

LITTLE ROCK SANITARY SEWER COMMITTEE
Minutes of the Meeting Held
March 17, 2010

The Little Rock Sanitary Sewer Committee met at 4:00 p.m., Wednesday, March 17, 2010, in the conference room of Little Rock Wastewater. Those attending included:

Little Rock Sanitary Sewer Committee

Cynthia C. Miller, Chair
Ken Griffey, Vice Chair
Marilyn K. Perryman, Secretary
Pete Hornibrook, Member
Richard L. Mays, Jr., Member

Little Rock Wastewater

Reggie A. Corbitt, P.E., CEO
James A. Barham, Manager of Finance
Howell Anderson, P.E., Manager of Engineering Services
Stanley Miller, Manager of Operations
Mack M. Vought, Manager of Maintenance & Construction

Others attending included Vince Hotho of Garver Engineers, Jerry Todd of Henard Utility Products, Shane Sangall of D&W Systems, Matt Vegas of Sage V Foods, Craig Johnson of CDM, Mike Cobb and Bill Kinneman of Cobb & Suskie LTD, Carolyn Witherspoon of Cross Gunter Witherspoon & Galchus, and support staff from Administration and Community Relations, Finance, and Information Services. Mark Stodola, Ex Officio member did not attend.

The meeting was called to order by Ms. Miller, who welcomed Ms. Witherspoon and expressed the Sewer Committee's appreciation for her presence at the meeting. Ms. Miller then asked for public comments and there were none. On motion duly made and seconded, the Minutes of the February 17, 2010, meeting were approved as written. Griffin Coop joined the meeting at this point representing Mayor Stodola.

Reggie Corbitt then presented a request from Diamond Bear Brewery that their classification be changed to commercial. Mr. Corbitt stated that he had on several occasions explained to Mr. Melton that he is listed as a commercial customer on Central

Arkansas Water's records and that is only CAW's classification. He went on to say that the only two classification's Little Rock Wastewater has are domestic (residential) and non-domestic. He further stated that it is possible to be a non-domestic customer without a surcharge and explained that the surcharge is applied if the waste stream is above 250 mg/L (milligrams per liter), which is the ordinance demarcation for both biochemical demand (BOD) and total suspended solids (TSS.). He said Diamond Bear Brewery exceeds both parameters which is why LRW began testing, as required by regulations, and they began receiving a surcharge.

Diamond Bear was first sampled in 2003 and the flow was small and waste strength was below the ordinance limits. The waste strength was sampled in subsequent years and, in 2005, Diamond Bear's production had increased and it was above the background concentrations of 250 mg/L. At that time, staff suggested that a sampling port be installed and the possibility of moving was mentioned and an extension was requested. The extension was granted, and, after two years, Mr. Melton agreed to install the sampling port. Mr. Melton then appeared before the Sewer Committee stating that the best price he could get for installation of the port was \$13,000, so an agreement was reached whereby LRW installed the port at a cost of \$4,500 and Diamond Bear reimbursed the utility. Mr. Melton then complained that there were two other tenants in the building and Diamond Bear was being charged for their flow. He was told that the only way to effectively measure Diamond Bear's flow was for them to install a flow meter which he has not done.

Mr. Corbitt stated that Diamond Bear is not a domestic (residential) customer so it must be considered non-domestic. He said that he did not have the authority to refund any of the surcharges or industrial permit fees. Ms. Miller observed that if this was done for Diamond Bear it would have to be done for all LRW customers.

Mr. Corbitt stated that Mr. Melton had requested that credit for that portion of water that could be shown going into the product. He said Mr. Melton came before the Sewer Committee in 2007 with this request, at which time it was calculated and had his claim been correct, about 8.3% of water came through the beer. Mr. Corbitt stated that bottled products usually have a "sell by" date and products that do not sell by that date generally go back to the bottler and are disposed of through the sewer system. That is why Mr. Melton was told that the flow meter was the best way to prove what went out and the charges could be based on that flow. Mr. Corbitt mentioned two industries who had installed the flow meter and it had made a significant difference. The only other way LRW has of charging reliably is based on water usage. Mr. Corbitt estimated the cost of installing the flow meter to be approximately \$3,900.00.

Mr. Corbitt stated that it appeared that Mr. Melton was reluctant to install the flow meter which he understood if he was relocating the business in September. Mr. Griffey said from what he understood the move was still "up in the air" and asked whether a representative from Diamond Bear was present. Mr. Corbitt stated that he was told they would probably not have anyone at the meeting.

Ms. Miller asked whether another municipality would have the same or similar fee structure and Mr. Corbitt stated that they more than likely would since this is based on regulatory standards. He said he was sure North Little Rock would have the same requirement for a flow meter if Diamond Bear did not want to be charged based on water consumption. Mr. Corbitt said that if an industry in North Little Rock requires a sewer surcharge, a separate manhole with a structure over it, to which only North Little Rock Waste Water has access, is required so that the business owner does not know when a sample will be taken.

Mr. Griffey asked for clarification on Diamond Bear's request for a change from industrial to commercial classification, asking if he was correct in stating that those classifications did not exist, and that the possible classifications were either domestic or non-domestic. Mr. Corbitt stated that Mr. Griffey was correct and that the classifications were very clearly defined in the ordinance. He stated that Central Arkansas Water classifies Diamond Bear as commercial. Mr. Griffey observed that this is obviously not Mr. Melton's first time to come before the Sewer Committee with a request and it appears there is some confusion. He said that Diamond Bear deserves some attention from LRW and the "Board" and he has gotten it. He asked whether it was time for LRW staff to review the classifications to make sure Mr. Melton "knows exactly who he is and what classification he is because it appeared that he is confused about the classifications." Mr. Griffey said he thought it might be time for staff to review the possible ordinance updates that specifically address this classification change request with Mr. Melton as it appears he doesn't even know how he is supposed to be classified. Ms. Miller said that she thought he was aware of his correct classification, and Mr. Griffey stated that he was trying to give Mr. Melton the benefit of the doubt. Ms. Miller said that she would like to ask staff to look into this to see what, if anything, they might want to do as a Committee. She observed that changing classifications would mean going before the City Board and changing the ordinance.

Mr. Corbitt stated that there had been discussion about the imbalance between domestic and non-domestic rates and the fact that domestic (residential) customers are subsidizing non-domestic customers. He said that the RAC committee proposed a two-tiered rate structure in which residential rates and non-domestic rates will be clarified to the extent possible. He said they are planning to meet with a consultant next week to discuss this matter.

Ms. Miller asked if Mr. Melton's legal counsel understood the surcharge and Mr. Corbitt said that it was his understanding that Diamond Bear's legal counsel had resigned so he was not sure; however, there had been several conversations with them before their resignation and they appeared to understand.

Mr. Barham observed that two representatives and part owners of Diamond Bear served on the Rate Advisory Committee and the presentation at the last meeting was on Diamond Bear, after which the presenter agreed to pay the current balance plus one-twelfth of the outstanding balance of accumulated surcharges which they had continued to do with only one payment remaining and they will be caught up. Ms. Miller asked if

this individual could be included in the discussion with Mr. Melton. Mr. Barham identified the representative of Diamond Bear as Andy Applegate and said it would be good to include him in these discussions.

Mr. Griffey said it appeared there were volumes of distrust and he would like to cut through it. He asked whether a third party could be brought in to evaluate the situation and establish that they are being treated fairly by LRW. He said it appeared that we were at an impasse and at some point the matter should be resolved. He said he would like to keep Diamond Bear in the city and he was looking at a solution to convince Mr. Melton that he is being fairly treated.

Mr. Corbitt suggested that the matter could be referred to an arbitration panel. He described the arbitration process and Ms. Miller asked the cost. Ms. Witherspoon addressed that subject stating that it had been her experience that arbitration is extremely expensive as the American Arbitration Association has set rates for arbitrators, usually an hourly rate or flat rate. She said mediators are somewhat different but are also very expensive. She described mediation as a voluntary process with the mediator or panel there to help both sides reach an agreement so there is a different emotional investment and a different investment on the legal issues because the mediator did not look so much at the law, but arbitrators are bound by the law. She said it had also been her experience that if both sides do not have a financial investment the process does not work. She said, in mediation, one side might agree to pay the entire cost but in an arbitration arena it was different so it would be expensive for all parties.

Ms. Miller said that she thought mediation might be the best process since the matter seemed to be based more on financial issues than legal issues and asked staff to look into mediation in addition to rates and get back to the Sewer Committee next month. She also asked that Mr. Melton be informed that his letter was received, that the matter will be studied, that mediation is an option, and that the Sewer Committee will continue to listen to his concerns.

After discussion, and on motion duly made and seconded, the Sewer Committee unanimously approved the following Purchase Approval requests:

<u>Item</u>	<u>Vendor</u>	<u>Amount</u>
Ton Cab & Chassis w/Dump Bed Truck	Centers of Arkansas	\$ 80,071
Combination Cleaning Truck	Henard Utility Products	\$290,000

Mack Vought explained that approximately \$81,300 "Go Red" grant money was received to assist in the purchase of the cleaning truck and \$19,300 for the dump truck. He said the dump truck is over ten years old and the cleaning truck is more than 15 years old.

Reggie Corbitt explained that he, Howell Anderson, and Stan Miller had been working with a couple of industries on ways to improve service and he wanted them to brief the Sewer Committee on their ideas.

Howell Anderson said he guessed the good news is that we are not asking for a decision today but wanted to offer a ground floor look at some projects that might be presented in the future.

Mr. Anderson said LRW is required to use standby generators at certain key locations to provide power in the event of a power failure. He said the generators cost approximately \$400,000 each. He reminded the Sewer Committee of the energy study with the Little Rock Airport whereby LRW was asked to participate in a joint venture on a generation station. The study proved that the generation station would be more costly for LRW so we did not participate. However, in investigating the energy study, he visited UAMS and observed a large room full of standby generators that UAMS uses only when they are notified by Entergy that they are at peak demand and ask that UAMS go off the grid, which they estimated was approximately 10% of the time. By having that capability, they receive an interruptible power supply rate. Mr. Anderson said staff would like to advertise for Requests for Qualifications (RFQ's) for an experienced firm to assess all LRW's facilities, see what opportunities are there, and negotiate the contract with Entergy. He said he believes there is a tremendous opportunity because we already have the backup power, as required by EPA, to provide service in power outages. The capital for the generators has already been invested and the opportunity now exists to take advantage of a better power rate. After advertising the RFQ, statements of qualifications will be submitted, a selection committee will be formed to rank the responding firms, the ranking group will be brought to the Sewer Committee for approval.

Mr. Anderson said, at the same time the energy study on backup generators is underway, the new generator for the FCTP is much more efficient and gas production is going well, other things are being looked into to enhance gas production, we need to look at renegotiating the rate that we sell power back to Entergy. It hasn't been a big issue in the past and they may say no but it's a question of whether we are getting the best rate should be asked.

Stan Miller said this is very common in other municipalities where he has worked in the water and wastewater industry because there are redundant power sources, some on grid, and some off grid. He said the opportunities for Entergy to make the demand on you is so seldom and the reduction in the per kilowatt hour charge is so large, just for the opportunity, it would be very beneficial and we have several large facilities that would provide that option to the energy company without causing a disruption in service.

Mr. Corbitt said it was a viable option for UAMS to go ahead and purchase the generators in order to receive the benefit of this interruptible rate. Since LRW already has the generators in order to comply with regulatory requirements, it makes sense for us to explore this option to see what advantages there may be for us.

Mr. Anderson said it might not be beneficial if you had to depend on the cost savings of the rate to offset the millions of dollars you'd have to spend to obtain generators, but since we have the generators, it seems pretty optimistic that there may be some opportunities there but he couldn't start to quantify what that might be at this time.

Mr. Miller said the rate could be negotiated and he received 8-24 hour notice before having to go off the grid giving him time to rearrange work, check equipment, etc. before having to go off the grid and onto generators so there was so disruption in service.

Mr. Griffey asked if he understood correctly that Entergy would buy back power produced from another source. Mr. Anderson said Entergy does buy back power but they are not particularly forthcoming with information or offers of lower rates, etc. Ms. Perryman said they are becoming more so as she just received a call from an Entergy representative wanting to discuss this matter with her.

Mr. Anderson stated that he assumed supervision of the Environmental Assessment Division in January, and is still getting acclimated. He said Sage V Foods came to LRW in 2006 estimating their daily waste flow to be around 35,000-38,000 gallons per day. They came back and said they had a better number and estimated flow to be about 80,000 gallons per day and talked with staff to ascertain that LRW could handle these flows. He said the average flow for November-January actually approached 160,000 gallons per day. He introduced Stan Suel and said that Mr. Suel is in charge of the EAD and pretreatment of biosolids and EPA permitted discharge of so many pounds per day at the treatment plants, the remainder of which had to be disposed of by other means such as pretreatment by the industry. Sage Foods introduces between 15,000-16,000 pounds per day which is the equivalent BOD of approximately 75,000 people. The current surcharge is based on their production lines running 5-7 days per week at near capacity. Mr. Anderson said they are planning to expand at least 50% within 2 years. The loading has pretty much put the Fourche Creek Treatment Plant at capacity so we have begun looking at ways of maintaining service to Sage Foods and at the same time being as friendly to them as possible. He said they are looking at a couple of options one of which is to run a high strength line starting at Sage Foods and going directly to the anaerobic digesters, bypassing the front of the treatment plant.

Mr. Miller said, because of the strength of the flow and the biodegradability of the waste from Sage, it can be sent straight to the anaerobic digesters where we do not have to have a lot of energy consumption as it actually produces energy from methane gas to run the plant. He said the rice substance digests quickly and energy is derived from it which is what will occur if this project is done, but we won't have to expend as much energy to digest it through the anaerobic process because we are not supplying the air to create the multitude of anaerobic organisms to eat the sludge but are supplying food to the organisms which does not require air. He said since the second highest expense in his division is to supply air, LRW benefits two ways from this; we do not have to expend as much energy to digest it, and we receive a larger methane production from the digestion of this material. The material also breaks down very readily making this a faster reaction time to metabolize on the anaerobic side.

Mr. Anderson said that LRW does not have the option of doing nothing as the Fourche plant is pretty much maxed out. He said Sage Foods is looking at about a \$900,000 per year surcharge and has been very open in their conversations saying that it would be more economical for them to put in a pretreatment system, robbing LRW of the opportunity to take the material straight from their plant to the digester and produce methane gas for our generators. He said he has a meeting with CDM the next day and CDM has a biochemical model of the plant and can tell us what it will take to accommodate Sage Foods. He said some capital improvements will be required, probably a pump station at the site and a dedicated force main straight to the digester, a distance of about two miles. He said when you are talking about \$900,000 annual surcharge, there is a lot of opportunity for capital investment with a quick rate of return for Sage V, and we will still be able to maintain the benefit of the product. Next week, LRW staff will meet with Sage V representatives and come back to the Sewer Committee with a power point presentation showing what the costs are and plans for funding. Mr. Griffey said it sounded like a win-win situation and he would reserve his questions for the power point presentation. Mr. Miller said it was definitely a win-win situation for LRW and for Sage V Foods. Mr. Griffey said he applauds staff for their efforts.

Mr. Anderson said he had been approached by at least one large food waste producer with an idea similar to the Sage V Foods matter. He said this idea ties in closely with LRW's culture and mission, because it is taking a food waste such as dairy, bread, meats, vegetables, etc. which is presently going to a landfill at considerable expense to the waste producer with no benefit and possible detriment to the environment. Mr. Anderson said staff is looking at taking this waste product, running it through a blender, grinding it and injecting it directly into the digester, very similar to what has been discussed with Sage V, producing methane gases with a reduction of solids through the digestion. The end product is a soil enhancer which can be land applied and improve farmland. If you have the means, it can be dried to the point where it is like an organic fertilizer. Mr. Anderson said this idea is in very early stage but the opportunities are there and when you're talking about taking a waste and turning it into a benefit it should be pursued.

Mr. Miller said, in this instance, they are willing to cover the cost through tipping fees to us and we are not crediting them for the energy derived from the process so it is again a win-win situation.

Mr. Anderson said that Sage V Foods is a LRW customer located in the Port area almost in sight of the treatment facility. In order to get the volume of this food waste product to a point that it makes a difference, it would have to be a regional opportunity for at least part of the State of Arkansas. The capital expenditure on the front end would be the grinding station where they would bring in the trucks, dump the waste, and we would grind it before it goes into the digesters. The real opportunity, if it all comes together, would be the methane production and the savings to the customer versus going to the landfill.

Mr. Miller estimated the biosolids hauling volume, which currently costs approximately \$500,000 per year, would be reduced approximately 90%, and instead of hauling 12-15 million gallons per year across the Arkansas River we would haul less than 10% and it would go out in a dry form that the public or a commercial venture could use.

Mr. Anderson said there would be an initial investment of about \$10 million and he looked at some numbers that CDM came up with in looking at sludge drying as an option for the Little Maumelle treatment facility. He said it would be necessary to have some partners to assist in obtaining funding, such as environmental grants for this project which would take food waste, turn it into methane, produce an organic fertilizer, and save landfill space. Mr. Griffey suggested that city golf courses could benefit from this and Mr. Corbitt said that he would appreciate some help on that because we tried to get biosolids used as fertilizer on the golf courses at Hindman Park and Rebsamen Park. Mr. Miller said that the dry product that was his eventual goal might be more favorably received because other than coloration there is no difference between it and commercial grade fertilizer.

The Sewer Committee commended staff for their efforts and looking ahead for ways to benefit the Utility and the customers. Mr. Anderson said he would have an update for the Sewer Committee on Sage V Foods at the next meeting and staff is proceeding with the RFQ but he didn't think there would be a report on that matter until a later date.

Mr. Todd, Mr. Sangall and Mr. Vegas were then excused from the meeting.

Mr. Corbitt stated that, along the same lines, LRW had worked very beneficially with an industry after a couple of misfortunes they experienced during the flooding that occurred in the City during the Christmas holidays. Stan Suel reported that Tire Curing Bladders, located at 5701 Murray in the old Pirelli Tire Company location, make inflatable bladders for different sized tires using hydraulic presses. The flooding in the City during the Christmas holidays caused a breach in the levee structure around their plant. When the floodwater entered the building, the oil came out of the hydraulic pits and they had a large environmental spill. ADEQ came in and Hazardous Waste required them to contain the floodwater as best they could by pumping it into frac tanks. They then had the problem of disposal and approached LRW for help and elected to go through a pretreatment system to remove the oils and protect the sewer system. The water was tested and met local limits so LRW has been taking that rainwater for discharge through the sewer system. About midway through this process, they had a fire and had water from the fire to deal with so they also took that through the frac tanks and treated it. As of today, there has been approximately 350,000 gallons of water pretreated on site which LRW has taken through the sewer system in order to help them. We anticipate that this project will end sometime during March. They have been very appreciative as LRW helped them through this process.

Mr. Anderson said that LRW was under no obligation to assist the industry but Mr. Miller was consulted to see what level of contaminants he was comfortable with receiving without disrupting the plant and the industry was told if they would pretreat the

wastewater LRW would accept it. Mr. Suel said this resulted in a substantial savings for the industry as LRW is taking it for \$.10 per gallon and it would have resulted in a cost of \$.70-\$.80 per gallon had they used a private contractor. Mr. Griffey asked Mr. Miller if he was comfortable with having the residue from the tires and oils in the plant system and Mr. Miller replied that there were very defined limits for both and that those strict guidelines were implemented so he did not feel it harmed the plant system or the river. Mr. Suel said that the hydraulic oil was very heavy and was easily separated from the water and that the tire company still has to dispose of the oil derived through the pretreatment process and LRW will not be part of that and the entire process has been very closely monitored.

Mack Vought reported four dry weather overflows during the month bringing the total to nine year to date. The Plant Maintenance system had 13.5% of time spent on preventive maintenance, 86.3% on proactive maintenance, and 2.2% on reactive maintenance. Mr. Vought reported that he had five positions vacant, which he had decided not to fill. Before making this decision he met with his staff to see what steps could be taken so that service did not suffer and he intends to closely monitor this matter over the next few months.

Jim Barham introduced Debbie Williams, Accounting Supervisor of Little Rock Wastewater, and Mike Cobb and Bill Kinneman of Cobb & Suskie, LTD, who presented the financial audit for the year ended December 31, 2009. After discussion, and on motion duly made and seconded, the Sewer Committee voted unanimously to accept the financial audit. Mr. Cobb and Mr. Kinneman were then excused from the meeting.

Mr. Barham then presented the financial report for the month of February, 2010. After review, and upon motion duly made and seconded, the financial reports were approved by the Sewer Committee, including the payment of Operations & Maintenance expenditures in the amount of \$3,866,552. Net income for the month is (\$164,101) and net income year to date is (\$71,207).

Stan Miller reported no NPDES permit violations during the month. He stated that for the last two or three years, LRW has conducted tours of the treatment facilities. Today Mills High School toured the Adams facility with approximately 150 students. He said he has received good reports from educators after the tours. He called attention to his report which discusses in minor detail how the Sage V Food BOD affected the anaerobic process and stated that staff has a good handle on the process and is looking forward to moving forward with the next step.

Mr. Corbitt said one of the things LRW is negotiating with Sage V is probably a special rate as they will not be using the anaerobic portion of the treatment plant which is a good for them but will also reflect in a reduction in income for LRW. He said they should pay for the construction of the pump station and pipeline to the digesters as they may have a tax advantage in doing so, or continue at their present rate structure until that portion of the construction is completed. He is meeting with them on the 28th to continue negotiations.

Mr. Anderson mentioned Mr. Griffey's question at the last meeting about change orders. He said one of the things that is looked at during the budgeting process is contract construction cost variance. He said that the figures for 2009 had not yet been compiled but 2007 was 5.2% variance and 1.7% in 2008 for all projects that had been completed and closed out. He reported that the Little Maumelle Treatment Plant is 72% complete, the pump station is 95% complete, the conveyance system is currently 71% complete, so about three-fourths of the way through construction and he feels we are on target for a December completion. Ms. Miller asked about a tour and Mr. Corbitt said that it would be better to schedule the tour on a weekend as it is very active during the weekday with a lot of large equipment moving around.

Mr. Anderson mentioned the SECAP update and said it appears that notices for the next workshop will go out Wednesday, April 7th. He said this would combine Workshops 2 and 3 and, with results from the models and rainfall events, can begin looking at the necessary projects to see if those projects already listed in the 2001 SECAP will be listed in the new SECAP and whether there will be new projects identified.

He said that maintenance contracts for the first quarter that were placed on hold were also placed on hold for the second quarter. He said he had asked staff whether there are segments desperately needing attention that we would go ahead and do or otherwise they will be held indefinitely.

Carolyn Witherspoon gave the legal status report stating that the order granting the motion to dismiss the only lawsuit filed against the Utility in March in small claims court involving a gentleman on Center Street who felt that the Sewer Committee should pay for his broken private sewer line and ensuing alleged damage. A motion to dismiss was filed by LRW and the judge granted it. She said there is an employee disgruntlement with pending administrative charge but no action is required by EEOC and she is hopeful that will go away. Ms. Witherspoon said there had been no changes in any of the other lawsuits.

Mr. Corbitt stated that the Audubon situation was checked out and the funding they were using had run out. Mr. Corbitt said he had talked with John Terry of USGS and has a meeting with him as they fund the gauging stations and what he is asking that LRW help with funding of a stream gauging station in the creek that would be useful information in our operation. He said this project had been ongoing over the last three years and had been one of Audubon's major projects in this area along with the City of Little Rock and the parks department to bring the Fourche Creek bottoms to a more recreational friendly area. Mr. Corbitt said this could be tied into the 2001 Sierra Club Settlement as there is a requirement that LRW participate in separate environmental projects.

Mr. Corbitt also reported that he had received a call from Senator Mark Pryor's office regarding our request for funding, that they will be getting back to us and putting us in their internal request. He said he is not completely versed in Washington jargon but he thinks they have until the end of the month to get their earmarks. He said he is hoping

for \$130,000,000 since we have \$20,000,000 in shovel ready projects but will be grateful for anything we can get.

Mr. Corbitt said the quarterly update to the City Board will be presented on April 13th and the Sewer Committee is invited to attend.

He also mentioned the Workforce Enhancement program to educate the people who have an interest in moving up in the organization or gaining an insight into the workings of the Utility. He said it will be a lot of work for him and the division managers and directors as well as candidates themselves. He said the first class would consist of ten people and if it is successful, the next class will have another ten. He said this was brought about with the retirement of three people who took a combined 105 years of experience with them.

There being no other business and on motion duly made and seconded, the meeting was adjourned.

Respectfully submitted,

Marilyn K. Perryman, Secretary