

Kennedy/Jenks Consultants
Engineers & Scientists

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4 April 2014

Ms. Kim Adamson
Soquel Creek Water District
5180 Soquel Drive
Soquel, California 95073

Mr. Dave Stoldt
Monterey Peninsula Water Management District
5 Harris Court, Building G
Monterey, CA 93942-0085

Subject: Proposal for Professional Engineering Services
Review of the Deep Water Desalination Project Costs
K/J B14947

Dear Ms. Adamson and Mr. Stoldt:

The Deep Water Desalination (DWD) Project proposes to construct a desalination facility near Moss Landing, California to produce approximately 9 million gallons per day (mgd) of potable water (initial phase) and up to 22 mgd in a future phase. The Soquel Creek Water District (SqCWD) is evaluating the feasibility, infrastructure components, and conceptual level costs for potential alternative water supply projects. The Monterey Peninsula Water Management District (MPWMD) is providing some funding assistance to the DWD Project. Both the SqCWD and MPWMD are interested in conducting an evaluation of the DWD's projected facility construction and operating costs. Kennedy/Jenks Consultants (Kennedy/Jenks) is pleased to submit this proposal for professional engineering services to assist the SqCWD and MPWMD in evaluating the projected capital and operating costs that are being provided by the DWD Project proponents.

The Monterey Peninsula Regional Water Authority conducted an evaluation of three proposed seawater desalination projects, including the DWD Project, in 2012 and early 2013 (2013 Evaluation). The 2013 Evaluation included a comparison and analysis of the capital costs and operating costs for the proposed desalination projects. Kennedy/Jenks understands that some of the project elements of the DWD Project have changed since the 2013 Evaluation. This Review of the DWD Project Costs will build off the 2013 Evaluation and incorporate the proposed changes to the project. Kennedy/Jenks will review the previous study and changes to the DWD Project, and evaluate the project costs in light of those project changes.

Project Scope of Services and Deliverables

Based on our understanding of the SqCWD and MPWMD's needs, Kennedy/Jenks will provide the following professional engineering services to review and evaluate the projected DWD Project costs.

Task 1 – Review Previous Evaluation of Seawater Desalination Projects Report

Kennedy/Jenks' will review the 2013 Evaluation of Seawater Desalination Projects Report (2013 Evaluation), prepared for the Monterey Peninsula Regional Water Authority by Separation Processes, Inc. Kennedy/Jenks will focus on the evaluation of the DWD Project elements and capital and operating costs.

A summary of the review and relevant information from the study will be provided in the Letter Report described below.

Task 2 – Review Current DWD Project Design and Cost Information

Kennedy/Jenks' will review the most current DWD project concepts and cost information. Kennedy/Jenks assumes that MPWMD will provide the DWD Project information for this review. Kennedy/Jenks will review the information and conduct a phone interview with Jon Dietrich, Desalination Expert on the DWD Project Team. Kennedy/Jenks will focus on the evaluation of the DWD Project elements and capital and operating costs.

A summary of the review and changes to the DWD Project will be provided in the Letter Report.

Task 3 – Evaluate and Provide an Assessment of DWD Costs

Kennedy/Jenks' will evaluate the projected cost for the current DWD project concepts and conduct an independent assessment of the project capital and operating costs. Kennedy/Jenks will develop the cost assessment based on studies conducted for the **scwd**² Regional Desalination Project, reported costs for other seawater desalination projects in California, and the Water Reuse Association Cost Estimating Tools for Desalination Projects.

The evaluation of the DWD Project costs will be provided in the Letter Report.

Task 4 – Prepare DWD Costs Review Report

Kennedy/Jenks will prepare a Draft Report that describes the results of the review and evaluation tasks above. The Draft Report will describe the changes to the proposed DWD project from the 2013 Evaluation and provide an assessment of the conceptual-level opinions of probable construction cost and operations costs for the DWD Project.

Kennedy/Jenks will meet with SqCWD and MPWMD staff to review the Draft Report. Review comments from SqCWD and MPWMD staff will be documented and incorporated into the Final

Report. Kennedy/Jenks will provide one electronic copy of the Draft Report; once final, we will provide five hard copies and one electronic copy of the Final Report.

Deliverables for Task 4:

- Draft Report – one electronic copy.
- Final Report – five hard copies and one electronic copy.

Task 5 – Project Management and Quality Control

Subtask 5.1 – Project Management

Kennedy/Jenks will provide project management focused on controlling project costs, maintaining project schedule requirements, identifying key issues, and delivering quality design documents. Project management will include directing the work of the team so that the work is accomplished on time and within budget.

Subtask 5.2 – Project Meetings and Conference Calls

Kennedy/Jenks will keep the SqCWD and MPWMD informed of the status of the project activities. In addition to the kickoff meeting, Kennedy/Jenks will use conference calls to address other project communication needs to reduce cost impacts. Kennedy/Jenks will check in with the SqCWD and MPWMD's project manager every two weeks during the project.

Subtask 5.3 – Quality Assurance/Quality Control Reviews

Quality assurance and quality control (QA/QC) activities are integrated into Kennedy/Jenks' project management system from project inception, through execution to final document submission. Kennedy/Jenks uses experienced senior staff, familiar with, but not directly involved in the project work, to provide QA/QC review of work products and project deliverables.

Deliverables for Task 5:

- Monthly invoices and status reports with required backup.
- Meeting agendas, handouts, and meeting notes.

Kennedy/Jenks Experience

Kennedy/Jenks is an employee-owned, full-service engineering, scientific, and management consulting firm. Serving communities since our founding in 1919, Kennedy/Jenks offers a breadth and depth of technical expertise to provide a full-range of services for your project, including engineers with expertise in alternative water supply who have evaluated, planned, designed, and implemented brackish and seawater desalination projects in California and the western United States.

The Kennedy/Jenks Team provides demonstrated, dependable professional engineering services through Todd Reynolds and other specialists at Kennedy/Jenks. Todd has served as the Technical Advisor for the **scwd**² Desalination Program and has in-depth knowledge of the water supply issues and constraints in Santa Cruz and Monterey Counties.

Project Team

The Kennedy/Jenks Team will include the following key project team members for the proposed engineering services. The services will be completed from Kennedy/Jenks' San Francisco Office.

Todd Reynolds, PE – Project Manager. Todd Reynolds has 23 years of engineering and management experience and 17 years of consulting experience for clients in the municipal and private sectors. His experience includes feasibility studies, evaluation of treatment process alternatives; pilot plant studies; developing project contract documents, design drawings and specifications; preparing operations manuals; providing startup assistance and training; and performing contract administration and construction management for a variety of projects. Projects on which he has worked include groundwater, surface water, recycled water, desalinated water supply and treatment. He has served as a Technical Advisor for the **scwd**² Regional Desalination Program and the Project Engineer for the Marin Municipal Water District Seawater Desalination Pilot Program. He has authored water-related articles and papers for professional society magazines and conferences.

Patrick Treanor, PE – Desalination Cost Evaluation. Patrick Treanor has 10 years of experience at Kennedy/Jenks with experience in water and wastewater system planning, detailed design, cost estimating, field engineering, and construction management.

Specific areas of knowledge in the field of desalination include: membrane filtration, reverse osmosis desalination, intake and outfall design, plant hydraulics, pump stations, process and distribution piping, corrosion control, and disinfection.

EXHIBIT 8-A

Kennedy/Jenks Consultants

Basis of Compensation

Kennedy/Jenks proposes that compensation for our services be on a time and expense reimbursement basis in accordance with our Schedule of Charges dated January 1, 2014, enclosed. Payments shall be made monthly based on invoices, which describe services and list actual costs and supplies.

A summary of the fee by task is provided in the table below. Kennedy/Jenks will notify you prior to expenditure of 80 percent of the fee, if the need for a fee increase is anticipated.

Task	Fee Proposal
Task 1 – Review Previous Report	\$1,980
Task 2 – Review DWD Project Information	\$2,920
Task 3 – Evaluate and Assess DWD Costs	\$8,120
Task 4 – Prepare Letter Report	\$8,200
Task 5 – Project Management, Meetings and QC	\$3,580
Project Total Budget	\$24,800

Schedule

Kennedy/Jenks will prepare and submit the Draft Letter Report 60 days after receiving the most current DWD Project design and cost information.

EXHIBIT 8-A

Kennedy/Jenks Consultants

Terms and Conditions

This scope of services is based on current projections of staff availability and costs and, therefore, is valid for 90 days following the date of this letter.

To assure a clear understanding of all matters related to our mutual responsibilities, the enclosed Standard Conditions dated January 1, 2007 are made a part of our agreement. We have found these terms to be appropriate for use with agreements for the provision of engineering and scientific services, and accordingly, should any conflict exist between the attached terms and the form of any purchase order or confirmation issued, the terms of this proposal and the attached Standard Conditions shall prevail in the absence of our express written agreement.

Thank you for considering Kennedy/Jenks Consultants for this work. We look forward to working with you on this important project.

Very truly yours,

KENNEDY/JENKS CONSULTANTS, INC.

Todd K. Reynolds, PE
Project Manager

AUTHORIZATION:

By: _____
(Signature)

(Print Name)

Title: _____

Date: _____

Enclosures:

- Schedule of Charges dated January 1, 2014
- Standard Conditions dated January 1, 2007

EXHIBIT 8-A

Client/Address: Soquel Creek Water District
5180 Soquel Drive
Soquel, California 95073

Contract/Proposal Date: 4 April 2014

Custom Schedule of Charges

Date: January 1, 2014

Personnel Compensation

Classification	Hourly Rate
CAD-Technician	\$120
Designer-Senior Technician	\$150
Engineer-Scientist-Specialist 1	\$130
Engineer-Scientist-Specialist 2	\$140
Engineer-Scientist-Specialist 3	\$155
Engineer-Scientist-Specialist 4	\$170
Engineer-Scientist-Specialist 5	\$185
Engineer-Scientist-Specialist 6	\$205
Engineer-Scientist-Specialist 7	\$230
Engineer-Scientist-Specialist 8	\$240
Engineer-Scientist-Specialist 9	\$260
Project Administrator	\$100
Administrative Assistant	\$85
Aide	\$70

In addition to the above Hourly Rates, a four percent Communications Surcharge will be added to Personnel Compensation for normal and incidental copies, communications and postage.

Direct Expenses

Reimbursement for direct expenses, as listed below, incurred in connection with the work, will be at cost plus ten percent for items such as:

- a. Maps, photographs, 3rd party reproductions, 3rd party printing, equipment rental, and special supplies related to the work.
- b. Consultants, soils engineers, surveyors, contractors, and other outside services.
- c. Rented vehicles, local public transportation and taxis, travel and subsistence.
- d. Project specific telecommunications and delivery charges.
- e. Special fees, insurance, permits, and licenses applicable to the work.
- f. Outside computer processing, computation, and proprietary programs purchased for the work.

Reimbursement for vehicles used in connection with the work will be at the federally approved mileage rates or at a negotiated monthly rate.

Reimbursement for use of computerized drafting systems (CAD), geographical information systems (GIS), and other specialized software and hardware will be at the rate of \$12 per hour.

Rates for professional staff for legal proceedings or as expert witnesses will be at rates one and one-half times the Hourly Rates specified above.

Excise and gross receipts taxes, if any, will be added as a direct expense.

The foregoing Schedule of Charges is incorporated into the agreement for the services provided, effective January 1, 2014 through December 31, 2014. After December 31, 2014, invoices will reflect the Schedule of Charges currently in effect.

Client:

Contract/Proposal Date:

Standard Conditions

January 1, 2007

CLIENT and KENNEDY/JENKS CONSULTANTS, INC. ("CONSULTANT") agree that the following provisions shall be a part of their agreement.

1. **TERMS OF PAYMENT.** CLIENT will be invoiced at the end of the first billing period following commencement of work and at the end of each billing period thereafter. Payment in full of an invoice must be received by CONSULTANT within thirty (30) days of the date of such invoice.
2. **EFFECT OF INVOICE.** The work performed shall be deemed approved and accepted by CLIENT as and when invoiced unless CLIENT objects within fifteen (15) days of invoice date by written notice specifically stating the details in which CLIENT believes such work is incomplete or defective, and the invoice amount(s) in dispute. CLIENT shall pay undisputed amounts as provided for in the preceding paragraph.
3. **INTEREST; SUSPENSION OF WORK.** Failure of CLIENT to make full payment of an invoice so that it is received by CONSULTANT within said thirty (30) days of the date thereof subjects the amount overdue to a delinquent account charge of one percent (1%) of the invoice amount per month, compounded monthly, but not to exceed the maximum rate permitted by law. Failure of CLIENT to submit full payment of an invoice within thirty (30) days of the date thereof subjects this agreement and the work herein contemplated to suspension or termination at CONSULTANT's discretion.
4. **ADVANCE PAYMENT: WITHHOLDING OF WORK PRODUCT.** CONSULTANT reserves the right to require payment in advance for work it estimates will be done during a given billing period. CONSULTANT, without any liability to CLIENT, reserves the right to withhold any services and work products herein contemplated pending payment of CLIENT's outstanding indebtedness or advance payment as required by CONSULTANT. Where work is performed on a reimbursable basis, budget may be increased by amendment to complete the scope of work. CONSULTANT is not obligated to provide services in excess of the authorized budget.
5. **STANDARD OF CARE.** CONSULTANT's services performed under this agreement will be performed in a manner consistent with the care and skill ordinarily exercised by members of the profession practicing under similar conditions at the same time and in the same or similar locality. When the findings and recommendations of CONSULTANT are based on information supplied by CLIENT and others, such findings and recommendations are correct to the best of CONSULTANT's knowledge and belief. No warranty, express or implied, is made or intended by this agreement, or by the foregoing statement of the applicable standard of care, or by providing consulting services or by furnishing oral or written reports of findings made. No entity other than CLIENT or CONSULTANT shall be construed as a beneficiary to this Agreement.
6. **INSURANCE COVERAGE.** CONSULTANT is protected by Worker's Compensation insurance as required by applicable state laws and will maintain employer's liability coverage. During the performance of this agreement CONSULTANT will maintain professional liability insurance with a limit of \$1 million on a claims made, annual aggregate basis, and commercial general liability and automobile liability insurance each with a limit of not less than \$1 million on an occurrence basis.
7. **ALLOCATION OF RISK.** CLIENT and CONSULTANT have discussed the risks associated with this project and the extent to which those risks should be shared by CLIENT and by CONSULTANT, and have agreed: (a) To the fullest extent permitted by law, CLIENT agrees to limit the liability of CONSULTANT, its officers, employees, and subconsultants to CLIENT, all landowners, contractors, subcontractors, lenders, suppliers, manufacturers, third parties, and their employees such that the total aggregate liability, including all attorneys fees and costs shall not exceed \$50,000.00 or the total fees paid for CONSULTANT's services on this project, whichever is greater. (b) All damages such as loss of use, profits, anticipated profits, and the like losses are consequential damages for which CONSULTANT is not liable. (c) CLIENT shall give written notice to CONSULTANT of any claim of negligent act, error or omission within one (1) year after the completion of the work performed by CONSULTANT. Failure to give notice herein required shall constitute a waiver of said claim by CLIENT.
8. **SERVICES DURING CONSTRUCTION.** Any construction inspection or testing provided by CONSULTANT is for the purpose of determining compliance by contractors with the functional provisions of project documents only. CLIENT agrees that CONSULTANT will have no inspection responsibilities at the jobsite except to the extent specifically provided for in the agreed upon scope of work. CONSULTANT shall not be held in any way to guarantee any contractor's work, nor to assume responsibility for means, methods or appliances used by any contractor nor to assume responsibility for a contractor's compliance with laws and regulations or for contractor's errors, omissions, or defective work. CLIENT agrees that in accordance with generally accepted construction practices, the construction contractor will be required to assume sole and complete responsibility for jobsite conditions during the course of construction of the project, including safety of all persons and property and that this responsibility shall be continuous and not be limited to normal working hours. CLIENT agrees to require in all construction contracts for the project, provisions that CLIENT and CONSULTANT shall be defended and indemnified by the contractor and its subcontractors and named additional insureds on contractor's and subcontractor's insurance. Any statements of estimated construction costs furnished by CONSULTANT are based on professional opinions and judgment, and CONSULTANT will not be responsible for fluctuations in construction costs.
9. **SERVICES BY CLIENT.** CLIENT will provide access to site of work, obtain all permits, provide all legal services in connection with the project, and provide environmental impact reports and energy assessments unless specifically included in the scope of work. CLIENT shall pay the costs of checking and inspection fees, zoning application fees, soils engineering fees, testing fees, surveying fees, and all other fees, permits, bond premiums, and all other charges not specifically covered by the scope of work. CLIENT shall designate to CONSULTANT the location of all subsurface utility lines and other subsurface man-made objects (in this agreement collectively called "buried utilities") within the boundaries of the jobsite. CONSULTANT will conduct at CLIENT's expense such additional research as in CONSULTANT's professional opinion is appropriate to attempt to verify the location of buried utilities at the jobsite, but CLIENT shall remain responsible for the accurate designation of their location and, shall indemnify, defend, and hold CONSULTANT harmless from any claims or loss arising from the failure to accurately locate buried utilities.
10. **COMPLIANCE WITH LAWS.** CLIENT and CONSULTANT shall each use reasonable care in its efforts to comply with laws, codes, ordinances and regulations in force at the time of the performance by each under this agreement, insofar as such laws are applicable to a party's performance. Unless otherwise provided for in the scope of work of this agreement or by law, the responsibility for making any disclosures or reports to any third party, for notifying all governmental authorities of the discovery of hazardous materials on the jobsite, and for taking corrective, remedial, or mitigative action shall be solely that of CLIENT. It is CONSULTANT's belief that the work is not subject to California Prevailing Wage Law, unless expressly identified as such within the scope of work. Should it be alleged or determined that some or all of the work is subject to California's Prevailing Wage Law, then CLIENT shall reimburse CONSULTANT for the additional costs associated with CONSULTANT complying with those laws.

Standard Conditions (Page 2)

January 1, 2007

11. **USE OF DOCUMENTS.** Drawings, reports, writings and other original documents (documents) furnished by CONSULTANT are for the exclusive use of CLIENT and CONSULTANT retains all intellectual property rights including copyrights. Documents are furnished to CLIENT upon CLIENT's specific agreement that it assumes all liability resulting from the further distribution of such documents, or any portion of them, and that CLIENT will indemnify CONSULTANT and hold it harmless against any claims associated with the unauthorized use of such documents. In no event will CLIENT or any person acting on its behalf edit, abridge, or modify any document prepared by CONSULTANT without CONSULTANT's express written consent.
12. **ELECTRONIC OR MAGNETIC DATA.** Documents provided by CONSULTANT in electronic or magnetic formats are provided under the following conditions unless detailed otherwise in the scope of work or by a written amendment. Documents are provided in CONSULTANT's standard software formats. CLIENT recognizes that electronic or magnetic data and its transmission can be easily damaged, may not be compatible with CLIENT'S software formats and systems, may develop inaccuracies during conversion or use, and may contain viruses or other destructive programs, and that software and hardware operating systems may become obsolete. As a condition of delivery of electronic or magnetic data, CLIENT agrees to defend indemnify and hold CONSULTANT, its subconsultants, agents and employees harmless from and against all claims, loss, damages, expense and liability arising from or connected with its use, reuse, misuse, modification or misinterpretation. In no event shall CONSULTANT be liable for any loss of use, profit or any other damage.
13. **TERMINATION.** This agreement may be terminated by either party by written notice should the other party fail substantially to perform its obligations under this agreement and continue such default after the expiration of a seven (7) day notice period. Either party may terminate this agreement without necessity of cause upon the expiration of a thirty (30) day notice period. If this agreement is terminated by CLIENT in the absence of default by CONSULTANT, CONSULTANT shall be paid for services performed and costs incurred by it prior to its receipt of notice of termination from CLIENT, including reimbursement for direct expenses due, plus an additional amount, not to exceed ten percent (10%) of charges incurred to the termination notice date, to cover services to orderly close the work and prepare project files and documentation, plus any additional direct expenses incurred by CONSULTANT including but not limited to cancellation fees or charges. CONSULTANT will use reasonable efforts to minimize such additional charges.
14. **PRECEDENCE OF CONDITIONS.** Should any conflict exist between the terms herein and the terms of any purchase order or confirmation issued by CLIENT, the terms of these Standard Conditions shall prevail in the absence of CONSULTANT's express written agreement to the contrary.
15. **ASSIGNMENT: SUBCONTRACTING.** Neither CLIENT nor CONSULTANT shall assign any of its rights including a right to sue, or delegate its duties under this agreement without the written consent of the other.
16. **FORCE MAJEURE.** Any delay or default in the performance of any obligation of CONSULTANT under this agreement resulting from any cause(s) beyond CONSULTANT's reasonable control shall not be deemed a breach of this agreement. The occurrence of any such event shall suspend the obligations of CONSULTANT as long as performance is delayed or prevented thereby, and the fees due hereunder shall be equitably adjusted.
17. **MERGER: WAIVER: SURVIVAL.** This agreement constitutes the entire and integrated agreement between the parties hereto and supersedes all prior negotiations, representations and/or agreements, written or oral. One or more waiver of any term, condition or other provision of this agreement by either party shall not be construed as a waiver of a subsequent breach of the same or any other provision. Any provision hereof which is legally deemed void or unenforceable shall not void this entire agreement and all other provisions shall survive and be enforceable.
18. **APPLICABLE LAW.** This agreement shall be interpreted and enforced according to the laws of the State of California. In the case of invalidity or unenforceability of any provision or portion thereof, the provision shall be rewritten and enforced to the maximum extent permitted by law to accomplish as near as possible the intent of the original provision. Nothing herein shall be construed to provide for indemnification against damages arising from a party's gross negligence or willful misconduct.