



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors

January 14, 2016

A. **ROLL CALL**

President Hecathorn called the meeting to order at 9:00 am. Director Rupp conducted the roll call. Directors Hecathorn, Laird, Rupp and Sopoci-Belknap were present. Director Woo arrived at 9:05 from a previous appointment. General Manager Paul Helliker, Superintendent Dale Davidsen, Business Manager John Friedenbach and Board Secretary Sherrie Sobol were also present. Pat Kaspari and John Winzler of GHD were present for a portion of the meeting. Mr. Todd Thorner of JTN Energy participated in a portion of the meeting via telephone.

B. **FLAG SALUTE**

President Hecathorn led the flag salute.

C. **ACCEPT AGENDA**

On motion by Director Laird, seconded by Director Sopoci-Belknap, the Board voted 4-0 to accept the agenda.

D. **MINUTES**

On motion by Director Laird, seconded by Director Rupp, the Board voted 4-0 to approved the Minutes of December 10, 2015 meeting.

E. **PUBLIC COMMENT**

Mr. Neal Latt introduced himself and stated he may apply for the seat being vacated in District 1 in March.

F. **CONSENT AGENDA**

On motion by Director Rupp, seconded by Director Sopoci-Belknap, the Board voted 4-0 to approve the Consent Agenda.

G. **CORRESPONDENCE**

Letter to Jamie Crowell re: service on FGCSB Board of Directors

Mr. Helliker shared the letter regarding the retirement of Jamie Crowell, long-time Fieldbrook- Glendale CSD Board member. Mr. Helliker stated Director Woo attended Mr. Crowell's last meeting and presented the letter to him.

Letter to Congressman Huffman re: watershed issues and Northwest California Mountains and Rivers concept

Last month, the Board learned that the Wilderness Society is working with Congressman Huffman to develop legislation to address forest management practices and to propose additional designations of wilderness and wild and scenic rivers in Northwestern California. The Wilderness Society requested letters of support. Mr. Helliker shared the letter to Congressman Huffman that states the District's interest in not only this topic but cannabis and restoration of forestland damaged by summer fires. The Board stated the letter was well written.



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Letter to Felicia Marcus re: Proposed Regulatory Framework for Extended Emergency Regulation for Urban Water Conservation

Last November, Governor Brown issued another executive order directing the SWRCB to extend the conservation regulations, with potential modifications to reflect local conditions, should the drought persist through January 2016. The District and its Municipal Customers submitted a letter providing comments on the Proposed Regulatory Framework for Extended Emergency Regulation for Urban Water Conservation. The letter requested the SWRCB wait until mid-April to propose a regulatory program to address drought conditions. At that time, the hydrologic conditions will have been fully defined. The District again noted that its service area has ample water supply and is not experiencing drought conditions. Mr. Helliker stated the draft regulations from SWRCB are expected in a few weeks.

H. CONTINUING BUSINESS

Retail rate adjustment

Last month the Board received a presentation and discussed the retail rate study. The Board selected a rate structure, agreed to continue with the CPI rate adjustment and incorporate a wholesale pass through. They also directed staff to proceed with the implementation of the retail rate increase.

Mr. Helliker presented information on the implementation process including a revised rate table, Proposition 218 Notice and customer fact sheet for the Board's consideration. He noted that Director Woo helped improve the wording in the Prop 218 Notice. The rate study shows a 16% increase is needed. In addition, capital replacement expenses require a 14% increase to fund the estimated replacement costs of the distribution system. To reduce the impacts on the District ratepayers, the proposed rate plan phases in the capital replacement costs over five years, in yearly increments of 20% of the total. Mr. Helliker conveyed that he and Mr. Friedenbach have met with retail business representatives from DG Fairhaven Power, Humboldt Bay Harbor District and Town of Samoa regarding the rate changes. These three customers represent nearly 90% of the retail water consumption. They understood the reasons why a rate increase is being proposed. A meeting is scheduled for tomorrow with Sequoia Investments. Meetings for the public will be scheduled once the proposal and Prop 218 notice are approved. The new rates are proposed to become effective April 1, 2016.

After a brief discussion, on motion by Director Sopoci- Belknap, seconded by Director Rupp, the Board voted 5-0 to approve the rate proposal and the Proposition 218 Notice.

ReMAT contract with PG&E

At the October meeting, the Board discussed opportunities to increase revenue from hydropower. Currently, the District has a contract with PG&E to supply power via a Standard Offer Contract. The contract is very basic and does not require any level of production to be met, however, the price paid for power is low, roughly \$0.03/kWh. JTN Energy, LLC and Henwood Associates, Inc. (collectively referred to as JTN) presented a proposal to assist the District in negotiating a favorable ReMAT contract with PG&E. The current price offered with ReMAT is \$0.0893/kWh. JTN offered to structure the project with two "off ramps" in case the District decides not to go with ReMAT. The first off-



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ramp is after JTN negotiates a Generator Interconnection Agreement with PG&E, which is required for any producer that wants to sell power in the marketplace (except under the provision of a Standard Offer contract which the District currently has). The second off-ramp would be at the point where JTN would have negotiated a ReMAT contract with PG&E for the District. At this point, the guaranteed energy production level would be known as well as associated risks with not meeting the production. Given the off-ramps, the Board agreed to have JTN negotiate an interconnection agreement with PG&E not to exceed \$5,000.

Mr. Helliker stated JTN has secured an interconnection agreement with PG&E. The next step is to reserve a spot in the next cycle of contract negotiations. To do this, a new contract is needed with JTN. Mr. Thorner of JTN Energy participated in the discussion via phone. He shared some good news regarding estimated third party costs. JTN estimated \$25,000 for PG&E Telemetry. PG&E declined to charge telemetry costs, thus saving the District \$25,000. March and May are the next windows to proceed with a contract and although there are no guarantees, it looks like the ReMAT rate of \$.0893cents/kWh should hold till then.

Director Rupp stated first of all, the Board has not seen the Interconnection Agreement to evaluate the results of the first phase. Also, if the District moves forward with ReMAT, he wants to make it clear to the local CCA (if formed) that this is strictly a business decision. Mr. Helliker stated he just received the contact. Both Mr. Helliker and Mr. Thorner stated it is beneficial to the District. Director Laird voiced concerns with moving forward with the contract as this would shut the door on our local CCA and show that we are not supportive of it. Director Woo pointed out that if the District sold energy to CCA instead of PG&E with ReMAT, it would only amount to half a percent of the CCA portfolio. The District is showing support of the CCA by our active participation with RCEA. President Hecathorn stated she is supportive of a CCA but the District's responsibility is to its ratepayers. With ReMAT, the District gets a better rate which in turn benefits the ratepayers. Mr. Helliker stated in addition to RCEA, the District can show support for a CCA by either selling or buying power from them. It seems like the District would be more supportive by buying power from them, versus selling them power. In response to Director Rupp's comment regarding the contract, Mr. Helliker stated he has read the contract, however, the agreement with PG&E can wait until May once the Board has had an opportunity to review the contract. He also noted the contract looks good and can be cancelled with twenty days notice to FERC. Mr. Thorner stated seventy five percent of the contract is FERC pro-forma and non-negotiable. It is the twenty five percent that is negotiable and where PG&E chose not to include telemetry costs. He added there are no costs going forward on the interconnection agreement and that it is independent of a ReMAT agreement.

Director Rupp stated he is prepared to vote yes to approve a contract with JTN energy since staff believes we are moving in the right direction and Mr. Thorner states the agreement is standard and routine. On motion by Director Rupp, seconded by Director Woo, the Board voted 5-0 to approve the contract with JTN and move forward with the Interconnection Agreement.



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Appointing New Director

Mr. Helliker shared the Notice of Vacancy for Division 1 and inquired if the Board would like any changes. Director Sopoci-Belknap requested Manila CSD be removed from the boundary description and replaced with Samoa Peninsula since it covers more than the Manila CSD service area.. On motion by Director Laird, seconded by Director Woo, the Board voted 5-0 to approve the notice as amended.

Update on Cannabis activities

Last year, three bills passed in the legislature that set up a licensing program for cannabis production and distribution that have now gone into effect. In the legislation is a deadline of March 1, 2016 for cities and counties to adopt their own rules. If this is not done, then the state program would be in force. Mr. Helliker provided a brief update on cannabis activities in the county and state. The City of Eureka banned commercial growing. The County is considering a plan similar to the State and will revisit the topic later this month.

The Regional Water Quality Control Board developed a compliance education program, including enrollment clinics, to assist cannabis growers with meeting the Regional Board's order that requires growers be enrolled by February 16, 2016. If they fail to enroll, penalties are assessed. Mad River Alliance and EPIC are organizing five additional compliance workshops that include presentations by the Regional Board, the California Department of Fish & Wildlife, CalFire and other industry specialists. Information presented includes regulatory compliance, compliance mechanisms, and best management practices. Since best management practices involve being environmentally responsible and helps protect the river, the Board previously agreed to assist Mad River Alliance with their workshops at a cost not to exceed \$5,000. Mr. Helliker shared that the District did provide financial assistance for the preparation of workbooks as well room rentals for the meetings. The Board stated they appreciate Mad River Alliance taking the lead on this and requested Mr. Helliker pass this on to Mr. Feral.

Water Resource Planning

Mr. Helliker stated there is no new info regarding local sales or transport. He is checking with the Coastal Conservancy to see if any grants are available for studies needed for the instream flow option. He stated he is meeting with some resource agencies to discuss flows in the Mad River and inquired if Director Laird or Woo would like to attend. Director Woo stated she would like to participate.

The Water Resource Planning Advisory Committee will meet on February 3. Directors Rupp and Sopoci-Belknap will meet with Mr. Helliker prior to that to help with agenda topics for the meeting.

Previously, the Board inquired about total costs spent on the Water Resource Planning process over the last several years. Mr. Helliker stated the total to date spent on the process is \$394,378. The Board asked that the costs be broken down by the three areas of exploration: Local Sale, Instream Flows and Transport.



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I. **NEW BUSINESS**

Board Officer and Committee Assignments

Mr. Helliker stated no changes are necessary, but the Board does have the option to change committee assignments. No changes were made regarding Board officers and committee assignments.

Director Rupp stated his term at LAFCO is up for re-election and he would like to run for the position. On motion by Director Sopoci-Belknap, seconded by Director Laird, the Board voted 5-0 to nominate Director Rupp for LAFCO.

In regards to the list of Other Appointments, Director Rupp is now the Vice Chair of the ACWA-JPIA Finance Committee and is the voting delegate from ACWA JPIA. Staff will make the changes to the listing.

J. **REPORTS (from Staff)**

1. **Engineering**

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

At the December meeting, Mr. Kaspari stated the only bid received for the project was from Layne Christensen at \$2,024,500 and it was over budget by half a million dollars. The Board discussed options and requested Mr. Kaspari go back to Layne Christensen and see what costs could be lowered or renegotiated if the District were to do some of the work.

Mr. Kaspari reported he did speak with Layne Christensen and the District does have some options to reduce the cost of the project. If District staff installed plumbing for the dewatering system and river sampling, this would reduce the cost by \$124,000.

Mr. Helliker stated the Collector 1/1A project was discussed at the Municipal Customer meeting. They are aware it is over budget by \$590,531 and are still supportive of the project given the likely significant increase in water production capacity. They suggested making up the difference via continued advance charges and are supportive of using the DWFP reserve. Additionally, they are willing to forgo the increment in revenue that is expected with a new hydroelectric power contract in order to repay the DWFP reserve.

Staff recommends approval of the Notice of Award to Layne Christensen Company for the performance of the entire project in the amount of \$2,024,500, then issue a Change Order to revise the scope of work with the final awarded contract amount in the \$1,900,000. This is based on the support of the Municipal Customers, the potential for increased production from the 1/1A project to the extent that the next collector renovation can be delayed for several years, and that this collector represents the last chance at water in the river. Mr. Kaspari stated Layne Christensen is agreeable to the changes.

On motion by Director Woo, seconded by Director Sopoci-Belknap, the Board voted 5-0



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to authorize the Notice of Award to Layne Christensen Company, followed by a Change Order to revise the amount of \$1,900,000.

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

Mr. Kaspari stated the geotech work is done and the report sent out. He should have more information at the next meeting.

Surge Tower Demo and other projects for NOI

Mr. Kaspari stated the Cal OES Notice of Interest (NOI) for the Hazard Mitigation Grant is out. He met with Mr. Helliker, Davidsen and Friedenbach to discuss submitting the project. They decided to submit the Surge Tower project as well as two others: the relocation of the 12kv switchgear and the Spillway walls at Ruth Dam. Mr. Kaspari stated they have been monitoring the spillway walls and there has been no movement yet. The project would buttress the wall. He reiterated that there is no indication of movement, but it is good to be prepared.

1MG Reservoir

The inspection of the reservoir is scheduled for today. The results will help determine if the roof can be repainted or needs to be replaced.

2. Financial

Financial Report

Director Rupp provided the December financial report. Director Sopoci-Belknap reviewed the bills and had no questions. On motion by Director Rupp, seconded by Director Sopoci-Belknap, the Board voted 5-0 to approve the December 2015 financial statement & vendor detail report in the amount of \$231,955.68.

County Treasury Report

Mr. Friedenbach discussed the County Treasury report on Interest Apportionment Rate and Other Considerations for the quarter ending September 2015. Interest is at .80% as compared to LAIF at .32%.

IRS Section 125 POP

The District previously adopted an incentive plan for employees to switch to a consumer driven health plan (CDHP). The District will pay the annual deductible for the CDHP via deposit to the employees Health Savings Account (HSA), as long as the total cost of the premium plus deductible is less than the maximum benefit level provided by the District. Mr. Friedenbach shared that one employee has switched to this plan. He then discussed the advantages to having an IRS Section 125 Plan. In addition to the employer contribution to the employees HSA, the employee can also make contributions. The voluntary employee contributions can be made on a Federal "pre-tax" basis from the employee's paycheck if the employer has an IRS Section 125 benefits plan in place. The employer would also save on the Federal employer taxes on these pre-tax contributions.



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Additionally, employee medical premium co-pays also qualify for the Pre-Tax features of a Section 125 Plan. This would benefit eleven District staff members.

Health Equity is the preferred HSA account provider for JPIA. Health Equity will prepare the necessary Section 125 POP documentation for a one-time fee of \$250. The JPIA's attorney can do this also, however, charges \$500 and it can take up to six months for the necessary paperwork. JPIA negotiated a reduced individual account fee with Health Equity of \$2.95 per month (reduced from \$3.95) for JPIA members. The JPIA automatically reports enrollment to Health Equity so the District does not need to open accounts for its participant employees. Additional staff time will be minimal since it will be part of the payroll process. Staff recommends approval for implementation of an IRS Section 125 POP using JPIA's preferred provider Health Equity. On motion by Director Rupp, seconded by Director Woo, the Board voted 5-0 to implement an IRS Section 125 POP plan and use Health Equity to establish the accounts.

3. Operations

Mr. Davidsen provided the December operational report. The maintenance crew went to Ruth to begin installation of a culvert to prevent erosion from runoff from the burnt slide above the Hydro Plant access road. Mr. Ivey, the newest Operations and Maintenance Technician started work and is doing well. Topics for safety meetings for December included training on new chlorine leak repair devices, 2MW generator operation refresher and practice and review for procedures for putting on and removing ISI self-contained breathing apparatus. Also, an unannounced inspection of diesel generators at Essex was conducted by the Air Quality Management District. The inspector stated everything looked good and a written report would be forthcoming.

K. DIRECTOR REPORTS & DISCUSSION

1. General

The Board discussed moving the March meeting date since Mr. Friedenbach has a leadership training on March 10. They agreed to move the March meeting up one day to the 9th.

2. ACWA – JPIA

Mr. Helliker stated the District received two Special Recognition Awards. The awards are for achieving a low ratio of "Paid Claims and Case Reserves" to "Deposit Premiums" in the Property Program and Workers' Compensation Program.

3. ACWA

President Hecathorn acknowledged receiving a Certificate of Appreciation for her time and commitment serving on the ACWA Region 1 Board for the 2014-15 term.

Director Woo is the new Region 1 Board member and stated she will soon be attending the ACWA Region 1 meeting in Hidden Valley.



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

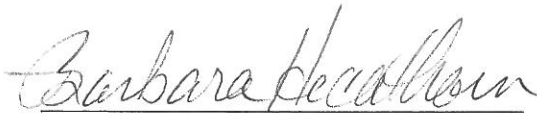
Director Woo reported out on the RCEA meeting. The topic was Community Choice Aggregation (CCA). A member of the public in attendance recommended against a CCA.

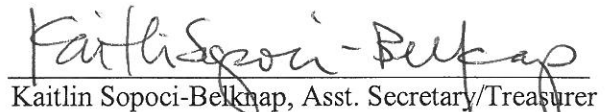
The RREDC meeting was cancelled and the next LAFCo meeting is next month.

ADJOURNMENT

The meeting adjourned at 11:15 am.

Attest:


Barbara Hecathorn, President


Kaitlin Sopoci-Belknap, Asst. Secretary/Treasurer