

**Carmel Area Wastewater District/Pebble Beach Community Services District
Pebble Beach Company**

**WASTEWATER RECLAMATION PROJECT
MANAGEMENT COMMITTEE**

MINUTES

**Meeting of November 8, 2013
Pebble Beach Community Services District Boardroom
Forest Lake & Lopez Roads, Pebble Beach, CA**

1. Call to Order

Mike Niccum, PBCSD General Manager, serving as facilitator, called the meeting to order at 9:35 a.m. Members or alternates present were: Robert Siegfried and Ken White, Carmel Area Wastewater District Board of Directors (CAWD); Rick Verbanec and Jerry Verhasselt, Pebble Beach Community Services District Board of Directors (PBCSD); and Mark Stilwell, Executive Vice President, Pebble Beach Company (PBCo).

Others in attendance:

Barbara Buikema, General Manager, CAWD
Robert Wellington, Legal Counsel, CAWD/PBCSD
Drew Lander, Principal Engineer, CAWD
Jim Grover, Principal Accountant, CAWD
Kevin Young, Treatment Plant Operator, CAWD
Brent Reitz, Capital Services Project Manager, PBCo
Suresh Prasad, Administrative Services Manager/Chief Financial Officer, Monterey Peninsula Water Management District (“MPWMD”)
J. T. Rethke, Associate Engineer, PBCSD
Mike Bowhay, Independent Reclaimed Water Users Group (“IRWUG”)
Laura Dadiw, Clerk, PBCSD

2. Period for welcoming visitors, receiving public comment regarding matters not listed or considering changes to the agenda

There were no comments or requested changes to the agenda.

3. Minutes:

It was moved by Member Stilwell, seconded by Member Verbanec, and unanimously carried, to approve the minutes of the Committee meeting of May 20, 2013.

4. Receive and consider reports relating to Operations and Maintenance of Project

A. Financial Statements (Fiscal Year 2012/2013)

Principal Accountant, Jim Grover, gave an overview of the financial information. The audit field work has been completed and draft financial statements are available for review; the Management’s Discussion and Analysis will be forthcoming for completion of the audit for this committee to consider at its next meeting. The financial information provided today is the same as that contained in the audited financial statements. The recent

amendments to the project agreements accelerated the operational cost price basis to July 1, 2013 and resulted in balance sheet prior period adjustments of \$5.5 million to account for the previously unrecorded bond carrying cost liabilities paid by Pebble Beach Company. As a result of the new pricing structure for recycled water, revenues were up, from an average of approximately \$2,400 per acre-foot in the previous year to approximately \$4,400 per acre-foot in 2012/13.

Member White requested that the pages of the financial reports be numbered for easier reference during the meeting.

The O & M Financial Statements for the period were received for information and no action was required.

B. Receive/consider reports relating to operations and maintenance of Project
Treatment Plant Operator, Kevin Young, reported all of the reverse osmosis (“RO”) system membranes (294) were replaced on October 8th. There were no issues encountered and no loss of reclaimed water occurred during the replacement. After a week of operation, however, it was noticed that second stage flow began to decline, and intensified over three weeks, with approximately 80% of second stage flow lost within 30 days from membrane replacement. After a low pH system cleaning was conducted, approximately 95% of the full flow rate prior to October 8th was recovered. The flow loss is occurring in membranes replaced on the first and second trains of the system and minimally on the third train. Staff has remained in constant contact with the manufacturer of the system while conducting tests to determine the cause. Four of the RO membranes are undergoing autopsies and the report is due back today.

There were 396 modules of the microfiltration system replaced in April 2013; 84 experimental modules installed 2-1/2 years ago were not replaced at that time. The 84 experimental modules are all located in one 160-module cell that has been experiencing high resistance and failures. Replacement of these 84 modules is being planned with Siemens Manufacturing. Regardless of the failure issue, 100% of the flow is being reclaimed currently and the reservoir volume is increasing.

Mr. Stilwell and Mr. Niccum thanked CAWD staff for continuing full production while dealing with issues and keeping everyone informed.

There being no further questions or comments, the written and oral reports regarding Treatment Plant O & M were received as informational and no action was required or taken by the Committee.

C. Distribution System O & M

The Committee received a written Distribution System Operations Report from PBCSD Associate Engineer, J.T. Rethke. Mr. Rethke reported the reservoir reached a low of 18 million gallons, is now filling, and currently stores nearly 20 million gallons of recycled water, or 17%, of capacity.

Mr. Niccum advised that PBCSD has been in contact with the State Water Resources Control Board (“SWRCB”) and the Regional Water Quality Control Board (“RWQCB”) in an effort to obtain a PBCSD-administered general permit. The general permit process, which would allow the City of Carmel-by-the-Sea to use recycled water, requires review by the California Department of Public Health. MPCC and Stevenson School conducted system modifications to allow irrigation closer to buildings.

The Distribution System O & M Report was received for information and no action was required or taken by the Committee. Committee members wished Associate Engineer Rethke well upon his retirement from PBCSD on December 23, 2013.

5. Receive presentation on Monterey County Ecosystem Protective Barrier Project located in Carmel River Lagoon.

CAWD Principal Engineer, Drew Lander, reviewed Monterey County’s proposed Ecosystem Protection Barrier Project and CAWD’s efforts to protect its interests throughout the County’s environmental impact review (“EIR”) process. CAWD has not been included in County discussions of the project in the past, and impacts to the plant that are clear when reviewed on-site have not been adequately considered in project plans. CAWD staff plans to work with the County to aid in the most accurate modeling of potential flood levels and impacts as a result of the project. CAWD will be requesting project participants participate in the EIR review process to insure the treatment plant facilities are protected.

6. Review agreement to Independent Recycled Water Users Group representation on Reclamation Management Committee.

Mr. Niccum noted that the Amended Recycled Water Sales Agreement effective July 1, 2013 triggered certain conforming changes to the Supplemental Financing Agreement and the Restated C&O Agreement, including a change to the composition of the RMC to include one representative of IRWUG. The drafted Letter Agreement regarding the conforming changes is provided for review by committee members, to then be distributed to the parties for review and execution by each governing board. Counsel Wellington requested that the term “Letter” be removed from the title “Letter Agreement.”

It was moved by Member Stilwell, seconded by Member White, and unanimously carried, to approve the agreement that all references in the Supplemental Financing Agreement and the Restated C&O Agreement to the “Recycled Water Sales Agreement” (as defined in the Supplemental Financing Agreement) shall mean and refer to the Amended Recycled Water Sales Agreement; and the composition of the Reclamation Management Committee shall include one member of the Independent Recycled Water Users Group; and to remove the word “Letter” from the title of the agreement.

7. Receive Miscellaneous Information or Announcements from Members, Staff or Visitors

Mr. Niccum recognized Committee Member Verhasselt at his last meeting of the RMC. Director Verhasselt is retiring from the PBCSD board of directors. His replacement on the RMC will be determined at the January 2014 PBCSD board meeting.

8. **Closed Session**

The Committee did not meet in a closed session.

9. **Adjournment & Next Meeting Date**

There being no further business at 10:38 a.m., it was moved and seconded, and determined by consensus of the members, that the Reclamation Management Committee adjourn – in honor of Director Verhasselt – to its next regular meeting on January 10, 2014, at 9:30 a.m. in the PBCSD Boardroom at 3101 Forest Lake Road, Pebble Beach.

Respectfully submitted:

Laura Dadiw, Clerk

Pebble Beach Community Services District/Dadiw Associates