

MINUTES OF SPECIAL MEETING
ORANGE COUNTY WATER DISTRICT
May 14, 2015, 5:30 p.m.

President Green called to order the May 14, 2015 special meeting of the Board of Directors of the Orange County Water District at 5:30 p.m. in the Boardroom in Fountain Valley. Director Anthony participated via teleconference from: 2255 Moody Ridge Road, Alta, CA. Following the Pledge of Allegiance to the Flag, the District Secretary called the roll as follows.

OCWD Directors

Philip Anthony (via teleconference)
Denis Bilodeau
Shawn Dewane
Jan Flory
Cathy Green
Dina Nguyen
Roman Reyna
Stephen Sheldon
Harry Sidhu
Roger Yoh

Staff

Michael Markus, General Manager
Joel Kuperberg, General Counsel
Janice Durant, District Secretary
Bruce Dosier, Randy Fick, Judy-Rae Karlsen,
John Kennedy, Dan Sullivan, Nira Yamachika

Others:

Fred Young – IBEW Local 441
Dean A. Francis – IBEW Local 441
Ricardo Ramirez – IW Local 416
Ricardo Vargas Hidalgo – IW Local 416
Nancy Agostini – Huntington Beach resident
Jose Carrillo – IW Local 416
Doug Mangione – IBEW Local 441
Jaime Viramontes – IBEW Local 441
Billy Campana – Local 1136 Painters
Richard Samaniego – IBEW Local 441
Sam Huartado – SMW Local 105
Joshua Prunean – IBEW Local 441
Graham Beatty – Poseidon Water
Marc Marcantonio – Yorba Linda Water
Mik Campos – IBEW Local 441
Matt Iantorno – IBEW Local 441
Hector Madrigal – Laborers Local 652
Scott Maloni – Poseidon Water
Scott Smith – Huntington Beach resident
Michael Wellborn – FHBP
Juan Alonso – IW Local 416
John Earl – Surf City Voice
Jerry A. King – JA King & Associates
Ed Laird – CAC
Luis Herrera – Huntington Beach Home owner
Brian Ragland – City of Huntington Beach
Cari Swan – Huntington Beach homeowner
Max Rangel – Ironworker Local 416

Jeanette Petrocella – Huntington Beach homeowner
Karen Jackle – Huntington Beach Tomorrow Pres
Mike & Heather Lantow – Hunt Beach homeowners
William Yarchin – Hunt Beach homeowner
Martin McIntosh – South OC Economic Coalition
Barbara Noffsinger – SFHBNA Home Owner R4RD
Jennifer Didlo – Citizen
Gail Eastman – Citizens Oversight Board
Michelle Afriano – Homeowner R4RD
John Grace – Huntington Beach homeowner
Lori Ann Robeson – Resident
Christian Brantley – Homeowner R4RD
Michelle Schuetz – ASM Travis Allen
Wayne Steffier – Huntington Beach homeowner
Richard M. Banister – OC Resident
Jeffrey Jackson – OC Assoc. of Realtors
Susan Shaben – Huntington Beach homeowner
Pamela Henrikson – Dana Point Resident
Paul Gracey – Costa Mesa Landlord
Raymond Jacuindy – VA Local 582
Michael Hernandez – Laborers 652
Ropert Lopez - Laborers 652
David Moore – Laborers 652
Mariano Orniano – Laborers 652
David Nix – Insulators #5
Jason Kim – Ironworker Local 416
Danilo Arana – Ironworker Local 416
Alice Padmore – Hunt Beach Resident

Mike Elwell – Ironworker Local 433	William Padmore – Hunt Beach Resident
Bob Kass – Ironworker Local 433	Scott Schaepolt – Coastkeepers
Art Valenzuela – City of Tustin	Ray Hiemstra – OC Coastkeepers
Carol Maylusby – Huntington Beach	Laura Dixon – Huntington Beach
Sandra Fazio – R4RD	Vermta Taures – Huntington Beach
Mark Dixon – R4RD	David Warren – Sierra Club
James Toni – Fountain Valley Resident	Marinka Horack – Huntington Beach
Donna Specht – R4RD	Susan Claudius
Veronika Specht – R4RD	Dave Friedman
Jeffery Neill Bedgood – Plumber Local 582	Dr. Mikel Hogan – SFHB – Tax Payer
Laura Long – Huntington Beach Resident	Mary Ann Gordon – R4RD
Keith Lyon – MWDOC	Kelly Siegel – Sierra Club
Jean Roberts – R4RD	Suvan Gear – Sierra Club
Cecilia McCourt – R4RD	Mark Shafer – 582 Plumber/CM Home Owner
Judy Bartz – Homeowner	Steve Yorcle – Huntington Beach
Linda Armendariz	T. and D. Koken – Costa Mesa
Richard Armendariz	Charles T. Gibson – Santa Margarita Water Dist.
Rob Pool – Resident	Kent Hayden – Meredith Gardens HOA
Tiep N. Bui – R4RD	Frankie Jimenez – 416
Melissa Rodriguez – Hunt Beach resident	Ric Collett – YLWD
Stacy Berry – Cypress City Council	Kelly Huffman – Poseidon Water
Kathleen Mooney – Resident	Diana Carey – Citizens Advisory Committee
Ashley Dos Sautos – Resident	John F. Scott – R4RD
Andrea Hickman – Huntington Beach resident	Betty Angell – R4RD
Tyler Holcomb – Irvine Resident	Milt Dardis – Huntington Beach resident
Ken Vecchiarelli – GSWC	Catherine Johnson
Rhona Villanueva – Resident	Bridget Johnson
Litta Cecchi – Huntington Beach	Steve Doucette – Resident/homeowner
Tom Bash – Huntington Beach	Ryan Newton – 582 HB resident
Dave Hamilton – R4RD	Hermann Stehling – Resident/homeowner
Jennifer Thomas – Huntington Beach	Marselle Sloane – DFA
Betsy Eglash – Brady	Carole Moore – DFA
Pax Wergin – R4RD	Jennifer Brantley – R4RD
Pam Vallot – R4RD	Judy Curry – Resident
Claudia Alvarez	Bonnie Bayard
Mary Ann Martin – Huntington Beach resident	Brent Beasley – Roofers
Jim Martin – Huntington Beach resident	

MATTER FOR CONSIDERATION

1. Proposed Poseidon Resources City of Huntington Beach Ocean Desalination Project

Executive Director John Kennedy reviewed the revised Term Sheet with Poseidon as contained in tonight's Agenda packet which outlines the overall structure of a potential partnership with Poseidon Resources for the Huntington Beach Ocean Desalination Project and which will be used as the basis to negotiate a final water purchase. He stated that OCWD would pay Poseidon the MWD treated full service rate plus a to-be negotiated additional premium, noting that starting in year 15 of operation and every five years thereafter, the premium amount would be reviewed and

adjusted downward if Poseidon is receiving an economic return above an agreed upon amount. Mr. Kennedy reviewed the major recent changes to the Term Sheet, as compared to the March 2015 version the Board previously reviewed. Specifically, he stated Poseidon must demonstrate 90 days of successful operation with its Carlsbad Plant, take advantage of and share technological advances, potentially agree to sell the plant to OCWD after 30 years, agree that premiums above the MWD are negotiable, and set a ceiling for the OCWD purchase price and a floor for minimum MWD rate increases. He stated the new Term Sheet puts more risk on Poseidon and allows OCWD to apply for grant money. Mr. Kennedy also pointed out that four meetings recently occurred with the Ocean Desalination Citizens Advisory Committee (ODCAC) and that a written report on those meetings from the meeting facilitator Paul Brown is included in tonight's Agenda packet. He stressed that the Term Sheet is not definitive and does not legally commit either party to any future actions, noting that, if approved, staff would need to study and fully understand the issues, costs, and risks of taking on the task of purchasing and distributing the Poseidon water. Further, he stated the District would also need to obtain firm commitments from retail water agencies to purchase the water, and would need to hire technical consultants at an estimated cost of \$230,000, with the work taking six to nine months.

Poseidon Vice President Scott Maloni provided an overview of Poseidon Water and the risk allocation in the original Term Sheet as compared to the new Term Sheet. He explained that linking the cost to the MWD rate provides 1) the lowest price of water to OCWD in the early years and a hedge against MWD escalation in later years, 2) that desalinated water will replace MWD water which is an established metric with comparable cost components (capital, electricity, O&M), and 3) that price adjustments may enable OCWD to pay a discount on MWD rates over the life of the project. Mr. Maloni stated that OCWD would benefit from new technology, stating that Poseidon would share actual operating cost information through the LRP program and OCWD contractual requirements, and that OCWD would receive the financial benefits of technology improvements. He also stated Poseidon is committed to carbon neutrality and GHG reduction.

The following individuals expressed support for moving forward with the Huntington Beach Desalination project:

Assemblymember Matthew Harper via video recording
 Assemblymember Travis Allen via video recording
 Dr. Allen Bernstein – Tustin City Council
 Joel Angeles – on behalf of representative Supervisor Michelle Steel
 Duane Cave – Moulton Niguel Water District
 Jose Solorio – Rancho Santiago Community College District
 Tyler Diep – Westminster City Council
 Chuck Gibson – Santa Margarita Water District
 Claudia Alvarez - Rancho Santiago Community College District
 Mario Rodriguez – Hispanic 100
 Shirley Detloff – Former Huntington Beach Mayor/Former Coastal Commissioner
 John O'Neill – Citizens's Advisory Committee
 Brett Baker – Huntington Beach resident/Labor Iron Workers Local 433
 Mike Balsamo – Building Industry Association
 Ernesto Madrano – LA/OC Building and Construction Trades/Anaheim resident
 Kevin Wen - Student and Orange County resident
 Richard Byrd – Ironworkers 416 and Garden Grove resident

Billy Campana – Painters Union
Sigfried Calaquian – UCI graduate and Anaheim resident
Benny Diaz – LULAC - League of Latin American Citizens
Joe Carchio – Former Huntington Beach Councilman
Gail Eastman – Citizens’ Advisory Committee /Anaheim resident and former Council member
Tom Ferguson – Costa Mesa resident
Kevin Koyanaggi – Citizens’ Advisory Committee/Huntington Beach resident
Tom Ferguson – Costa Mesa resident and pool contractor
Brian Genovese – Orange County Association of Realtors
Eric McHugh– UCI student
Doug Mangione – International Brotherhood of Electrical Workers Local 441
Joe Monaco – Dudek
Martin MacIntosh – Southern Orange County Economic Coalition
Ed Laird – CAC Huntington Beach resident
Robert Ruiz – Local 652 Irvine
Bob Sulnick – OC Wise
Gabriella Szeneki - OCAR
Ryan Hu – Aliso Viejo resident
Joshua Herman – Orange resident
Sam Hurtado – Sheet Metal workers
Bob Kasprowicz – Huntington Beach resident/Labor
Jeff Jackson – OC Association of Realtors
Stuart Barrios – Newport Beach resident and UCI student
Kevin Kaussen – Newport Beach resident
Mik Lasette

The following individuals expressed opposition to moving forward with the Term Sheet on the proposed project:

Dr. Mikel Hogan – R4RD
John Earl – Surf City Voice
Morinka Horack – R4RD
Clem Dominquez
Scott Smith
Debbie Cook
Mary Jo Baretich – R4RD
Mark Dixon – R4RD
John Scott - ratepayer
Richard Armendariz – Orange County resident and Local Steelworkers Union
Michael Wellborn – Friends of Harbor, Beaches & Parks
Dr. Jack Skinner – Newport Beach resident
Nancy Skinner – Newport Beach resident
Milt Dardis – Huntington Beach resident
Karen Jackle – Huntington Beach Tomorrow
Ray Hiemstra – Orange County Coastkeeper
Nancy Caruso – Garden Grove resident
Steve Dusett – Huntington Beach resident
Jamie Pavlat – Huntington Beach resident

Tyler Holcomb – Irvine resident
Conner Everts – Desalination response group
James Miller – Huntington Beach resident
Terry Koken – Costa Mesa resident
Jerry Falabella – Costa Mesa resident
Carol Moore – Fountain Valley homeowner
Marselle Sloane – Fountain Valley resident
Bonnie Bayard – Orange resident
Pam Valllot – Huntington Beach resident
Glenn Howland – Huntington Beach resident
Steve Ray -
Cindy Black – Costa Mesa resident
Susan Schaben – Huntington Beach Homeowner
Vern Nelson -
Judy Bartz – Huntington Beach resident

The following individuals commented on the proposed project:

Paul Weghorst – Irvine Ranch Water District
Diana Lee Carey - Citizen’s Advisory Committee

The Board then discussed the proposed Term Sheet. Director Yoh expressed concerns about the price of the water being fixed to imported water and stated he was not supportive of the way the project is currently structured. He stated there is no desalination project in the nation that is pegging the costs of water to another agency, and challenged Poseidon to find a way to lower the price of water. Director Bilodeau concurred that the Term Sheet still needs work, but stated he would be supporting moving forward. Director Dewane noted that water conservation does not come for free and that the price of water will rise as people conserve. Director Anthony expressed concerns with the Term Sheet and urged the Board to defer action on it. Directors Green, Nguyen, Reyna, Sheldon, and Sidhu expressed support, noting the Term Sheet is a good starting point to study how OCWD would distribute the water; and that hiring experts would help to resolve current outstanding issues to determine the feasibility of moving forward. Director Flory stated she would not support the Term Sheet as alternatives were not discussed, and stressed that the delay in the process of this project has been due to Poseidon’s obtaining the permits. She stated the concerns of the Citizens’ Advisory Committee need to be explored with regard to alternatives and tying the rate to the MWD rate. Poseidon Vice President Scott Maloni responded to the Director’s comments and stated that in order to analyze alternatives the Board would need to go forward with the Term Sheet. He stated that Poseidon believes that over the course of the contract OCWD will pay less than the cost of MWD if MWD water continues to escalate as it has done continually in the past.

MOTION NO. 15-84
APPROVING TERM SHEET WITH POSEIDON FOR
PROPOSED HUNTINGTON BEACH DESALINATION PROJECT

Upon motion by Director Dewane, seconded by Director Sidhu and carried [7-3] by roll call vote, with Directors Anthony, Flory and Yoh voting "No," the Term Sheet with Poseidon for the proposed Huntington Beach Desalination Project is approved as presented: and staff is authorized to hire and execute contracts with consultants for a total amount not to exceed \$230,000 to review project issues relating to distributing the Poseidon water, water quality, considering alternative supplies and financial assistance. Staff is further authorized to seek bond funding for such project.

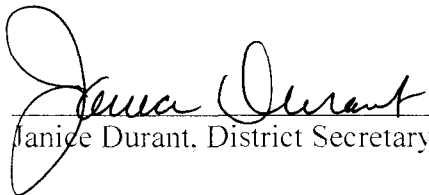
Ayes: Bilodeau, Dewane, Green, Nguyen, Reyna, Sheldon, Sidhu
Noes: Anthony, Flory, Yoh

VERBAL REPORTS

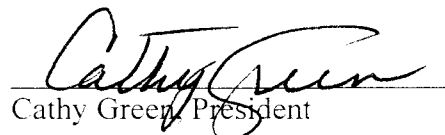
Directors Flory and Yoh requested that the Citizens' Advisory Committee reconvene during review of the Term Sheet. The Board agreed to defer this discussion to a future meeting.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 9:45 p.m.



Janice Durant, District Secretary



Cathy Green, President