FINAL MINUTES
Regular Meeting
Governance Committee
for the
Monterey Peninsula Water Supply Project
April 16, 2014

Call to Order: The meeting was called to order at 11:05 am in the conference room of the Monterey Peninsula Water Management District offices.

Members Present: Jason Burnett, Chair, representing Monterey Peninsula Regional Water Authority (MPRWA)
Robert S. Brower, Sr., Vice Chair, representing Monterey Peninsula Water Management District
Richard Svindland, California-American Water (Cal-Am) (alternate to Robert MacLean)

Members Absent: David Potter, representing Monterey County Board of Supervisors
Robert MacLean, representing California American Water

Pledge of Allegiance: The assembly recited the Pledge of Allegiance.

Public Comments: Michael Warburton, representing the Public Trust Alliance, stated Cal-Am's proposed desalination project might have strayed dangerously far from the goal of constructing a reasonable public water supply to meet the needs of Monterey Peninsula communities. The scope of public discussion on the water supply project is confined to narrow concerns. Most of Monterey County's water supply is used for agriculture. With a small shift, the urban water crisis would be solved. Discussion of this project has been a tragic waste of public resources and commitments to various communities in Monterey County. The public could be better served by a more general discussion of alternatives where solutions are most likely to be found. Many alternatives should be considered before seawater desalination. The most basic value engineering problem has been organized out by the definition of the scope of this contract.

Agenda Items
The Chair received public comment on each agenda item.

Action Items

1. Consider Approval of Minutes from the Committee Meeting of March 31, 2014

On a motion by Brower and second of Burnett, the minutes were approved with a request that public comment be listed prior to committee action. The motion was adopted unanimously on a vote of 2 – 0 by Brower and Burnett. Potter was absent. No public comment was directed to the committee on this item.

2. Review and Approve for Distribution the Draft Request for Proposals (RFP) for a Contract to Conduct Value Engineering Analysis of CDM Desalination Project Designs

Jim Cullum, Executive Director for the MPRWA gave a presentation. His comments are contained the staff report presented for this agenda item.

Public Comment: (**1) Jeanne Byrne** reviewed comments on the RFP from the Water Management District. (a) The life of source water wells is 20 to 30 years. When replacement is necessary, will approval be needed to re-drill the wells? How will that affect project cost? (b) The RFP mentions compliance with the silver award for sustainable infrastructure and the LEED silver award requirements. She had understood that the project will meet the LEED requirements without certification. The process to apply for those awards is expensive and will delay completion of the project. Any expense to go after those awards should not be charged to the rate payers. **Response:** Cal-Am intends that the project will be "LEED like" and does not require LEED certification. It was suggested that language be modified to state the project should "attain the level of LEED design". (c) The not-to-exceed cost for development of a value engineering study is $200,000. What is the expected return on that cost? Is it savings of double or ten times that amount? What will value engineering actually produce? **Response:** Cal-Am has always recovered the cost of the value engineering study through savings in project design. The amount of savings cannot be estimated at this time. **(2) Michael Warburton**, representing the Public Trust Alliance, stated that the scope of the contract makes it meaningless in terms of meeting the public interest. The essential value engineering decision as to if desal or another technology should be utilized to meet the public needs is a far greater concern. Any expenditure of public money on this study is a waste of public resources. **Response:** The value engineering study will be limited to the desalination project. The EIR on the desalination project will review other water supply alternatives. **(3) Email from Rich Pursoff** – concerns expressed in the email were read by Chair Burnett into the record. Refer to attachment 1. **Response:** The experts conducting the value engineering study can complete the evaluation within one week, as they know what areas to review and comment on. The value engineering team members will receive the 30% design documents two to three weeks in advance of meeting together to prepare the evaluation. The VE team does not look only at factors that can be quantified and monetized, but also risk in order to develop a better project.

On a motion by Brower and second of Burnett, the RFP was approved for distribution on a unanimous vote of 2 – 0, by Brower and Burnett. Potter was absent.

3. Receive Report from Cal-Am on Contingency Source Water Intake Locations and Develop Recommendation on Future Action regarding Source Water Intakes

Ian Crooks, Engineering Manager for California American Water's Coastal Division, presented a report. A summary is available for review on the Governance Committee website.

Public Comment: (1) Michael Warburton, representing the Public Trust Alliance, stated that the scope of the contingencies is a problem, as they are very expensive. There are 169,000 acre-feet of water that belong to the public that Monterey County has a right to. The public might want to use it as source water for a Peninsula water supply. The scope of the contingency is so narrow that it can only be seen as a phenomenal waste of public resources. We should be thinking about adjusting this project responsibly. **(2) David Stoldt**, Monterey Peninsula Water Management District, asked two questions. (a) Is there space at the CEMEX site to drill replacement wells over a 100 year period? (b) Is there any risk for transmissivity or hydrologic features at the CEMEX site that might result in the need for additional water? If so, would you drill to the 180 foot aquifer or develop the Potrero Rd. site as a back-up? The District generally supports the concept of a contingency site. **Response**: Cal-Am must operate test wells at the CEMEX site to determine the potential for production. Cal-Am believes they will obtain enough land at the CEMEX site for replacement wells. Engineers are saying there is no 180 foot aquifer in that area. Cal-Am is focusing on sub-surface intake. The Potrero site could be ready to go if there are problems at the CEMEX site, and it is good to have that contingency. There is plenty of land at the Potrero site to add more slant wells if needed. Pursuance of the Potrero contingency could increase the project cost by $1 million.

On a motion by Brower and second of Burnett, the committee expressed support for continued development of a contingency source water intake site at Potrero Road.

Discussion Items

4. Discussion of Items to be Placed on Future Agendas

For the May 23, 2014 agenda, the committee will be asked to approve the contract for preparation of the Value Engineering study.

Adjournment

The meeting was adjourned at 11:50 am.

Sections of this email read into the record
by Chair Burnett at 4/16/14 meeting, Item 2

---------- Forwarded message ----------
From: **Rich Persoff** <mimulus@charter.net>
Date: Tue, Apr 15, 2014 at 11:35 AM
Subject: RE: Value Engineering Review
To: "Jason Burnett" <jason.burnett@gmail.com>

Hello, Mr. Mayor,

Thank you for your invitation to the Commission's discussions last week. You run a good meeting! May I share some thoughts about Value Engineering Reviews which I realize may not be new, given your extensive government experience?

1. The standard one-week process does not give sufficient time to review the fundamental questions,

    a. What do we want this project to do?

    b. Is this essential now?

    c. What interests will it benefit or injure?

    Although these would have been touched on during staff presentations or while policy decisions were being made, important needs may have shifted while the project was being designed.

2. A one-week format offers scant time to build trust between the parties and for the reviewing engineers to become familiar with the overall project and locate all major areas of improvement.

    a. Obvious weaknesses may be discovered, but more basic conditions may not be considered.

    b. Is the technology old and traditional, or are modern approaches feasible?

    c. It's my hunch that Reviewing firms may not wish to expose major deficiencies in Designers' projects, though they will find enough $100,000 bobbles to justify their involvement.

3. Will this Value Engineering Review address:

    a. Foreseeable but unquantifiable difficulties from weather, unlikely catastrophes, changes in social or economic or climatic conditions?

    b. If something cannot be costed, will its effect be estimated, or will it be left out of the analysis?

Jason, thank you for your consideration of these issues; I do not need or expect a reply, but offer them in a collaborative and fraternal hope that the Peninsula's residents get the best solution possible for their water needs.

Warm regards,

Rich Persoff

Director, Division B, PVWMA