

MINUTES OF THE SAN ANTONIO WATER COMPANY
PLANNING, RESOURCES, and OPERATIONS COMMITTEE
July 26, 2016

An open meeting of the Planning, Resources, and Operations Committee (PROC) of the San Antonio Water Company (SAWCo) was called to order at 3:00 p.m. on the above date at the company office located at 139 N. Euclid Avenue, Upland, California. Committee members present were Ken Willis, John Gerardi, Will Elliott, and Tom Thomas. Also in attendance were City of Upland Public Works Director Rosemary Hoerning, Justin Scott-Coe from Monte Vista Water District (MVWD), resident Jane Willis, Mike Grbic and Roko Grbic from GRB Equipment, SAWCo's General Manager Charles Moorrees and Assistant General Manager Teri Layton. Mr. Elliott presided.

1. Recognitions and Presentations – Mr. Elliott recognized the meeting attendees; City of Upland's Public Works Director Rosemary Hoerning, Justin Scott-Coe with Monte Vista Water District (MVWD), resident Jane Willis, and Mike Grbic and Roko Grbic with GRB Equipment.
2. Additions-Deletions to the Agenda – None.
3. Public Comments – None.
4. Approval of Committee Meeting Minutes:
 - A. ***Regular Committee Minutes of May 24, 2016*** – Mr. Gerardi moved and Mr. Thomas seconded to approve the meeting minutes of May 24, 2016. Motion carried.
5. Planning and Operational Issues:
 - A. ***Well 31 Pilot Treatment Plant*** – Mr. Moorrees reminded the PROC that at the previous PROC meeting Peter Hall with MIH, Inc. presented a proposal to construct a pilot plant with the Hall reactor for biological treatment at SAWCo's Well 31 site. SAWCo was hoping that Cucamonga Valley Water District (CVWD) would partner with them as part of the Proposition 1 application for grant funding, however, they are unable to do so because the Department of Drinking Water requests CVWD have their own pilot plant on their own well. The City of Upland has also backed out of participating in the pilot plant at this time. Well 31 water is currently being delivered as irrigation water but after treatment can be delivered to the City of Upland and Water Facilities Authority (WFA).

Mr. Moorrees directed the PROC to the meeting packet which broke down the costs and financing options for the pilot plant. The total cost of the project would be roughly 3 million dollars. Three different funding options were presented; 1) obtain a loan for the total amount without grant funding, 2) obtain a loan for half the amount and utilize grant funding for the remaining amount, and 3) have SAWCo pay all costs. The loan amount would be paid through bi-annual assessments on shareholders. If SAWCo pays the entire amount they would incorporate the amount into the commodity rate.

Mr. Moorrees suggested three options for the pilot plant, 1) SAWCo buys or leases the use of the pilot equipment for the duration of the test period and purchases the supplies and provides operating staff to run the equipment during the test period only (SAWCo is only obligated to pay if it works and the cost is in line with their needs), 2) SAWCo uses best efforts to pay for the pilot program with no obligation to pay if unable to secure pilot funds, or 3) Hold off until grant funding is approved. Mr. Moorrees stressed the importance of utilizing this well to clean up nitrate contamination as the contaminants are moving to wells located to the west of it.

Ryan Shaw with the City of Ontario entered the meeting at 3:05 p.m.

Mr. Gerardi inquired whether or not Mr. Moorrees saw a net cost benefit if the pilot program is successful in spending \$1.5 million to \$3.0 million. Mr. Moorrees replied an analysis would have to be done. Maximum exposure is \$30,000 if the program is successful and zero exposure if the pilot program is unsuccessful. Staff should know by November what programs have been accepted through the Proposition 1 grant funding.

Ms. Hoerning commented the pilot program provides more forgiving operations and maintenance elements due to the technology being used.

Mr. Gerardi questioned why the City of Upland was not interested in participating in the program. Ms. Hoerning stated there was not enough time to fully vet the program though she is very interested in it. The application for Proposition 1 grant funding is due shortly and she does not yet have council approval. She mentioned the City of Upland needs water for the east side of the city where Well 31 is located.

Mr. Elliott moved and Mr. Willis seconded to approve putting this item on the September PROC agenda for further discussion. Motion carried.

B. *Upland Water Service Agreement* – Mr. Moorrees advised that the last time water service agreements were discussed the PROC recommended meeting with the parties to see if a mutual agreement could be reached. After meeting with the parties there is still some disagreement on the premise of the service agreement. SAWCo's legal counsel, Tom McPeters, created a new service agreement which Mr. Moorrees presented to the PROC. The biggest concern seems to be paying the tiered rate. SAWCo would like to encourage the parties to take the most 'wet' water they can. With the proposed agreement, if the shareholders are unable to take 85% or more of their entitlement during the year, the tiered rate will be waived the following year.

Mr. Moorrees clarified that there is no need for water service agreements with municipal shareholders. Agreements were originally established to balance out monthly revenue. The agreements being proposed do not provide that for SAWCo. Mr. Moorrees inquired whether the PROC would be receptive to asking the Board to eliminate the tiered rate for municipal shareholders for the remainder of the year until the water rates and fees study is completed.

Mr. Thomas suggested entering into another service agreement and over the course of the year, as long as they don't go over their annual entitlement, there is no tiered rate. Mr. Moorrees replied most will not go over their annual entitlement. Ms. Hoerning stated she would like not to be bound by a monthly entitlement.

Mr. Scott-Coe suggested the possibility of banking water not used in one year such as a dry year, to be used in a future, wetter year.

Mr. Moorrees will have revised service agreements ready for the next PROC meeting for review and comment.

C. ***Cucamonga Crosswall Project*** – Mr. Moorrees reminded the committee of the Board's recommendation to solicit bids for the Cucamonga Crosswalls Project. Mr. Moorrees provided information on the efforts thus far on the project and voiced his concerns about soliciting bids.

Mr. Thomas felt that if there is a possibility SAWCo can recoup the costs spent to get this project completed they should pursue it.

Mr. Moorrees inquired whether or not the PROC would recommend offering first right of refusal to GRB Equipment if the project went out to bid. Mr. Gerardi explained that the problem with first right of refusal is it demotivates other contractors from submitting a bid.

GRB Equipment advised they'd be willing to work with SAWCo to consider alternatives.

Mr. Thomas suggested taking the item back to the Board see if they wish to entertain negotiating with the current contractor or solicit bids.

The PROC felt delaying signing a contract is the best option for now considering the 22nd Street haul route may not be approved this year. Until all regulatory requirements are met no work can be done.

Mr. Moorrees advised GRB Equipment that if they put in writing some options he will present them to the Board.

GRB Equipment, Ms. Hoerning, Mr. Scott-Coe, and Mr. Shaw exited the meeting.

6. Planning and Operational Update -

A. ***Project Status Report*** –

- **Cell Tower Ground Lease** – Legal counsel is reviewing the proposed lease and will report his findings.
- **Water Master Plan Update** – Staff met with Civiltec Engineering who has now provided the criteria for management to review. More information will be provided to the PROC at the September or November meeting.
- **Tunnel** – The building for the MIOX system is being built. Staff hopes to have it up and running in 3 weeks.

- **22nd Street Pipeline** – Scheduled to be installed the following week.

Mr. Willis exited the meeting at 4:00 p.m.

7. Basin Issues and Updates

- A. ***San Antonio Canyon Watershed*** – The 12th Annual Clean Up Day was held Saturday, July 9th and didn't yield a lot of trash compared to past events. The San Antonio Survey is complete.
- B. ***Chino Basin*** – A Strategic Meeting was held the previous week prior to the Advisory Meeting and the Recharge Improvement Projects Committee (RIPCom) Meeting. The Budget Committee was put under the governance issue and a presentation will be given at the Board meeting
- C. ***Six Basins*** – A Board meeting is scheduled for the following day to discuss the application for Proposition 1 grant funding and a possible Memorandum of Understanding (MOU) for non-parties to the Six Basins.
- D. ***Cucamonga Basin*** – Mr. Moorrees has been working with CVWD and the Inland Empire Utilities Agency on the pre-application for Proposition 1 grant funding. Included in the application is the biological treatment of Well 31, redevelopment of Well 19, and the desilting of the Cucamonga Crosswalls and Basin 6.

Ms. Layton will begin taking the lead on Cucamonga Basin Management and modernizing the Judgment. Mr. Thomas suggested holding a meeting with both CVWD and SAWCo Boards, management, and staff.

Development Update – Upland Ford is ready to begin work on their project on 20th Street. A waterline they are putting in will interfere with SAWCo's existing 24 inch waterline. Upland Ford will need to relocate roughly 600 feet of SAWCo's existing waterline.

8. Committee's Comments and Future Agenda Items: – None.

Adjournment: –The meeting was adjourned at 4:25 p.m. Motion carried.

Assistant Secretary
Charles Moorrees