

**GULF COAST WATER AUTHORITY  
REGULAR BOARD MEETING  
MINUTES**

**COUNTY OF GALVESTON       §  
STATE OF TEXAS               §**

The Board of Directors of the Gulf Coast Water Authority convened at 3:00 p.m. on the 19<sup>th</sup> day of January, 2012 and duly constituted members of said Board, to wit

R. C. Williams	President
Eric Wilson	Vice-President
Rosalyn Sue Edrozo	Secretary-Treasurer
James McWhorter	Assistant Secretary-Treasurer
James R. Cesarini	Director
Bill Eisen	Director
Ray Holbrook	Director
Russell C. Jones	Director
Bill Pedersen	Director

A quorum was present. Bill Eisen, Bill Pedersen, and Eric Wilson were not in attendance.

**ALSO PRESENT** were: Tommy Amedondo, Cody Cockroft, Karen Daly, Bobby Gervais, Darryl Helton, Mike Hodge, Jody Hooks, G.E. Kluppel, Sharon Kluppel, Nick Kotsatos, Ken Kromka, Kerry Lackey, Ivan Langford, John Martinez, Owen Matherne, Nancy Matthews, Jerry Newell, George Orum, David Paulissen, Lawrence Provins, Darrell Richardson, David Sauer, Philip Topek, James Vanderwater, Bob Webb, Betsy Williams, Will Wilshire

With a quorum duly present, **R. C. Williams called the meeting to order at 3:00 p.m.** and requested action on the following agenda items:

**AGENDA:**

1. Convene Meeting
2. The public shall be allowed to address one or more agenda or non-agenda items. Each person shall be limited to five (5) minutes, regardless of the number of items addressed. **No public comments. R.C. Williams took the opportunity to introduce and welcome GCWA's new General Manager, Ivan Langford.**

**Consent Agenda**

3. Approval of the Minutes of the Board of Directors' Regular Meeting held December 15, 2011.
4. Approval of the Minutes of the Board of Directors' Special Meeting held December 15, 2011.
5. Discussion and approval of Sealed Pipeline Crossing Agreements between Gulf Coast Water Authority and Genesis Pipeline Texas, LP for a 12-inch crude pipeline under the

- GCWA raw water line located in the Industrial Complex in Texas City and authorization for the General Manager to sign the Agreements.
6. Discussion and approval of a Quitclaim Deed to the City of Pearland for an abandoned lateral located in Brazoria County and authorization for the General Manager to sign the deed.
  7. Discussion and approval of a Quitclaim Deed to MHI Partnership, Ltd for an abandoned lateral located in Brazoria County and authorization for the General Manager to sign the deed.
  8. Discussion and approval of an Encroachment Agreement between Gulf Coast Water Authority and ExxonMobil Pipeline Company for installation and maintenance of cathodic protection equipment and electric power to serve an existing pipeline in Texas City and authorization for the General Manager to sign the Agreements.
  9. Discussion and Approval of an Interlocal Agreement between GCWA, City of Alvin and Brazoria County Conservation and Reclamation District No Three to install drainage pipes under the Ditch M-1 and authorization for the General Manager to sign the Agreement.
  10. Discussion and approval of an Interlocal Agreement with the City of Texas City to host the Colorado Retriever Club Dog Trials Competition on GCWA property located on Attwater Road and authorization for the General Manager to sign the Agreement.

**James Cesarini seconded Ray Holbrook's motion to approve the consent agenda items with the exception of item 8 which was tabled by staff until the next regular Board meeting. The motion carried unanimously.**

### Reports

#### 11. Managers – See Attached

- (a) Thomas Mackey Water Treatment Plant (Fund 06)
  - 1) P604 Variable Frequency Drive (VFD) Repairs
  - 2) Clarifier #1 Coating Repairs
- (b) Thomas Mackey Water Treatment Plant Transmission (Fund 06)
  - 1) No Report
- (c) Canal (Funds 08 & 21)
  - 1) Drought/BRA Update
  - 2) Short Term/Long Term Water Supply Strategy Studies
  - 3) Canal A, Tract A1.045, Jones Creek Spillway Replacement (CIP \$700,000)
  - 4) Canal B, Tract B.104-105 Bridge 27, Knight Flume Replacement (CIP \$1,500,000)
  - 5) Old Second Lift Repair
- (d) Industrial (Fund 02)
  - 1) Project Updates
    - BP Leak Repair
    - Electrical Reliability and Back-up Generator
    - Meter Installation
    - HVAC
    - Pump House Replacement/Refurbishment

- (e) Administrative
  - 1) Update on New Electrical Contract
- (f) Discussion and approval of the format for presenting Managers Reports.  
**Russell Jones stated he likes having the detailed, written report as part of his Board packet. After discussion among the Board, it was decided that the managers would provide a detailed, written report as well as a briefer verbal report to give a quick overview and point out the most important details.**

## 12. Board Committees

- (a) Financial Committee
  - 1) Discussion and Approval of Monthly Financial Report  
**Russell Jones stated the Committee met earlier today and is still in the process of bringing the new members up to speed.**
- (b) Engineering Committee  
**James McWhorter stated Engineering Committee members Bill Pedersen, James Cesarini and himself met January 11, 2012, with GCWA staff. Items discussed were: new business items A and B on today's agenda; Freese and Nichols water conservation plan; and, the potential for water shortages and evaluation of water supply available. They also reviewed the list of approximately 20 ongoing engineering projects and studies.**
- (c) Organization and Planning Committee  
**James McWhorter stated Organization and Planning Committee members Russell Jones, Bill Pedersen, Sue Edrozo and himself met January 11, 2012, with Board members James Cesarini and Ray Holbrook and GCWA staff also present. He stated items discussed were: current and proposed drought contingency plans along with rationing strategies for this summer, if necessary; 2011 run of river records in an effort to predict for 2012; and, 2012 water supply contracts, mainly with rice farmers and options to take them. He added the Committee was going to discuss customer water well supplies and pumping capacities but did not have all the data to evaluate.**
- (d) Personnel and Compensation Committee  
**R.C. Williams stated the Personnel and Compensation Committee did not meet.**
- (e) Safety Committee  
**David Sauer stated the canal division held their safety meeting on January 18, 2012, to review accidents/incidents at the canal and water treatment plant in 2011 as a refresher. He stated the canal division holds safety meetings monthly every third Wednesday at 7:00 a.m. in Alvin. He added three equipment operators were sent to a program regarding excavations and trench safety.**

**George Orum stated the water treatment plant had their safety meeting in December and will have a meeting in January regarding fire extinguishers.**

13. Advisory Committees

(a) Industrial Operating Advisory Committee

**Darrell Richardson stated the Industrial Operating Advisory Committee met January 17, 2012. The committee continued to look at conservation projects. He stated GCWA will provide a regular update on release water. The committee members are waiting to see GCWA's water contingency plan. The committee will meet again in February.**

(b) Mainland Municipal Operating Advisory Committee

**George Orum stated the Mainland Municipal Operating Advisory Committee met January 10, 2012. Items discussed were P604, the VFD that was damaged by recent rains, clarifier #1, and a report on water availability in the months to come.**

14. New Business

(a) Discussion and approval of the qualified lowest bid for elevator installation at the Juliff Pumping Plant No. 1 and authorization for the General Manager to sign the purchase order.

**James Cesarini stated the company has found a proposed standard which is safer than the rope and pulley system elevator in place now. David Sauer stated it is the same company that does inspections for other GCWA elevators. There was discussion about the location of the new elevator and the old elevator. Mr. Sauer stated the old, manual elevator will be boarded off and taken out of service.**

**James McWhorter seconded James Cesarini's motion to approve the bid submitted by Marchal/Stevenson Elevator in the amount of \$37,018 to purchase and install an elevator at the Juliff Pumping Plant No. 1, plus 5% for contingencies in the amount of \$1,850 and authorize the General Manager to sign the purchase requisitions. The motion carried unanimously.**

(b) Discuss and approve delegating to the General Manager the authority to accept the lowest qualified bid for the purchase of asphalt coated, steel riveted pipe, and authorization to sign the purchase orders.

**James Cesarini stated this project is an under road crossing of a water pipe between county roads 160 and 169. The current pipes are under stress now and if failure occurs it could cause problems in Texas City. GCWA would work with the City of Alvin and the Brazoria County Reclamation District on this project. He added this project in the 2011-12 budget.**

**James McWhorter seconded James Cesarini's motion to delegate authority to the General Manager to accept the qualified lowest bid for the purchase of**

asphalt coated, steel riveted pipe and authority to sign the purchase orders in an amount not to exceed \$320,000. The motion carried unanimously.

- (c) Discussion and approval of work authorization FN0908 with Freese and Nichols, Inc. to update GCWA's Water Conservation and Drought Contingency Plans and authorization for the General Manager to sign the pertinent documents.
- James Cesarini stated this proposal was discussed in the Engineering and Organization & Planning Committees. He stated it is for an update to GCWA's current drought contingency and management plan. Russell Jones questioned if customers will have an opportunity to review the plan in draft form or at least be able to provide input. John Martinez stated at the 30% completion level, they plan to have a Board workshop with staff and Freese and Nichols which will be open to the public. He added that the state requires public notices for review of the plan when it is ready to be released. James McWhorter suggested inviting customers to the 30% completion workshop. Mr. Jones added GCWA should distribute drafts for review by the Board and customers prior to the workshop. Sue Edrozo questioned if it would be helpful or more confusing to add the current (2009) plan to the GCWA. David Sauer stated there is a possibility of adding the current plan to GCWA's website.**

**James Cesarini seconded James McWhorter's motion to approve work authorization FN0908 for an amount not to exceed \$50,000 with Freese and Nichols, Inc. to update GCWA's Water Conservation and Drought Contingency Plans and authorize the General Manager to sign the pertinent documents. The motion carried unanimously.**

- (d) Discussion and approval of a professional services agreement with Mindy Ellmer to provide representation as lobbyist for GCWA through the 2013 Legislative Session and authorization for the General Manager to sign the Agreement.
- David Sauer stated it has been a pleasure working with Mindy Ellmer so far. He stated he worked with her, Bobby Gervais and Ivan Langford to negotiate the agreement presented today, a two-year initial contract starting February 1, 2012. She will provide monthly updates during non-session months, weekly updates during session or more frequently, if needed. He added she has already been doing some work for GCWA such as reviewing work from Intera and making recommendations regarding the dissemination of the Intera report as well as communicating with some legislators. Ivan Langford stated he checked her references and she was highly recommended. Russell Jones inquired if there will be meetings or discussions with Ms. Ellmer before session to provide guidance to her. Mr. Langford confirmed there would be.**

**Russell Jones seconded Ray Holbrook's motion to approve a professional services agreement with Mindy Ellmer to provide representation as lobbyist**

for GCWA through the 2013 Legislative Session at a cost of \$6,250 for non-session months and \$10,000 for session months as outlined in the terms of the agreement and authorize the General Manager to sign the agreement. The motion carried unanimously.

15. Executive Session

- (a) The Executive Session is held in accordance with Texas Open Meeting Act, (Vernon's Civil Statutes) Texas Government Code, Section 551.071 – Consultation with attorney, to discuss the following:
- 1) Pending litigation and mediation at TCEQ involving Fort Bend, WCID #1, Certificate of Adjudication.
  - 2) Pending or threatened litigation by City of Sugar Land.
  - 3) Legal issues involving Intera Report and Daily Water Accounting in the Lower Brazos River Basin.
  - 4) Legal issues involving municipal option and interruptible water supply agreements.

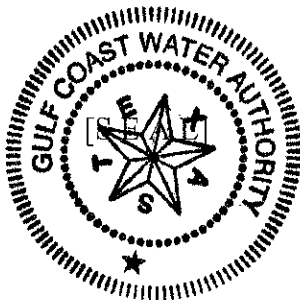
**Reconvene from Executive Session at 5:55 p.m.**

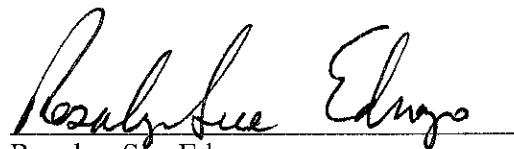
16. Discussion and consideration of possible action involving the following:

- (a) Pending litigation and mediation at TCEQ involving Fort Bend, WCID #1, Certificate of Adjudication.  
**No action taken.**
- (b) Pending or threatened litigation by City of Sugar Land.  
**No action taken.**
- (c) Intera Report regarding Daily Water Accounting in the Lower Brazos River Basin.  
**No action taken.**
- (d) Direction to staff regarding municipal option and interruptible water supply agreements.  
**No action taken.**

17. R.C. Williams adjourned the meeting at 5:56 p.m.

**PASSED AND APPROVED** this the 16<sup>th</sup> day of February, 2012.



  
Rosalyn Sue Edrozo  
Secretary-Treasurer

**GULF COAST WATER AUTHORITY MISSION STATEMENT:  
-EXCELLENCE-**

*To deliver a reliable quantity and quality of water cost effectively to our customers and provide employees the opportunity to learn, grow & succeed in a safe working environment.*

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**Manager's Report****January 19, 2012****(e) Thomas Mackey Water Treatment Plant (Fund 06)****3) P604 Variable Frequency Drive (VFD) repairs**

As a result of the heavy rains on January 8 and 9, 2012, water leaked through the roof into the Distribution Motor Control Center and fell on to the P 604 Variable Frequency Drive (VFD), shutting it down as well as P 604, which it controls. Arrangements have been made to acquire the help of Siemens service personnel in order to assess the extent of damage and develop plans for correction of the resulting problems. To prevent future damage in the short term, a frame was erected between the top of the VFD and the control center ceiling and a tarpaulin was stretched over the frame to divert intruding rain water away from the VFD. The long term solution to the problem is to relocate the Air Conditioning System from its present location on the roof to the ground and then seal all roof openings to prevent future water intrusion. No curtailment of water to customers is expected due to P 604 distribution pump being out of service.

**4) Clarifier #1 coating repairs**

A purchase order was issued to TMI Coatings, Inc. on January 9, 2012, and TMI personnel arrived at the WTP January 11, 2012, to begin work on repair of the coating on the internal metal of Clarifier # 1. Work is expected to be completed on Clarifier # 1, weather permitting, by the end of February.

**(f) Thomas Mackey Water Treatment Plant Transmission (Fund 06)****1) No Report****(g) Canal (Funds 08 & 21)****1) Drought/BRA System Update****• 2012 and 2011 Brazos River Reservoir Levels:**

- Jan – 63%, Dec - 62%, Nov - 63%, Oct- 65%, Sept - 65%, Aug - 74%, July - 80%, June- 86%, May- 89%
- February 29, 2012 System Total Projection: 56% full

**• Somerville: Still in Stage 3 Drought Emergency**

- Jan – 40%, Dec - 38%, Nov - 38%, Oct - 40%, Sept - 42%, Aug– 49%, July– 66%, June - 74%, May 77%

**• Lake Limestone: Stage 2 Drought Warning**

- Jan – 53%, Dec - 50%, Nov - 50%, Oct - 54%, Sept - 57%, Aug - 64%, July - 73%

**• Stillhouse: Stage One Drought Watch**

- Jan – 61%, Dec - 62%, Nov - 63%, Oct - 65%, Sept- 63%, Aug - 68%, July - 81%, June - 93%, May - 96%

- **Belton:Stage One Drought Watch**
  - Jan – 70%, Dec - 70%, Nov - 70%, Oct 1 - 72%, Sept - 74%, Aug31- 77%
- **Possum Kingdom:Stage One Drought Watch**
  - Jan – 75%, Dec - 72%, Nov - 73%, Oct - 75%, Sept – 72%

On Monday January 9, 2012, various amounts of rain fell in the lower Brazos basin. Approximately 6.5 inches of rain fell in and around Sugar Land. Water flowed over Ditch H Overflow, through the Amil Gates and over Dam 3 causing a rise at the B-Plant. The river rose from 14.1 at 7:00 am Monday morning to 25.4 that evening at 7:00 pm (11.3 feet in 12 hours). The Shannon Plant only rose 2 feet (59.3 on Jan 9<sup>th</sup> to 61.3 on Wed Jan 11<sup>th</sup>)

- The January 17, 2012, 6:00 am gauge readings were:
  - 1,310 cfs Hempstead; peaked at 2,700 cfs at noon Jan. 10th
  - 1,190 cfs Richmond; peaked at 3,360 cfs at midnight Jan 12th
  - 999 cfs Rosharon; peaked at 10,500 cfs at 6:00am on Jan. 9th

## 2) **Short Term/Long Term Water Supply Strategy Studies**

### **Short Term Strategy**

Jordan states: LNVA will have sufficient water to meet GCWA needs, and they are building a pipeline to transfer water from the Sabine River into their canal system. GCWA could get into negotiations with them and work out a more long-term water deal – however this would require some infrastructure construction. Once water is into the LNVA system, additional canals would be needed to either 1) transfer the water into the CWA canal system, and then canals/pipelines needed to get the water from Lynchburg reservoir to GCWA's treatment facilities, or 2) build canals/pipelines to transfer water either to Smith Point or the end of the Bolivar Peninsula and then across Galveston Bay to the Texas City area. Hence these are multi-year projects that would require some substantial investment. LNVA does have the capability to get up to 20 MGD of potable water to the end of the Bolivar Peninsula, but GCWA would still need to develop the infrastructure to get the water to customers. LNVA currently has 5 MGD going to the Bolivar Peninsula, which uses only 1.5 MGD, thus leaving 3.5 MGD available now (without the need for upping the capacity at the LNVA water treatment plant that serves the area).

To meet 2013 demands, assuming 2011 flows, GCWA needs around 110,000 acre-ft. of additional water. In my discussions with NRG, they might have some water to share. They have a 40,000 acre-ft./yr water right with 1926 priority. They typically use between 14,000 and 23,000 acre-ft per year of this Run-of-River right, but they also maintain long term contracts with BRA for 83,000 acre-ft./yr of contract water. Thus if GCWA could strike a deal to use the un-utilized portion of NRG's right as well as around 60,000 acre-ft. of their contract water, then combined with GCWA's contract water – you'd be able to cover your



shortage. This hinges on BRA being able to meet their contract water obligations. No other strategy involving existing Brazos River water rights appears to be viable for meeting the 2013 shortages.

### **Long Term Strategy**

A Work Authorization has been signed with Freese Nichols to evaluate our long term water supply strategies. A preliminary list of approximately 20+ potential sources, or strategies have been submitted for consideration by GCWA. GCWA has reviewed the list and offered comments to Freese Nichols. They will take the final list and begin their evaluation process. We anticipate a draft of evaluation materials (graphics, descriptions, criteria evaluation) by the end of January. A final report will be prepared within two weeks of receiving GCWA comments.

#### **3) Canal A, Tract A1.045, Jones Creek Spillway Replacement (CIP \$700,000)**

Culverts are in and the all-weather access road bed has been graded, but is not complete. Flood waters in Jones Creek have overtopped the contractors coffer dam on two separate occasions. The first was minor. The one on January 9<sup>th</sup> caused 29 inches of flood water to spill over the old spillway structure. The west side of the coffer dam was washed out and had to be rebuilt. Demolition and removal of the old spillway is complete. The sheet pile cutoff wall has been installed. The project is approximately 20% complete.

#### **4) Canal B, Tract B.104-105 Bridge 27, Knight Flume Replacement (CIP \$1,500,000)**

The downstream slope protection concrete work is complete. A section of the gabion baskets used for slope protection under the flume has been installed on the upstream side of the flume. All caps have been poured and the beams installed. Work should begin on the floor of the flume this week. The rains shut the job down for about 4 days. Project is approximately 60% complete.

#### **5) Old Second Lift Repair**

On January 9<sup>th</sup>, Herbert Adickes reported witnessing a whirlpool in an area where water was washing around the upstream headwall at the Old Second Lift. Water had risen 46 inches above the normal elevation of 2 inches over the pipes as a result of the run-off from the rains. Water was making its way under the pipes and coming out on the downstream side of the pipes. Mack Chapman met Fort Bend County Road and Bridge at the site. We took a long boom excavator to the site to stop the water. Fort Bend County Road & Bridge assisted with traffic control and furnished and delivered material to deposit in the washed out area. This will be an area we need to investigate further when we have an opportunity to shut the A system down.

Industrial (Fund 02)1) **Project Updates**• **BP Leak Repairs**

An updated project manual was submitted to BP and Trey Industries for review. If all goes as anticipated, repair will begin on the leak at Gate 26 on Monday, January 23, 2012.

• **Electrical Reliability and Back-up Generator**

On January 9<sup>th</sup>, we received the final draft of the preliminary layout of the generator and associated equipment for review. We are scheduled to receive a draft report regarding electrical reliability including generator specifications for review on January 17, 2012.

• **Meter Installation**

The survey and geo-tech work is scheduled to be complete this Friday, January 20<sup>th</sup> with 50% design projected to be submitted for review on January 25<sup>th</sup>. Provided all goes without problems, the soonest we could advertise for bids would be mid-March with construction beginning May 1<sup>st</sup> and construction completion by mid-July.

• **HVAC**

Bid Specifications are out now with a bid opening of January 31, 2012. The bids and equipment will be evaluated to determine compliance. We will bring a recommendation to the February 16<sup>th</sup> Board meeting for approval.

• **Pump House Replacement/Refurbishment**

We received a 50% Draft Report on the feasibility Study to evaluate replacement or refurbishment of the Industrial Pump Station. The report is being reviewed by Staff at this time.

(e) Administrative1) **Update on New Electrical Contract**

At the October 20, 2011, Board meeting, the Interim General Manager received approval, with the assistance of GCWA's power consultant Energy Edge Consulting, to negotiate and execute a new electricity supply agreement for the term beginning May 1, 2012. Energy Edge, submitted an initial request to twelve retail electric providers (REP's). GCWA, along with Energy Edge, evaluated each and narrowed the choices down to a short list of six REP's based on terms and conditions contained in the agreement, indicative pricing and bandwidth provisions. A RFP was sent to Gexa, Constellation, Suez, Noble, Cavallo (GLO), and TXU. After receiving executable contracts from each they were sent to Olson and Olson for review and comment. Revisions were sent back to each. A few of them made some concessions others would not. On December 21, 2011, five REP's submitted executable contracts for consideration by GCWA. Based on the uncertainty of heat rate and generation costs within

ERCOT, upcoming changes in EPA regulations on coal and natural gas plants and the uncertainty of the continuing drought in Texas and a few other considerations it was felt a 36-month contract using a heat rate structure, which locks all generation costs (including the heat rate) into a set formula that is indexed to natural gas prices (NYMEX), would be most advantageous to GCWA. The settlement on the bandwidth swing was a huge factor in the selection process. We could have been facing huge penalties if we went outside of the bandwidth as outlined in each contract based on previous year's usage. Only Constellation and Gexa agreed to a full swing. Constellation offered more savings annually on a heat rate formula over Gexa. A contract was signed with Constellation on December 21, 2011, with a flexible structure that will allow for better cost and risk control, and full flexibility on potential decreases in KWh usage due to the drought. The NYMEX price was locked in on December 22, 2012. For the first six months of the contract (June – November 2012) a fixed price of 0.04188 KWh for power cost was locked in. Energy Edge will continue to monitor gas prices and make recommendations on when would be the best time to lock in future pricing. The price GCWA will pay for the first six months is \$41.88/MWh.

See attached correspondence from Energy Edge for more detail.