

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

**WASTEWATER RECLAMATION PROJECT
MANAGEMENT COMMITTEE**

MINUTES

**Meeting of June 8, 2012
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 9:33 a.m. Members or alternates present were: Charlotte Townsend 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 Brent Reitz, Capital Services Project Manager (until 10:15 a.m.), then Mark Stilwell, Executive Vice President, Pebble Beach Company (PBCo).

Others in attendance:

Barbara Buikema, General Manager, CAWD
Rob Wellington, Legal Counsel, CAWD/PBCSD
J.T. Rethke, Associate Engineer, PBCSD
David Stoldt, General Manager, Monterey Peninsula Water Management District (“MPWMD”)
Jim Grover, Principal Accountant, CAWD
James J. Pinkevich, Treatment Plant Superintendent, CAWD
Larry Brown, Chief Operator, CAWD
Jim Vorhes, Independent Reclaimed Water Users Group (“IRWUG”)
Dick Borda, 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 White, seconded by Member Verhasselt, and unanimously carried, to approve the minutes of the Committee meeting of March 9, 2012.

4. Approve CAWD/PBCSD Reclamation Project Budget for fiscal year 2012-13.

CAWD General Manager, Barbara Buikema gave an overview of the highlights of the budget. Water sales revenue was budgeted at an 18.96% increase from 2011-12 inclusive of all surcharges. Interest income had been reduced due to continuing low returns. PBCo was budgeted to pay \$1.6 million in principal, \$218,000 in letter of credit fees, and an anticipated \$288,000 in contributions to the project. Operations costs were budgeted slightly higher than the current fiscal year. Information technology work, budgeted at \$50,000, was no longer listed under repair expenses but under contract services beginning with the 2012-13 budget cycle. Ms. Buikema

noted that until the Certificates of Participation (“COP”) on the project were paid off, PBCo was the guarantor on the bonds and would be responsible for paying extraordinary expenses such as membrane replacement if needed. After the bonds were paid, budgeting for membrane replacement would then be required at an estimated cost of \$500,000 for a life expectancy of 5-8 years. A \$2 million sinking fund for capital replacement was being built up over the years of the Project in preparation for 2022 when the COPs would be paid off. At that point, the cost of reclaimed water use would be based on actual operating costs, and a capital component of operations including the sinking fund would account for membrane replacement. The 15-20 year life of chlorinators, analyzers and effluent pumps being replaced and upgraded in 2012-13 was deemed reasonable life expectancy by Mr. Brown.

It was moved by Member Verbanec, seconded by Member White, and unanimously carried, to approve the CAWD/PBCSD Reclamation Project Budget for Fiscal Year 2012-13.

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

A. Financial Statements (July 2011 to March 2012)

Principal Accountant, Jim Grover, reported on the project financial statements from July 2011 to March 2012. The scheduled \$70,000 payment to the capital sinking fund had not been made and was not likely due to cash flow issues. A larger payment was budgeted for 2012-13 to catch up. There was a balance of approximately \$842,000 in the fund currently.

Mr. Stilwell joined the meeting at 10:15 a.m.

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 - (“O & M”) of Project

Treatment Plant Superintendent, James Pinkevich, noted that he was steadily gaining knowledge on plant systems during the first six months of his employment. Mr. Brown related to the committee the impact to operations on vendors’ proprietary rights to the plant’s four programmable logic control (“PLC”) systems. Two weeks ago a Siemens PLC had malfunctioned causing an overflow. CAWD staff was not authorized to access the proprietary programming to perform a simple fix and instead had to expend time attempting to contact a Siemens representative authorized to repair the problem. Fortunately, Mr. Brown was eventually guided by Siemens to the original subcontract programmer of the PLC in Pennsylvania who repaired the problem in 20 minutes. Evidently only the one programmer was authorized by Siemens to repair its proprietary PLCs at the plant. Tesco and H2 Innovations also hold proprietary rights to PLCs, however contact and response from those companies was less of a concern since both had representatives relatively close by. Mr. Pinkevich stated that the malfunction that led to the overflow was an indication that the PLC systems were not tested thoroughly by Siemens initially. Member Verbanec suggested asking the Pennsylvania representative to provide a thorough diagnostic test for the system. Mr. Brown reported further that one of the Siemens PLC panels had been failing intermittently approximately once every three

months. Siemens advised to leave the system in the fail mode and contact them to investigate. Pinkevich and Brown anticipated one to two weeks plant down time for such an investigation. Member Verbanec stressed that in order for Siemens to provide a fix when system revisions were conducted, CAWD staff needed to provide Siemens feedback on these issues. Mr. Pinkevich would be working with staff to develop a system needs analysis to present to Siemens.

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 that golf courses used 2.2 million gallons of reclaimed water last night; with 900,000 gallons being received from CAWD, capacity of the reservoir fell approximately one million gallons. Mr. Rethke called attention to a new chart at the back of the report depicting levels of the reservoir over the years and on seven year average. As expected, a low point was evident each year in October. As of May 2012 the chart indicated that reservoir capacity was at the seven year average. Chart trends were monitored for prompt District action when water levels in the reservoir dipped. Mr. Niccum addressed the IRWUG attendees stating that the District was working with the Regional Water Quality Control Board (“RWQCB”) to get a waiver allowing irrigation with reclaimed water within 25 feet of buildings since the industry standard was now the use of tertiary treated wastewater for landscape irrigation. If a waiver was not obtained, golf courses would be unable to irrigate landscaping next to buildings when conservation measures during drought were imposed. The District might reach out to IRWUG for assistance if RWQCB resistance was met with at the administrative level.

The Distribution System O & M Report was received for information and no action was required or taken by the Committee.

6. Receive Miscellaneous Information or Announcements from Members, Staff, and Visitors:

MPWMD General Manager, David Stoldt explained the complex nature of current and pending water supply surcharges. Under the terms of the Project Financing Implementation Agreement, reclaimed water users were to be charged the same rate as the rate for potable water including all surcharges and fees. Under the agreement, MPWMD was to receive a reclaimed water supply surcharge equal to the surcharge by MPWMD with respect to potable water sales on the PBCo water entitlement equivalent of 380 acre feet of reclaimed water, revenue that the Project would otherwise have kept. This was done so MPWMD would not lose revenue from surcharges on potable water no longer used as a result of the reclaimed water source coming on line. As the PBCo potable water entitlement freed up by the Project gets reconnected over time to the California American Water (“CAW”) system, MPWMD would receive increasingly more potable water surcharge revenue and the Project would retain more of the reclaimed

water surcharge revenue. The surcharge was not designed to go away, but to incrementally transition from MPWMD to the Project.

In July of 2009, the MPWMD CFO at the time declared a holiday for certain users from the 8.325% surcharge being assessed. From September 2009 – May 2011 the same 8.325%, although taken off the users' bill, was still being sent from CAW to MPWMD. As a result, a \$5.5 million balance that hadn't been calculated into CAW's rate base accumulated in a MPWMD memorandum account. CAW filed an advice letter to institute for one year the recovery of the \$5.5 million with a new surcharge to ratepayers at 12.59% beginning March 2012. In a similar scenario but at a lesser scale than the \$5.5 million recovery, CAW was also seeking to recover from June 2011 through December 2014 \$1.6 million by means of an additional surcharge that would take effect later this year or after the 12.59% surcharge ended. If MPWMD prevailed in assessing its new user fee for potable water, there would be an overall water supply surcharge increase to reclaimed water users inclusive of the two CAW percentage surcharges and the user fee from MPWMD (a fixed fee and not a percentage of the bill). Translating fees and surcharges to the Project at the same rate as the surcharge by MPWMD with respect to potable water sales would be the subject of a meeting in July or August between MPWMD and Project members.

7. **Closed Session**

The Committee did not meet in a closed session.

8. **Adjournment & Next Meeting Date:**

There being no further business at 11:03 a.m., it was moved and seconded, and determined by consensus of the members, that the Reclamation Management Committee adjourn to its next regular meeting on Friday, November 9, 2012, 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