



Desalination Task Force Minutes Regular Meeting

4:00 p.m. – Wednesday, January 21, 2009

**Soquel Creek Water District Board Room
5180 Soquel Drive, Soquel California**

The Desalination Task Force consists of two members of the Soquel Creek Water District Board and two members of the City of Santa Cruz City Council.

For the purpose of preparation of the minutes the following terms will be used throughout the current and all future minutes. The City of Santa Cruz/Soquel Creek Water District Desalination Task Force will be referred to as the “Task Force.” The City of Santa Cruz will be referred to as the “City” and the City of Santa Cruz Water Department will be referred to as the “SCWD.” The Soquel Creek Water District will be referred to as “SqCWD.” A member of the Soquel Creek Water District Board of Directors will be referred to as “Director” and the Soquel Creek Water District General Manager will be referred to as “General Manager.” A member of the Santa Cruz City Council will be referred to as “Councilmember” and the Director of the City of Santa Cruz Water Department will be referred to as “Water Director.”

Call to Order Vice-chair B. Daniels called the meeting to order at 4:05 p.m. in the Soquel Creek Water District Board Room.

Roll Call and Introduction of New Appointees

Director B. Jaffe was appointed as alternate replacing Director T. LaHue.
Councilmembers R. Coonerty and D. Lane were appointed replacing Councilmembers C. Mathews and E. Porter.

Present: Director B. Daniels, Director D. Kriege, Councilmember D. Lane (alternate) and Councilmember M. Rotkin.

Staff: Deputy Water Director L. Almond, General Manager L. Brown, Water Director B. Kocher, Public Outreach Coordinator M. Schumacher.

Others: Brent Haddad, Project Agreement Facilitator.

Presentation There were no presentations.

Statements of Disqualification There were no statements of disqualification.

Oral Communications There were no oral communications.

Announcements There were no announcements.

Informational Items

1. Status of Proposition 50 Grant Funding

Director Kocher reported that a letter has been received from the State suspending payments on State Water Resources Control Board grants.

2. Taste Testing and Water Sampling

Public Outreach Coordinator Schumacher reported that a taste test of the water produced at the pilot plant will kick off in early February 2009.

Approval of Minutes

Councilmember B. Daniels moved to approve the November 19, 2008 Desalination Task Force minutes as submitted. Councilmember M. Rotkin seconded.

VOICE VOTE MOTION CARRIED

AYES: B. Daniels D. Kriege, D. Lane and M. Rotkin

NOES: None.

General Business

1. 2009 Task Force Meeting Schedule

The Task Force scheduled the February 18, 2009 meeting to begin at 3:00 p.m. and continued discussion of 2009 meeting schedule until that time.

2. Dilution Analysis – Selection of Consultant

Director D. Kriege moved to ratify the approval of the preliminary Scope of Work and budget with Brown and Caldwell to update the Dilution Analysis Relating to Brine Disposal. Director B. Daniels seconded.

VOICE VOTE MOTION CARRIED

AYES: B. Daniels D. Kriege, D. Lane and M. Rotkin

NOES: None.

The Draft Project Plan & Agreement is an ongoing work product and standing agenda item.

3. Draft Project Plan & Agreement – Ground Rules for Facilitation

Councilmember D. Lane moved to approve the Ground Rules for Facilitation for the Draft Project Plan & Agreement as presented. Director D. Kriege seconded.

VOICE VOTE MOTION CARRIED

AYES: B. Daniels D. Kriege, D. Lane and M. Rotkin

NOES: None.

4. Draft Project Plan & Agreement – Issues Settled/Issues to be Settled

Project Agreement Facilitator Haddad led the discussion and the Task Force comments are summarized below.

1. Production scheduling: shortage trigger vs. priority system

Comments

The proposed priority system:

- Seems plausible because the water is too expensive to take when not necessary.
- Could allow the City to take summer water more frequently than roughly once every 6 years, and if it became continuous full summer use, could reduce Soquel Creek's capacity to restore its aquifers. Therefore, a method for addressing possible future continuous full-capacity summer use by Santa Cruz should be introduced. Dr. Haddad agreed to develop ideas in this regard.

The agreement could be memorialized to state the City's intention of using the plant only in times of drought.

Project Agreement Facilitator Haddad will return with an approach that includes a rolling priority system for the second and later years of a multiple year drought.

2. Capital Cost Allocation

Principles

The Task Force generally agreed upon the seven allocation principles as presented.

Principles for cost allocation

- i. **Partnership.** The two agencies are partners that independently arrived at the value of a desalination project to their systems. The alternative principle is that one agency is building the project and the other agency's participation is an add-on. The record of research and conclusions on desalination shows that both agencies independently studied the potential for desalination, but with an awareness that the other agency was also considering desalination. The implication of the partnership principle is that the infrastructure costs of wheeling the desalinated water through one system to the other is part of the overall cost of the project.
- ii. **System Preparation.** To the extent that any part of the existing distribution system that is to be shared is sub-standard, the cost to bring it to standard is to be borne by the party who owns the subject infrastructure. Additional costs to accommodate increased capacity to support the desalination project are to be shared.

- iii. **Production capacity needs.** Anticipated maximum daily production capacity need determines how much sharing of cost there will be. This is because neither agency would independently build beyond their anticipated maximum daily production capacity if the plant were solely owned. Although subject to change based on modeling or other factors, the long-term potential maximum daily capacity needs are Soquel Creek: 1.25 MGD; Santa Cruz: 4.5 MGD. Soquel Creek may be able to take up to 2.5 MGD; modeling is ongoing.
- iv. **Expansion.** Cost of incremental plant capacity or the potential for incremental plant capacity should be borne by the party seeking the additional capacity.
- v. **Land.** Land has a residual value that differs from the residual value of other capital costs. The implication is that either party should be compensated if the other party some day puts the land purchased for this project to other uses.
- vi. **Engineering cost analysis possible.** An incremental cost analysis can be made by an engineering firm that could provide cost estimates of smaller and larger capacity projects. These estimates can form the basis of cost allocation between baseline shared costs and incremental costs.
- vii. **Capital cost overruns.** Capital cost overruns apply equally on a percentage basis to both shared baseline costs and incremental costs.

Project Agreement Facilitator Haddad will return with further information as requested on iii. Production capacity needs and methodology for vi. Engineering Cost Analysis.

Categories

Comments

- A third party should determine the value of existing structures.
- The beneficiary of any increased capacity should bear the costs incrementally.
- From a practical standpoint, certain items should be designed with expansion capability.

Project Agreement Facilitator Haddad will provide further information per Task Force discussion.

3. Location of Facility

The Task Force concurred that the facility location be within the service area of the City of Santa Cruz.

Program Managers' Report

A. Work Schedule

- The Pilot Plant will operate through March.

- The Technical Committee met last week to discuss the design of the Entrainment Study.
- Staff met with USGS regarding the Offshore Geophysical Study.

B. Upcoming Tasks

- Request for Proposals - Toxicity Study

C. Additional or Amended Tasks

No report.

D. Contacts with Regulatory Agencies/Requests from Regulatory Agencies

- Staff met with DPH regarding boron levels and impacts on the design of the full scale plant.
- Staff is working with ACWA on SB42.

E. Contracts

- Two firms will interview for the Energy Minimization and Greenhouse Gas Reduction Study
- The Technical Advisor second year Scope of Work

F. Public Outreach Program

An informational meeting about the “pilot project” is being planned for April.

G. Budget

The Desalination Program budget request will be presented at the March meeting.

H. Report of Findings

No report.

Public Outreach

The following newspaper articles were provided:

1. Aptos Times – Looking Back at 2008, January 1, 2009
2. Capitola Soquel Times - Looking Back at 2008, January 1, 2009
3. The Aptos Almanac – The Year Ahead 2009

Items Initiated by Members for Future Agendas

An affirmation by both agencies committing to continue to keep moving the project forward.

2009 Election of Officers.

Adjournment

The meeting was adjourned a 6:00 p.m. until the next regular meeting of the Desalination Task Force scheduled for Wednesday, February 18, 2009 at 3:00 p.m. in the City of Santa Cruz Water Department, 212 Locust Street, Santa Cruz, California.

Respectfully submitted,

ss/Donna Paul
Staff