

THE REGULAR MEETING OF THE BOARD OF DIRECTORS
OF STOCKTON EAST WATER DISTRICT WAS HELD AT THE DISTRICT OFFICE
6767 EAST MAIN STREET, STOCKTON, CA
ON TUESDAY, JANUARY 12, 2016 AT 12:00 NOON

A. PLEDGE OF ALLEGIANCE AND ROLL CALL

President Sanguinetti called the regular meeting to order at 12:27 p.m. Director McGaughey led the Pledge of Allegiance.

Present at roll call were Directors Atkins, Cortopassi, McGaughey, McGurk, Panizza, Sanguinetti and Watkins. Also present were Manager Moody, Assistant Manager Johnson, District Engineer Lee, Finance Director Naray, Water Supply Manager Lozano, Administrative Services Manager Stephens, Administrative Assistant Lopez, Consultant Barkett and Legal Counsel Harrigfeld.

B. CONSENT CALENDAR (None)

C. PUBLIC COMMENT (None)

D. SCHEDULED PRESENTATIONS AND AGENDA ITEMS

1. Minutes 01/05/16 Regular Meeting

A motion was moved and seconded to approve the January 5, 2016 Regular Meeting Minutes, as presented.

Roll Call:

Ayes: Atkins, Cortopassi, McGaughey, McGurk, Panizza, Sanguinetti, Watkins
Nays: None
Abstain: None
Absent: None

2. Warrants – California Public Employees’ Retirement System

A motion was moved and seconded to approve the January 12, 2016 Warrants – California Public Employees’ Retirement System, as presented.

Roll Call:

Ayes: Atkins, Cortopassi, McGaughey, McGurk, Panizza, Sanguinetti, Watkins
Nays: None
Abstain: None
Absent: None

3. Solar Power & Services Agreement – SunEdison Origination1, LLC

Manager Moody provided the Board with the Solar Power & Services Agreement between SunEdison Origination1, LLC and Stockton East Water District. Manager Moody reported SunEdison’s recent debt modification and restructuring posed concern for the financial viability of the organization. Manager Moody reported he spoke with SunEdison representatives and consulted with financial experts and received differing professional opinions. Manager Moody also obtained information from three references that spoke well of the company and two of the references have plans to expand their solar projects. Manager Moody requested Legal Counsel Harrigfeld review the contract language for terms if SunEdison were to file for bankruptcy. Legal Counsel Harrigfeld reported the General Terms

and Conditions explain the consequences for breach of the agreement which indicates the Provider (SunEdison) will be responsible for removing the system from the premises.

Director Panizza inquired on General Terms and Conditions, Section 11 – Default, Item 11.1 (a)(i) – Bankruptcy Event, expressing concern of the Project equipment installed and if it would become named an asset to the District if a bankruptcy event were to occur. Legal Counsel Harrigfeld reiterated the agreement obligates SunEdison to remove their system from our premises.

Chad Tady of SunEdison briefed the Board on the recent restructured debt activity. Mr. Tady explained ~\$1.3 billion is dedicated for Projects and ~\$600 million in capital expenses is already allocated to move into this year (2016), therefore SunEdison is liquid enough to build the Project. Mr. Tady added if outside circumstances or bankruptcy were to occur, the Project Company that currently owns SunEdison could be sold to another owner who could continue to provide power. The District's Project is a 20-year Project and is extremely valuable.

Director Watkins inquired on Schedule 3 – Early Termination Fee, if the District were to terminate the Agreement in Year 1. District Engineer Lee replied the calculation is \$1.00/Watt and the amount the District would owe is ~\$6.6 million if the agreement was terminated in Year 1. Director Watkins inquired if the District would be financially responsible for contracted services and equipment for construction of the Project if SunEdison were to go bankrupt. Mr. Tady replied SEWD is protected and explained funding for the entire cost of the Project is made available from a revolving line of credit.

Staff recommended the Board approve the Solar Power & Services Agreement between SunEdison Origination1, LLC and Stockton East Water District, and authorize the General Manager to execute the Agreement documents on behalf of the District.

A motion was moved and seconded to approve the Solar Power & Services Agreement between SunEdison Origination1, LLC and Stockton East Water District for installation and operation of a solar photovoltaic system for the purpose of providing Solar Services to the Low Lift and High Service sites. Further, the Board authorized General Manager, Scot A. Moody to execute the Agreements on behalf of the District.

Roll Call:

Ayes: Atkins, Cortopassi, McGaughey, McGurk, Panizza, Sanguinetti, Watkins

Nays: None

Abstain: None

Absent: None

4. Granular Activated Carbon (GAC) Replacement

Manager Moody provided the Board with information on Granular Activated Carbon (GAC) Replacement. Assistant Manager Johnson reported staff presented procurement of reactivated GAC for filter media based on a 10-year life cycle to the Board in October 2015. At that time, the Board directed staff to continue working on this recommendation and further research option(s) to maintain availability of filters while GAC is being regenerated and address the Board's concern regarding the effectiveness of regenerated carbon in removing TOC.

Assistant Manager Johnson provided an overview of staff findings. Assistant Manager Johnson reported after further investigation, staff established the GAC reactivation process requires ~3-4 weeks of downtime (removal, transportation, regeneration and installation); therefore, an annual reactivation schedule was determined (beginning December 15 through March 15). Assistant Manager Johnson

added as long as production does not exceed 30 MGD, having four (4)-filters offline will not hinder plant operations. Assistant Manager Johnson reported the effectiveness of GAC in removing TOC from raw water diminishes over time. The key parameter in measuring GAC quality and effectiveness is the iodine number (virgin carbon is specified at a minimum value of 900 for the iodine number). The reactivation process increases the iodine number by an average of 250; but does not restore the iodine number to 900. When the reactivated carbon iodine number value is less than 500, the GAC must be replaced. Assistant Manager Johnson reported the highest quality of GAC media is also critical to achieve effectiveness of TOC removal. Domestic bituminous coal is generally considered higher quality than imported coal and recommends procurement of domestic coal. Discussion followed regarding carbon replacement, scheduling and TOC issues & prevention.

Director McGurk inquired on the difference between domestic bituminous coal and imported coal and if any product testing indicates impurities between the two products. Assistant Manager Johnson replied the key will be the iodine number.

Staff recommended procuring virgin domestic bituminous coal-based GAC with a minimum iodine number value of 900 and going out to Bid to retain competitive bidding from established GAC suppliers with proven experience in reactivating and documenting segregation of GAC.

President Sanguinetti advised staff has direction to move forward with Granular Activated Carbon (GAC) Replacement Request for Bid (RFB).

5. Total Organic Carbon (TOC) Compliance – Alternative Compliance Criteria

Manager Moody provided the Board with information on Total Organic Carbon (TOC) Compliance Alternative Compliance Criteria. Manager Moody reported staff and Dave Remick, State of California Division of Drinking Water (DDW) recently had a discussion regarding the ongoing TOC issues. Mr. Remick suggested the District follow-up on TOC reduction recommendations from the Total Organic Compounds (TOC) Reduction Study by PARSONS Environmental & Infrastructure Group, Inc., that have not been implemented. Mr. Remick suggested the District look into requesting approval from DDW for alternative compliance from TOC removal requirements under the Alternative Compliance Criteria with Specific UV Absorbance (SUVA) data. Assistant Manager Johnson added, if approved, the District would test under the new formula.

Director Watkins inquired on methods used to determine where the sources is from. Assistant Manager Johnson replied the source is from organic matter, but cannot identify a specific location. Manager Moody commented Calaveras County Water District was awarded a Federal Emergency Management Agency (FEMA) Grant in the amount of \$2.8 million in grant funds for the construction of a pretreatment facility at the Jenny Lind Water Treatment Plant, and could be a source of information for the District in the future. This item was for information only.

6. Upper Farmington Canal – Bank Slide

Manager Moody provided the Board with information on the Upper Farmington Canal Bank Slide. Water Supply Manager Lozano reported the location of the bank slide is on the south side of the Canal. This area is mostly volcanic ash which is very absorbent. Water Supply Manager Lozano reported this area could get worse with more rainfall. Staff has fenced in this area as a precaution. This item was for information only.

7. 2015/2016 Leadership Stockton Class (Greater Stockton Chamber of Commerce) – Pins for P.E.A.C.E. Sponsorship

Board Meeting – 01/12/16

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~~Draft~~ Approved

Manager Moody provided the Board with the 2015/2016 Leadership Stockton Class (Greater Stockton Chamber of Commerce), Pins for P.E.A.C.E. Sponsorship. District Engineer Lee reported the fundraiser event will take place on January 24, 2016 at Pacific Avenue Bowl. Administrative Services Manager Stephens reported the District has sponsored this event for the last two years.

A motion was moved and seconded to sponsor the 2015/2016 Leadership Stockton Class (Greater Stockton Chamber of Commerce) – Pins for P.E.A.C.E. event, and elected the sponsorship of four (4) 5-Person Teams (Option 1) in the amount of \$1,000.

Roll Call:

Ayes: Atkins, Cortopassi, McGaughey, McGurk, Panizza, Sanguinetti, Watkins
Nays: None
Abstain: None
Absent: None

E. COMMITTEE REPORTS

1. San Joaquin County & Delta Water Quality Coalition Meeting, 01/11/16

Director Atkins attended the January 11, 2016 San Joaquin County & Delta Water Quality Coalition Meeting. Director Atkins reported a financial report membership update and Program Manager's Report was provided. Director Atkins noted the Program Manager's Report included monitoring activities at Walthall Slough site due to dissolved oxygen. Grower Nitrogen Management Plan Self-Certification upcoming test dates are scheduled for January 20, 2016 and February 11, 2016. Director Atkins also reported the Sediment Erosion Control Plan will be distributed to members located in high-slope areas. This Plan is due February 10, 2016 and a template is available online.

Julianne Phillips, San Joaquin Farm Bureau Federation commented on the dissolved oxygen issue and conveyed compliance is due by July 2016. Dissolved oxygen compliance has been a challenge due to the prolonged drought. The next meeting is scheduled for February 8, 2016.

2. Stockton Area Water Suppliers Meeting, 01/11/16

Manager Moody reported this meeting was cancelled. The next meeting is scheduled for February 22, 2016.

F. REPORT OF GENERAL MANAGER

1. Water Supply Report as of 01/05/16

Water Supply Manager Lozano reported there is 47,621 AF in storage at New Hogan Reservoir. Current releases are set at 10 cfs. There is 331,762 AF in storage at New Melones Reservoir. Current releases at Goodwin Dam are set at 201 cfs. The water treatment plant is currently processing 15 mgd. The City of Stockton's water treatment plant is currently processing 7.5 mgd of 100% Delta water. Water Supply Manager Lozano reported the District Wells total water extraction is 4,753 gpm (~6.90 mgd).

2. Information Items:

Manager Moody noted items: F2a-1, F2a-2, F2a-3, F2a-4, F2a-5, F2a-6, F2a-7, F2a-8 and F2a-9.

3. Report on General Manager Activities (None)

G. DIRECTOR REPORTS (None)

H. COMMUNICATIONS

1. San Joaquin County Board Supervisor Moses Zapien Appointment
Manager Moody provided the Board with the San Joaquin County Board Supervisor Moses Zapien Appointment congratulatory letter. This item was for information only.

I. AGENDA PLANNING/UPCOMING EVENTS

1. Eastern San Joaquin County Groundwater Banking Authority Board & Coordinating Committee Meeting, 9:30 a.m., 01/13/16
2. Sustainable Groundwater Management Act Workgroup, 10:00 a.m., 01/13/16
3. Greater Stockton Chamber of Commerce Monthly Mixer – Women’s Center – Youth & Family Services, 5:30 p.m., 01/14/16
4. Demonstration Recharge Extraction & Aquifer Management (DREAM) Project – Technical Advisory Committee Meeting, 12:00 p.m., 01/15/16
5. District Holiday – Martin Luther King Jr.’s Birthday, 01/18/16
6. Linden Peters Chamber of Commerce Meeting, 7:00 p.m., 01/18/16

J. REPORT OF THE COUNSEL

1. Closed Session - Existing Litigation
California Water Service Company,
City of Stockton & Stockton East Water District vs. Central San
Joaquin Water Conservation District
Government Code 54956.9 (a)
2. Closed Session - Potential Litigation
Government Code 54956.9 (c) 1 case

President Sanguinetti adjourned the meeting to closed session at 1:31 p.m. to discuss closed session agenda items. District staff, with the exception of Manager Moody, was excused from the Closed Session Meeting at 2:03 p.m. The regular meeting reconvened at 2:15 p.m., with no reportable action.

K. ADJOURNMENT

President Sanguinetti adjourned the meeting at 2:16 p.m.

Respectfully submitted,



Scot A. Moody
Secretary of the Board

kml

