

## **COASTAL WATER AUTHORITY**

### **Minutes of Regular Meeting**

**October 12, 2011**

The Board of Directors of Coastal Water Authority convened its Regular Meeting; open to the public, at the CWA Conference Room, One Allen Center, 500 Dallas Street, Suite 2800, Houston, Texas with the following in attendance:

#### **Directors**

D. Wayne Klotz, P. E., President  
Tony L. Council, P. E., First Vice-President  
Alan D. Conner, Second Vice-President  
Zebulun Nash, Secretary-Treasurer

John Odis Cobb, P. E.  
Douglas E. Walker  
Giti Zarinkelk, P. E.

#### **CWA Staff**

Donald R. Ripley  
John J. Baldwin  
Jerry Berry  
Mary Caballero  
Jackie Leong

#### **City of Houston Staff**

Jun Chang, P. E., Deputy Director, PW&E  
John Liles, Legal

#### **Legal Counsel**

Jonathan Frels, Vinson & Elkins

#### **Engineering Consultants**

Ty Thomas, P. E., Lockwood, Andrews & Newnam, Inc.

#### **Visitors**

*(See Guest Sign-In Sheet)*

#### **I. CALL TO ORDER – D. Wayne Klotz**

- A. Welcome and Introduction of the Board.**
- B. Pledge of Allegiance.**
- C. Salute to the Texas Flag.**
- D. Moment of Silence.**
- E. Recognition of Guests.**

Mr. Klotz recognized all guests and thanked them for their attendance. Mr. Klotz also introduced Mr. Ripley as the new Executive Director for Coastal Water Authority and also thanked Mr. Baldwin for his leadership as Interim Executive Director.

## **II. ITEMS FOR CONSIDERATION – D. Wayne Klotz**

### **A. Electricity Contract Procurement.**

Mr. Klotz informed the Board that the Electricity Contract Procurement involved a time deadline and therefore, this item would be the first order of business.

Mr. Baldwin presented the Board with a handout prepared by Lockwood, Andrews & Newnam, Inc. with a total of six bidder's best and final pricing which included pricing for a 48 month term in addition to the 12, 24 and 36 month terms. The bids were to be completed and submitted before 9:00 AM, October 12, 2011. It was noted that one of the six bidders, Gexa Energy, submitted their bid late and therefore could not be considered.

Mr. Baldwin stated the CWA Energy Team (Team) and the Finance and Audit Committee reviewed the bids, the terms and the timing before today's Board meeting began. Mr. Baldwin noted that the bidders were asked to include for each pricing alternative, if any (e.g. a different bandwidth or balancing period) and an MWDBE participation goal of 15%. The Team was recommending a 36 month contract to the Board, the lowest bids for the 36 month alternative came in as a three way tie at \$0.051790/kWh. The Team reviewed the criteria of bandwidth and settlement period as a means of a tiebreaker. Suez Energy and TXU Energy proposed a 10% plus or minus bandwidth with a monthly settlement, Texas General Land Office (GLO) offered unlimited bandwidth and no settlement period. The GLO proposal was deemed to be to the Authority's benefit. Mr. Greg Caffarel (LAN) gave the Board Members a briefing on the bandwidth impact and the "pass through costs" and a briefing on the difference between choosing between a 36 month term over a 48 month term. Other criteria considered was the GLO is a Texas governmental agency and certain charges will not be passed on to the Authority that other "for profit" entities would pass through to CWA. With reference to the MWDBE participation criteria, Mr. Frels stated that the GLO provides 100% of its power from Cavallo Energy Texas, LLC which is a City of Houston certified MWDBE provider. In addition the GLO has committed to provide other MWDBE participation in their proposal.

Mr. Nash stated that the Finance and Audit Committee concurred with the recommendation for the 36 month term contract along with all of the other aspects included in the Electricity Contract Procurement selection of the Texas General Land Office.

**MOTION authorizing a 36 month contract with Texas General Land Office for electricity service at a rate of \$0.051790/kWh, subject to the execution of a final written agreement in a form acceptable to CWA as indicated by its execution.**

Motion made by Director Nash, Seconded by Director Walker, Motion Carried Unanimously.

**A. Minutes of the September 14, 2011 Board Meeting.**

Mr. Klotz advised that the next item of business was the approval of the Minutes of the Board Meeting of September 14, 2011.

**MOTION approving the Minutes of the Board Meeting of September 14, 2011.**

Motion made by Director Council, Seconded by Director Zarinkelk, Motion Carried Unanimously.

**B. Minutes of the September 26, 2011 Special Board Meeting.**

Mr. Klotz stated that the next item was the approval of the Minutes of the Special Board Meeting of September 26, 2011.

**MOTION approving the Minutes of the Special Board Meeting of September 26, 2011.**

Motion made by Director Council, Seconded by Director Conner, Motion Carried Unanimously.

**III. ONGOING ENGINEERING PROJECTS – Donald R. Ripley**

**A. Luce Bayou**

**1. Monthly Status Report**

Mr. Ripley stated to the Board that he would recues himself from discussions on Luce Bayou to the extent they involve a decision that would have a special economic effect on AECOM distinguishable from the effect on the Public and referred the item to Mr. Baldwin.

Mr. Baldwin stated that AECOM continues to assist V&E with Land and Mitigation under the conditions applicable to the Scope of Services in the current authorized Work Order No. 7.

**2. Issuance of Work Order No. 8.**

Mr. Baldwin stated a request for a new task order and funding for the preparation of the Luce Bayou Project Draft Environmental Impact Study (DEIS) was received on October 4, 2011. A review of the Work Order proposal with the Professional Engineering Services Review Committee was conducted with AECOM representatives, Ms. Profilet (Ecologic), and Mr. Frels present. It is recommended that an "Interim Work Order No. 8" be proposed to allow CWA time to thoroughly review the proposal for any possible redundant cost line items issues. The Interim Work Order would allow AECOM to continue working on the Luce Bayou DEIS and would be for an amount Not-To-Exceed \$200,000.00.

Mr. Council stated that the Board did not want AECOM to lose any progress on the Luce Bayou Project however we want to insure that we are not being requested to authorize work on tasks that may have already been completed. This review would not interfere with the Scope of Work required by the USACE.

Ms. Profilet clarified to the Board that the issue at hand was not a matter of the Scope of Work as the USACE has set the Scope included in the proposal, but of the cost and effort of achieving that Scope.

**MOTION approving the issuance of “Interim Work Order No. 8” to AECOM USA Group, Inc. in substantially the form presented to the Board for a “Not To Exceed” amount of \$200,000.00 to cover EIS related services for an interim period during which the Final EIS Budget will be developed for review by CWA.**

Motion made by Director Council, Seconded by Director Nash, Motion Carried Unanimously.

**B. Request for Qualifications (RFQ) for Cathodic Protection Analysis and Limited Survey.**

Mr. Berry stated that (2) RFQ submittals were received on October 7, 2011. The Professional Engineering Services Review Committee met on October 11<sup>th</sup> to review and consider the proposal and concurred with the approval of the Motion as stated below.

**MOTION approving the selection of V&A Consulting Engineers, Inc. on the basis of demonstrated competence and qualification, and authorizing the Executive Director to negotiate an agreement for a Cathodic Protection Analysis and Survey at a fair and reasonable price.**

Motion made by Director Walker, Seconded by Director Zarinkelk, Motion Carried Unanimously.

**C. Lake Houston Dam Phase IC Investigation.**

Mr. Berry stated that at this time this item was information only.

Mr. Berry reviewed the letter from the Texas Commission of Environmental Quality (TCEQ) dated September 20, 2011 regarding the Lake Houston Dam Phase IC Investigation and stated that this is an item that comes up yearly during budget time. The TCEQ at CWA’s request on August 8, 2011 reviewed the Phase 1B Report prepared by Freese and Nichols, Inc. dated April 2008.

Mr. Berry provided the Board with a page from the aforementioned report prepared by Freese and Nichols summarizing the recommendation for the Phase1C Study. Mr. Berry stated that CWA staff discussed the recommendation to proceed with the Phase IC Study with Mr. Chang and

he asked CWA to include the Study as a line item in the budget to be submitted to the City of Houston for the upcoming budget year. Mr. Berry stated to the Board that should they desire, he would ask Mr. Rutledge, with Freese and Nichols to brief the Board at the November or December Board Meeting. Mr. Klotz asked Mr. Berry the magnitude of the study. Mr. Berry replied the cost magnitude was in the \$450,000.00 range. Mr. Klotz asked Mr. Berry to set up the briefing to the full Board.

Mr. Klotz informed the Board that the Study could potentially reveal the need for a \$15 million construction project which would be paid for by the City of Houston.

**IV. LAND AND RIGHT-OF-WAY – John Liles**

**A. Chambers County Improvement District No. 3 Utility Easement.**

Mr. Liles stated that Item IV.A., would be withdrawn from this month’s agenda as there were some last minute amendments submitted by both parties that need to be resolved. He stated that this item would be resubmitted for next months’ meeting.

**V. MAINTENANCE & OPERATIONS - Jerry Berry**

**A. Monthly Report**

<b>TRINITY RIVER</b>	<b>Water Production September 2011 30 DAYS (gallons)</b>	<b>DAILY AVG (MGD) INDUSTRIAL &amp; TREATMENT</b>
Trinity River Pump Station	21.1 billion	Hwy 225 Plants(Incl. CWA WTP) 131
Main Canal	19.8 billion	SEWPP 128
Cedar Point Lateral	1351.6 million	EWPP 303
San Jacinto Transfer Station	306.5 million	Deer Park WTP 6
Lynchburg Pump Station	18.0 billion	Bayport Plants 32
Water Treatment Plant	231.4 million	BAWA 19
Bayport Pump Station	970.6 million	CPL 45
		SJRA <u>10</u>
		Trinity River Total 674 MGD

**SAN JACINTO RIVER**

Lake Houston Pump Station	1.2 billion	Indus. Customers 34
		EWPP <u>5</u>
		San Jacinto River Total 39 MGD

### **Operations**

Mr. Berry stated that the Trinity River Pump Station (TRPS) pumped 21.1 billion gallons in September which was down from last months' record of 21.4 billion. The average daily production in September was 674 MGD (671 MGD in August). Peak production was 738.2 MGD on September 16, 2011. Production exceeded 700 MGD for (15) days in September. Lake Houston Pump Station (LHPS) pumped 1.2 billion gallons in September and the average daily production was at 29 MGD (44 MGD in August). The LHPS pool elevation is at 40.6 ft. (msl) which is down from normal pool of 44.5 ft. and is holding steady. Lake Conroe is at 194.54 ft., down from normal pool of 201 ft. and releasing 150 MGD. Lake Livingston is 127.07 ft. down from a normal pool of 131 ft. and releasing 1500 cfs (970 MGD). All other pressures and levels are normal.

### **Maintenance**

Routine maintenance activities included right-of-way mowing, removing canal vegetation, and cleaning and repairing bar screens at canal siphons. CL2 and NH3 analyzers were cleaned and calibrated. Dredge spoil areas were graded and shaped and two leaks were repaired on the distribution system. TRPS pumps were run on Utility Grade Backup Power (6) hours for generator testing. Integrated Power Services repaired LPS Motor 201 and returned it to service. CWA staff installed and placed into service a new RTU Site at the end of NW Lateral "D" which is in the Mt. Belvieu area.

### **B. Red Bluff Water Treatment Plant Improvements.**

Major work items completed in September included the transition from the old controls to the new SCADA System, training on new analyzers and new equipment and installing outlet pipe supports on filters FL-110 and FL-111. All (4) new filters are now in use.

Looking further into October, Mr. Berry stated projects include installing a new raised floor over the old panel base and relocating SCADA computers/monitors to their final location. Final calibration and training on new analyzers is scheduled during the week of October 17<sup>th</sup>. Upon the completion of remaining work items, a punch list will be developed after final walkthrough. Projected Substantial Completion is expected in late October.

Mr. Berry stated that we are currently under schedule and under budget. Time used has been (268) days (81.5%). The billing to date is at 98.9% of the approved expenditure.

### **C. NRG Commencement Test of Backup Power at Trinity River Pump Station.**

With reference to the Trinity River Pump Station, Mr. Berry reported that construction is essentially complete and (5) of the (11) Acceptance Criteria Items have been met. The Acceptance Criteria not met are related to:

- Remote Operation and Control.
- Communication Procedures.
- Documentation.
- "As Built" Electrical Drawings.

Upon notice from NRG that all acceptance criteria have been met, CWA will schedule a walk through inspection and remote operation will be tested. If successful, Mr. Berry noted, CWA has (5) days to issue a Letter of Acceptance, with or without a punch list, or a Letter of Non-Acceptance.

**D. NRG's Fuel Degradation and Resupply Plans under the Electricity Reliability Services Agreement for Utility Grade Back Up Power.**

Mr. Berry provided the Board with information about NRG's plans for pre-storm fuel support which included:

- 48 hours fuel supply on site treated with additive and additional treatment as fuel is added.
- Annual system operational testing and quarterly unit operational testing.
- Fuel samples taken annually and more often if problems are indicated during quarterly operation and maintenance.
- Top off tanks if storm is in (5) day probability zone.

Mr. Berry stated that NRG's Storm Event Fuel Re-Supply Plans include:

- After top-off, fuel management shifts to the Harrisburg, PA office.
- Macro Oil in Louisiana is NRG's storm event fuel supplier. It has locations in LA & TX. They will pre-position trucks and fuel out of zone of impact. They are equipped with tools to clear minor debris for access and have extensive experience with storm events.

Mr. Berry introduced Mr. David Goza, an NRG representative, to answer any questions from the Board on the NRG Fuel Degradation and Resupply Plans. Mr. Klotz asked Mr. Goza how often would fuel trucks come in and how much fuel is expected to keep the power on. Mr. Goza stated that after the storm event and the engines have started, Macro Oil's plan is a 24 hour cycle. Every day they would be coming over and topping off the generators. The possibility of staging additional tanks at the Trinity and Lynchburg sites has been discussed for additional flexibility. NRG is still evaluating this and also ensuring that environmental concerns are addressed. Mr. Nash asked Mr. Goza if they are tied in with the County Emergency Response Teams so that there will be no issues with regard to access into some counties. Mr. Goza stated that they have not made that contact yet, but that they would. Mr. Berry stated that he knew CWA would be on a priority list because we are listed on the Homeland Security Sites. Mr. Nash reiterated the importance of permit coordination with the various counties. Mr. Walker asked about timing on fuel degradation data with reference to how long the

fuel is good for after the preservatives are added. Mr. Goza responded that he would have to get more data to answer that question. Mr. Walker stated he would appreciate seeing the data once it is obtained.

**E. NRG Activities at Lynchburg Pump Station.**

Mr. Berry stated the NRG (Spaw-Glass) activities and schedule is as follows:

- 30 generator sets, transformers, and MVSG have been installed.
- The reservoir road improvement work is complete.
- Final wiring, termination, and cable testing is in progress.
- Functional testing will occur during the week of October 24<sup>th</sup>.
- Anticipated completion and “Commencement Testing” to occur in November.

There were no further questions from the Board.

**VI. BUSINESS REVIEW – John J. Baldwin**

**A. Monthly Financial Statements for the previous month.**

Mr. Baldwin informed the Board that all four of the operating budgets are doing well for the period ending September 30<sup>th</sup>. At the Red Bluff Treatment Plant, and the Bayport System the revenues are running slightly ahead of budget. Expenses are slightly under budget on all four of the operating budgets. All reimbursement contract payments with the City of Houston for Trinity River and Lake Houston have been received and are timely. The increase in expenditures due to the increased usage of electricity at Trinity River and Lynchburg is more than budgeted. However, the offset of this cost is coming primarily from funding budgeted in the NRG implementation schedule for generator leasing. It is anticipated that all four of the operating budgets will come in under budget at year end. The Lake Houston budget is expected to be at approximately 95% of budget at year end. The amount budgeted for debris removal has been needed due to the drought conditions. The expenses at Bayport are running slightly under budget and revenues are slightly up. The Treatment Plant is running right at forecasted usage for expenditures and revenues.

**B. Audit Engagement – 2011 Coastal Water Authority Pension Plan.**

Mr. Baldwin stated that the Audit Engagement for the 2011 Coastal Water Authority Pension Plan (the “Plan”) was discussed earlier this morning with both the Pension Plan Committee and the Finance and Audit Committee. The Audit Engagement Proposal came from the Authority’s auditors, McConnell & Jones, LLP. This will be the fifth year that McConnell & Jones have conducted the Audit of the Plan. There were no significant changes required this year to meet the audit criteria. The Fee proposed for the Plan is \$10,750.00 which is \$500.00 less than last year’s fee and as such Mr. Baldwin recommended authorizing the contract to McConnell & Jones, LLP

for CWA's 2011 Pension Plan Financials. Mr. Nash stated that the Pension Committee and the Finance and Audit Committee concurred and also recommended the Motion.

There were no questions from the Board.

**MOTION authorizing a contract with McConnell & Jones, LLP for the Annual Audit of Coastal Water Authority's 2011 Pension Plan Financials.**

Motion made by Director Walker, Seconded by Director Zarinkelk, Motion Carried Unanimously.

**C. 2012 CWA Budget Preparation Schedule.**

Mr. Baldwin referred the Board to the CWA 2012 Budget Preparation Schedule. Mr. Baldwin stated his staff, and Mr. Berry and his field staff are currently working on their respective portions of the budget. Mr. Baldwin stated that they are also working with Mr. Chang on the City of Houston's forecasts of water demands for the Trinity River and Lake Houston systems along with the anticipated forecasts of water demands from our industrial customer's at the Red Bluff Treatment Plant and the Bayport Facilities.

Mr. Baldwin noted to the Board that he met with the Finance and Audit Committee this morning and a date was set for Wednesday, October 26<sup>th</sup>, at 9:00 A.M. to review the Draft Budgets on all four operating budgets. All members of the Board were welcome to attend.

Mr. Klotz asked, from the standpoint of planning, design, construction, etc. whether CWA formerly established a program for the fiscal year. He noted that it was clear that the EIS for the Luce Bayou Project will have to continue, but was interested in what other types of engineering projects were anticipated. Mr. Baldwin stated that items in the proposed 2012 budget such as the waterline replacement construction project planned for the Bayport Water System and the Phase IC Study for the Lake Houston Dam will be proposed in 2012. The projects will also be presented to the Authority's Committees for review and discussion. Mr. Nash stated that the Finance and Audit Committee does ask about these types of budget items during the budget review meeting.

Mr. Klotz mentioned the new arrangement with our legal services and asked if anyone had made an analysis on what impact that may have on this budget. Mr. Baldwin stated that he and Mr. Berry are preparing that analysis in consultation with both V&E and the City of Houston attorneys. Mr. Klotz stated that he expected the Authority's management team to prepare the budget with the implementation of the idea of being frugal in its spending requests and emphasized the need to spend the public dollars wisely. Mr. Klotz stated that the budget basically needs to be scrubbed and prepared to overcome any perception that we are not examining all areas of potential savings and cost reductions. Mr. Klotz stated again that he was

not suggesting that CWA was not already looking closely at costs. Mr. Klotz stated that he assumed someone from the organization would run a filter on the budget. Mr. Baldwin stated that he and Mr. Ripley would be doing that.

Mr. Klotz asked if there were any questions from the Board regarding procedure or schedule. Mr. Nash went back to the legal question and wanted to know if anyone had monitored the work so far and what savings had been obtained so far. Mr. Baldwin noted a few of the projects that have been sent to the COH Legal Department and he and Mr. Berry would prepare a report for the board at the budget review committee meeting.

**VII. DISBURSEMENTS - John J. Baldwin**

Mr. Baldwin stated that the disbursements to be approved by the Board included: the Bayport Capital Improvement Fund - in the amount of \$96,204.66, Construction Fund - Series 2009 (Luce Bayou Project) - in the amount of \$109,799.57, Construction Fund - Series 2010 (Luce Bayou Project) - in the amount of \$61,784.26, the Luce Bayou - Land & Mitigation Fund - in the amount of \$575.09, the Red Bluff Water Treatment Plant Fund - in the amount of \$127,157.18, and the Special Project Equity Fund - in the amount of \$108.79.

Mr. Baldwin noted that the Lake Houston Construction Fund was closed out as the project has been completed, and that the \$8,054.12 listed for disbursement approval would be refunded to the City of Houston.

**MOTION approving disbursements to be approved by the Board included: the Bayport Capital Improvement Fund - in the amount of \$96,204.66, Construction Fund - Series 2009 (Luce Bayou Project) - in the amount of \$109,799.57, Construction Fund - Series 2010 (Luce Bayou Project) - in the amount of \$61,784.26, the Luce Bayou - Land & Mitigation Fund - in the amount of \$575.09, the Red Bluff Water Treatment Plant Fund - in the amount of \$127,157.18, and the Special Project Equity Fund - in the amount of \$108.79.**

Motion made by Director Council, Seconded by Director Nash, Motion Carried Unanimously.

There were no questions from the Board.

**VIII. OLD BUSINESS - Donald R. Ripley**

There were no updates on this item.

**IX. EXECUTIVE SESSION**

Mr. Klotz stated that there were no items that needed to be discussed Executive Session.

**X. NEW BUSINESS** – Donald R. Ripley

There were no updates on this item.

**XI. ADJORNMENT**

The Meeting was adjourned at 11:05 A.M.

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Tony L. Council, 1<sup>st</sup> Vice President