

**GOVERNANCE COMMITTEE
FOR THE
MONTEREY PENINSULA WATER SUPPLY PROJECT**

California American Water • Monterey County Board of Supervisors
Monterey Peninsula Regional Water Authority • Monterey Peninsula Water Management District

This meeting has been noticed according to the Brown Act rules. This agenda was posted on November 9, 2016.

**Governance
Committee Members:**

*California American
Water*

*Robert MacLean
Alt. – Rich Svindland*

*Monterey Peninsula
Regional Water Authority*

*Bill Kampe, Chair
Alt.- Ralph Rubio*

*County of Monterey
David Potter*

Alt. - Simon Salinas

*Monterey Peninsula
Water Management
District*

*Robert S. Brower, Sr.,
Vice Chair
Alt. – Jeanne Byrne,*

Staff Contact:

*David J. Stoldt, MPWMD
Arlene Tavani, MPWMD*

**AGENDA
REGULAR MEETING**

**Monterey Peninsula Water Supply Project
Governance Committee**

Wednesday, November 16, 2016, 2:00 PM

Monterey Peninsula Water Management District, Conference Room,
5 Harris Court, Building G., Monterey, CA

Call to Order/Roll Call

Pledge of Allegiance

Public Comments

Anyone wishing to address the Committee on matters not listed on the agenda that are within the subject jurisdiction of the Committee, may do so during Public Comments. The public may comment on any other items listed on the agenda at the time they are considered by the Committee. Please limit your comment to 3 (three) minutes.

Presentations – Public Comment will be Received

1. Presentation from California American Water on Monterey Peninsula Water Supply Project, Test Slant Well and Monterey Pipeline Project Update

Action Items – Public Comment will be Received

2. Approve Committee Meeting Minutes of September 21, 2016
- P. 3 *Action: The committee will consider approval of the meeting minutes.*
3. Consider Approval of Change Order for Terminal Reservoir
- P. 9 *Action: The committee will consider approval of a recommendation to California-American Water of a contract change order for the MPWSP Terminal Reservoir.*

Discussion Items – Public Comment will be Received

4. Suggest Items to be Placed on Future Agendas

Adjournment

After staff reports have been distributed, if additional documents are produced by the Governance Committee and provided to a majority of the committee members regarding any item on the agenda, they will be available at the Monterey Peninsula Water Management District (MPWMD) office during normal

business hours, and posted on the Governance Committee website at <http://www.mpwmd.net/GovernanceCommittee/GovernanceCmte.htm>.

Documents distributed at the meeting will be made available in the same manner. Upon request, a reasonable effort will be made to provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. A reasonable effort will also be made to provide translation services upon request. Please submit a written request, including your name, mailing address, phone number and brief description of the requested materials and preferred alternative format or auxiliary aid or service by 5:00 PM on Monday, November 14, 2016. Requests should be sent to the Board Secretary, MPWMD, P.O. Box 85, Monterey, CA, 93942. You may also fax your request to the Administrative Services Division at 831-644-9560, or call 831-658-5600.

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Monterey Peninsula Water Supply Project Governance Committee

Meeting Date: November 16, 2016

Action Item: 2. Approve Committee Meeting Minutes of September 21, 2016

Summary: Attached as **Exhibit 2-A** are draft minutes of the September 21, 2016 Governance committee meeting.

Recommendation: Review the minutes and consider approval.

Exhibits:

2-A Draft Minutes of September 21, 2016 Committee Meeting

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**GOVERNANCE COMMITTEE
FOR THE
MONTEREY PENINSULA WATER SUPPLY PROJECT**

California American Water • Monterey County Board of Supervisors
Monterey Peninsula Regional Water Authority • Monterey Peninsula Water Management District

EXHIBIT – 2-A

**DRAFT MINUTES
Regular Meeting
Governance Committee
for the
Monterey Peninsula Water Supply Project
*September 21, 2016***

- Call to Order:** The meeting was called to order at 2:00 pm in the conference room of the Monterey Peninsula Water Management District offices.
- Members Present:** Bill Kampe, representative for Monterey Peninsula Regional Water Authority
Robert S. Brower, Sr., representative for Monterey Peninsula Water Management District
Eric Sabolsice, representative for California-American Water (alternate to Robert MacLean)
- Members Absent:** David Potter, representative for Monterey County Board of Supervisors
Robert MacLean, representative for California-American Water
- Pledge of Allegiance:** The assembly recited the Pledge of Allegiance.
- Public Comments:** Michael Warburton, representing the Public Trust Alliance (PTA), addressed the committee. He spoke to the topic of leadership under changing circumstances. He stated that Governance Committee meetings have been cancelled often at a time when real leadership was needed on the Monterey Peninsula Water Supply Project. In addition, the climate crisis has caused changes in values, prices, benefits and business. Much must be done rather than lining pockets, and the arguments don't look good. He asserted that the committee members were bound by law to be reasonable and that he hoped reasonableness would come to the project.

Presentations

- 1. Presentation from California American Water on Monterey Peninsula Water Supply Project, Test Slant Well and Monterey Pipeline Project Update**
Ian Crooks, Engineering Manager, California-American Water (Cal-Am), presented the progress report. A summary of his presentation is on file at the Water Management District office and can be viewed on the Governance Committee website. He stated that Cal-Am has begun pre-construction work on the Monterey Pipeline. Workers would dig approximately 100 holes along the pipeline route checking for critical pipelines at crossings. An archaeologist is present

at each hole to monitor the site. Crooks reviewed an updated project schedule showing that desalination plant construction should begin in 2018.

Catherine Stedman, Manager of External Affairs for Cal-Am, presented information on outreach to residents and businesses in areas that will be affected by pipeline construction. A summary of her presentation is on file at the Water Management District office and can be viewed on the Governance Committee website.

The following comments were directed to the committee. **(a) Michael Bear** asked some questions about how pipeline construction would affect his property, and would utilities be unavailable during that time. *Crooks responded that driveways will be accessible, and there will be a time with no parking on the block. He offered to speak to Mr. Bear after the meeting regarding utilities.* **(b) Michael Warburton** (PTA), commended Cal-Am staff on the plan for public outreach regarding pipeline construction. He stated that the Governance Committee is committing the area to a desalination future, but that circumstances in the physical, legal and social climate have changed. Arguments that made sense ten years ago don't make sense now, particularly with regard to the environmental analysis. He alleged that the only way the project cleared environmental analysis was to carry out an illegal scoping process. *In response to the accusation of illegal activity, Don Freeman attorney for the Monterey Peninsula Regional Water Authority stated that the recourse for any concern about Governance Committee processes or a procedural issue pertaining to the environmental analysis of the desalination project, would be with the Monterey County Superior Court.* **(c) George Riley** stated that the Governance Committee agreed that a value engineering study should not be conducted on the Monterey Pipeline route underway. There is support in the community for an alternative pipeline route that proponents assert would be less costly than the route Cal-Am plans to construct. According to Riley, no pipeline route alternatives were reviewed in the Pure Water Monterey Project EIR; and pipeline route alternatives are part of the desalination project EIR that has not yet been completed. Riley expressed concern that there has been no engineering review of the alternative pipeline route that could potentially result in significant cost savings for the ratepayer. **(d) Tom Rowley**, representing the Monterey Peninsula Taxpayers Association, stated that his organization supports the decision made to move forward on construction of the Monterey Pipeline as proposed by Cal-Am. The organizations that oppose the pipeline should accept the decision so that the project is not delayed and can stay on schedule. **(e) David Stoldt**, representing the Monterey Peninsula Water Management District, stated that the EIR on the Pure Water Monterey Project did review alternative pipelines, but not the one Mr. Riley referenced. Proponents of the alternate pipeline had the opportunity to present evidence concerning their proposal during the public comment period on the EIR, but did not do so. *In response, Chair Kamp noted that the VE study would have analyzed the pipeline that is under construction. Not the alternate route referenced by Mr. Riley.*

On a motion by Brower and second of Kampe, the report was received on a unanimous vote of 2 – 0 by Brower and Kampe. Potter was absent.

Action Items

2. Approve Committee Meeting Minutes of July 20, 2016

Michael Warburton addressed the committee during the public comment period on this item. He asked if the minutes had been amended following publication. Staff replied that the minutes had not been amended.

On a motion by Brower and second of Kampe, minutes of the July 20, 2016 were approved as presented on a unanimous vote of 2 – 0 by Brower and Kampe. Potter was absent.

3. Consider for Approval a Change of Material Specification for the Monterey Pipeline

A summary of Crooks' presentation is on file at the Water Management District office and can be viewed on the Governance Committee website. In response to a question from the committee he stated that there are cost advantages to installation of ductile iron pipe (DI): transmission pipes generally do not require much maintenance; it is industry standard material and easy to replace compared to steel pipe that requires welders and replacement of mortar inside and out; and DI is commonly used in the Eastern part of the United States because it can withstand freezing temperatures. In addition, all DI is made in the United States, most of it is made of recycled iron and some is LEED certifiable.

The following comments were directed to the committee during the public comment period on this item. **(a) Jim Cullem**, Executive Director of the Monterey Peninsula Regional Water Authority, noted that installation of shorter sections of DI instead of steel pipe will cause less impact on streets and neighborhoods. **(b) David Stoldt**, MPWMD, distributed a memo from Denise Duffy and Associates stating that use of DI pipe would not constitute a substantial change in the project such that major revisions of the EIR would be warranted. *Denise Duffy, of Denise Duffy and Associates, preparer of the Pure Water Monterey Project EIR, stated that the environmental impacts of trenching and construction methods were studied in the EIR, but specific pipeline materials were only mentioned in relation to the Blanco Drain. Installation of DI will reduce construction time in comparison to steel pipes.* **(c) George Riley** asked Crooks if the change to DI was proposed by the pipeline contractor or Cal-Am. *Crooks stated that contractors proposed steel as the most cost effective solution; however, the price of DI had come down to the same level as steel. DI meets American Water Works Association standards and is cement lined and impervious to corrosion.* **(d) Michael Bear** asked if calcium residue buildup in iron pipes would affect water quality. He also asked how price fluctuations in steel would affect the project costs and ultimately the ratepayers. *Crooks noted that DI is cement lined and impervious to corrosion so there would be no issues with calcium.*

Kamp explained that one interpretation of the Governance Committee agreement was that the committee was not required to make a determination on the change of pipe material. It was determined that the decision should undergo public discussion because if the price of steel dropped, the decision to install DI pipe might be questioned.

Brower offered a motion that was seconded by Kampe to approve the use of DI pipe as the pipeline material. The motion was approved on a vote of 2 – 0 by Brower and Kampe. Potter was absent.

Discussion Items

4. Suggest Items to be Placed on Future Agendas

The following comments were directed to the committee. **(a) Michael Bear** asked if a quorum of the committee was present at the meeting. *Kamp affirmed that a quorum was present.* **(b) Michael Warburton** stated that the notion of changed circumstances affected the desalination project profoundly. He opined that despite the particulars of the law, there is a standard of

reasonableness and he urged the committee to consider reasonableness in its plans to move forward. He stated that the committee has never considered what it means to have the desalination project controlled completely by a private company that has demonstrated repeatedly that even when public benefits could accrue to citizens across spectrums, decisions are made to maximize private profit that is taken out of Monterey County. He described that as an emerging issue, and one the committee should discuss on a future agenda.

Kamp requested that Warburton submit specific language for an agenda item, and cite the law that applies. A determination would be made concerning whether the topic would be appropriate for discussion under the committee charge.

Adjournment: The meeting was adjourned at approximately 2:50 pm.

Arlene M. Tavani,
Clerk to the MPWSP Governance Committee

Monterey Peninsula Water Supply Project Governance Committee

Meeting Date: November 16, 2016

Action Item: **3. Consider Approval of Change Order for Terminal Reservoir**

Summary: Attached as **Exhibit 3-A** is California American Water Notification # 12 (CAN # 12) regarding changes to the desalination project. Please review CAN # 12 and consider adoption of the recommendation proposed by Cal-Am.

Recommendation: Cal-Am recommends the following:

1. The Terminal Reservoir work, valued at \$11,811,250.000 be deducted from the Contract with Monterey Peninsula Engineering; and
2. The capacity of the clear wells at the desalination plant site be increased to 3.5 million gallons, which work is valued at a net cost of \$3,018,277.00 and will be added to the Contract with CDM Constructors.

Exhibits:

3-A California American Water Notification # 12



**MONTEREY PENINSULA WATER SUPPLY PROJECT
GOVERNANCE COMMITTEE**

CAL-AM NOTIFICATION # 12

TO: Bill Kampe, Chair, MPWSP Governance Committee
FROM: Ian Crooks, California American Water
DATE: November 15, 2016
RE: Cal-Am Notification # 12 – Changes to the Desalination Project

This Cal-Am Notification is submitted to you pursuant to, and in compliance with, Section V.B. of the Amended and Restated Agreement to Form the Monterey Peninsula Water Supply Project Governance Committee (the “Agreement”), dated November 5, 2013, entered into by and among the Monterey Peninsula Regional Water Authority (“MPRWA”), the Monterey Peninsula Water Management District (“MPWMD”), the County of Monterey (“County”), and the California-American Water Company (“Cal-Am”). Capitalized terms used but not defined herein shall have the meaning set forth in the Agreement.

First, Cal-Am intends to deduct the Terminal Reservoir from the Contract with Monterey Peninsula Engineering, which work is valued in excess of \$1 million. Second, Cal-Am intends to increase the capacity of the clear wells at the desalination plant site, which work would be added to the Contract with CDM Constructors and is valued in excess of \$1 million. Pursuant to Section V.D., Category B.3., of the Agreement, the Governance Committee may review and issue recommendations concerning major design changes to the Desalination Project, which include changes causing an increase or decrease in costs that exceed \$1 million.

Cal-Am has determined this matter is ripe for presentation to, and recommendation by, the Governance Committee. Cal-Am's recommendation is that the Terminal Reservoir work be deducted from the Contract with Monterey Peninsula Engineering and the capacity of the clear wells at the desalination plant site be increased, which work would be added to the Contract with CDM Constructors. The Governance Committee may, under Category B.3, review and issue recommendations concerning major design changes to the

Desalination Project. A proposed motion on this CAN # 12 is attached for your consideration.

Pursuant to Section V.B. of the Agreement, the Governance Committee shall issue its recommendations, if any, to Cal-Am within ten (10) calendar days following receipt of this Cal-Am Notification. The recommendations should be in writing and sent to Ian Crooks of Cal-Am at ian.crooks@amwater.com with a copy to Lori Girard of Cal-Am at lori.girard@amwater.com.

Proposed Motion of Governance Committee on CAN #12:

The Governance Committee recommends that:

1. The Terminal Reservoir work, valued at \$11,811,250.00, be deducted from the Contract with Monterey Peninsula Engineering; and
2. The capacity of the clear wells at the desalination plant site be increased to 3.5 million gallons, which work is valued at a net cost of \$3,018,277.00 and will be added to the Contract with CDM Constructors.

