



MINUTES OF THE SPECIAL BOARD OF DIRECTORS' MEETING
June 14, 2012

1. Call to order.

Chair Hogan called the meeting to order at 1:30 p.m.

2. Roll call.

Directors present were Arant, Barnum, Brady, Dailey, Dion, Douglas, Heidel, Hilliker, Hogan, Jungreis, Knutson, Lewinger, Lamb, Linden, Pocklington, Price, Sanford, Saunders, Saxod, Smith, Steiner, Topolovac, Tu, Watton, Weston, Williams, and Wornham. Directors absent were Bailey, Bond, Boyle, Croucher, Miller, Morrison, Mudd, Wight, Wilson and Representative Slater-Price.

Staff present included General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Water Resources Weinberg, Principal Engineer Chamberlain, and David Moore, Managing Director of Clean Energy Capital.

3. Public Comment.

There were six public speakers who spoke:

1. Matt Yunker from the Downtown San Diego Partnership spoke in favor of the Carlsbad Desalination Project.
2. Nate Cooper from the Surfrider Foundation requested continued public comment before the draft purchase agreement was signed.
3. Julia Chung-Heer from the Surfrider Foundation spoke in opposition of the Carlsbad Desalination Project.
4. Conner Everts from the Desalination Response Group spoke in opposition of the Carlsbad Desalination Project.
5. Mike Nagy from the San Diego Regional Chamber of Commerce spoke in favor of the Carlsbad Desalination Project.
6. Suzanne Thiel a resident of the East County area spoke in favor of conservation as the cheapest source of water and in opposition of the Carlsbad Desalination Project.

4. Workshop on issues related to the Carlsbad Desalination Project.

4-A Integration of the Carlsbad Desalination Project.

- i. Balancing treated water demand and proposed annual contractual commitment.
- ii. Optimizing regional treated water facilities.

Mr. Chamberlain began the presentation covering the overview of treated and untreated aqueduct systems, setting the contractual commitment for water purchases, treated water system planning, treated water aqueduct delivery system, seasonal demand pattern for monthly treated water deliveries, results from demand analysis, options to align Water Authority commitment with treated demands, revising the annual contractual commitment and the staff proposed annual contractual commitment.

Director Lewinger requested an analysis of how the project would be impacted in the future if indirect potable reuse were included in the analysis as shown on slide 13 of the presentation.

4-B Range of costs and comparison with unit cost of alternative local supplies.

Mr. Weinberg presented on what makes up the cost of desalination, summary of the range of costs and history of estimated unit price from Poseidon. He then presented on the comparison with alternative with local supplies. This included deciding to develop a local supply, explanation of unit cost, financial assumptions, typical local supply cost components, and the role of local supplies.

Director Lewinger asked if the figures in slide 17 were in 2012 dollars. Mr. Weinberg stated that was correct. Director Lewinger asked if the costs would escalate over time. Mr. Weinberg stated the debt service and the equity charge would escalate 2.5% annually. Director Lewinger requested a graphic at the next workshop that would show time vs. dollar per acre foot high and low costs.

Director Price requested an analysis comparing the price of water from Metropolitan Water District vs. the price of desalinated water projecting into the future.

4-C Incorporation of costs related to Carlsbad Desalinated Water into the Water Authority's rates and charges.

Chair Hogan announced this item would be continued to the June 28, 2012 Board meeting.

5. Adjournment.

There being no further business to come before the Board Chair Hogan adjourned the meeting at 3:50 p.m.

Michael T. Hogan, Chair