



**MINUTES OF THE SPECIAL BOARD OF DIRECTORS' MEETING
October 11, 2012**

1. Call to order.

Chair Wornham called the meeting to order at 1:35 p.m.

2. Roll call.

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

Staff present included General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Water Resources Weinberg, Water Resources Manager Yamada and Financial Planning Manager Shank. Dr. Thomas W. Chesnutt, Principal with A & N Technical Services, Inc., and Mr. Gary J. Crisp, Global Business Leader-Desalination with GHD, Inc. were also present.

2-A Report on proxies received. There were no proxies received.

3. Public Comment.

Chair Wornham announced the public speakers had requested to speak after the presentations.

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

4-A Presentation on Australian experience with desalination.

Mr. Yamada introduced Mr. Crisp, including information on education, credentials, and professional experience and accomplishments. Mr. Crisp provided a comprehensive presentation on six desalination projects in Australia. He concluded with sharing a letter from the Water Corporation of Western Australia.

Directors asked Mr. Crisp questions about environmental issues, current operations, project funding, public sentiment, unit cost of water, time frame from construction to production, and consideration of other alternatives. Mr. Yamada provided information on intake velocity of the Carlsbad Desalination Plant.

4-B Alternative structures for incorporation of Carlsbad Desalination into Water Authority rates and charges.

Mr. Shank discussed the history of the Water Authority's rate structure, the process for designing the rate structure, and the process utilized for the Carlsbad Desalination cost. He introduced Dr. Chesnutt, including information on professional experience, credentials and education. Dr. Chesnutt provided information on what is a Cost of Service Study, and the status of the rate structure alternatives for Carlsbad Desalination project costs and the Request for Proposal for a Cost of Service Study. Mr. Weinberg discussed alternative rate structures, fixed cost allocation, and rate structure policy.

Chair Wornham called for Public Comment on the item.

There were nine public speakers:

1. Julia Chunn-Heer, Surfrider Foundation, spoke in opposition to the Carlsbad Desalination project.
2. Marco Gonzalez, Coastal Environmental Rights Foundation, spoke in opposition to the Carlsbad Desalination project.
3. Livia Borak, Coastal Environmental Rights Foundation, spoke in opposition to the Carlsbad Desalination project.
4. Joe Geever, Surfrider Foundation, spoke in opposition to the Carlsbad Desalination project.
5. Ron Davis, Executive Director of CalDesal, spoke in favor of the Carlsbad Desalination project.
6. Sean Karafin, San Diego County Taxpayers Association, posed specific questions related to the development of the Water Purchase Agreement.
7. Matt Adams, Building Industry Association of San Diego, spoke in support of the Carlsbad Desalination project.
8. Faith Picking, BIOCOM, spoke in support of the Carlsbad Desalination project.
9. Chris Garrett, Latham & Watkins LLP for Poseidon, provided a written letter to the Board and spoke about permits and approvals required for the project.

Chair Wornham called for Directors comments on the item. Directors provided comments and questions about water supply diversification, cost of the project water, the Water Purchase Agreement, allocation strategy policy and logic, risk mitigation, the rate structure alternatives presented and proposed, cost allocation, fixed charge components, and supply.

4-C Proposed Water Purchase Agreement costs and terms.

This item was continued to the October 25, 2012 Board meeting.

5. Adjournment.

There being no further business to come before the Board, Chair Wornham adjourned the meeting at 4:20 p.m.

Thomas V. Wornham, Chair