maine Waste Water Control Association

Good afternoon, I'm Vivian Matkivich, President of the Maine Waste Water Control Association. I'm also pre-treatment and safety coordinator at the Lewiston-Auburn Water Pollution Control Authority in Lewiston, Maine. I want to thank you for inviting me to your meeting and tradeshow. I also want to thank the Maine Water Utilities Association directors, including Mike

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Nadeau, and Darold Wooley and Jeff McNelly for their vision of cosponsoring a technical session here, for both certified water and waste water operators. Maine Waste Water wants to continue to work with Maine Water Utilities to create cost effective and essential training to our operators. Thank you.

Presentation of an Excellence in Operations Award

Jeff McNelly

Typically, when we present recognition awards we ask the person who made the nomination to make the presentation. However in this case we cannot do that because Seth Garrison, the person who made the nomination, is now working in Afghanistan, The recipient is here. The Excellence in Operations Award will be presented to the Portland Water District.

The Portland Water District manages to be a water industry leader on the national level, while maintaining a small system feel. PWD is known for their education and outreach programs. They have been proactive in implementing GIS and asset management systems.

PWD is very active in the Maine Water Utilities Association and various other water groups on the local, regional and national levels.

Portland excels in three notable areas: resource protection and management, efficient operations, and communication through education.

Over the past 10 years, PWD has become an industry benchmark for a new and more efficient way of doing business. They have streamlined their workforce and tasks like bill printing and new pipe installations are outsourced to companies that can do them more efficiently. Personnel are cross-trained in multiple areas of operation and given new technology to improve data management. This has reduced downtime by making the labor pool more flexible.

Their programs with schools reach over 2,000 students per year and have won state, regional and national awards. PWD realizes that today's students will be tomorrow's customers. PWD produces a number of publications that are distributed to interested parties on a range of topics. In addition to educating their customers, they invest considerable resources in educating water professionals, either through the Jeff Nixon training center or by hosting forums for financial professionals."

In accepting the award on behalf of the district, General Manager Ron Miller stated that the recognition was really the result of the guidance and direction of the trustees and the implementation by a competent and dedicated staff.

Presentation of the Jim Doherty Excellence in Volunteerism Award

*Mary Jane Dillingham
Auburn Water District*

Good afternoon. This award is the Jim Doherty Excellence in Volunteerism Award. It is presented to a person who has been a volunteer on the Program Committee for many years. She worked for the Drinking Water Program and now works for the Public Utilities Commission. Maine Water Utilities has two paid staff - that's Jeff and Becky. Everyone else is a volunteer, and that is how this organization functions.

I nominated this person for this award because she has been instrumental in executing many of the Maine Water Utilities Associations functions, including the February Trade Show. Whether she is passing out cold drinks on the golf course, or registering attendants like she was this morning, she is very involved in making the association very successful. She's always cheerful. She's always helpful. I've called her on many occasions for advice. For all of her generosity, I'm happy to present this award on behalf of Maine Water Utilities Association to Stephani Morancie.

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Stephani Morancie:

I'd like to say, "Thank you." I didn't expect this. Thank you all very much and I'll have to nominate somebody next year.



Remarks from 2004 MWUA President and Presentation of President's Award

Mike Nadeau

Superintendent, South Berwick Water District

Good afternoon. It gives me great pleasure to present this year's President's Award.

This person began his career in this business 28 years ago and he has been one of my mentors over the last 17 years of my career. He actually nominated me and got me involved in the Maine Water Utilities Association. I told him that I would always try to get even. His time is

fast approaching, so I'm trying to get even.

Dave Michniewicz had a lustrous career at the York Water District over the 28 years. He is a past president of this association, as he was President in 1995. He is a Jeff Nixon Award winner and I could go on and on. I'm going to be there a little later in the month when we roast Dave at his retirement. At this time I would like to present the 2005 President's Award to Dave Michniewicz of the York Water District.

Before we have the exchange of the gavel, I want to thank everybody for the last year. It's been an honor and a privilege. You guys have all helped me out tremendously. As I said in my last bimonthly message, this has been the highlight of my career. I will cherish it always. With that, I would like to pass the gavel to the 57th President, the first woman President; a very civic minded person.

At this time I'd like to introduce and welcome the 2005 President of the Maine Water Utilities Association, Judy Kelley.

Welcoming Remarks from 2005 MWUA President

Judy Kelley

President, Aqua Maine, Inc.

2005 MWUA President

Thank you and good afternoon. Jeff McNelly and I have been a discussion about who has the new boss. He keeps calling me his new boss, and I think I have a new boss – Jeff. That's the way I'm going to approach my presidency. I'm here to serve the membership of the association, to help you out in any way that I can.

Many are going to say: "Hey, we have our first woman President". As you look around the room it's obvious we are a very male dominated industry. It's probably high time after 79 years, that there's more involvement by women. It's interesting too that Vivian is President of the Maine Waste Water Control Association. Also, the Drinking Water Program Director is Nancy Beardsley. And Dawn Gallagher, is Commissioner of the DEP. What is this world coming to? With me you're really committing three sins,



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because not only are you getting a woman, you're getting someone with a financial background (not an engineering or operations background) and you're getting somebody that's from a for profit utilities.

The important point is diversity. Diversity is a good thing. For some of you who were at the session this morning, we heard a lot about diversity; it isn't just about gender - it's about background and age and what kind of system you come from, the type of water system you know how to run, your education and experience and other factors. The challenging role for MWUA is to represent all those diverse things. But it's with diversity, and with a strong leader, that we reach the best conclusions and make the appropriate decisions. Those discussions at the Board meetings can be long and messy and contentious and maybe even ugly but we arrive at the right solution because we have diversity.

I really encourage all of you to think about how you can bring your diversity to the association, whether it's through committee membership, or just helping out any way that you can. One way to do that is to talk to those you may know who are on a committee or the Board, to make sure that we are an association representing everyone, as best as we can. There are over 1100 water utility employees in Maine. Everyone has something to offer, so I would really encourage you to consider how you can bring your expertise to the association.

We have a busy year ahead of us. We just finished our strategic plan so we have some action steps. Internally, we are going to talk about right staffing for the association and whether we need to add an educational coordinator. We will investigate the right location for the association and we're going to knock off a 3 year financial plan so we can look ahead and know exactly where we are headed.

Externally, our key objectives are to continue our involvement in the whole discussion of water resource allocation, which is a very important conversation that will happen this year. We've got to figure out how to get the SRF match. This association, the Drinking Water Program and others are all devoting too much time, energy and resources trying to find those matching dollars every year. We've got to come up with a sustainable long term solution. We will continue the alliances that we started with MWWCA and other associations.

While all this is happening, we will not lose sight of the core mission of Maine Water Utilities Association: education, networking opportunities, making sure we're keeping up with and implementing new regulations, following the legislative process, introducing new bills, keeping open communication between me and our membership, being a resource for our membership and the association and being a voice for the profession.

I encourage you to think of how you can bring your diversity and your perspective to the association through direct involvement, or whatever way makes sense to you. We need it and we encourage it. I want to thank our cosponsors today, the New England Water Works Association and the Maine Waste Water Control Association. I want to thank our vendors, who are very loyal and provide the show over at the civic center.

I especially want to thank the Program Committee. This year we have a new format for this annual meeting. I think it's great; we will be looking forward to any feedback you have. I encourage you to attend the new Eat, Meet and Beat Feet segment tomorrow afternoon. It should be fun and I encourage you to be there.

Most of all, have fun and have a great year. Thank you.

The Trade Show



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Stephani Morancie receives
The Jim Doherty Volunteerism Award



Ron Miller of the Portland Water District accepts the
Excellence in Operations Award



Presidents Award Recipient Dave Michniewicz
with 2004 President Mike Nadeau



Julie Coes of Bath Water District
accepting the 2nd place award for small systems for
consumer confidence report



Vivian Matkivich, - MWWCA, Norm Lamie -
NEWWA, Judy Kelley - MWUA



Jeff McNelly presenting Ron Gray with the Meet, Eat &
Beat Feet Grand Prize Raffle Check

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Keep it Flowing

Basic Principles of Water Utility Interconnection Agreements

by William S. Harwood and Nora Healy
Verrill Dana, LLP

As water utilities recognize the advantages of sharing water with neighboring utilities, interconnections between utilities are becoming increasingly common. These relationships frequently make economic sense if a utility needs either a new long term source of supply or a new back-up emergency source of supply. These arrangements also minimize environmental impacts by more effectively utilizing existing facilities and resources. Through cooperation, water utilities can ensure that consumers are supplied with a safe adequate supply of water at the lowest reasonable cost.

The following principles provide a general starting point for negotiating an interconnection agreement. They include: quantity, price, quality, interconnection facilities, term, and billing and payment. Of course, utilities should modify these terms to accommodate the specific circumstances of the proposed interconnection.

A. Quantity

Interconnection agreements can be divided into two basic types: emergency interconnection agreements and normal supply interconnection agreements.¹ Although both types of agreements will share many common terms, two major terms, quantity and price will vary significantly depending on the type of agreement.

Emergency agreements tend to be structured so that two neighboring utilities can depend on each other for water during emergencies. The parties expect the interconnection to be closed under normal operating conditions and only be opened to respond to an emergency need for water by either utility. In such agreements, the quantity should be limited by the amount needed to respond to the emergency; the size of the interconnecting mains; and the amount of surplus water available for sale by the selling utility. In other words, the quantity should be limited by only the purchasing and the selling utilities' needs and the physical capacity of the interconnection.

Normal supply agreements should state that the interconnection is expected to remain open under normal operating conditions, so that the buyer can purchase a steady supply of water to supplement or replace other existing sources of supply or avoid the need to develop a new source of supply. In these agreements, the quantity should reflect both the anticipated demand of the buyer's customers and the capacity of the seller to deliver water without compromising service to its own customers.

B. Price

The price of water should be negotiated and need not necessarily be the same as the prices in the selling utility's PUC approved rate schedules for retail customers. The PUC has recognized that through an interconnection agreement, utilities may negotiate a new "wholesale" price that is different from its retail rate schedule. For emergency agreements, where it may be difficult to predict which utility will be selling and which will be buying water, the price should be approximately equal to the short term marginal cost of producing and delivering water to the point of interconnection. Specifically, the price should cover the seller's cost of items such as chemicals and electricity.

In normal supply agreements, price should be calculated differently. Again, the price should allow the seller to recover its marginal cost of producing and delivering water to the point of interconnection, but it should also account for the benefit to the buyer of avoiding costs or realizing savings by not needing to operate an existing source of supply or develop a new source of supply.

¹ Hybrid agreements involving both emergency and normal supply also exist and can be successfully accomplished by considering principles applicable to each type of agreement.

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Therefore, other considerations aside, the price in a normal supply agreement should be approximately half way between the seller's long term marginal cost of producing and delivering water and the buyer's long term avoided costs or savings realized by not needing to operate an existing source of supply or develop a new source of supply. Despite its tendency to increase the price of water, a fair price term should reflect the benefit to the buyer of not having to expend considerable resources in the operation or development of other sources of supply. In both types of agreements, the price should have an automatic annual inflation adjustment and should not be subject to retail increases proposed by either utility in a traditional PUC rate case.

C. Water Quality

Water utilities entering into an interconnection agreement should address whether the water delivered will be raw water, or treated water that meets minimum drinking water standards. If the agreement is for treated water, and water quality falls below regulatory standards, the agreement should specify that the seller will notify the buyer and make every effort to cure the problem. The agreement should further specify that the buyer alone is responsible for notifying its retail customers of water quality issues or facts as required by state or federal law. Further, the utilities should agree on who bears the cost to the purchasing utility if the selling utility adds or removes fluoride from its water.

D. Interconnection Facilities

The agreement should designate the point of interconnection where water will actually be delivered to the purchasing utility and be metered for billing purposes. It should allocate responsibility and cost for engineering, constructing, owning and maintaining main extensions and interconnection facilities needed for the interconnection. If either party has invested a significant amount in new interconnection facilities, the price should be adjusted to reflect these investments (investments by the seller would increase the price; investments by the buyer would lower the price). Finally, the agreement should reaffirm or modify service territories as needed to clarify retail service responsibilities in the area near the point of interconnection.

E. Term

The initial term of an interconnection agreement should be for a period sufficient to allow the utilities a reasonable opportunity to realize the benefits of their investments in new interconnection facilities and any associated main extensions. After the initial term expires, either utility should be allowed to terminate the agreement upon enough notice to allow the other utility to make other arrangements. For example, two years notice is often an adequate amount of time for the purchasing utility to identify and develop an additional source of supply. Unless terminated by either party, an interconnection agreement should continue indefinitely.

F. Billing and Payment

The interconnection agreement should describe the terms of billing and payment. Specifically, it should address meter reading, billing frequency and payment terms. The agreement should also clarify that the purchasing utility is not a "customer" for purposes of PUC statutes and regulations.

G. Miscellaneous

Finally, most interconnection agreements should contain a number of miscellaneous provisions. An interconnection agreement will usually require approval by the PUC and the Department of Health & Human Services, Drinking Water Program. Therefore, the agreement should be executed subject to necessary approvals and only become effective immediately thereafter. The agreement should contain a clause that assures that the written contract contains the entire understanding of the parties, and it should further require that any amendments to the agreement or waivers of specific obligations be in writing. The parties should consider including a provision either permitting a party to assign the agreement to a third party provided that adequate notice is given and the other party does not reasonably object to the

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assignment, or prohibiting assignment. In addition, the buyer should agree to defend and indemnify the seller against any claims, loss, damage, injury, expense or other liability arising out of the use by the buying utility or its customers of the selling utility's water. The agreement should also explain that nothing in the agreement should be construed as creating any duties to the customers of the buying utility or to other third parties. A provision should clarify that the customers of either utility do not have rights to enforce the agreement.

In the event of a natural disaster, terrorist act, or similar unforeseen event that renders performance by either utility wholly or partially impossible or impracticable, the agreement should excuse performance to the extent necessary.

With these general principles in mind, neighboring water utilities can identify opportunities for interconnection and negotiate mutually beneficial agreements that assure successful relationships long into the future. If you have any comments or questions about interconnection agreements, please contact Bill Harwood at wharwood@verrilldana.com or Nora Healy at nhealy@verrilldana.com.

In Memory

Jon Barlow

Walter John Barlow, Jr., 56, of South Paris, died on January 24, 2005 at Stephens Memorial Hospital after a brief battle with cancer. He was born in Bayonne, N.J., on December 9, 1948, the son of Walter J. and Stacia Barlow, Sr. He attended Catholic schools and Seton Hall Prep., earning his Bachelor of Science degree in chemistry from St. Anselms. He served on the Board of Trustees (1982-1991) of the Paris Utility District and in 1991 became the Superintendent of the district. Jon was a member of the Maine Water Utilities Association's Legislative and Regulatory Affairs Committee.

Jon was also a member of the Paris Planning Board, and the Budget Committee. He was a former member of the Paris Volunteer Fire Department as well as an Eagle Scout. He was a member of St. Catherine of Sienna church, since 1972, and was a lector. He was also a former member of the Knights of Columbus.

Stanley Melin

Stanley O. Melin, 90, died December 11, 2004 at a Bangor hospital. He was born October 17, 1914 in Arlington, Mass, the son of Oscar and Agnes (Envall) Melin. He graduated from Arlington, Mass. High School and Burdette College. He was a veteran of World War II. Stanley was superintendent of the Brewer Water District retiring in 1979, a member of the Maine Water Utilities Association, was a long standing member of the First United Methodist Church of Brewer, Ralph J. Pollard Lodge No. 217 AF & AM of Orrington, Scottish Rite Bodies, Valley of Bangor, Maine Consistory 32nd Degree, and member of Anah Shriners, Bangor-Brewer Shrine Club, Academician and former treasurer, and the Corinth Area Kiwanis Club, Senior Citizen Housing Project Planning Board.

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Past Presidents

Deceased*

1926-50 DAVID E. MOULTON*
1951 SIDNEY S. ANTHONY*
1952 ROMIE K. NEWCOMB*
1953 ALLAN F. McALARY*
1954 LEANDER G. SMITH*
1955 FRANCIS L. HATCH*
1956 EARL A. TARR*
1957 WM. G. HARTWELL*
1958 HERMAN BURGI, JR.*
1959 DONALD P. JOHNSTON*
1960 J. ELLIOT HALE*
1961 LYNDALL K. PARKER*
1962 MAURICE H. BURR*
1963 JAMES W. BATES
1964 J. PORTER HENNINGS*
1965 CECIL W. MANN
1966 E. S. LITTLEFIELD*
1967 PAUL G. BUTLER*
1968 M. A. PACKARD, JR.
1969 W.D. MONIE*
1970 ROBERT VARNEY*
1971 JOSEPH TAYLOR
1972 SHERMAN SMITH*
1973 HARRY WOOSTER
1974 GERARD F. LAUREN*
1975 PELEG BRADFORD*
1976 LYBRAND GOLDSMITH
1977 STANLEY MELIN
1978 ALTON JOHNSON*
1979 EARLE A. TARR, JR.
1980 JOHN E. LOMBARD
1981 FRED E. GIVEN
1982 DAVID A. SWEET
1983 R. PATRICK GRADY
1984 HECTOR LeCOURS*
1985 RONALD R. GRAY
1986 A.B. PALMER, JR.*
1987 PETER L. CALDWELL
1988 EDWARD B. BURGESS
1989 DENNIS T. KNOWLES
1990 JEFFREY L. McNELLY
1991 JEFFREY P. NIXON*
1992 GEORGE PETERS
1993 NORMAND R. LABBE
1994 NORMAND R. LAMIE
1995 DONALD L. WARE
1995 DAVID MICHNIEWICZ
1996 WAYNE ROGALSKI
1997 NORMAN J. CYR
1998 STEPHEN L. FREEMAN
1999 JAMES W. WEST
2000 RICHARD L. KNOWLTON
2001 SCOTT MINOR
2002 DAVID PARENT
2003 JEFFREY LACASSE
2004 MIKE NADEAU

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Board of Directors Meeting October 7, 2004 Augusta, Maine

The October meeting of the Board of Directors of the Maine Water Utilities Association was held on Thursday, October 7, 2004 at the Augusta Water District office, Augusta, Maine. President Nadeau called the meeting to order. Directors present were Alexander, Kelley, Dillingham, LaCasse and Tarbuck. Also present were Executive Director McNelly, Rebecca Martins, Greg Reed, Rick Knowlton, Dave Parent, Jefferson Longfellow and Jon Van Bourg.

Communications

McNelly provided an update on the MWWCA's fall conference held September 16th and 17th. MWUA members who attended the conference included McNelly, LaCasse, Berger and Ron Miller.

McNelly provided an update on the October 6, 2004 MMA conference. McNelly, Victor Krea of Wright-Pierce Engineers and Lucretia Smith from PUC presented on the water utility scenarios of what happens if the Tax Cap Yes proposal is successful.

Nadeau informed Board members that the state has found a way, working through the EPA, to secure SRF funding.

LaCasse and Tarbuck informed the Board that they are working on a MWUA Personnel Handbook.

Executive Director's Report

McNelly will provide an update on the February Trade Shows at a later date, after the next Program Committee, following the October 14, 2004 bi-monthly meeting.

Director's Report

There were no further reports provided.

Approval of Minutes

On a motion by LaCasse and a second by Tarbuck, the minutes of September 9, 2004 were unanimously approved.

Committee Reports

Water Resource Committee – Jon Van Bourg

Van Bourg provided an update on training sessions. Ken Wagner presented on all aspects of algae identification on September 16th and 17th at VLMP's Brackett Center. A two day follow up session to the class is being planned for 2005. On November 10th an ITV course offered through the University of Maine system (Presque Isle and Augusta) will review the Stage 1 Disinfection By Product Rule regulations. McNelly and Jennifer Hitchcock of the Drinking Water Program are coordinating the meeting.

Van Bourg reported that the DEP was grateful for the MWUA comments on storm water regulations. A maximum of three meetings will be set up in October, November and December for further discussion; particularly on shoreline zoning rules.

Van Bourg reported that the Committee is seeking a position from MWUA on H2O for ME's proposal of a usage tax on water that is put in containers. On a motion by Tarbuck and a second by Kelley, there was unanimous support to oppose the H2O for ME's legislation for taxation on bottled water. Dillingham and Tarbuck will draft a paper opposing the initiative and MWUA will distribute its position letter prior to the November 3, 2004 Board meeting.

Program Committee – Longfellow

Longfellow provided an update on the October 14th bi-monthly meeting being held at the Spring Meadows Golf & Country Club at Cole Farms in Gray. Alexander reported that communication with Tax Cap Yes representatives has been poor. With a lack of response and commitment from Tax Cap Yes, the committee agreed to seek alternative presenters; including whoever could discuss the Maine Chamber of Commerce tax relief proposal. Alexander and McNelly will work together to confirm the speakers for the technical program. Bruce Berger will moderate the technical sessions.

McNelly provided an update on the December 9th bi-monthly meeting being held at the University of New England in Biddeford. The topic will be the formation of regional water councils. The meal and room costs quoted by the facility are high; \$28 per person. Nadeau will meet with the university to try to negotiate a reduction in price.

The Committee is planning the February 7th – 8th, 2005 MWUA trade show. The format for 2005 will differ from the 2004 program. The Committee agreed to dissolve the traditional banquet due to a low number of attendees last year.

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In its place, there will be a meet and greet on Tuesday afternoon from 3:00-5:00 PM. The goal is to keep attendees on the exhibitor floor until the end of the trade show.

The Training Sessions are being formalized. An update and agenda will be provided on November 1, 2004.

Education & Operations Committee – McNelly

McNelly reported that MWUA will submit written comments on the proposed rule changes for operator certification. The deadline for comments is October 15, 2004. Tony Alves and Greg Reed have already submitted written comments. Reed, Parent, Beth Pratt and Terry Trott attended the public hearing.

Of particular concern is that Board of Licensure members are not recognizing the impact that new rule changes could have on licensed operators; leading to a possible water operators crisis in the State of Maine. Liability insurance coverage for operators is a major concern. Tarbuck and Dillingham will draft guidelines for operators and liability insurance coverage for licensed operators in the State of Maine.

Public Awareness Committee – Brian Tarbuck

Tarbuck reported that he and Dillingham will be participating in the Northern Maine Children's Festival on October 12th featuring their "Stump the Chumps" game.

Committee members are participating in external communications with water utilities. Tarbuck drafted a letter which was distributed to water systems encouraging the individual systems to explore how the passage of the Palesky legislation could affect their local community. On a motion by Nadeau and a second by Tarbuck there was unanimous consent that MWUA should not take a position on the Palesky Bill. There was a consensus that MWUA's effort should be that of informing and educating their members of the potential impact to individual systems.

Dillingham and Tarbuck will draft guidelines for contract operators in the water business.

Legislative and Regulatory Affairs Committee – McNelly

Tarbuck informed the Board that Trevor Hunt will replace Seth Garrison at the Bath Water District. Garrison has been hired by CDM and will be working to establish a safe water supply in Afghanistan.

McNelly provided an update on activities and discussions in Augusta in regard to the Bond issue. MWUA will continue to encourage individual utilities to contact their representatives regarding the \$2 million bond issue, to match the \$10 million in federal funding. The committee's hot line is operational. The committee continues to explore alternative funding mechanisms of pursuing the \$2 million match; including allocating the funds through the DHHS budget.

McNelly reported that MWUA's Sustainable Water Use Committee has been monitoring the work of the interagency task force. Included in the task force's working draft of the proposed rules are stream flow standards and lake and pond levels. There has not been a substantial focus on ground water supply. The committee chair will provide an update at the November meeting.

Nadeau reiterated that the EPA has devised a plan to secure the SRF funding and that their plan should be made public shortly.

McNelly updated the Board that the Committee had a unanimous vote to support the legislation which would allow for Regional Water Councils. Parent and Nadeau reported that the legislation is still in draft form, and that the general concept of the legislation is not expected to change. On a motion by Kelley and a second by LaCasse, there was unanimous support to accept the Legislative and Regulatory Affairs Committee's recommendation to support the Regional Water Council legislation.

Old Business – McNelly

Financial Report - McNelly submitted the year end financial report. MWUA ended the year with a \$25,000 surplus over the projected year end balance.

Alexander and McNelly presented the Board with a balanced 2005 financial budget. On a motion by Alexander and a second by Kelley, the Board unanimously accepted the 2005 Budget.

McNelly reported that the final draft of the MWUA Strategic Plan 2004-2007 will be distributed to Board members, along with an action plan to prioritize and assign association responsibilities.

New Business

Parent provided an update from the Nominating Committee in regard to the proposed By-Law changes. A draft of the updated By-Laws was distributed to the Board. The changes in the By-Laws would ensure the continuity of Board members and assure the association's institutional memory and knowledge. On a motion by Kelley and a second by LaCasse, there was unanimous consent to accept the Nominating Committee's recommendation for By-Law changes and to ask the committee to present the new By-Laws at the December meeting.

Nadeau asked the Board to consider evaluating both the Executive Director's performance and the Board of Directors' performance at the same time in December. Handouts were provided by Nadeau. There was consensus to do so.

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The next MWUA Board meeting has been scheduled for November 3, 2004 place and time to be determined.

Adjournment

On a motion by Tarbuck and a second by Dillingham, the meeting was adjourned by unanimous consent.

Board of Directors Meeting November 3, 2004 Augusta Water District

The November meeting of the Board of Directors of the Maine Water Utilities Association was held on Wednesday, November 3, 2004 at the Augusta Water District office, Augusta, Maine. President Nadeau called the meeting to order. Directors present were Kelley, Dillingham, LaCasse and Tarbuck. Also present were Executive Director McNelly, Rebecca Martins, Greg Reed, Dave Parent and Jefferson Longfellow.

Communications

McNelly provided an update on his attendance at the North Country Convention; a joint session of JETCC and MWWCA.

McNelly, Norm Lamie and Andy Tolman attended a public meeting in Ellsworth on recreational use of public water supplies. Paula Thomson with the State Planning Office is seeking evidence as to whether or not public boat ramps which facilitate citizen access to water bodies (and increased recreational use of water supplies) degrades water quality.

Executive Director's Report

McNelly informed the Board that MWUA Associate Member Al Hodsdon had made an inquiry to see if contract water operators could serve on the MWUA Board of Directors. MWUA By-Laws state that Individual Members be designated by Corporate Members. The current By-Laws state that the Individual must be employed by the Corporate Member. The subject was tabled until a time in which a nomination for a contractor is received.

Director's Report

Nadeau informed the Board that the Office Relocation Adhoc Committee had reached a consensus that the MWUA office should relocate to Augusta. Committee member LaCasse provided a draft of the MWUA Personnel Handbook.

Approval of Minutes

On a motion by LaCasse and a second by Kelley, the minutes (as amended) of October 7, 2004 were unanimously approved.

Committee Reports

Legislative and Regulatory Affairs Committee – Parent

Parent informed the Board that he, Executive Director McNelly and Jim Cohen would be meeting on November 3, 2004 with Dick Davies, Chief of Policy for Governor Baldacci, to discuss getting the SRF as a line item in the Governor's budget. Parent shared that Nancy Beardsley, of the DWP, is currently working with the EPA to develop alternative strategies for funding.

The committee will be updating the Legislative Hotline to reflect the election results.

The Committee is exploring the effectiveness of establishing smaller subcommittees.

The Committee continues to monitor sustainable water use. McNelly stated that the MWUA's Ad Hoc Sustainable Water Use Committee has been monitoring the work of the interagency task force. Of particular concern is the statutory change to the definition of agriculture use, and the reclassification of AA waters. A MWUA position paper is being drafted, with a December deadline. The next interagency task force meeting is scheduled for December.

McNelly emphasized that MWUA needs to be a champion of the process ensuring that there is a comprehensive, balanced approach. MWUA should bring solutions to the table with grassroots advocacy to the Board of Environmental Protection and in the Maine Legislature.

Program Committee – Longfellow

Longfellow provided an update on the October 2004 bimonthly meeting and provided bi-monthly meeting dates and locations for calendar year 2005: April 14, 2005 is in Old Town, June 9th, 2005 is tentatively scheduled for Rangely,

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the MWUA Annual Clambake is August 11, 2005 at Thomas Point Beach in Brunswick, the October 13, 2005 meeting is in Augusta and the December 8, 2005 meeting will be held in York.

Longfellow provided updates on the February 2005 Trade Show. Tuesday's Technical sessions have been confirmed, as have been the Education and Operation's "Learning to Learn" and "Taking Exams" sessions. Monday's Session A is being finalized, as is Monday's NEWWA session. The joint session with Maine Waste Control Association has not yet been determined.

Changes to the 2005 program include replacing the Banquet with a 2 hour appreciation reception and producing a high quality show brochure. The deadline for advertising in the brochure is November 10th. The deadline for getting the brochure to the printer is November 22, 2004.

Office staff has been communicating with the Portland Downtown District's merchants association. They require a nominal fee to acquire their membership mailing list. On a motion by Dillingham and a second by Tarbuck, the Board unanimously approved allocating \$30 to purchase the PDD's mailing list. In addition to the PDD, MWUA will seek PWD's and Jim Cohen's assistance securing raffle items for the reception segment of the conference.

Education & Operations Committee – McNelly

McNelly provided updates on 2005 educational trainings. In addition to the February Trade Show's sessions, the committee is planning NEWWA classes for January and April of 2005, computer classes for January, March and May, and the committee plans to reinstate their road show.

Water Resource Committee – McNelly

On November 10, 2004 MWUA will host its first distance learning educational session with an ITV Broadcast from the University of Maine's campus in Augusta. The broadcast will be transmitted to the University of Maine - Presque Isle. The subject is: The Stage 1 Disinfection By Product Rule.

Committee members are contributing to the paper for the October Journal, which reviews environmental permitting decisions.

Public Awareness Committee – Brian Tarbuck

Tarbuck provided an update on the Maine Children's Water Festival held in Orono on October 12, 2004.

Committee members have expressed their willingness to assist other committees as needed. They will be participating in the February Trade Show with "widgets and gidgets" and photo contests.

The committee will be reviewing the MWUA Journal and make a recommendation back to the Board if the Journal should continue in its current format and frequency.

The next scheduled meeting of the PAC is on November 23, 2004 at the office of Aqua Maine, Inc. in Rockport.

Old Business – McNelly

McNelly informed the Board that a Financial Report will be provided at a later date.

McNelly is waiting for the balance of the Prioritizations and Responsibilities surveys to move forward with the Strategic Plan Process.

The Nominating Committee's proposed By-Law change will be presented to the membership at the December 9, 2004 bi-monthly meeting.

New Business – LaCasse

LaCasse suggested that Board members make recommendations of nominees for the MWUA annual awards.

Adjournment

On a motion by LaCasse and a second by Dillingham, the meeting was adjourned by unanimous consent.

Board of Directors Meeting December 2, 2004 Augusta Water District

The December meeting of the Board of Directors of the Maine Water Utilities Association was held on Thursday, December 2, 2004 at the Augusta Water District office, Augusta, Maine. President Nadeau called the meeting to order. Directors present were Kelley, Dillingham, LaCasse, Dumais and Tarbuck. Also present were Executive Director McNelly, Rebecca Martins and Dave Parent.

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Communications

McNelly provided a thank you letter from Water for People in recognition of MWUA's contribution to their 14th annual silent auction; held at the NEWWA annual conference, September 2004 in Newport, Rhode Island.

Director's Report

Nadeau informed the Board that the Office Relocation Adhoc Committee will prepare a report to be ready in January 2005.

Executive Director's Report

McNelly reported that the Utilities and Energy Committee has requested that the PUC provide input on criteria to be considered in the case of a change of ownership structure for a water utility. A meeting with Lucretia Smith of the PUC will be scheduled so the association can provide input, including the association's water utility governance paper plus talking points, provided by Kelley, which list salient considerations/issues.

Approval of Minutes

On a motion by Kelley and a second by Dumais, the minutes (as amended) of November 3, 2004 were unanimously approved.

Committee Reports

Public Awareness Committee – Dillingham

Dillingham provided an update on the November 23, 2004 PAC meeting. In conjunction with the MWUA February Trade Show, the PAC will facilitate a photo contest (people, places and things in relation to water utilities) and a Rigs & Gigs Contest (innovative operations devices.)

The committee continues to explore ways of expanding opportunities to have a PAC booth at additional venues, i.e.: exploring the Portland Flower Show and the Common Ground Herb Festival. Dumais will provide information at a later time in regard to the Fort Fairfield Agriculture Show being held in March of 2005.

The committee will participate at the Southern Maine Children's Water Festival in May. "Stump the Chump" and Drinking Water Trivial Pursuit Cards will be the educational components. Wooden planes and beach balls have been ordered for prizes for the kids.

The committee is reviewing the feasibility of having MWUA publications as online resources.

Julia Coes, of Bath Water District, has joined the committee as a new member.

The PAC will offer its assistance in creating a MWUA brochure (or utilize what is currently available) as part of a welcoming packet for NEWWA members at their September 2005 annual conference being held in Rockport, Maine.

Program Committee – McNelly

McNelly provided an update on the February 2005 Trade Show and distributed a draft version of the brochure. With the exception of a \$5 increase to attend the Tuesday technical sessions, the pricing structure from 2004 will be carried over to 2005. The 2005 trade show will be held in conjunction with New England Water Works Association and Maine Waste Water Control Association. Nadeau leads a subcommittee on the logistics of presenting awards and announcements and will provide an update at a later date.

Education & Operations Committee – McNelly

Computer classes within the community college system are being planned for February, March and May of 2005. The 2005-2006 Work Plan is being developed.

Water Resource Committee – McNelly

McNelly provided an update on MWUA's first ITV session held at the University of Maine – Augusta on November 10, 2004. The Stage 1 DBP session was broadcast from the Augusta campus to the University of Maine System in Presque Isle. McNelly is researching other distance learning technology.

McNelly and Van Bourg were appointed co-coordinator of an afternoon session of the Maine Water Conference focusing on drinking water planning and conflicts.

McNelly reported that the Department of Environmental Protection is considering implementing Resource Protection zoning for land within 1000' of water supply intakes.

He will be attending a public hearing and vote on a proposed change to Embden's ordinance that would change setback requirements on Hancock Pond, which is the supply for the Anson and Madison Water Districts.

Nominating Committee –Parent

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Ballots for the 2005 election have been tallied. There were 207 approved ballots received. Incumbents Judy Kelley and Mike Nadeau were reelected to the Board of Directors for 3-year terms, starting in 2005.

Legislative and Regulatory Affairs Committee – Parent

The committee circulated a template for a congratulations letter to the elected members of the 122nd legislative session. The legislative hotline is being updated to reflect the election results.

The committee reviewed the effectiveness of establishing smaller subcommittees within the legislative and regulatory affairs committee. The conclusion made was to stay with the tradition of having a full, working committee.

Parent provided an update that Nancy Beardsley, of the Drinking Water Program, has worked with the EPA to develop an alternative strategy for meeting the required SRF match. The DWP plans to use accrued interest to pay for the SRF funding match this year. As this mechanism may only be used once every 6 to 7 years, there is concern that the accrued interest strategy should only be used as a last resort, if a 2005 bond is not approved or if the match cannot be secured as part of the general fund. MWUA will seek clarification of the DWP plan.

Parent informed the Board that he, Executive Director McNelly and Jim Cohen met on November 3rd with Dick Davies, Chief of Policy for Governor Baldacci, to discuss getting the SRF match into the Governor's budget as a line item. Davies was not optimistic, but he did indicate that there was discussion relative to developing a 5 year capital plan for bonding requirements.

The Bureau of Health is holding a budget stakeholders meeting on December 13, 2004 to discuss their budget process. McNelly and Parent will encourage that funding for the DWP be allocated through the DHHS budget.

Parent provided an update on the progress of the Regional Water Council legislation. In meetings with Davies and Deputy Director Susan Inches of the State Planning Office, both were receptive to the regional water council. MWUA's bimonthly meeting on December 9, 2004 will include a presentation on the regional council.

Parent provided a brief summary of Governor Baldacci's tax proposal.

Old Business – McNelly

McNelly submitted the October 2004 financial report to the Board.

McNelly is waiting for the balance of the prioritizations and responsibilities responses to move forward with the Strategic Plan process.

LaCasse distributed a draft copy of the MWUA Personnel Handbook. Board members are encouraged to review the document and offer recommendations and suggestions prior to the January 2005 Board meeting.

The Board voted to go into Executive Session. The Board voted to come out of Executive Session. The Board meeting was adjourned by unanimous consent. January's Board meeting will be scheduled at a later date.

Adjournment

Adjourned was by unanimous consent.

Board of Directors Meeting January 6, 2005 Augusta Water District

The January meeting of the Board of Directors of the Maine Water Utilities Association was held on Thursday, January 6, 2005 at the Augusta Water District office, Augusta, Maine. President Nadeau called the meeting to order. Directors present were Kelley, LaCasse, Alexander and Tarbuck. Also present were Executive Director McNelly, Rebecca Martins and Jefferson Longfellow.

Executive Director's Report

McNelly provided an update on the December 1st, 2004 public meeting in Embden in relation to Hancock Pond, which is the supply for the Anson and Madison Water Districts. A developer had sought a variation for a 100' setback from the current 250' setback. The request was voted down.

McNelly gave a report on the Kennebec Water District's petition to restrict vehicles on China Lake. VanBourg, Tolman and McNelly offered testimony at the public hearing on December 29, 2004 in support of the restriction. The deadline for written comment is January 10, 2005.

McNelly provided an update on the sustainable water use report. The draft has been completed and is currently out for review.

Approval of Minutes

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On a motion by LaCasse and a second by Kelley, the minutes (as amended) of December 2, 2004 were unanimously approved.

Committee Reports

Program Committee – Longfellow

Longfellow provided a logistical update on the February 2005 Trade Show. The traditional Sunday night meet and greet falls on Super Bowl Sunday which should allow for plenty of excitement. With a recommendation from the ad-hoc subcommittee on the logistics of presenting awards and announcements, the distribution of awards and the passing of the gavel to the 2005 MWUA Board President will occur during Monday's luncheon. This year's format will include keeping speeches to minimal and taking pictures at the conclusion of the luncheon. The ad-hoc subcommittee will continue to examine whether or not in the future, the awards ceremony should take place at the MWUA annual December bimonthly meetings.

Board members present elected not to have a Board meeting in February.

Longfellow provided an update on the April 14, 2005 bimonthly meeting in Old Town.

Legislative and Regulatory Affairs Committee - McNelly

Rep. David Trahan has agreed to sponsor the association's SRF funding bill. It was reported that Rep. Barstow will sponsor the regional water council legislation. The PUC is still working on a report concerning issues to be considered relative to the change of water utility reorganization. The commission has also submitted a Dig Safe bill. No bills have yet been printed that are of major concern for utilities. There is a need to watch certain precloture bills. It appears there will be ongoing efforts to establish a surcharge on water use and that needs to be followed carefully.

A subcommittee of the Legislative and Regulatory Affairs Committee is evaluations exploring options for the annual state match for DWSRF funds. It is expected they will present a recommendation by the next Board meeting. The General Obligation bond process is still the best option for obtaining the match and that avenue will be pursued.

It was reported that the Governor's bond package will be released soon. The tax relief package seems to be getting mixed reviews.

The next Legislative and Regulatory Affairs Committee meeting is scheduled for January 20, 2005.

Old Business – McNelly

McNelly submitted the November 2004 financial report to the Board. Membership dues invoices are being remitted, tradeshow vendor applications and payments are being received and the February Trade Show brochure advertising invoices have been mailed.

McNelly distributed copies of the Strategic Plan as well as a draft version of 2005 Goals for the Board of Directors, the 2004 Goals of the Executive Director and a draft version of the 2005 Goals for the Executive Director.

Ryan McNelly has been hired on a part time basis to research computer training classes and distance learning, to finish a training protocol manual and to assist the Education and Operations Committee in reaching their goals. He will also be used to help the office get ready for the February meeting.

On a motion by LaCasse and a second by Kelly, the Board moved to accept the goals (with the inclusion of water resources) and to develop draft goals for each of the committees. The goals will include that the Board of Directors have oversight of the committees.

New Business

On a motion by Alexander and a second by Tarbuck, the Board unanimously elected the 2005 Board of Directors officers as follows:

Secretary – Dillingham
Treasurer – Alexander
1st Vice President – Tarbuck
2nd Vice President – LaCasse
President – Judy W. Kelley, President - Aqua Maine, Inc.

LaCasse provided a draft version of the MWUA Benefit Package from the MWUA Personnel Handbook. Updates include the 2005 IRS reimbursement rate for mileage of \$.405 cents per mile and adopting the State of Maine's

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holiday schedule. The completed handbook will be voted on at the March 3, 2005 Board of Directors meeting. Directors may submit comments to LaCasse and McNelly prior to the March Board of Directors meeting.

Nadeau informed the Board that the ad-hoc Office Relocation Committee is continuing its work and will submit a report to the Board in March.

McNelly presented an analysis of current healthcare insurance options. The Board reviewed the insurance options and gave consideration to moving to a lower premium policy and establishing a mechanism where the differentials of out-of-pocket expenses and deductibles could be met using the cost savings. It was determined that additional investigation was warranted to ask the questions: a.) do co-pays under the Dirigo Plan go towards the out of pocket expenditure. b.) is the out of pocket expenditure in addition to the deductible? In addition, a funding mechanism would need to be established to compensate employees for deductibles and out-of-pocket expenses.

Tarback thanked MWUA's outgoing President Nadeau and welcomed incoming President Kelley.

The March meeting of the Board of Directors is scheduled for March 3, 2005. The time and place are to be determined.

Adjournment

On a motion by Nadeau and a second by Tarback by unanimous consent the Board voted to adjourn.

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