

**MINUTES OF THE SPECIAL JOINT MEETING
of the
Donner Summit Public Utility District and Sierra Lakes County Water District
Boards of Directors**

Held Saturday July 10, 2010, 10:00 am
Sugar Bowl Ski Area, 629 Sugar Bowl Rd., Soda Springs, California
Upstairs in the Coldstream Room at Judah Lodge, Norden, California

1. **Call to Order:** The meeting was called to order by Cathy Preis, President Donner Summit Public Utility District (DSPUD), and Wade Freedle, President Sierra Lakes County Water District (SLCWD), at 10:00 am.

2. **Roll Call:**

Roll was called for DSPUD Directors present:

Bob Sherwood
Dave Oneto
Cathy Preis
Tayler Dolph

Directors absent were:

Phil Gamick

Roll was noted for SLCWD Directors present:

Wade Freedle
Gene Bowles
Ulrich Luscher

Directors absent were:

Martin Bern
Bill Oudegeest

Staff and Consultants present were:

Jeff Evers – DSPUD Legal Counsel
Tom Skjelstad – DSPUD General Manager
Bill Quesnel – SLCWD Operations Manager
Jeff Hauser – ECO:LOGIC Engineering – Engineering & Design
Catherine Hansford – ECO:LOGIC Engineering – Financial Options
Greg Matuzak – ECO:LOGIC Engineering – CEQA/NEPA Requirements
Robert Emerick – ECO:LOGIC Engineering

Recording Secretary: Anna Nickerson

Guests present were: See Attached List

3. Welcome:

Cathy Preis, President DSPUD Board, extended a welcome to everyone in attendance at the second public meeting regarding the Wastewater Facilities Plan for the new wastewater treatment plant. Director Preis thanked SLCWD Joint Facilities Committee Members for their efforts, in conjunction with DSPUD's Committee Members, in developing a plan which was to be presented by ECO:LOGIC Consultants. She also thanked ECO:LOGIC for all their efforts.

Wade Freedle, President SLCWD Board, reported that the Sierra Lakes Board had previously met and passed a motion to fully support all of the recommendations of the Joint Wastewater Facilities Committee.

Director Preis turned the meeting over to the ECO:LOGIC for their presentation

4. Facilities Plan Presentation:

Jeff Hauser, Design Engineer for ECO:LOGIC, thanked everyone for coming. He explained that DSPUD was facing a number of wastewater management issues. Most importantly was that the existing plant was not consistently meeting the discharge requirements set by the Regional Water Quality Control Board in April 2009, for discharging into the Yuba River during the wet season; the ammonia and nitrate limits were frequently exceeded. He also said that in addition to the need to meet current permit requirements, both Districts were looking to expand capacity. He explained that capital costs, annual Costs, and non-economic issues were all considered in identifying the "Apparent Best Project". He presented the estimated timeline of the project, which was subject to change once the final decisions were made, but emphasized that the only date that was not flexible was April 2014, the date the plant had to be running within permit requirements.

Jeff said the basis of the facilities plan was to design a plant that would operate at the required levels and to provide additional capacity for both Districts' future needs. He said that DSPUD was currently at 818 EDUs with a request for an additional 332 EDUs (1,150 EDUs total) and that SLCWD was currently at 817 EDUs with a request for an additional 80 EDUs (total 897 EDUs). He noted that the average annual flow was 0.23 million gallons per day (MGD), which was expected to increase to 0.28 MGD with the additional capacity. However, he said that the "peak flows" were more important because during the peak ski season, "average day maximum weekly flows" were expected to increase from 0.61 MGD to 0.74 MGD; all of which are within the permit capacity of 0.52 MGD "typical maximum weekly flow".

Jeff then said that during the development of the facilities plan virtually every type of wastewater management systems was looked at. He said the current system consisted of flow equalization storage of 200,000 gallons and that the plan included an increase to 750,000 gallons of storage. Four alternatives for biological treatment were investigated: an upgrade of the existing Integrated Fixed-Film Activated Sludge (IFAS) System,

installation of a new IFAS System, installation of a Submerged Attached Growth System, and installation of the recommended Membrane Bioreactor (MBR) System. Jeff's presentation included a detailed explanation of the four biological treatment processes presented in the facilities plan; how they worked, where the facilities would be placed, and the implementation of the facilities. He discussed the concerns of temperature management and of the need for chemical feed and filtration. He explained that the microorganisms that accomplish wastewater treatment don't work properly if the effluent is too cold and that the goal was to keep the temperature of the system at 7 degrees Celsius. The facilities plan included a process for adding heat to the wastewater, when needed, at a proposed cost of \$1.9 million and annual fuel costs of \$22,000. Also included in the facilities plan were the chemical feed facilities for ammonia, alkalinity and a carbon source, such as methanol or an alternative, to promote the de-nitrification process, and the necessary filtration facilities needed for the Non-MBR biological treatment options; MBR requires no filtration. He discussed the three disinfection alternatives; Chlorine, Ultraviolet (UV) and Ozone (which is the best process for emerging contaminants such as pharmaceuticals and personal care products). Jeff also explained that there were two options under the chlorine approach: pre-chlorine, chlorination in the absence of ammonia; and chloramination, to add a little ammonia back in to suppress the formation of disinfection byproducts. However, the use of chlorine would require dilution credits and chloramination had yet to be tested. Jeff discussed the need for additional biostimulation storage (facilities to hold processed effluent until spray irrigation could be started). He said that with the lack of evidence of a nuisance algae growth the last two years, the recommendation was not to add biostimulation storage at this time.

Jeff discussed the overall cost comparison spreadsheet presented in the facilities plan. He explained how the spreadsheet calculated the costs of the four biological treatment alternatives, each with either chlorine or UV disinfection. Regarding the same alternatives' rating and ranking spreadsheet, he said that the non-cost elements, such as ease of expansion, power use, etc, were considered along with the capital and annual costs. All elements were weighted by importance, and the sum of the weighted ratings gave an aggregate score and a ranking for each alternative. According to the ranking an MBR system with UV disinfection was determined to be the "Apparent Best Project", which was also the project recommended by the Joint Facilities Committee.

5. CEQA/NEPA (Environmental Studies) Process Presentation:

Greg Matuzak continued the presentation, outlining the key environmental issues with the project. He said once the project was defined, the project description could be completed which would allow them to determine what environmental documentation and studies would be required. He said the project would have to comply with the California Environmental Quality Act (CEQA) but that the National Environmental Policy Act (NEPA) would be the bigger issue since the plant was located on U.S. Forest Service property and the plant was currently working under a special use permit. He said the process would begin with an environmental baseline study and that the Forest Service

would require a habitat assessment, biological resource survey, and cultural resource assessment. He also said that at this point, the assumption was that a Mitigated Negative Declaration/Environmental Assessment would be sufficient but that the initial study and public input could change that. Greg then explained that if the Districts were to get funding for the environmental studies through the United States Department of Agriculture (USDA) or the State Revolving Fund (SRF), additional environmental compliance documentation may be required. He said that a lot of the work would be done upfront so if other permitting issues were to arise any additional work required would probably be minimal.

Greg reported that some of the botanical and baseline surveys have been started, that the biological and archeological surveys should be completed by October 2010, and that scoping meetings were scheduled for September/October 2010. Currently they were working on the Draft Joint CEPA/NEPA document and anticipate that the draft would be ready for public review by February 2011 with a final document approved by June 2011.

6. Financing Options Presentation:

Catherine Hansford, ECO:LOGIC's Senior Economist, explained what elements were considered in developing a financing strategy. She said with larger projects like this, financing was sought from State and Federal programs, sometimes a combination of the two. Some of the considerations made in securing financing included the project costs, Board policies, timing requirements, along with who would benefit from the project, and if existing or new customers.

Catherine talked about the two phases of the project, the planning and construction phases. She said that funding for the \$1,478,000 estimated planning costs had been secured with a 5 year, 2.78%, loan from the SRF. She also said it was the first planning loan the State of California had ever approved.

Catherine said that two main sources of financing were being pursued, USDA Rural Utilities and the Clean Water SRF. The USDA loan provided for a 40-year term, resulting in a lower impact to the rate payers, while the SRF loan had a term of only 20 years. However, the SRF loan had a lower interest rate of 2.7%, while the USDA loan ranged between 3.25% and 4.125%, depending on the Districts' "ability to pay" classification. She said her recommendation was to submit applications to both sources to provide the Districts with the best financing options.

Finally, Catherine talked about some other potential sources of funding that become available periodically. She said she was monitoring the situation so applications could be submitted in the event that other financing options become available.

7. Compliance with Cease and Desist Order:

Bob Emerick of ECO:LOGIC addressed some concerns from the first public meeting to which there were no answers at the time. In response to those questions he said a letter was written to the Regional Water Quality Control Board asking for clarification. The first question was: what if one District passed the Prop. 218 funding vote but the other did not. The second question was: what if there were CEQA challenges that where no fault of the Districts, would there be any leeway. The third question was: was there any way to postpone the compliance date? According to the letter the Regional Board said that because the plant was currently protected under the “Cease and Desist Order”, the District had saved \$105,000 in fines, at \$3,000 per violation. The letter also said that without the “Cease and Desist Order” the plant could be shut down because it was not operating in compliance with the current permit. Further, if either or both Districts failed to pass the Prop. 218 funding vote, the District could lose the protection of the “Cease and Desist Order” and fines would be levied. In response to the question about postponing compliance, the Regional Board’s response was that if the District didn’t meet the compliance deadline then the permit could be revoked, the plant shut down, and the houses boarded up. Someone asked if a community had ever been shut down. Bob said as far as he knew, communities eventually complied; some fought the good fight but complied in the end.

8. Review of Joint Facilities Committee Recommendation to the DSPUD and SLCWD Board of Directors:

The discussion started with Director Luscher’s question regarding additional EDUs. He wanted to know how it would affect the process if another 200 to 230 EDUs were requested in the expansion. He also wanted to know what facilities would have to be installed now to provide for future expansion. Jeff Hauser said that although 250 additional EDU’s may be significant he didn’t think the cost would be. He did say that each component of the plant would have to be evaluated individually to determine its capability of handling the additional expansion; the cost would be associated with those sections of the plant that couldn’t handle the additional capacity. However, the ability to expand would have to be considered at the time of pre-design when some of the facilities could be oversized to handle future expansion.

The question was asked why spray irrigation would be needed with the MBR system since the effluent was crystal clear. Jeff’s response was that the State’s primary objective was to keep effluent out of the river if there was a reasonable alternative. Due to snow, spray irrigation was not available in the winter so discharge to the river during winter months was allowed.

Director Luscher asked how accurate the additional total EDU number had to be for the environmental studies. Greg responded saying that the larger number would be better, it would be better to be approved for more EDUs than to come up short.

A motion was made by Director Luscher and seconded by Director Bowles of the Sierra Lakes County Water District to **“approve the recommendations of the Joint**

Facilities Committee as recorded per the minutes of April 2 and May 10, 2010”.

The motion passed on a roll call vote: Ayes: Freedle, Bowles and Luscher. Noes: none. Absent: Bern and Oudegeest. Abstentions: none.

A motion was made by Director Sherwood and seconded by Director Dolph of the Donner Summit Public Utility District to **“accept the Committee’s recommendations.”** The motion passed on a roll call vote: Ayes: Preis, Sherwood, Oneto, and Dolph. Noes: none. Absent: Gamick. Abstentions: none.

9. Consideration of Additional Recommendations; Preliminary Engineering Design Schedule:

A letter from the SLCWD Board recommending that the schedule for Pre-Engineering Design be accelerated was presented to the DSPUD Board.

A motion was made by Director Sherwood and seconded by Director Oneto to **“accept SLCWD’s letter into consideration”**. The motion carried by a 4-0 vote with 1 absent.

10. Public Participation:

Bernard Pech, Serene Lakes, made two suggestions. First he suggested that the District set up a financial incentive program for ECO:LOGIC to reward them if they are able to complete processes, such as bidding, before scheduled dates. He also suggested that the Boards allow homeowners the option of paying their portion up front instead of over the life of a 20 to 40 year loan. He believed there would be many homeowners who would want to do this.

Susan Snider, Nevada City, asked how the additional EDU’s for a development like Pendola, who has nothing filed with or approved by the County, could be included in the CEQA process. Greg Matuzak explained that the CEQA/NEPA analysis would be based on a total EDU capacity of the new plant, not on to whom those EDUs are allocated.

Susan Snider asked about the additional EDUs discussed earlier, in regard to which Jeff Hauser had said that an additional 250 EDUs might be significant but that he didn’t think the cost would be. She wanted to know if the additional EDUs would exceed the average 0.52 MGD permit limit. It was Jeff’s opinion that the additional EDUs would still be within the 0.52 MGD permit limit.

Susan Snider questioned the continued use of the Cisco Grove gauge to monitor flows when the Regional Board said that DSPUD should be using a gauge that directly correlated with their discharge location. Jeff Hauser said that monitoring flows had to do with evaluating biostimulation storage. He further explained that the decision to switch over to spray irrigation had only to do with the ground conditions at Soda Springs; it did not have anything to do with river flows. He said “the District was required to put the effluent on the land if the land could take it.”

Tom Burns, Serene Lakes, commented that he was disappointed with the low public turnout. He felt that these were very important issues for the community and maybe the Boards should send out a sample of what their water bills were going to look like in the future, maybe that would get their attention. He also suggested that the Boards look at general-obligation bonds as a source of financing. He thought the Boards should look at the financing from a taxpayer's standpoint instead of a ratepayer's standpoint.

Ursula Heffernon, Soda Springs, asked how many connections were being considered in the new plant and asked what EDU meant. First Jeff Hauser explained that EDU meant Equivalent Dwelling Unit and that it was equivalent to the flows associated with a single residence. So a ski resort would have multiple EDUs calculated on the volume of their flows. He also repeated that DSPUD currently had 818 EDUs with a request for an additional 332 (1,150 EDUs total) and that SLCWD currently had 817 EDUs with a request for an additional 80 (total 897 EDUs), but that these numbers were subject to change.

Susan Snider stated that she heard at the last meeting that the Boards were going to charge current rate payers for the expansion component of the costs and later reimburse those ratepayers when the connections were issued and paid for by the future ratepayers. Several members of the **Boards** and panel disagreed with her statement, saying that what she thought she heard would not only be illegal but that it was incorrect; current ratepayers were not going to be charged for the expansion costs of the new plant. Ms. Snider continued, wanting to know how the Boards were going to handle the cost of future EDUs especially when a Prop 218 hearing was required to impose a rate increase. Geoff Evers, General Counsel for DSPUD, explained that the EDUs included in the plant expansion were determined based on those who wanted or didn't want capacity in the new plant; there were no speculative EDUs requested by either District. Again she asked how the financing of the expansion was going to be handled and if the Boards had considered one of the other alternatives, like the IFAS, if the Prop 218 vote didn't pass. Tom Burns asked what a Prop 218 hearing was. Tom Skjelstad explained that property owners had to be given at least a 45-day notice of a rate increase and that with a 51% written protest the increase could be blocked. Again Susan asked her question. Tom then explained that one way the financing of the expansion could be handled was through an Assessment District. The undeveloped lot owners who wanted future capacity would vote to assess themselves an amount that included the cost of the expansion plus a portion of the upgrade costs. If the undeveloped lot owners did not vote to assess themselves then there would be no expansion because there would be no one to pay for it.

Hal Kessler, Towle Mountain, thanked all the Board members involved for their hard work and thoroughness. He asked that the Boards keep an open mind in regard to chloramination. Susan Snider asked the Boards to consider UV disinfection.

Kirk Syme, Royal Gorge, wanted to know if ECO:LOGIC was going to use an estimated number or an actual number of EDUs in the CEQA/NEPA process. Greg

Matusak said that the anticipated completion date of the document was February 2011 and that he hoped to have a pretty accurate number by that time.

Director Bowles, SLCWD, commented on the issue of chloramination. He said that ozone disinfection would be best but that it was too expensive and by going with UV disinfection, \$1 million could be saved.

Olga Diaz, Sierra Club, asked who was going to be surveyed for future EDUs, and if someone chose not to include themselves in the expansion would that mean they could never build on their lot. Director Freedle, SLCWD, said that, for Sierra Lakes, the un-built subdivided lot owners would be surveyed and if a lot owner opted out they would not have capacity in the current expansion.

11/12. Direction to ECO:LOGIC Engineering Discussion – Combined Boards

Director Freedle said that the SLCWD Board would like to see both the engineering/design and environmental studies started immediately. Given the limited construction season on the Summit, the Board felt that issues that could arise during these processes could be dealt with as they came up; waiting could delay the project completion.

A motion was made by Director Sherwood and seconded by Director Dolph, DSPUD Board, to “**direct staff to negotiate the scope and budget with ECO:LOGIC for pre-design and environmental studies.**” The motion carried by a 4-0 vote with 1 absent.

11. Adjournment:

A motion was made by Director Oneto and seconded by Director Dolph, DSPUD Board, and a motion was made by Director Luscher and seconded by Director Bowles, SLCWD Board, to “**adjourn the meeting at 1:10pm.**” The motion passed on unanimous votes.