

**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 23-B

**FINAL MINUTES
Joint Special Meeting
Governance Committee
for the
Monterey Peninsula Water Supply Project
and
Monterey Peninsula Regional Water Authority
*July 10, 2014***

Call to Order: The meeting was called to order at 1:45 pm in the conference room of the Monterey Peninsula Water Management District offices.

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| Members Present: | Governance Committee | Water Authority |
| | Jason Burnett , Chair, representing Monterey Peninsula Regional Water Authority (JPA) | Mayor Jason Burnett , City of Carmel |
| | David Potter , representing Monterey County Board of Supervisors | Mayor Jerry Edelen , City of Del Rey Oaks |
| | Richard Svindland , representing California American Water (alternate to Robert MacLean) | Mayor Bill Kampe , City of Pacific Grove |
| | | Mayor David Pendergrass , City of Sand City |
| | | Mayor Ralph Rubio , City of Seaside |
| | | Mayor Chuck Della Sala , City of Monterey |

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| Members Absent: | Robert S. Brower , Sr., Vice Chair, representative for Monterey Peninsula Water Management District | No absences |
| | Robert MacLean , representative for California American Water | |

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

Public Comments: (1) **Tom Rowley** thanked David Potter for attending the Water Authority meeting and urged him to attend regularly to represent the California American Water Company (Cal-Am) rate payers in the unincorporated areas of Monterey County. (2) **Nelson Vega** thanked Mr. Potter for attending the meeting. He also described Mr. Della Sala's term as president of the Water Authority as exemplary and commendable.

Agenda Items

The Chair received public comment on each agenda item.

Action Items

1. Receive Report from Value Management Strategies, Inc. Discuss and Provide Direction on the Draft Preliminary Value Engineering Study of CDM's 30% Design of the California American Water Company Desalination Project

Mark Watson of Value Management Strategies gave a presentation that summarized the preliminary results of the Value Engineering (VE) Study. He noted that comments received at the meeting would be incorporated into the final report that should be provided within 30 days. The final step in the process will be to decide which alternatives presented in the report should be incorporated into final design. Watson stated that the purpose of the study was to identify a series of value enhancing options to the current design of the project through an objective, not an independent review. He reiterated that VE is not a cost reducing exercise but an intersection of performance, cost, risk and time, all appropriately weighted that could increase the value of the project. If the 15 identified priorities were implemented, they could potentially decrease the total project cost by \$9 million and improve the value of the project by up to 29 percent over the life of the project.

Jim Cullum, Executive Director of the Monterey Peninsula Regional Water Authority, cautioned the assembled Boards that the proposed \$9 million in savings may change as modifying one aspect of the project may impact other factors. He noted that the public will have other opportunities to comment of the VE study, including the August 25, 2014 meeting of the Governance Committee.

Rich Svindland, Vice President of Engineering, California American Water, noted that Cal-Am has identified many of the alternatives for incorporation into CDM's project design. They may not yield a dollar for dollar recovery, but Cal-Am will negotiate to get a decreased cost to the ratepayers. He explained that some systems are not yet fully designed because test well results are not available. The pipeline design is ready for the VE process, which will be included in the EIR.

Public Comment: (1) **Nelson Vega** questioned the potential impacts to the cost per acre-foot of the project and supported the larger facility size. (2) **Rick Riedl** requested renegotiation with CDM to recoup some of the cost savings and questioned if there was an incentive to reduce costs within the contract. (3) **Dale Hekhuis** requested clarification of the definitions of value comparison. (4) **George Riley** asked if the quality or components of the source water would change, were the VE study suggestions to be implemented. (5) **David Lifland** questioned the RO schematic expressing concern that the building was not large enough and questioned if the public would be able to comment on the final process. (6) **Michael Warburton** questioned how drought regulations would be enforced and spoke to pending legislation as it relates to this project.

Watson made the following statements in response to questions from the assembled Boards and members of the public. (1) The highest risk identified in the VE study is the raw water data. The report will indicate that there is a lack of data on the water and assumptions were made according to different speculated results. Source water is a key aspect to overall cost of the project. (2) The VE recommendations propose to increase the RO water recovery rate from 45% to 50% on the first pass, and 90% on the second pass, for a total 45% recovery. VMS believes that there is a possibility for a higher recovery rate which would impact the RO membranes positively. (3) The project proposes 33 energy saving devices. Energy recovery is part of the project design. One of the risks and uncertainties is use of methane gas. The current plan is to utilize dual sources from methane and PG&E; however, the ultimate power source for the project has not been determined. (4) The VE study did not calculate the cost of a 9.6 mgd plant vs a 6.5 mgd plant. The study did evaluate if any of the alternatives would change with a 9.6 or 6.5 mgd plant. (5) The quality of the source water could impact the design solutions. There are VE alternatives that deal with source water risks, but the test well data is needed to evaluate appropriate alternatives.

Adjournment

The meeting was adjourned at approximately 8:10 pm.