



Minutes of October 4th, 2022

A meeting of the Wausau Water Works Commission was called to order at 1:30 p.m. in City Hall on Tuesday, October 4th, 2022. In compliance with Wisconsin Statutes, this meeting was posted and receipted for by the Wausau Daily Herald on September 30, 2022.

Members Present: President Rosenberg, Commissioners Herbst, Gehin, Robinson, Force
Others Present: Eric Lindman, Scott Boers, Anne Jacobson, Anne Keenan, Valerie Swanborg, Ryan Dwelly, Stephen Opatik/ Becher-Hoppe, Tonia Westphal/ Clark- Dietz
Via WebEx: Brian Roemer/Ehler, Susan Wojtkiewicz/Donohue

1) Approve Minutes of September 6th 2022 Meeting.

Herbst motioned to approve minutes. Seconded by Gehin.
Motion carried 5-0.

2) Director's Report on Utility Operations.

Robinson asked if there was any follow up with Environmental Protection Agency (EPA) relative to the Pilot testing and EPA picking up analytical costs? Robinson also asked if the financials of Water Utility revenue is lower but the Sewer rates were not, is this due to lower consumption due to PFAS, and if there were cash flow concerns from the Utility looking at these numbers?

Lindman replied that Donahue has been working with the EPA and provided them information. EPA would review that data and get in touch for a follow up. but as you heard on the phone call the EPA is noncommittal about providing funding.

Swanborg replied we are starting to see some squeeze on the cash in the water. The Public Service Commission (PSC) controls our rate study and we haven't had a water increase since January 2021. We've seen 2 rate increases in Sewer, one in effect already and one just going into effect. The Sewer has been able to keep up with the operating cash needs while the Water is falling behind because of the timing of the new rate increase going in. While the operating revenue has increased, there is a fall off from last year that has been attributed to volume but I haven't researched deep into that.

Robinson stated the staffing at the County was looking at an average of 8% by classification to maintain a position relative to midpoint, but it's a significant lift and the City might be looking at a similar lift.

Rosenberg replied that Human Resources approved the market study.

Keenan reiterated the approval of the market study and stated they were ironing out the contract. The County didn't do COLA's throughout like the City, but we recently just approved Cost of Living Adjustment (COLA) of 3% to begin in 2023.

Gehin questioned if there were any pending water rates from the PSC.

Swanborg replied nothing currently being evaluated by PSC, we are in process of doing a full rate case application in the next month or two, then giving the requirements to PSC, so it is

likely there will not be any rate increases for water until Spring of 2023.

Robinson questioned cash flow.

Lindman replied we could ask them to expedite their review or in the past we've had Water borrow from Sewer and Swanborg suggested we could do that again.

Rosenberg reiterated that she was in a meeting that included staff from the PSC, DNR, Governor's Administration, WEDC and received responses that they were willing to work with us to get us where we needed to go.

Force questioned if we should be concerned as the bar charts for the water expenditures has been exceeding the and our revenue looked below last year's revenue on some months?

Swanborg stated there were many pressures for both the Water and Sewer Utilities with the construction and operations. The financial results reflect that combination, the income statement or statement of operations, is comparable to last year which indicates it's normal and in line with last year. The cash is going to projects that we are undertaking. So, the rates are keeping up with cash needs. The last rate study evaluated by PSC didn't have PFAS, Solar Project or Corrosion Study, some of that is being paid ongoing because it's not contributing to any asset. Our current level of project is the other report you see for both Utilities.

Robinson questioned if the chart was the design costs or capital costs.

Lindman stated it was ongoing professional services contracts. The cash outlay is driven by the regulations that have come down or may be coming down since the last rate case with CCT and Lead Service Line and trying to meet those regulations. CCT is over \$200k and Lead Service Line investigation is over \$100k.

Gehin questioned the plan for the meter exchange regarding years of price level, and if delivery delay would come into play or if we would exceed that and have a major increase?

Boers replied we were looking at about 10 years. He believed the pricing level was 5 years, but there's a 3-year lock and a couple years not to exceed increases that were minimum. There shouldn't be major increases on those polymer meters and if there were it should not be as drastic as brass or other metals.

Director's Report Placed on File.

3) Presentation by Ehler's Regarding Funding Strategies for the Granulated Activated Carbon (GAC) Treatment Process for Long Term PFAS Removal in Wausau's Drinking Water.

Roemer presented the slides included in the packet starting with page 65.

Robinson questioned if there were additional development of the State plan for the Safe Drinking Water or if we were in a separate process due to the emerging contaminants funding as well as the traditional Safe Drinking Water Loan? He questioned if we anticipated different timelines and if it would work for this scenario?

Lindman replied there is no mechanism in place for us to apply for the emerging contaminants yet but we anticipate applying for 2 separate fiscal years for the GAC project. The state fiscal year intent to apply for 2024 is due at the end of October 2022 and we're working with Donohue to provide information to make the intent to apply (ITA). The ITA for 2023 State Fiscal Year was our project that we've presented to the state; there was no formal ITA like there is for 2024 funds. There's the Safe Drinking Water Loan that had a principal forgiveness portion and there will also be for this project but we won't know what levels of funding at this point but it will be with the request for the Safe Drinking Water Loan.

Boers stated they were looking at the request but they do not have a formal ITA or application in process yet and are not sure how they were going to roll out these funds for 2023.

Robinson stated we are looking at rate increase with a lot of unknowns. It would be nice if the State would move and make some commitments.

Roemer replied to Gehin's question that the current interest rate for the Safe Drinking Water Loan is 1.76%. The PSC views asset additions as it would be within the context of what they call a test year. So right now they are in test year 2023. Back when we filed the previous rate case we were looking at test year 2021. If we are looking at a project that expands beyond that year then they approved a 2nd step of rate adjustment but the 2nd step is only inclusive of additional assets put on because of that project, the depreciation and the rate of return is not included on as part of the rate structure. If we have a schedule that goes beyond 2023 and it looks like we do, they don't allow you to grab assets for 2024, only for a project that expands greater than a year. We could discuss that at the next meeting but depending on where we are at with the application and when we are adding the GAC project.

Lindman stated the last thing we heard was that the application would be available before year end and that was an extension from this fall. I have a conference call this week with the environmental loan section for clarifications on this grant and potential funding on other projects we are working on.

Gehin questioned if the chart from the presentation included O&M expenses to date.

Roemer stated it included a \$300k bump, we are about \$5.5 million of O&M expenses to on knowns to date and more to come from the pilot testing.

Robinson questioned the possibility of projecting the cost in our rate structure since it's an operating and not capital expense if we need to go with the ion exchange resin swap outs. We don't want to underestimate the costs and maybe look at the interim borrowing to help offset the rates but capture those costs?

Lindman replied those costs came in from the pilot study and that's what Roemer was talking about related to additional O&M expenses.

No Action Taken.

4) Discussion and Possible Action Approving a Funding Strategy for GAC Treatment Process.

Lindman wanted to see where the Commission was at regarding the Strategy for the funding that was just presented but as Roemer stated we could bring it back at the November with more details on where projects are at. We are looking at an overall strategy of interim financing as a gap funding and looking at the Safe Water Drinking Water loan as permanent financing. Roemer would need some actual costs from the Engineers before they can narrow it down. The budget for GAC is \$17 million and Robinson is correct about the additional costs to operating budget over the next couple years that need to be incorporated into the rate, the work through design to finalize the engineers estimate for the construction cost and level of oversight for that work.

Robinson reiterated we need to get what we know and what the interim response would cost us when we get into the final solution, exchanging resin, additional work and the variables.

No Action Taken.

5) Discussion and Possible Action on a Sanitary Sewer Agreement with the Town of Stettin.

Jacobson apologized for the delay and implied all amendments have been made. We serve a few residential users in Sanitary District 72. Our WDPES permit requires us to evaluate industrial users' raw sewage through our pretreatment program and maintain the collection system. This agreement allows the city do this within this sanitary district. Three appendices attached were the current list of residential users, map of the district, and the set of ordinances applicable to the user of our collection system.

Gehin recapped it meets the task and motioned to proceed with gratifying the agreement. Seconded by Herbst.

Force questioned if there were some industries listed.

Lindman stated Fabel manages the environmental pretreatment program and none of these

users were considered industrial sized users because of the amount of waste produced.

Motion carried 5-0.

6) Update on Material/Supply Ordering, Challenges on Extended Lead Times and Volatile Pricing.

Lindman stated ductile iron piping is used throughout our water distribution system. We were looking at 7-9 month lead times on pipe and fittings but now we have been looking at 12-15 months. We ordered parts a month ago for our 2023 projects in hopes of receiving the supplies by May and the suppliers were saying they are now 12-15 months out, so if we are looking for 2024 projects we would be looking at ordering December of this year or early 2023. This wasn't just piping but brass and other fittings and odd dimensional pipes like 14" vs 8" or 12". We don't have the quantities yet from engineering but in talking with other suppliers, this would be ongoing so our anticipation would be that we start ordering a year in advance. It's challenging on staff to manage materials. Typically, when we put out projects, we would have the contactors order and manage those materials. When our staff orders, we have to coordinate delivery, manage materials and complete inventory review. This does take significant administrative time but we do see a little bit of reduction in overall project cost. The installation costs have gone up as well. Piping seems to be the biggest issues along with corps, curb stops, brass and ductile iron pipe.

Gehin questioned if we could utilize C900 piping on Stewart Ave.

Boers replied it could be looked at but it's not a good option. Larger communities limited the size to 8" because when the C900 fails, it fails catastrophically. C900 is the alternative choice but resins are items that are hard to obtain as well.

No Action Taken.

7) Discussion and Possible Action to Consider Chemical Purchases as Commodity Purchasing as Pricing has Become Volatile in the Market.

Lindman began that chemical pricing has become volatile and vendors are not willing to hold their pricing. We typically bid out our chemicals in the beginning of the year with unit prices and then choose the vendor that has the lowest unit price for that chemical. The vendors are no longer willing to support a bid and hold it for the year. We would like to treat chemical purchases as we do it for fuel under the procurement policy. When we need chemicals, we'd reach out to vendors for quotes and would order from the lowest quote. If the need arises and the lowest quote won't be able to deliver it for another 6 weeks but if the other is more expensive but would get them sooner then we may have to go with a bit higher cost because there are chemicals we can't run short of and I know the Utility does their best to order ahead of time. The procurement policy doesn't specifically say but it says volatile commodities, per Groat, this stays within our procurement policy with the City but allows us to be flexible with the market we are in right now. If we could run through 2023 this way, I'd be happy to bring it back in 2024 if we are still in the volatile market.

Gehin moved to comply with the request to purchase chemicals as commodity purchasing and get quotes as needed in timely fashion through 2023. Seconded by Robinson.

Force questioned how often the Utilities would be seeking quotes and if the Commission would need to review them monthly.

Boers replied after we move to the new facility, we'd have a better time frame but each chemical would be on a different pace, some items are smaller quantities so more often and some would be longer. If we are required to do annual price it would be inflated because vendors are wanting to cover their costs based on the market and if they were to hold a cost, it wouldn't be more than a month and with this motion, you've given me that authority.

Lindman recapped chemicals are purchased through a purchase order and the quotes would

be submitted for payment with the quotes received and the Commission would not need to see them.

Rosenberg reiterated the motion of authorizing Staff to purchase chemicals as a commodity purchasing as pricing has become volatile in the market through 2023.

Motion carried 5-0.

8) Discussion on Approaches to Evaluating Solar Use at the new Drinking Water Treatment Facility.

Robinson and Force summarized that we needed to revisit the approach and look at an outreach campaign or website for the public regarding what is being proposed, why, when, where, what the benefits are, where solar is being used elsewhere. Looking at a task force to get the neighborhood concern, this is like a Commission project and we can try to look at some of the concerns and try to get ahead of some concerns and react to what we've put forth and rethink of our communication strategy. We've had negative and positive feedback from folks both in and out of that neighborhood that encourage the Commission to not give up and pursue the Solar project. We can review examples of other solar that are working, listening to the community concerns, and review the property to the North again as we are not convinced that is not geotechnically suitable.

Rosenberg reiterated that this is good for the City and wants this to happen.

Lindman stated this was positive to hear that the Commission is still on board to pursue alternative energy generation and to take a few steps back to start again. It may take longer but hopefully we can again answer questions and provide information because it is important and necessary.

Robinson would like to provide direction in moving that a task force be created to look at developing a communication strategy for solar array panel with expectation that you would have that discretion to make that appointment.

Rosenberg stated we are not agendized to make a motion but would take that concept under advisement and bring something back to consider at a future meeting.

Robinson stated if we could make time at one of the next meetings to discuss influent/effluent on the Wastewater side relative to whether PFAS would become a hazardous substance under EPA so we could be fully aware of what the options are and expectations going forward.

Force reiterated we are looking at a different set up and need to be aware of what that would do for handling the solids produced.

Rosenberg stated we could bring something back as soon as we know more information.
No Action Taken.

9) Adjourn.

Motion to adjourn by Gehin. Seconded by Force.

Motion carried 5-0.

Link to view meeting in its entirety: <https://tinyurl.com/wausaucitycouncil>

Gina Vang, Recording Secretary

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