



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors
October 8, 2015

A. **ROLL CALL**

President Hecathorn called the meeting to order at 9:01 am. Director Rupp conducted the roll call. Directors Hecathorn, Laird, Rupp, Sopoci-Belknap and Woo were present. General Manager Paul Helliker, Superintendent Dale Davidsen, Business Manager John Friedenbach and Board Secretary Sherrie Sobol were also present. John Winzler and Pat Kaspari of GHD; Mandy Marquez of US Bank; Russ Gans of Mitchell, Brisso, Delany & Vrieze; Todd Thorner of JTN Energy and Mark Henwood of Henwood Associates, Inc. were present for a portion of the meeting.

B. **FLAG SALUTE**

President Hecathorn led the flag salute.

C. **ACCEPT AGENDA**

On motion by Director Sopoci-Belknap, seconded by Director Woo, the Board voted 5-0 to accept the agenda.

D. **MINUTES**

Ms. Sobol stated she amended the minutes to show that Superintendent Dale Davidsen attended the September 10 meeting. She inadvertently left him out. On motion by Director Rupp, seconded by Woo, the Board voted 5-0 to approve the minutes of September 10 meeting as amended.

E. **PUBLIC COMMENT**

No public comment was received.

F. **CONSENT AGENDA**

On motion by Director Rupp, seconded by Director Laird, the Board voted 5-0 to approve the Consent Agenda.

G. **CORRESPONDENCE**

Letter to OES re: Application for Assistance

Wildfires burned much of the Earlier this summer, the Ruth Lake area was hit hard by wildfires. As a result of the wildfires the Governor proclaimed a state of emergency in the area and also authorized Disaster Assistance Funding for local governments, including cities and special districts. Mr. Helliker shared the District's application for state financial assistance for protective measures to divert potential mud/silt flows that could impact water quality.

H. **CONTINUING BUSINESS**

1. Moss Easement

Mr. Helliker stated the District reached a settlement with Mr. Moss regarding the easement over his property. He shared the settlement agreement with the Board in which Mr. Moss agreed to grant the District an easement of 45 feet in width for purposes related the District's pipelines and related facilities. Staff recommended approval of the Certificate of Acceptance of an Interest in Real Property by the Humboldt Bay Municipal Water



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District. Director Rupp inquired if legal counsel reviewed the document. Mr. Helliker replied yes, he wrote the document. On motion by Director Laird, seconded by Director Rupp, the Board voted 5-0 to approve the settlement documents.

2. Renewable Market Adjusting Tariff (ReMAT) contract consulting services agreement

Mr. Helliker stated the District currently operates under contract with PG&E to supply power via a Standard Offer contract. It does not require any minimum level of production by HBMWD but it also pays a low rate for the power generated, about \$0.034 per kWh. This results in about \$200,000 in electricity sales revenue. Currently, the ReMAT price offered is \$0.0893 per kWh that represents an additional annual revenue income of approximately \$300,000. During the last two years the District chose not to take advantage of ReMAT. The main reasons included concern regarding the ability to reliably meet the Guaranteed Energy Production (GEP) Level as well as concerns regarding equipment failure, both of which could result in assessed penalties for failure to meet the GEP.

Director Rupp stated it is important to consider the equipment as well as the increasing regulatory costs such as those from FERC. Mr. Helliker noted equipment is well maintained and the costs have been managed so far and when FERC required something the District felt was "over the top" the case was argued and modifications were made, for example the Dam Safety Engineer requirement. Director Woo inquired if the District decides to go with the ReMAT option, does this preclude us from a Community Choice Aggregation (CCA) program? Mr. Helliker stated it would. He also noted that a CCA may not be able to match ReMAT pricing. A CCA presentation will be provided prior to the Board making a decision to go with a ReMAT contract.

The District was approached by JTN Energy, LLC and Henwood Associates, a power marketing and consulting firm and a renewable energy project manager respectively (collectively JTN), to assist us in negotiating a favorable ReMAT contract with PG&E. Mr. Helliker noted that Legal Counsel Russ Gans reviewed the ReMAT contract template as well as the proposal from JTN. Mr. Gans is available to answer questions as well. He then introduced Mr. Todd Thorner of JTN and Mr. Mark Henwood of Henwood Associates to share details of what they can offer.

Mr. Thorner and Henwood provided a presentation that included background on their qualifications and experience. They reviewed the current pros and cons of the District's current contract and ReMAT and shared historic and projected trends. With the ReMAT option, the District could see a \$3.6 million increase in incremental gross revenues over twenty years. They shared their scope of work, fee structure, how risks would be deferred and next steps. They recommend a 20-year agreement for ReMAT given the current condition of the District's equipment. They noted there is a low risk for a higher increase in revenue. There are two proposed fee scenarios, both of which reduce the District's upfront costs. Option 1 (first opt out) would be after the JTN Team negotiates Generator Interconnection Agreement with PG&E. Option 2 (second opt out) would be at the time JTN would have negotiated a ReMAT contract for the District with PG&E. At this point, the Guaranteed Energy Production level would be known and the risks associated with failure to meet it would be more defined. If the District makes a decision not to proceed with the ReMAT process at one of the "opt out" points, the maximum cumulative payment the District would be obligated to pay would be \$5,000 or \$15,000, depending on which



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opt out point was selected. The Board asked several questions and thanked them for the presentation. Director Rupp stated he was supportive of the proposal to provide consulting services for ReMAT. Mr. Gans also recommended approval of the consulting agreement. On motion by Director Rupp, seconded by Director Woo, the Board voted 5-0 to enter into agreement with JTN Energy for Option 1 up \$5,000 to start Generator Interconnection Agreement with PG&E.

3. Cannabis impacts on Mad River

Mr. Helliker summarized the Special Meeting of September 29, 2015 to discuss cannabis. He discussed the key points and potential actions to help support enforcement efforts. The Board agreed it was a good meeting with multiple agencies participating.

4. Water Resource Planning

Local Sales

Mr. Helliker shared the State Revolving Fund (SRF) may have potential funding opportunities for forgivable loans or grants, particularly for disadvantaged communities. The District will work with Trinidad Rancheria, City of Trinidad, and Rio Dell to organize a proposal to conduct the next level of planning for expansion of the transmission system.

Transport

Mr. Helliker reported he and the transport committee will be attending a Bay Area Water Agencies Coalition meeting on October 12 to discuss water needs and available supply. He sent the member agencies the pipeline reconnaissance study again for their review. The average costs for water transfers across the Delta this past summer was \$500-\$600 per acre foot.

Instream Flow

The District submitted a grant proposal to the Wildlife Conservation Board requesting \$358,259 for a planning project to evaluate the benefits of enhanced stream flow in the lower Mad River and its estuary. Along with the application, the District also submitted letters of support from all the Municipal Customer as well as other agencies and the County of Humboldt. Director Laird complemented Mr. Helliker on his professionalism in moving the grant forward. He also acknowledged the excellent support from HT Harvey and Stillwater Sciences.

I. NEW BUSINESS

1. ACWA JPIA Castlight health care online tool

Mr. Friedenbach discussed a new online tool called Castlight, launched by ACWA/JPIA. Castlight, is available employees on an Anthem PPO. He shared key features of the program including the ability to search for and compare nearby doctors, see personalized cost estimates, review explanations of past medical spending and receive helpful tips. He shared that he signed up and found it to be a valuable resource. There are no fees or charges to use the program.

2. RCEA Joint Powers Agreement



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The Redwood Coast Energy Authority (RCEA) has been considering a process to implement a Community Choice Aggregation (CCA) program. A CCA is an entity that purchases electrical power for a specific geographic area, which is then transmitted and distributed to customers by the local investor owned utility. A CCA can be comprised of counties or cities. In any jurisdiction that participates, residential and business customers can choose to go with the CCA, or opt out and continue to have PG&E buy and deliver power to them. A number of CCA's exist around the country, including in Marin and Sonoma Counties.

RCEA staff drafted and the their Board approved on September 21, modifications to the RCEA Joint Powers Agreement that define how a CCA would be established, who may participate, and the voting procedures for those participants. HBMWD cannot participate as a member of a CCA, but would be eligible to be a customer if any accounts are in a city or county that participates. As a member of RCEA the District needs to approve changes to the agreement.

Mr. Matthew Marshall, Executive Director of RCEA, provided additional information on the CCA and answered several questions. He stated CCA's allow for choice and the potential for lower rates. CCA rates would need to be at or below current rates to incentivize customers to switch to CCA. RCEA will host community meetings to share the CCA information with the public.

Staff recommends the Board approve the Amended and Restated Joint Powers Agreement of the Redwood Coast Energy Authority. On motion by Director Sopoci-Belknap, seconded by Director Rupp, the Board voted 5-0 to approve the Amended and Restated Joint Powers Agreement of the Redwood Coast Energy Authority.

J. **REPORTS (from Staff)**

1. Engineering

Blue Lake-FG CSD Water Line Replacement over Mad River (funded by Prop 84 NCIRWMP grant and FEMA Hazard Mitigation Grant)

As previously noted, finding of cultural artifacts resulted in a delay of the project. CalOES granted the District an extension until December 2015. The Cultural Resource study was submitted to FEMA in February 2015. FEMA completed an environmental assessment and submitted a report finding No Adverse Effect for the proposed geotechnical work to the State Historic Preservation Office (SHPO) in August 10, 2015. SHPO received the report on August 11, 2015. As of Sept 23rd, SHPO has not responded to FEMA. Given this delay, it is doubtful the geotechnical work can be completed by December 2, 2015.

Mr. Kaspari shared a letter sent to CalOES documenting this and requesting an extension to September 30, 2016. He shared that confirmation of the extension was noted verbally, but he is waiting for the actual letter.

Ranney Collector 1 Lateral Replacement Project (partially funded by Prop 84 NCIRWMP



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grant)

Mr. Kaspari shared the plans and specs are done and ready to go out for bid next week pending Board approval. If the Board approves this, he hopes to have bids in prior to end of November and start the project next June.

On motion by Director Laird, seconded by Director Sopoci-Belknap, the Board voted 5-0 to release the project for bid.

Korblex 1 MG tank

Mr. Kaspari shared the results of the inspection for the one million gallon reservoir structure. The inspection showed a significant amount of rust inside the tank on the roof support beams and center roof support column. He discussed options and noted the structure is not at imminent failure but should be addressed within the next year or two.

Mad River cross sections

The 2015 survey of the Mad River cross sections at Essex are completed. In general, there are no major changes of concern. He shared some of the details of the eight sections surveyed.

FEMA Part 12 facilities evaluation

Mr. Helliker discussed the letter received from FERC regarding the Eighth Independent Consultant's Safety Inspection Report for R. W. Matthew Dam. The letter lines out requirements for the report and notes that FERC must approve the proposed Independent Consultant prior to field inspection. Mr. Helliker stated the District will be requesting approval from FERC for Charles Ahlgren, P.E. to be the District's Independent Consultant. President Hecathorn felt the letter had a harsh tone regarding lack of attention to the Part 12D requirements. Mr. Helliker noted this is a generic letter and not specific to the District.

2. Financial

US Bank financial services in an emergency

The Board previously inquired if the District should have a line of credit for emergency repairs. Mr. Friedenbach stated he discussed the option with US Bank and learned of other preferred options.

Ms. Marquez of US Bank provided three options for disaster financing situations requiring 3-5 million dollars in funds. The three options are: Line of Credit, Guidance Line and an As-Needed credit.

The Line of Credit is the least preferred option. It is a committed lending agreement with upfront fees and interest must be paid quarterly. Since it is a committed agreement however, this means money is available generally within 24 hours since the paper work was completed ahead of time.

The Guidance Line is an uncommitted Line of Credit. The Bank pre-commits to a certain amount. This option takes 2 to 3 weeks from time of request to funding.



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The As-Needed option means request for credit action occurs at the time of the emergency and takes about 6 weeks before funds available.

Ms. Marquez stated the Guidance Line would likely be the best option, provided the District has enough money to do repairs for 2-3 weeks until the pre-committed monies are available. The District has a long-standing relationship with US Bank and she noted the District currently sends the bank annual audited financial statements. If the District continues to do this, it will help expedite the process.

Director Rupp stated the District has approximately 1.2 million dollars in reserve available for emergency repairs. He inquired if this would be enough for initial repairs until FEMA funding became available for long-term repairs. Mr. Friedenbach stated he envisioned use of the emergency funds for the non-FEMA event and provided an example of a smaller earthquake in which no lives are lost and damage appears minimal, however, there are several breaks in distribution pipeline. Director Rupp suggested contacting water district staff in the Napa area to discuss what they did for financing after their last earthquake. Mr. Davidsen added he heard there were over 280 breaks in the pipeline after the earthquake.

The Board asked a few more questions and thanked Ms. Marquez for the information provided.

Financial Report

Director Rupp provided the September financial report. Director Woo reviewed the bills and stated there were no concerns. On motion by Director Rupp, seconded by Director Laird, the Board voted 5-0 to approve the September 2015 financial statement & vendor detail report in the amount of \$273,301.70.

3. Operations

Mr. Davidsen provided the September Operational Report. The topic for the monthly safety meeting was Trenching Excavation Safety. There was a lot of activity at Ruth. Points West was on site to survey the Dam, Cal- Trans bridge crew inspected the bridge at Ruth, the maintenance crew moved the communications equipment from the US Forest Service building on Pickett's Peak to the new Trinity County building and Capital Engineering conducted the annual crane inspections and certification, not only at Ruth, but Essex as well.

Mr. Davidsen also discussed hiring concerns. After two rounds of advertising, he is still having a difficult time finding a qualified person for the position. The operator position requires a T3 and D3 certification to stand shifts alone. He noted that another municipality is also hiring and is struggling with the same thing. If he can't hire someone who has the T3 and D3 certification, current staff will have to incur overtime to cover the shift.

K. DIRECTOR REPORTS & DISCUSSION

1. General

Director Laird announced he plans to retire next year as he has spent twenty years in public service. He has someone in mind for the Board to consider appointing. The topic



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will be on the agenda next month for discussion. Mr. Helliker and the Board expressed sadness at his upcoming retirement from the Board.

2. ACWA – JPIA

Director Rupp reported he participated in an Executive Committee meeting. An Environmental Disaster Fund was established in April 2015 and has approximately \$500,000. The committee needs to establish a process for use of the funds. They will meet again in December.

4. Organizations on which HBMWD Serves: RCEA, RREDC, LAFCo

Director Woo attended an RCEA meeting. Their Board is conducting a review of the Executive Director. Currently, Director Woo is listed as the alternate with President Hecathorn as the primary. Both agreed the roles should be switched. On motion by Director Rupp, seconded by Director Laird, the Board voted 5-0 to appoint Director Woo as the primary representative and President Hecathorn as the alternate.

Director Rupp stated RREDC is still working on air service. They also discussed the September 3 telecommunications outage. He learned that Verizon purchased a “redundancy” package, and AT&T did not. This meant that Verizon customers continued to have service while most AT&T customers did not.

Director Rupp stated LAFCo will be meeting later this month.


Management

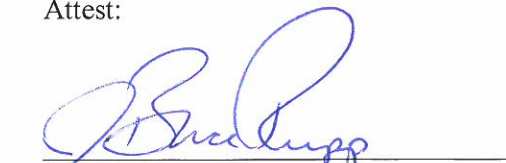
Mr. Friedenbach brought out the emergency backpacks for the Directors. He stated staff reviews the packs two times a year (Tsunami drill in the Spring and Earthquake drill in the Fall) and replenishes any expired items such as aspirin, food bars, etc. Each pack has a Director name and can be personalized with items if they wished to do so. The backpacks are stored at the Eureka office.

ADJOURNMENT

The meeting adjourned at 2:15 p.m.

Attest:


Barbara Hecathorn, President


J. Bruce Rupp, Secretary/Treasurer