

**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

July 29, 2015

Transmitted by Email

Richard C. Svindland, P.E.
Vice President - Engineering
California American Water
4701 Beloit Drive
Sacramento, CA 95838

Subject: Monterey Peninsula Water Supply Project (MPWSP) Governance Committee Response to Cal-Am Notification #7 – Draft Requests for Proposals – MPWSP Desalination Conveyance Facilities

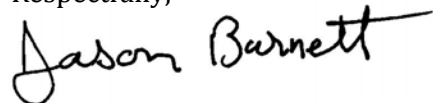
Dear Mr. Svindland:

On June 24, 2015, the Governance Committee completed its review of the draft Request for Proposals for the Construction of Conveyance Facilities. After discussion and receipt of public comment, Governance Committee members Robert Brower and Jason Burnett voted unanimously to recommend distribution of the Requests for Proposals (RFP). However, approval was conditioned on the understanding that California-American staff would ensure that recommendations submitted on August 29, 2014 and May 28, 2013 would be incorporated into the Final RFP prior to distribution. The recommendations are attached for your reference.

We understand further modifications to the Construction of Conveyance Facilities RFP will be considered at the August Governance Committee meeting, and therefore this letter does not constitute our final review of the RFP

On behalf of the Governance Committee members, I want to thank Cal-Am for its continued cooperation with local agencies to ensure that the public is involved in decisions related to the Monterey Peninsula Water Supply Project

Respectfully,



Jason K. Burnett, Chair
Monterey Peninsula Water Supply Project
Governance Committee

Attached: May 28, 2013, Recommendations on the Request for Proposals for Design and Construction of Desalination Infrastructure
August 29, 2014, Response to Cal-Am Notification #4 - Draft Requests for Proposals Related to Source Water Infrastructure to be Issued by California-American Water

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**Recommendations from
Monterey Peninsula Water Supply Project Governance Committee to
California American Water re Request for Proposals for
Design and Construction of Desalination Infrastructure
May 28, 2013**

1. The request for proposals (RFP) continue to require detailed bids for the base-case design in order to facilitate the comparison of bids but should do more to encourage creativity in development of alternative designs that may save money and/or increase value. Alternative designs should require same level of detail as the base-case design and meet or exceed same performance standards.
2. The RFP should state that all workers will be paid, at least, the prevailing wage.
3. The Governance Committee supports inclusion of a goal for local hiring. California American Water (Cal-Am) shall review the County of Monterey ordinance that specifies local hires and consider inclusion of that or similar language in the RFP. The bidder's local utilization plan should be a factor in the 40% technical evaluation criteria.
4. Establish a 30-year net present value cost comparison, instead of (or in addition to) a 20-year term.
5. Bidders should be advised that the rate of corrosion is high in the local coastal marine environment. Good quality materials are required so that Cal-Am and the rate payers will not be responsible to pay for replacement of components that have developed rust after a short period of time.
6. The Governance Committee agrees with the approach to apply penalties for late delivery, but understands and agrees with the approach to not provide for a bonus for early project completion.
7. The Governance Committee understands that Cal-Am is proposing to ask for an estimated schedule for both permitting and construction and that the date for completion (and associated penalties for late delivery) would be set relative to the signing of the Design-Build contract. The Governance Committee requests that Cal-Am consider ways to bifurcate the permit schedule from the construction schedule, recognizing certain parts of the permitting process will be outside the control of the Design-Build firm/team.

Note: A number of other items were discussed by the Governance Committee and offered to Cal-Am for consideration. It is the Governance Committee's understanding that Cal-Am will incorporate many of those items into the RFP.

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August 29, 2014

Richard C. Svindland, P.E.
Vice President - Engineering
California American Water
4701 Beloit Drive
Sacramento, CA 95838

Subject: Monterey Peninsula Water Supply Project Governance Committee Response to Cal-Am Notification #4 – Draft Requests for Proposals Related to Source Water Infrastructure to be issued by California American Water

Dear Mr. Svindland:

On July 16, 2014, the Governance Committee completed its review of the two requests for proposals for: (1) drilling of one test slant well and nine monitoring wells and (2) civil construction work for the test slant well, which are collectively valued in excess of \$1 million and relate to construction of the Source Water Infrastructure. After careful consideration and receipt of public input, Governance Committee members David Potter and Jason Burnett voted unanimously to recommend distribution of the Requests for Proposals with the modifications listed below.

- 1) The Governance Committee supports inclusion of a goal for local hiring. California American Water (Cal-Am) shall review the County of Monterey ordinance that specifies local hires and consider inclusion of that or similar language in the source water infrastructure RFPs. The bidder's local utilization plan should be a factor in the 40% technical evaluation criteria. Should non-local contractors be selected, Cal-Am should provide an explanation for its hiring decision.
- 2) Bidders should be advised that the rate of corrosion is high in the local coastal marine environment. Good quality materials are required so that Cal-Am and the rate payers will not be responsible to pay for replacement of components that have developed rust after a short period of time.
- 3) The Governance Committee agrees that the risk to local rate payers should be limited: (a) a contract could be awarded prior to issuance of all permits, but no work will begin until a notice-to-proceed is granted, and (b) Cal-Am should place a limit on the amount of money to be spent by a contractor for planning purposes prior to issuance of a notice to proceed.

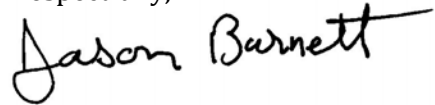
Mr. Richard Svindland

August 29, 2014

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On behalf of the Governance Committee members, I want to thank Cal-Am for cooperating with local agencies to ensure that the public was involved in making this important decision.

Respectfully,

A handwritten signature in black ink that reads "Jason K. Burnett". The signature is written in a cursive style with a large initial "J" and a long horizontal stroke at the end.

Jason K. Burnett, Chair
Monterey Peninsula Water Supply Project
Governance Committee