

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

**WASTEWATER RECLAMATION PROJECT
MANAGEMENT COMMITTEE**

MINUTES

**Meeting of November 9, 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 9:35 a.m. Members or alternates present were: Bob 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:

James Pinkevich, Treatment Plant Superintendent, CAWD
Rob Wellington, Legal Counsel, CAWD/PBCSD
J.T. Rethke, Associate Engineer, PBCSD
David Stoldt, General Manager, Monterey Peninsula Water Management District (“MPWMD”)
Suresh Prasad, Administrative Services Manager/Chief Financial Officer, MPWMD
Jim Grover, Principal Accountant, CAWD
Larry Brown, Chief Operator, CAWD
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 Verhasselt, seconded by Member White, and unanimously carried, to approve the minutes of the Committee meeting of June 8, 2012.

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

A. Financial Statements (July 2011 to June 2012)

Principal Accountant, Jim Grover, reported on the project financial statements from July 2011 to June 2012. The draft copy of the 2011/12 audited financial statements had just been received for review and would be available at the next committee meeting. The total cash position for year-ended June 30, 2012 was \$431,000. The current balance in the project operations and maintenance account is \$313,000 and includes a pending \$300,000 payment to California American Water (“CAW”). One more payment is due to Siemens Manufacturing for \$144,000 for the 2011/12 fiscal year to be paid on December 10, 2012.

The current approximate balance in the water account is \$300,000. A \$90,000 transfer to the capital reserve fund has not yet been made. Member Stilwell requested that Mr. Grover provide the estimated cost per acre-foot of water for the 2012/13 fiscal year. It would be helpful to provide that number in the chart of budgeted and actual Reclaimed and Potable Water Sales in the financials presented.

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

Chief Operator, Larry Brown related the status of the Siemens Programmable Logic Control (“PLC”) malfunction that caused an overflow last May. Moreover, one of the Siemens PLC panels had been failing intermittently approximately once every three months. The PLC systems that had not been thoroughly tested by Siemens initially were recently analyzed by two technicians. The second technician that arrived from the U.K. was able to order the needed parts, program, and install them to correct the malfunctions. He was unable to enter the PLC panels themselves however. Mr. Pinkevich stated that the Siemens representative from the U.K. did an extensive analysis of the microfiltration system eliminating the need for staff to perform a system needs analysis.

H2 Innovation tested its PLC in the reverse osmosis system and corrected the alarm trip during shutdowns. Repairs were also made to correct the high pressure readings during shutdowns when there was no pressure in the system. Mr. Brown detailed for the committee numerous 2011/12 unanticipated costs.

Mr. Niccum inquired of Mr. Brown how membranes in the microfiltration units were holding up and if the current set of membranes would last until the 2014 seven-year life expectancy. Mr. Brown stated there were high trans-membrane pressures in the first three or four months of operation however last August Siemens stated the pressures had stabilized and were holding. As long as pressures remain stable, the current (third) set of membranes should last through the seven-year expectancy. On the reverse osmosis side, the originally installed membranes continue to function properly, not having to be replaced at the planned three-year point. Aging parts and levels of chloramines in the microfiltration system are being addressed to rectify issues in the reverse osmosis second stage. Mr. Pinkevich noted that the duration of time after system cleanings was an indication of the level of deterioration of the membranes, data that could assist in timing the budgeting of membrane replacement.

There being no further questions or comments, the 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 1.7 million gallons of reclaimed water last Monday. The capacity of the reservoir increased from a low point of 14 million gallons in mid-October to 29 million gallons or 25% full currently. Mr. Niccum pointed out that the last irrigation year was actually an average use year even though Forest Lake Reservoir levels dipped very low. The low levels were traced back to low flows to the treatment plant: as water rates go up, flows go down; and flows were not anticipated to increase in the current year. A truly dry year was a concern for the project and the District is considering options for increasing flows to the plant such as capturing wastewater flow from nearby Del Monte Park in Pacific Grove, capturing storm water from Pebble Beach residential properties, and diverting dry weather storm water flow from surrounding communities.

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

5. Receive Report on Expanded Use of Recycled Water:

General Manager Niccum provided a written report on the expanded use of recycled water, especially within 25 feet of buildings and by the City of Carmel-by-the-Sea for its 4th Avenue Project. The Regional Water Quality Control Board (RWQCB) has agreed to allow recycled water irrigation within 25 feet of buildings, conditional on PBCSD oversight of irrigation systems to ensure state water recycling requirements are met. The City of Carmel-by-the-Sea would pay the same as the golf courses pay for the recycled water to be delivered to 4th Avenue.

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

MPWMD General Manager, David Stoldt, explained that the District water use fee, initially billed through CAW, was now a property tax assessment. The Pacific Grove and Del Monte golf courses were being assessed the District water use fee under separate billing.

Whenever CAW adjusts its rates downward, the adjusted difference is still sent by CAW to MPWMD and is placed in a memorandum account. CAW later recovers the funds via a user surcharge. CAW has petitioned for recovery of approximately \$6.2 million over five years through 2011, a 4.26% surcharge to be instituted next year. Another under-collection of rates by CAW for 2009/10 and 2010/11 is currently built into the base billing rate. An environmental mitigation surcharge at 12% has been recently increased to 15%, and should drop down to 6.8% in April 2013. Each June CAW requests to update its recovery of costs for the Regional Desalination Project, that surcharge is already in place, as is the cost recovery surcharge for the defunct Coastal Water Project at 15%. The river mitigation recovery surcharge is also at approximately 15% and is expected to decrease to approximately 6.8%. On average there was a 19.8% billing increase between 2011 and 2012, with the commercial sector closer to a 50% increase. In 2013/14 it is anticipated that commercial water bills will increase approximately 4%.

The cost of potable water at the end of 2011/12 was \$2,400 per acre-foot, however this year it is expected to be \$3,700 per acre-foot due to the various surcharges and the CAW general rate case rates going into effect in July. Reclaimed water billing, based on potable water costs, would reflect the surcharges beginning next month.

Mr. Stilwell reported that internal discussion was underway to explore de-linking reclaimed water prices from potable water rates and to instead base pricing on the cost of the Reclaimed Water Project. The concept follows what would transpire in 2022 when the project bonds are paid off leaving operating and maintenance expenses and reserve funding as the cost basis at that point. Discussions with bond and MPWMD counsel would be held with the aim to accomplish the change by next fiscal year.

7. **Closed Session**

The Committee did not meet in a closed session.

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

There being no further business at 10:35 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, February 1, 2013, 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