

COASTAL WATER AUTHORITY

Minutes of Regular Meeting

September 9, 2009

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

Dionel E. Avilés, P. E., President
Kurt F. Metyko, P. E., First Vice-President
Rick Cloutier, P. E., Secretary Treasurer
Tony L. Council, P. E., Second Vice-President

A. R. "Rusty" Senac
Ray Stoesser
Zebulun Nash, - Absent

CWA Staff

Gary N. Oradat, P. E.
John Baldwin
Jerry Berry
Jackie Leong
Patricia Kingan

City of Houston Staff

Jun Chang, P. E., PW&E
Katheryn Bechtold, PW&E
John Liles, Legal Department

Legal Counsel

Clark Lord, Vinson & Elkins

Engineering Consultants

J. Anthony Boyd, P. E., Lockwood, Andrews & Newnam, Inc.
Steven Gilbreath, P. E., Lockwood, Andrews & Newnam, Inc.

Visitors

Don Ripley, P. E., AECOM
Jeff Eversberg, P. E., AECOM
David C. Scholler, P. E., Brown & Gay Engineers, Inc.
Wayne Ahrens, P. E., Dannenbaum Engineering Corporation
Anne S. Profilet, EcoLogic, Inc.
Ed Shackelford, P. E., Jones & Carter, Inc.
David Jackson, P. E., Kellogg, Brown & Root
Eric Hall, P. E., Kellogg, Brown & Root
Melissa Henderson, P. E., Lockwood, Andrews & Newnam, Inc.
Showri Nandagiri, P. E., North Harris County Regional Water Authority
Ben Bickham, P. E.

I. ITEMS FOR CONSIDERATION:

Mr. Avilés called the meeting to order at 10:10 a.m.

A. Minutes of the August 12, 2009 Board Meeting.

Motion approving the Minutes of the Board Meeting of August 12, 2009.

Motion made by Director Senac, Seconded by Director Cloutier, Motion Carried Unanimously.

B. Recognition of Guests.

At this time, Mr. Avilés recognized all guests and thanked them for coming to the Meeting.

II. ONGOING CONSTRUCTION PROJECTS – Gary N. Oradat

Mr. Oradat stated that, at last month's Board meeting, the Board approved final payment to Pepper-Lawson for the Lynchburg Pump Station Project. This payment has been transmitted to Pepper-Lawson. Pump 104 is currently at the Ruhrpumpen repair facility and has been disassembled. No action has been taken on the repairs as there are still ongoing discussions between Ruhrpumpen and Pepper-Lawson. Mr. Oradat stated that it was his understanding that Pepper-Lawson has sent a letter to Ruhrpumpen demanding that repair action be taken by a certain date. Mr. Oradat has not received an update from Pepper-Lawson. Mr. Oradat stated that he continues to discuss the situation with Mr. Seth Russell, Vinson & Elkins.

Mr. Oradat asked Mr. Jackson and Mr. Hall from KBR if they had any additional information. Mr. Jackson stated that he did not have any additional information.

III. ONGOING ENGINEERING PROJECTS – Gary N. Oradat

A. Luce Bayou

Mr. Oradat advised that Mr. Ripley, AECOM's Program Director, will give the September Status Report on the Luce Bayou Interbasin Transfer Project.

Mr. Ripley advised that he would give updates on the following items:

- Environmental and Permitting
- Engineering
- ROW Acquisition
- Schedule
- Project Team
- Budget Summary
- HUB/MWDBE Participation
- Stakeholder Communication

Environmental and Permitting

Mr. Ripley stated that they have a meeting scheduled with the Galveston District USACOE on September 17, 2009, to focus on habitat function and value assessment methodology to use for mitigation planning. This will be the 30th meeting.

An Interagency field trip is scheduled for September 22, 2009, for the Harrison tract and the bird rookery area.

Prior converted wetland data, crop information for agricultural fields and logging activities are being used to refine wetlands impact estimate. Refinement of wetland estimates for impacted areas based on surveyed alignment, final property survey data and analysis of delineation procedure.

AECOM has updated the Luce Bayou Interbasin Transfer Project website with agency consultation process and Community Calendar updates. The Project Calendar will be added this month.

The environmental surveys for parcels with "Right of Entry" approval and existing final alignment are 90% complete.

This month, AECOM will be completing the internal "draft" wetlands mitigation report for the Harrison tract. We have developed the "Table of Contents" for the Environmental Report based on agency requirements to submit the Permit Application in March 2010. We will get additional guidance next week from the Corps of Engineers.

We are developing the Preliminary Jurisdiction Determination (PJD) reports for delineated wetlands areas based on final alignment and property surveys.

Engineering

Mr. Ripley stated AECOM has refined the horizontal and vertical pipeline and canal alignments. They have coordinated with Fugro Consultants to make sure they don't have any issues with the current canal alignment. They have evaluated multiple canal earthwork issues including availability of clay, side slopes and canal seepage and they have initiated the development of a drainage area delineation and drainage area map.

AECOM and Mr. Berry and his staff, have determined the location, number, size and expectations for project maintenance area. They have developed the preliminary outfall structure detail and are continuing work on preliminary construction cost estimates.

AECOM has developed the general dimensions for the Pump Station plan and section and have continued working with Fugro Consultants on the geotechnical field work along the canal route and at the planned pump station site.

ROW Acquisition

Mr. Ripley stated AECOM has completed boundary surveys for Parcels 6-13. Condemnation petitions have been filed for Parcels, 3, 4, 4.5, 52, 53, and 54. There are ongoing landowner and contract negotiations for Parcels 1, 2, 50 and 51. They have continued boundary surveying, appraisals and Phase 1 environmental work on remaining priority "B" parcels.

AECOM continues to correspond with property owners along the canal corridor to request access for environmental and right-of-way surveying.

AECOM has updated the property acquisition database. Mr. Ripley stated that he added a graphic showing the priority parcels completed and in progress. This graphic will be updated monthly.

Schedule

Listed below is the updated schedule:

Begin tasks in "Work Order No. 7" - March 11, 2009
Resolution of Take Point - Completed June, 2009
Complete property boundary surveying/acquisition - To Be Determined
Complete environmental field work - December 31, 2009
Complete Preliminary Engineering in support of 404 Submittal - March 31, 2010
Joint Evaluation Meeting - October, 2009
Submit 404 Application to USACOE - March 31, 2010
Receive 404 Permit - September 2011 to March 2012

AECOM Team Members

WCW International
-Crouch Environmental
-J. J. Wagner
-Robert McFarlane
-Roger Moore
-Desco
-Quadrant
Isani Group
-Adept
RBI

Fugro
Universal Field Services
-Integra
John Griffin
Baird
Espey
Entech
HVJ

Mr. Ripley advised that the AECOM Team members have been unchanged.

HUB/MWDBE Participation (thru June 2009)

<u>FIRM</u>	<u>BILLINGS</u>	<u>% OF AECOM BILLINGS</u>
WCW International	\$ 822,825	10.08%
Isani Group – Adept	\$ 550,939	6.75%
RBI	\$ 246,949	3.03%
HVJ	\$ 70,831	0.87%
Tolunay-Wong	\$ 10,200	0.12%
Total	\$1,701,774	20.85 %

Mr. Ripley stated that the following is the “Work Order” summary:

Budget Summary

Work Order	Authorized	Expended	Status
Work Order One	\$ 200,000	\$ 200,000	Closed
Work Order Two	\$ 825,000	\$ 599,127	Closed
Work Order Three	\$ 830,000	\$ 546,152	Closed
Work Order Four	\$ 163,000	\$ 163,000	Closed
Work Order Five	\$ 840,000	\$ 801,773	Closed
Work Order Six	\$ 2,000,000	\$ 1,970,978	Closed
Work Order Seven	\$10,105,500	\$ 3,879,336	Ongoing
Totals	\$14,963,500	\$ 8,160,366	

Stakeholder Communication

Mr. Ripley stated that the monthly teleconference was conducted on September 1, 2009. The majority of the conversation focused on the “Feasibility Study” for the “Direct Connect”.

Mr. Oradat referred the Board to the list of participants for the teleconference and the Agenda.

Mr. Ripley advised that the City is still gathering requested financial information and they are investigating the possible alternatives to “Direct Connect”. They discussed the possible timing for the TRC meeting to review the “draft” PER. The “draft” will probably be distributed in the October timeframe. If so, the TRC will be convened in the October-November timeframe.

The next teleconference is scheduled for October 6, 2009.

Mr. Oradat stated that the teleconference went very well. The focus remains on financial information which the Stakeholders have requested from the City of Houston. Once this information is submitted and the Stakeholders have had an opportunity to review this information, discussions on the Direct Connect should continue. The report that AECOM prepared, at the request of the Stakeholders, was very cursory and was aimed more at starting discussion. It was not intended to be an exhaustive study.

Mr. Oradat asked Mr. Chang if he had any idea when the information would be available to the Stakeholders. Mr. Chang stated that the information Mr. Oradat gave was accurate and he did not have an update at this time.

Mr. Metyko asked if the design has to show both what drains into the bayou now and what will be draining into the bayou. Mr. Ripley stated it will be designed for both. We are meeting with the Liberty County Engineers to get some additional information to finalize the drainage impacts. Liberty County has hired a consulting firm to do a study. We will be coordinating with them.

Mr. Lord stated that the condemnation hearings have been for the Woodland Shores and the Gilbreath properties. The first hearing is set for September 28. The second hearing is set for October 14. Once these hearings are concluded, we will have a better idea as to the valuations for the area.

Mr. Oradat stated that these first two parcels are for the discharge point into Lake Houston and are critical.

Mr. Baldwin stated that we will have to set aside funds for the parcels from the Land and Mitigation Fund. We will have to wire transfer funds into the Court and they will establish a Trust Account that the money will go into. We will need a Board Member's signature, Mr. Chang's signature and Mr. Oradat's signature when we transfer the funds.

Mr. Ripley stated that with regard to the Harrison acquisition, we will have multiple transactions because of their decision to subdivide the property into five or six properties.

Mr. Oradat asked for Board Approval to post this information on the CWA website. The Board had no objections.

B. Approved "Work Orders" for CWA's Strategic Study.

**CWA Strategic Study
August, 2009 Status Report**

1. Work Order No. 1: Groundwater Conversion

STATUS: To date, no interest shown by agencies in Fort Bend area.

2. Work Order No. 2: Alternative Power Generation

STATUS: FERC application submitted by ETEC. Application shows 24 MW facility. CWA's needs not included.

3. Work Order No. 3: Wastewater Reuse

STATUS: Currently, market does not exist for wastewater from the City's 69th Street and Sims Bayou facilities. If the City's rate structure or policy were to make it more attractive, this project could be re-energized. KBR has performed initial investigations per their contract with the City.

4. Work Order No. 4: Watershed Management Strategies

STATUS: It is doubtful that the Harrison property (Luce Bayou Project) can be used for a constructed wetland. Property will be needed for mitigation credits.

Per conversation with Houston PWE on February 3, and Luce Bayou Teleconference on September 1, CWA is proceeding with the investigation of a constructed wetland on the west side of Lake Houston. The Phase III - Site Screening Study "Scope of Work" has been approved and will focus on identifying and screening potential sites for off channel constructed wetlands that could be used to improve the water quality in Lake Houston. The Project Team is scheduling a site visit to similar wetland projects in North Texas. The site visit schedule is being confirmed.

Mr. Oradat stated that the possibility of a constructed wetland on the west side of Lake Houston has come up again and he has been in conversations with Anne Profilet, John D'Antoni and Tony Boyd about the possibility of obtaining property, such as an abandoned gravel pit, and converting it to a constructed wetland. We would then need to determine if it would result in improved water quality in Lake Houston. There is some thought that a constructed wetland might be an alternative to the "direct connect" from Luce Bayou to the Northeast WTP.

5. Work Order No. 5: Alternative Delivery Options for Luce Bayou

STATUS: This effort is concluded. Letter received from Mike Marcotte, Houston PWE Director, conveying the input from the Stakeholders that the Luce Bayou project be delivered via traditional design-bid-build.

6. Work Order No. 6: Alternative Methods for Funding CWA's Budget

STATUS: This effort is concluded. John Baldwin briefed the Board on September 10, 2008. No alternative methods are feasible at this time.

7. Work Order No. 7: Evaluation of the Red Bluff WTP

STATUS: The evaluation of the Red Bluff WTP has been completed. Capital project to be bid in late 2009. See "Work Order No. 10" and "Work Order No. 17".

8. Work Order No. 8: Supply of Industrial Water to Bigler, LP

STATUS: This effort is concluded pending involvement by Bigler.

9. Work Order No. 9: Proposed Interconnect at the East Water Purification Plant

STATUS: COH desires to enter into an agreement with CWA to use the SEALS Fund to proceed with this project. CWA awaiting direction from COH.

Mr. Oradat stated that this would connect the CWA "B" & "C" lines and allow the City's East Water Plant to produce 350 MGD using raw water solely from the Trinity River. We are still waiting on direction from the City to proceed with this Work Order.

10. Work Order No. 10: Proposed Improvements to the Red Bluff WTP

STATUS: Improvements being designed per "Work Order No. 17". Clark Lord (V&E) continues discussions with Air Products attorney regarding contract amendments.

Mr. Lord advised that the local representatives for Air Products are very reluctant to make any changes to the existing contract. They feel everything is working fine and there is no need to change it. PRSI has expressed no objections to the proposed changes.

11. Work Order No. 11: Source Water Protection Program for Lake Houston

STATUS: CWA directed to defer purchase of equipment to support mechanical algae removal in the West Canal. COH to pursue grant monies for innovative technology.

Final report on the radial gate and emergency spillway analysis delivered to CWA on July 24, 2009. CWA delivered one (1) copy to Jun Chang, Houston PWE.

12. Work Order No. 12: Moisture Intrusion at Lake Houston Pump Station

STATUS: V&E working with COH on agreement to use FY 2010 CIP funds. Project will be advertised once the agreement with the City is finalized.

Mr. Oradat advised that Vinson & Elkins continues to work with the City of Houston on an agreement to use Fiscal Year 2020 CIP funds on this project.

13. Work Order No. 13: Post-Hurricane Ike Site Assessment of Red Bluff WTP

STATUS: Reimbursement from FEMA is being received.

14. Work Order No. 14: Post-Hurricane Ike Site Assessment of Lake Houston Pump Station

STATUS: Reimbursement from FEMA is being received.

15. Work Order No. 15: Construction Documents for Post-Hurricane Ike Cleanup of Various CWA Facilities

STATUS: Reimbursement from FEMA is being received.

Mr. Oradat stated that Mr. Baldwin is working with FEMA representatives on the reimbursements and will discuss this in his Business Review section.

16. Work Order No. 16: Wastewater Reuse Project - Irrigation of the Houston Sports Complex

STATUS: Final PER delivered on July 6. Investigation is completed.

17. Work Order No. 17: Final Design for Red Bluff Water Treatment Plant

STATUS: Front-end documents and technical specifications are being reviewed by V&E. Final coordination required and final submittal due in mid-September. Advertisement and bid opening planned for October. Schedule may be impacted by requirements of SB 361.

Mr. Oradat stated that this project is moving ahead and will be advertised and bid the last few months of this year. However, the schedule may be impacted by requirements of SB 361. This is legislation having to do with stand-by generators. We are awaiting clarification from TCEQ staff. The Red Bluff WTP does not produce raw water, nor does it produce potable water. As it only produces industrial-grade water, the facility may be exempt from SB 361. If not, we may have to include a generator in the bid documents.

C. Independence Parkway

Harris County made a presentation to the O&M Oversight Committee last week. The project appears to be going well. We made some comments about protecting our wetlands, but overall they are proceeding.

Mr. Avilés stated that the amount of our land they will be using for the project will be very small in comparison with the whole project.

Mr. Oradat advised that Harris County will be providing additional information about construction management and design fees.

D. SB 361

Mr. Oradat advised that SB 361 addresses the requirement for standby generators at certain facilities. A hearing has been scheduled for September 21 at Harris Galveston Area Council (HGAC) and a second hearing has been scheduled for September 22 at the Katy Branch Library

on Franz Road. Mr. Oradat stated he will be attending the hearing at HGAC.

On August 31, Mr. Oradat met with the TCEQ to discuss SB 361. He was accompanied by Mr. Ty Thomas (LAN) and Mr. Clark Lord. TCEQ representatives included Ms. Reyna Holmes, Mr. Elston Johnson, and Ms. Vera Poe. A TCEQ attorney, Mr. Christiaan Siano, was also at the meeting. Overall, the meeting went very well. TCEQ staff was not familiar with Coastal Water Authority (CWA) and our affiliation with the City of Houston. Considerable time was spent discussing CWA's system and the projected financial impact to comply with SB 361. Once the hearings are concluded, a second meeting will be held with TCEQ personnel.

Mr. Lord felt we raised a lot of questions in their mind about the rules they had published. We were able to raise approximately 5-6 issues which need clarification. We will need to work with the TCEQ to address how these regulations will apply to CWA.

Mr. Oradat stated that the TCEQ regulations will be approved no later than December 1, 2009. The legislation requires that certain information be submitted to area authorities or agencies no later than November 1. The actual "Emergency Preparedness Plan" is to be submitted by March 1, 2010. The TCEQ has 90 days to review and approve the EPP.

Mr. Lord stated that implementation will be an issue. The TCEQ staff stated that "implementation" means that the generators have to be installed no later than July 1, 2010. That is not possible. We will need to work with the TCEQ staff on that issue.

Mr. Senac asked about the projected costs to implement SB 361. Mr. Oradat stated that initial estimates could be as high as \$ 30 million, if not substantially more. It depends on the level of backup the TCEQ will require, the size, type, and number of generators which would be required at each CWA facility, and whether or not enclosures will be required to protect the generators. You also have to consider fuel. Lynchburg could possibly use natural gas. We would have to work with CenterPoint to install the supply line. However, Trinity River Pump Station would require either propane or diesel. That would entail storage facilities and supporting infrastructure. Fortunately, the City has informed us that they will address Lake Houston Pump Station.

Mr. Cloutier asked if we would have firm dollar amounts by the March deadline. Mr. Oradat stated we would have them well before then. Mr. Cloutier felt the initial numbers were high.

Mr. Senac asked how many days of raw water supply would be available at Lynchburg if we lost power to the Trinity River Pump Station. Mr. Oradat stated approximately four days.

Mr. Oradat stated that when the issue came up about water supply to the industrial customers, the TCEQ staff was not sure if SB 361 requires water supply to industrial customers during a power outage. The primary focus is on municipal water plants. Obviously, there is a lot of work to be done with the TCEQ staff.

Mr. Senac asked if there are other ways to do this other than having an electrical generator. He stated that we already have dual electrical feeds to all CWA pump stations. Mr. Oradat stated that the TCEQ does not allow an exemption for dual power feeds.

Lastly, Mr. Oradat stated that the Luce Bayou Pump Station will need to provide standby generators. There may also be a possibility that a secondary feed to the pump station may not be an eligible expense for TWDB funding. This will need to be examined.

E. LAND AND RIGHT-OF-WAY - John Liles

A. Archaeological Study on Battleground Road Property.

Mr. Oradat stated that he received the “draft” Archaeological Investigation from Jan DeVault. A copy was forwarded to Mr. Christy and Mr. Lord. It appears that nothing of historical significance was found. However, there are some revisions that need to be made before the report is issued as “final”.

IV. MAINTENANCE & OPERATIONS - Jerry Berry

A. Monthly Report

<u>TRINITY RIVER</u>	Water Production August 31 DAYS (gallons)	DAILY AVG (MGD) <u>INDUSTRIAL & TREATMENT</u>	
Trinity River Pump Station	17.8 billion	Hwy 225 Plants	129
Main Canal	16.5 billion	SEWPP	93
Cedar Point Lateral	1360.8 million	EWPP	218
San Jacinto Transfer Station	317.1 million	Deer Park WTP	5
Lynchburg Pump Station	14.8 billion	Bayport Plants	31
Water Treatment Plant	222.4 million	BAWA	14
Bayport Pump Station	971.4 million	CPL	44
		SJRA	<u>10</u>
			544 MGD
 <u>SAN JACINTO RIVER</u>			
Lake Houston Pump Station	1.9 billion	Indus. Customers	30
		EWPP	<u>33</u>
	San Jacinto River Total		63 MGD

Operations

Mr. Berry advised that the average daily production at the Trinity River Pump Station in August was 544 MGD, down from 553 MGD in July. Production is right on our projections for this time of year. At the Lake Houston Pump Station the average daily production was 63MGD, the same as July. Production is above projections and allows us to exercise our larger pumps.

All other pressures and flows are normal.

Random drug tests continue monthly. All results have been “Negative”.

We have two repair projects to complete on this year’s Operations and Maintenance budget:

- 1) Repair two each 1,000 HP Motors for Pumps 5 and 6 at the Trinity River Pump Station. This is on today’s agenda for consideration.
- 2) Replace Safety Screens on the West Canal. The bid opening will be held September 30, 2009, for Board consideration at the October 14 Meeting.

Hurricane Preparedness “One Year after Ike”

Improvements after IKE:

- Water level flood gauge has been installed on discharge structure outside Lynchburg Pump Station Flood Wall.

- Wind speed instrumentation has been upgraded at Lynchburg Pump Station.
- Generator was upgraded at Bayport Pump Station.
- Quick Connect Switch for generator was installed at the Red Bluff Water Treatment Plant.
- An overhead residential power line at the Trinity River Pump Station was replaced with underground line.
- Some food storage and cooking capability was increased at the Trinity River Pump Station Control Room.
- Tier I and Tier II employee responsibilities were evaluated and some adjustments made.
- Communication system was validated by IKE.

Power Issues:

- CenterPoint responded during the storm and, we think, learned something about getting Lynchburg Pump Station on line in the event of an outage.
- CenterPoint replaced three tower foundations on one of the 138KV lines to Lynchburg Pump Station.
- Entergy claims they will be more responsive and have assigned a representative who appears to be more sensitive to our situation.
- CWA Staff and Consultants are better prepared to respond to storm damage assessment, repair and clean up after going through the process.
- CWA Staff is confident, ready and prepared.

Mr. Oradat asked Ms. Leong to report on Hurricane Preparedness from the I/T point-of-view.

Ms. Leong advised that she recently attended a seminar regarding disaster recovery. Based on the information at the seminar, there are no others measures for CWA to take to improve its preparedness. At present, we have two back-ups: a tape backup and a backup server at the Cyrus location. We are also in the process of upgrading and replacing our e-mail server which we have had since 2002. It is running out of space. This weekend, we are installing an air conditioning unit in our server room as the room gets too hot when the air conditioning is turned off on the weekends. She stated that several components have already failed due to elevated temperatures in the room. The optimal temperature in the room should be 76 degrees. When the server failed, the temperature was above 90 degrees.

Maintenance

Trinity River Pump Station lost power for ten minutes on August 21, 2009. Entergy attributed the outage to a surge caused by a lightning strike. All protection equipment functioned properly.

Lynchburg Pump Station lost the "B" System pumps for one hour on August 24, 2009. The failure was attributed to a UPS Failure caused by an over-current protection short. We have scheduled some advanced training with Invensys next week for our staff and Lockwood Andrews & Newnam staff.

CWA staff replaced a pressure differential switch on Pump 202.

Dashiels Corporation performed quarterly inspections and maintenance on VFD Drives.

PBS&J applied herbicides on Lake Houston for three days during August.

Reports are that the Lake is in very good condition with a minimum of aquatic vegetation.

We are experiencing some algae growth in the West Canal. This is a recurring problem we have this time of the year.

Lake Houston Pump Station was shut down for 12 hours on August 20th and 27th to kill algae and clean screens.

Routine maintenance activities included:

- Cleaning of screens at Canal Siphons.
- Vegetation removal in Canals
- Mowing canal and pipeline rights of ways.
- Cleaning and repairing chlorinators and evaporators and analyzers.

Mr. Berry advised that we do have some items for consideration on the Agenda for Board approval.

B. Award of a contract to furnish chlorine for a one-year period beginning October 1, 2009.

Mr. Berry advised that the first item on the agenda is to furnish and deliver chlorine to the Lynchburg Pump Station and the Red Bluff Water Treatment Plant for a one-year period. He stated that we bid these contracts at budget process time so we know what numbers we can use for our 2010 chemical costs. We received two bids and the low bid was from DXI Industries for \$524.00 per ton. Mr. Berry recommended this be approved as the bid that is the most advantageous to the Authority and will result in the best and most economical completion of the Authority's work.

MOTION accepting the bid of \$ 524.00 per ton from DXI Industries, Inc. to furnish and deliver chlorine to the Lynchburg Pump Station and the Red Bluff Water Treatment Plant for a one-year period beginning on October 1, 2009, as the bid that is the most advantageous to the Authority and will result in the best and most economical completion of the Authority's work.

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

C. Rejection of all bids to furnish aqua-ammonia for a one-year period beginning October 1, 2009

Mr. Berry advised that bids were opened for aqua ammonia and we received five bids. Three of the bidders qualified their bids with proposed changes to the terms and conditions. The low bid, meeting all specifications, was \$174.00 per ton.

Mr. Berry advised that last year the low bid was \$537.00 per ton and all bids were rejected. We have been buying and getting quotes on a monthly basis and currently pay \$110.00 per ton. The price has fluctuated from \$535.00 to \$110.00 and we feel that if we check monthly, we would get a better pricing.

Mr. Oradat asked what the savings was last year. Mr. Berry stated that if we had accepted the \$574.00 bid we would have spent \$627,000 more than what we paid last year. The actual savings was \$627,000. Mr. Berry stated it was a very volatile market last year. Mr. Berry recommended that all bids be rejected.

MOTION rejecting all bids to furnish and deliver aqua-ammonia to the Lynchburg Pump Station for a one-year period beginning October 1, 2009.

Motion made by Director Cloutier, Seconded by Director Stoesser, Motion carried unanimously.

D. Award of a contract to recondition two (2) 1,000 HP electric motors at the Trinity River Pump Station.

Mr. Berry advised that bids were opened on August 21 to recondition two (2) 1,000 horsepower electric motors at Trinity River Pump Station. Three bids were received ranging from \$53,000.00 to \$173,000.00. The low bidder, Houma Armature Works, has never bid on our motor rebuilds before and we were very concerned about their low bid. After review of their bid and a visit to their

repair facility, we determined they were qualified and capable to do the repair. Houma Armature Works is big in Louisiana and has bought a motor repair shop in the Houston area. They have visited the job site at Trinity River Pump Station and have confirmed they will comply fully with the specifications in the contract. Houma representatives indicated they wanted to get this job and demonstrate to CWA they can do a good job. Mr. Berry recommended the low bid of \$53,000 from Houma Armature Works be accepted by the Board as the bid that is most advantageous to the Authority and will result in the best and most economical completion of the Authority's work.

MOTION accepting the bid of \$53,000 from Houma Armature Works and Supply to recondition two (2) 1,000 HP electric motors at the Trinity River Pump Station, as the bid that is the most advantageous to the Authority and result in the best and most economical completion of the Authority's work.

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

VI. BUSINESS REVIEW – John J. Baldwin

A. Monthly Financial Statements for the Previous Month

Mr. Baldwin advised that in each folder are the Financial Statements for the period ending August 31, 2009. He stated that all four operating funds are doing well and within the budget parameters going into the final four months of the year. Trinity River may be slightly under budget by year end. Lake Houston's electricity cost is up because of water pumpage but is manageable and the Bayport and the Red Bluff Treatment Plant are expected to be right at budget.

Revenues on all four funds are doing well. The Trinity River and Lake Houston contracts are with the City of Houston and the City is prompt in their payments. Bayport customers are running at 97% of revenues. Air Products was under expectations of water usage during the first six months and the Board approved a special surcharge in July of \$120,000 spread over the last six months. They made their first payment and are now back to normal utilization of water in July and August. They should be in good shape by the end of the year and the revenue stream should be where it needs to be at year end. PRSI is running a little ahead in their demand for water. As we get through the summer months we will fine tune our expenditures estimates.

We are forecasting that all four operating funds will be at or below budget by year end on the expenditure side of the budget.

B. FEMA Reimbursement for Activities Related to Hurricane Ike.

Mr. Baldwin advised that we received approximately \$300,000 from FEMA to date. The two largest claims remaining are for the debris removal at Lake Houston and the Lynchburg Pump Station. We should be getting 100% of the claims within the next 30 days. Unlike Hurricane Rita, the claims were submitted as multiple claims by County activities. We have auditors coming in from the Emergency Management Division of the Office of the Governor next Monday to look at some of the paid claims and we have sufficient files to show them as documentation.

C. Audit Engagement – 2009 Pension Plan

Mr. Baldwin advised that our Pension Plan benefit year ends September 30, 2009 and our Auditors, McConnell & Jones, LLP submitted an Engagement Letter for the Pension Plan audit. A copy of the Engagement Letter is in each folder. Everything went well on last year's Audit of the Pension Plan. We have since restated the Pension Plan as prepared by Vinson and Elkins

Attorneys to accommodate the Internal Revenue Services request to incorporate the four Amendments approved over the last few years. That restatement was submitted by Vinson & Elkins to the Internal Revenue Service in January 2009 and it takes about six to twelve months to be reviewed and approved. The cost of the Audit for this year is \$10,900 and last year it was \$10,600, which is not out of line for the effort required. One item they will look at is that we changed Bankers in mid-year. Mr. Baldwin recommended authorizing a contract with McConnell & Jones, LLP, for the annual audit of CWA's 2009 Pension Plan Financials.

MOTION authorizing a contract with McConnell & Jones, LLP, for the annual audit of CWA's 2009 Pension Plan Financials.

Motion made by Director Council, Seconded by Director Senac, Motion Carried Unanimously

D. Audit Engagement – 2009 Financial Statements

Mr. Baldwin advised that he has a Draft Engagement Letter from McConnell & Jones for the audit of the 2009 Financial Statements. He has also met with Mr. McConnell and staff members regarding this Audit. We are still negotiating the process and timing of the engagement activities of that Audit as it includes FEMA claims and receipts. It is not quite ready to be presented to the Board today. We will come to the Board probably next month with the Audit Plan. We have sufficient time as this will be for the Financial Statements ending December 31.

VII. DISBURSEMENTS – John J. Baldwin

Mr. Avilés advised that there are four disbursements to be approved by the Board; the Construction Fund - Series 2004 in the amount of \$ 24,545.65, the Construction Fund – Series 2009 (Luce Bayou Project) in the amount of \$2,181,057.80, the Conveyance System Development Fund in the amount of \$1,320.07 and the Special Project Equity Fund in the amount of \$ 12,789.25.

MOTION approving disbursement of the Construction Fund - Series 2004 in the amount of \$ 24,545.65, the Construction Fund – Series 2009 (Luce Bayou Project) in the amount of \$2,181,057.80, the Conveyance System Development Fund in the amount of \$1,320.07 and the Special Project Equity Fund in the amount of \$ 12,789.25.

Motion made by Director Cloutier, Seconded by Director Metyko, Motion Carried unanimately.

VIII. OLD BUSINESS

A. Approval and Issuance of “Work Order No. 8” to KBR

Mr. Oradat stated that this is a MOTION to approve the final “Work Order” to KBR. Last month, we sent a formal letter to KBR regarding the termination of the “Engineering Services Agreement” between KBR and CWA. As a follow-up to that letter, we have negotiated a final “Work Order” for the “Not to Exceed” amount of \$140,000 for KBR's efforts to assist in the transition of CWA documents from KBR to either LAN or CWA offices. This “Work Order” was discussed at length with the O&M Oversight Committee. It was the recommendation of the O&M Oversight Committee that this be brought to the full Board. Mr. Oradat recommended the approval of the issuance of “Work Order No. 8” to KBR for the “Not to Exceed” amount of \$ 140,000. The monies for this “Work Order” are to be taken from the Special Project Equity Fund.

Mr. Avilés asked Mr. Oradat to advise the Board what this consists of and Mr. Oradat stated that this “Work Order” will fund KBR's efforts to review 40 years worth of files and design plans to determine what needs to

transferred to CWA, what needs to stay with KBR, what needs to be discarded, and what needs copied (i.e., memos, letters, O&M manuals, PER's, drawings, submittals, etc.). This will be a labor intensive effort.

Mr. Oradat stated that the money for this "Work Order" will be taken out of the Special Project Equity Fund. Because this is for the direct benefit of CWA, we can use the SEALS fund for this expense. Mr. Oradat requested this "Work Order" be approved.

MOTION approving the issuance of "Work Order No. 8" to KBR for the "Not to Exceed" amount of \$ 140,000. The monies for this "Work Order" are to be taken from the Special Project Equity Fund.

Motion made by Director Metyko, Seconded by Director Cloutier, Motion Carried Unanimously.

XI. NEW BUSINESS

A. O&M Oversight Committee Meeting of September 2, 2009.

Mr. Oradat stated that the O&M Oversight Committee met on September 2, 2009, and it was a very good meeting. Discussions were held on the KBR "Work Order" and we discussed Senate Bill 361. The Committee directed the staff to continue discussions with the TCEQ and the Water Development Board.

B. Proposed Date for November Board Meeting

Mr. Oradat advised that the Coastal Water Authority Board meets the second Wednesday of every month. However, the meeting in November falls on Veterans Day, which is a holiday. The meeting needs to be moved to either November 4th or November 18. Mr. Baldwin stated the 4th is not good because of financial reports which need to be prepared. Mr. Avilés stated that November 18 is a good date.

XII. ADJOURNMENT

The Meeting was adjourned at 11:15 a.m.

Rick Cloutier, Secretary