

**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 16th day of February, 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 and Bill Pedersen were not in attendance.

ALSO PRESENT were: G.E. Kluppel, SuEllen Staggs, Bobby Gervais, Jeff Peters, Carnell Roberts, Jody Hooks, Michael Huynh, Tommy Arredondo, Owen Matherne, Michael Marcotte, Gary Struzick, Will Wilshire, Jonathan Frels, Matt Abraham, Ivan Langford, David Sauer, Bob Webb, Nancy Matthews, James Vanderwater, George Orum, and Karen Ivey.

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.
There were no public comments.

Consent Agenda

3. Approval of the Minutes of the Board of Directors' Regular Meeting held January 19, 2012.
4. Discussion and approval of the purchase of a fork lift through HGAC for the Thomas S. Mackey Water Treatment Plant and authorization for the General Manager to sign the purchase requisition.
5. Discussion and approval of the qualified lowest bid to provide cement stabilized sand for Ditch M-1 Underdrain Project and authorization for the General Manager to sign purchasing documents.
6. Discussion and approval of two (2) Crossing Agreements between Gulf Coast Water Authority and HSC Pipeline Partnership LLC for a 24-inch natural gas pipeline crossing

the American and Galveston Canal systems with authorization for the General Manager to sign the Agreements.

7. Discussion and approval of the destruction of records in accordance with the Gulf Coast Water Authority Records Management Policy.

Russell Jones seconded Rosalyn Sue Edrozo's motion to approve the consent agenda items. The motion carried with Eric Wilson abstaining on item 4.

Reports

8. Managers – See Attached

- (a) Thomas Mackey Water Treatment Plant (Fund 06)

- 1) Clarifier #1 Painting and Inspection
- 2) Planned Shutdowns of WTP
- 3) Low Lift Canal
- 4) Chlorine Line Replacement
- 5) Filter No. 6 Underdrains
- 6) Waterline Improvements

- (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) Briscoe and Juliff Pipe Reconditioning
- 6) Canal B, Tract B112.49 Underdrain Replacement (CIP \$450,000)
- 7) Canal J, C.R. 54 Underdrain Replacement (CIP \$50,000)
- 8) Canal C, New Bayou Siphon Pipe Replacement (CIP \$41,098)

- (d) Industrial (Fund 02)

- 1) Project Updates
 - Waterline Leak Repair at BP
 - Electrical Reliability and Back-up Generator
 - Meter Installation
 - HVAC
 - Pump House Replacement/Refurbishment

- (e) Administrative

- 1) Legislative Consultant Update
- 2) Administrative Update

9. Board Committees

- (a) Financial Committee

- 1) Discussion and Approval of Monthly Financial Report

Russell Jones stated the Committee met prior to the Board meeting and gave a positive report. Ray Holbrook stated the Authority was under budget due to the time of year and expected costs to increase in the months to come.

- (b) **Engineering Committee**
James McWhorter stated Engineering Committee members James Cesarini and himself met February 8, 2012 with GCWA staff. Board members Ray Holbrook and Russell Jones also arrived during the meeting. Items discussed were: new business item C on today's agenda; corrosion issues in the pipe gallery area at the W.T.P., Jones and Oyster Creek capacity analysis, and the potential for water shortages and evaluation of available water supply.
- (c) **Organization and Planning Committee**
James McWhorter stated Organization and Planning Committee members Russell Jones and himself met February 8, 2012, with Board members James Cesarini and Ray Holbrook and GCWA staff also present. He stated items discussed were: overview of Committee goals with General Manager, recommendations on Emergency water allocation plans, and discussed the Draft Long Term Water Supply Study.
- (d) **Personnel and Compensation Committee**
Eric Wilson stated the Personnel and Compensation Committee did not meet.
- (e) **Safety Committee**
David Sauer stated there were no accidents for the month of February. He stated the Canal Safety meeting was held on February 15, 2012, to discuss PPE.

George Orum stated the water treatment plant would hold its safety meeting on February 28, 2012 regarding chlorine safety.

10. Advisory Committees

- (a) **Industrial Operating Advisory Committee**
Rosalyn Sue Edrozo stated the Industrial Operating Advisory Committee met February 15, 2012. The Committee established standing monthly meetings on the third Wednesday of each month at 1:00 p.m. She stated the Committee is in the process of identifying industry contacts and that gains had been made to increase awareness. She stated that David Sauer would prepare weekly reservoir projections to aid effort to share best practices for water reduction.
- (b) **Mainland Municipal Operating Advisory Committee**
George Orum stated the Mainland Municipal Operating Advisory Committee met February 6, 2012. Items discussed were operations and project work, W.T.P. shutdowns in February and early March, and future outlook for water availability.

David Sauer reported both the Industrial Operating Advisory Committee and the Mainland Municipal Operating Advisory Committee recognize that

although drought conditions have improved, it was imperative to move forward with the plan to develop alternative water sources and be prepared to purchase additional water if it becomes available.

11. New Business

- (a) Discussion and approval of the master Engineering Agreement with Klotz Associates and authorization for the General Manager to sign the agreement.
R.C. Williams stated this agenda item had been withdrawn.
- (b) Discussion and approval of Klotz Associates work authorization KA1201 for an evaluation of Jones and Oyster Creeks' capacity with authorization for General Manager to sign documentation.
R.C. Williams stated this agenda item had been withdrawn.
- (c) Discussion and approval of authorizing General Manager to award contract to qualified lowest option for the replacement of HVAC Systems and related work at the motor control centers of the Industrial Pump Station and the Thomas S. Mackey Water Treatment Plant Distribution not to exceed engineering estimate of \$320,000 including authorization of change orders.
Ivan Langford stated that bids were taken and only one bid was received. He stated the bid did not address all items requested and staff was requesting the Board to reject all bids. John Martinez has contacted the Texas Buy Board to obtain a quote but it had not been received.

Rosalyn Sue Edrozo seconded Eric Wilson's motion to reject all bids and award the contract through the Texas Buy Board for the replacement of HVAC Systems and related work at the motor control centers of the Industrial Pump Station and the Thomas S. Mackey Treatment Plant Distribution not to exceed engineering estimate of \$320,000 including authorization of change orders. The motion carried unanimously.

- (d) Discussion and approval of a Gulf Coast Water Authority Board of Directors' Travel Policy as presented.
Bob Webb stated that the Gulf Coast Water Authority did not have a travel policy to reimburse Board members for travel expenses. Bob Webb stated the Travel Policy as presented was taken directly from T.C.E.Q. policy.

Russell Jones reported that he had attended a recent Texas Water Conservation Association event in Washington, D.C. He stated that the G.C.W.A. Board did not have a history of attending such events and felt it would serve the Board well to do so. He met representatives from the B.R.A., various other river authorities, and the Corps of Engineers and found it to be both educational and rewarding. Rosalyn Sue Edrozo requested that the Board evaluate member's areas of expertise to determine who to send to specific events.

James McWhorter seconded Eric Wilson's motion to approve the Gulf Coast Water Authority Board of Directors' Travel Policy as presented. Rosalyn

Sue Edrozo amended the motion to include a process of strategy, tracking and approval by the General Manager. The motion carried unanimously.

- (e) Discussion and approval of the engagement of Gulf Coast Water Authority Bond Counsel with authorization for the General Manager to sign letter of engagement.

Bob Webb stated in past years, Vinson & Elkins handled the Bond Issues and contracts for the Gulf Coast Water Authority. In January 2012, the Bonds and Tax Counsel separated from V&E and went to Bracewell and Giuliani. Jonathan Frels of Bracewell and Giuliani stated the entire financial group moved to avoid major conflicts of interest. He stated that the proposed letter of engagement allows fees to be set at the time bonds are issued giving flexibility to set appropriate fees based upon the complexity of the bond and allow them to proceed expeditiously.

Eric Wilson seconded Ray Holbrook's motion to approve the engagement letter with Bracewell & Giuliani L.L.P. as bond counsel for the Gulf Coast Water Authority Public Financing and authorization for the General Manager to sign the letter of engagement. The motion carried unanimously.

- (f) Discussion and approval of a meeting date for the Board to discuss Long Range Water Supply Study.

David Sauer stated that Freese and Nichols requested three (3) weeks to incorporate GCWA's comments they received February 15, 2012. Ivan Langford stated it took four hours to review the study at the previous meeting and after they incorporated the new recommendations there would be even more detail to review. There was a discussion while Board members consulted their calendars and decided the proposed time frame of three weeks would interfere with the March Board meeting. The meeting date set and agreed upon by the members present was Friday, March 23, 2012 at 1:00p.m. As per attorney Bobby Gervais, no motion was required.

- (g) Discussion and approval authorizing General Manager to execute a contract with Brazos River Authority to purchase additional water if made available.

Rosalyn Sue Edrozo stated there would be one decision from Mainland Municipal Advisory Committee and one from Industrial Advisory Committee to purchase additional water. Ivan Langford stated GCWA was looking for a consensus, and that customers who did not participate would not receive a share of the additional water and would need to institute conservation. Ivan reported that customers were asked to take the issue to their Boards and Councils to be prepared to make a decision in March should the B.R.A. make additional water available. Eric Wilson asked what quantity needed to be put on the agenda and David Sauer responded an additional 40,000 A/F based on 2011 data would last approximately four months. David Sauer stated the cost would be approximately \$2.5 million dollars for 40,000 A/F or \$62.50 per A/F Ivan Langford stated that GCWA was seeking a pre-approved amount from the customers to be able to be

first in line with funding to purchase the additional water if B.RA makes it available.

SuEllen Staggs stated that the raw water customers were not invited to the meetings and were not informed. Ivan Langford stated that SuEllen was notified via email of the monthly meetings but that he would welcome a meeting with her separately if she wished. David Sauer stated that last year the Board approved approximately 9,000 A/F of water for three-year purchase from the cities of Richmond and Rosenberg which the B.R.A. is also reconsidering consent to reassign for 2012. G.C.W.A. also purchased water from the City of Sugar Land last year as well as Pecan Grove. If necessary G.C.W.A. will contact the City of Sugar Land to purchase additional water as needed. David stated that the Pecan Grove Water Plant would be on line this year and G.C.W.A. would probably be unable to purchase additional water in 2012 from Pecan Grove.

Ray Holbrook seconded Eric Wilson's motion to authorize the General Manager to execute a contract with Brazos River Authority to purchase additional water in an amount as requested by GCWA customers if made available for the calendar year 2012. The motion carried unanimously.

- (h) Discussion of information related to water contracts, employee salaries, and all professional contracts requested by Board Director Ray Holbrook.
Board Member Ray Holbrook stated in October 2011 he requested information related to water contracts, employee salaries, and all professional contracts from GCWA staff. He stated he had received all the requested information the week prior to the board meeting and informed the Board to request copies from Bob Webb if they were interested. No action taken.
- (i) Discussion and approval of Resolution 2012-001 declaring used equipment, materials, furniture, and office equipment as surplus property and authorizing the General Manager to sell and/or dispose of the property.
Bob Webb stated that the Authority had scrap computers, office equipment, and various surplus materials for disposal and proposed the motion be made permanent. James Cesarini inquired how materials would be disposed of. Ivan Langford responded that items of value would be disposed publically by sale or destruction, and a disposition log would be retained for those items. Any sale proceeds would be returned to the originating funds.

Eric Wilson seconded Rosalyn Sue Edrozo's motion to approve Resolution 2012-001 for the fiscal year 2011-2012 to track the liquidation of surplus materials and provide an inventory of disposal to be renewed every fiscal year with the budget review. The motion carried unanimously.
- (j) Discussion and approval of Change Order No. 2 with Blastco Texas, Inc. to install rolled steel plate as a result of unforeseen conditions at the Briscoe Plant and authorization for the General Manager to sign the pertinent documents.

James Vanderwater stated when the contract was bid it did not have a provision for unforeseen conditions, although there was a small provision for extra work, the repairs required exceed that amount. He stated the condition of the piping determined through the sandblasting process was found to require repairs over and above the scope of work. The extent of pitting required additional rolled steel plate installation on basically the bottom half of the pipe. James Cesarini inquired if new plate would be white blast and James Vanderwater responded the plate would be white blast and recoated. James Vanderwater stated the Water Code allows a 10% contingency.

Eric Wilson seconded James Cesarini's motion to approve Change Order No. 2 to provide Blastco Texas, Inc. with \$35,250 to install extra rolled steel plant as a result of unforeseen conditions at the Briscoe Plant and authorization for the General Manager to sign the pertinent documents. The motion carried unanimously.

12. Executive Session

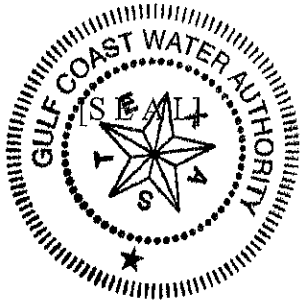
- (a) The Executive Session is held in accordance with Texas Open Meeting Act, (Vernon's Civil Statutes) Texas Government Code, Section 551.071 - Consultation with attorney and Section 551.072 -- Deliberation regarding real property, to discuss the following:
- 1) Pending litigation and mediation at TCEQ involving Fort Bend, WCID #1, Certificate of Adjudication.
 - 2) Proposed Settlement Agreement with 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.
 - 5) Potential Property Acquisition.
 - 6) Option Water Agreement with City of Pearland.

13. 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) Proposed Settlement Agreement with City of Sugar Land.
Rosalyn Sue Edrozo seconded Eric Wilson's motion to amend the negotiation settlement team to include Ivan Langford and James McWhorter. The motion carried unanimously.
- (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.
- (e) Option Water Agreement with City of Pearland.
No action taken.

14. R.C. Williams adjourned the meeting at 5:32 p.m.

PASSED AND APPROVED this the 15th day of March, 2012.



A handwritten signature in cursive script, reading 'Rosalyn Sue Edrozo', is written over a horizontal line.

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.

Manager's Report**February 16, 2012**(a) Thomas Mackey Water Treatment Plant Transmission (Fund 06)1) **Clarifier #1 Painting and Inspection**

TMI Coatings completed the coating repair of RC#1 on February 7. The clarifier is expected to be on line before the end of February.

2) **Planned Shutdowns of WTP**

Two shutdowns of the WTP are anticipated in the near future. One is expected to occur on February 27 and one on March 2. The shutdowns are driven by a need for Texas New Mexico Power Co. to make some minor repairs on the electrical distribution system that feeds the WTP. The installation of the new chlorine line will be coordinated with the shutdown scheduled for February 27.

3) **Low Lift Canal**

The Raw Water Inlet Project (revision of RW inlet to WTP to increase contact time for PAC addition) was completed this month.

4) **Chlorine Line Replacement**5) **Filter No. 6 Underdrains**6) **Waterline Improvements**(b) Canal (Funds 08 & 21)1) **Drought/BRA System Update**• **2012 and 2011 Brazos River Reservoir Levels:**

- Feb 13 – 78%, 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
- April 30, 2012 System Projection 77% full

• **Somerville: Stage 3 Drought Emergency,**

- Feb 13 -58% , Jan – 40%, Dec - 38%, Nov - 38%, Oct - 40%, Sept - 42%, Aug– 49%, July– 66%, June - 74%, May 77%

○ **Lake Limestone: Stage 2 Drought Warning,**

- Feb 13 – 75%, Jan – 53%, Dec - 50%, Nov - 50%, Oct - 54%, Sept - 57%, Aug - 64%, July - 73%

• **Stillhouse: Stage One Drought Watch**

- Feb 13 – 61%, Jan – 61%, Dec - 62%, Nov - 63%, Oct - 65%, Sept- 63%, Aug - 68%, July - 81%, June - 93%, May - 96%

• **Belton: Stage One Drought Watch**

- Feb 13 – 76%, Jan – 70%, Dec - 70%, Nov - 70%, Oct 1 - 72%, Sept - 74%, Aug31- 77%

• **Possum Kingdom: Stage One Drought Watch**

- Feb 13 – 81%, Jan – 75%, Dec - 72%, Nov - 73%, Oct - 75%, Sept – 72%

During the first week of February rain fell throughout the entire Brazos basin. As you can see these rains made a significant increase in the overall system total, raising it approximately 15%

- On:
- Feb 5th the Bryan gauge peaked at 21,000 cfs around 6:00pm
- Feb 6th Hempstead peaked at 26,500 cfs around 6:00pm
- Feb 7th Richmond peaked at 23,900 cfs around 6:00pm
- Feb 8th Rosharon; peaked at 21,900 cfs around noon

We have had correspondence with BRA regarding possible interruptible water supply in 2012. We have shared this information as well as all available data with our Customers, including agricultural, municipal and industrial at recently held meetings. An agenda item will be presented later where we can discuss this in more detail.

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

Short Term Strategy

Ivan and I along with Molly and Jordon met with representatives from Dow on January 31st to discuss the possibility of partnering to explore various water supply options with favorable response. INTERA has reviewed the regional water plans for regions G, H, and I and is compiling a list of strategies to explore, and has considered three strategies in detail: 1) LNVA, 2) Blue Water, and 3) NRG. Each has its own merits and is explained further in Jordon's attached monthly progress report.

Long Term Strategy

We received the draft of the Long Term Water Supply Strategy Study from Freese Nichols. Staff reviewed the document and met to discuss the contents of the report. We met with Freese Nichols yesterday to discuss Staff's comments and suggestions. One of the agenda items today is to discuss and set a date for Board (probably three weeks out) review of the report with Freese Nichols so each of you can offer comments and suggestions. A final report is anticipated within two weeks of receiving all of GCWA's comments. After receiving the final report we will then determine what strategies are viable options and determine how we proceed with further research and evaluation.

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

Rains and rising water in Jones Creek continue to hamper construction. Cofferdams have washed out and had to be rebuilt several times. In an effort to reduce the risk of failure of the coffer dam, a bypass channel was installed around the job site. A portion of the rebar had been tied and some form work had been completed for the foundation and rising waters washed sediment into the area

contaminating the rebar. The next progress meeting is scheduled for February 28th. The project is approximately 30% complete. Although the project is behind schedule we feel the June completion is still a good possibility

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

The project continues to progress in spite of rises in C-1 Ditch. All concrete should be poured this week. A progress meeting was held with NBG and it was determined substantial project completion date, would be met on time, March 1, 2012. Project is approximately 90% complete.

5) Canal B, Tract B.112 U9 Underdrain Replacement (CIP \$450,000)

The pipe bids were opened on January 27, 2012. Wyatt Resources submitted a bid of \$297,789.52. Since the price was under the amount approved by the Board at the January 2012 meeting a purchase order was issued to them. Approximately 8 joints approximately 200 feet of 1,512 feet have been made. Wyatt is actually a couple of days behind schedule due to delays in steel delivery but feels they can get back on schedule soon. They already have several joints in Schulenburg for coating and will be delivered directly to the job site when coated. There is an item on today's agenda to approve purchase of stabilized sand for bedding and backfill. We had a project kick-off meeting with Brazoria County Conservation and Reclamation District #3 (C&R District#3) and the City of Alvin to discuss the details of the job. C&R District #3 has started cutting a by-pass ditch for M-1 Ditch upstream of the project in order to keep water off the job while it is in progress. The old pipe is scheduled for removal beginning next week. Approximately 60% of the pipe is scheduled to be delivered by the last week of February and all pipe delivered by the first week in March. The City of Alvin engineers and surveyors are in the process of staking out the job site and adding construction control points.

6) Canal J, CR 54 Underdrain Replacement (CIP \$50,000)

Recently Canal employees removed 140ft of 60 inch pipe carrying drainage water under the canal and a rotten wooden headwall upstream of CR 54 with 150 ft of 60 inch asphalt coated pipe as well as replacing the wooden headwall. Not only were we trying to replace the pipe prior to a possible irrigation season we were trying to replace the structure prior to the bridge replacement. TxDOT is scheduled to replace our existing wooden bridge with a new concrete bridge using funds from the Federal Bridge Replacement Program.

7) Canal C, New Bayou Siphon Pipe Replacement (CIP \$41,098)

Canal employees along with C&R District #3 employees recently replaced 150ft of rotten 72 in pipe with 200ft of 72 inch asphalt coated pipe carrying canal water under New Bayou. The original pipe was exposed in the bottom of the ditch and the canal levees were on at least a 1.5 to 1 side slope. The decision was made to lower the pipe which required lengthening the pipe in order to maintain slope stability. We

contacted C&R District #3 and they agreed to assist with the installation since the lengthening would also allow them to widen the channel in New Bayou improving the drainage.

b) Industrial (Fund 02)

1) **Project Updates**

- **Waterline Leak Repair at BP**

BP continues to work on issues associated with the work before project begins. There is no visible evidence that a leak exist at Gate 26 now, it appears to have corrected itself

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

We received the final draft of the preliminary layout of the generator and associated equipment on January 9th. On February 6th we received the 100% draft report regarding electrical reliability including generator and transformer specifications. We will present the information to the Industrial Customers electronically with comments March 15, 2012

Meter Installation

Access issues have been finalized and the survey and geo-tech work is taking place this week. We received 50% design last week and are in the review process. Due to delays in site access construction completion has been pushed back to mid-August.

- **HVAC**

No report, Covered under Agenda Item 11c

- **Pump House Replacement/Refurbishment**

We received an 80% Draft Report on the feasibility Study to evaluate replacement or refurbishment of the Industrial Pump Station. We will present the information to the Industrial Customers electronically with comments March 15, 2012

Jordon's Monthly Progress Report Short Term/Long Term Water Supply Strategy Studies
Referenced in Manager's Report Item b (2)

Under this task, INTERA is to assess potential strategies for GCWA to ensure adequate short-term water supplies to meet current water demands. INTERA has requested a meeting with Vinson & Elkins and GCWA to discuss the scope of this project and the timeframe within which the project must be completed. Such a meeting has yet to be scheduled, although ideas will likely be discussed while Vinson & Elkins and INTERA travel to meet with Dow on 1/31/12. To date, INTERA has reviewed the regional water plans for regions G, H, and I. INTERA is compiling a list of strategies to explore, and has considered three strategies in detail: 1) LNVA, 2) Blue Water, and 3) NRG. Summaries of these strategies are provided below.

INTERA met with the Lower Neches Valley Authority (LNVA), which can supply GCWA with water from Sam Rayburn Reservoir and Toledo Bend Reservoir within 3-5 years, depending upon the time required for permitting and infrastructure construction. Such a plan would require construction of extensions to LNVA's canal systems, possible coordination between GCWA and the Coastal Water Authority, and possibly the construction of a water pipeline across Galveston Bay. LNVA would be able to provide GCWA with 180,000 acre-ft/yr of firm water, and possibly more should GCWA express an interest. The exact available firm water quantities were not discussed and LNVA ensured that they could meet GCWA's ballpark 2024 shortage figure that INTERA disclosed. LNVA identified 3.5 MGD of potable water as being available at the end of the Bolivar Peninsula at the mouth of Galveston Bay, and indicated they could upgrade their treatment plant to ultimately provide up to 20 MGD of potable water at that location. LNVA is near completion of negotiations to construct a pipeline through which water will be diverted from the Sabine River into LNVA's canal system. Through this pipeline, GCWA could gain access to Sabine River water. GCWA should discuss options with LNVA so that LNVA can properly size the pipeline from the Sabine River.

INTERA met with Paul Terrill, an attorney for Blue Water Systems, which owns groundwater leases in Burleson County, TX. Blue Water currently has nearly 51,000 acre-ft/yr of permitted water for sale. Both the LCRA and San Antonio Water Systems (SAWS) have expressed preliminary interest. If GCWA were to lease this permitted groundwater, then it would be necessary to develop infrastructure to get this pumped groundwater into the Brazos River or in Yegua Creek downstream from Somerville Lake. A bed-and-banks permit from TCEQ would be needed to transfer this water downstream for use at GCWA pumping facilities. Further discussion with Mr. Terrill and Blue Water Systems would be needed to pinpoint infrastructure requirements and details regarding the long-term availability of groundwater from Blue Water's leases. INTERA considers this a viable option for GCWA as the water is currently permitted, requires relatively little infrastructure investment (at least compared to the LNVA plan), would possibly meet with little opposition (Stakeholders shouldn't protest this plan, as it would essentially add water to the Brazos River during low-flow times, and therefore serve to improve environmental flow conditions.) If GCWA does not commit to the purchase of the 51,000 acre-ft/yr (before SAWS or LCRA commit), then GCWA still has the option to purchase currently unpermitted water from new wells to be installed in Burleson County. Such installations could yield up to 110,000 acre-ft/yr depending upon the number of wells to be installed. Per the groundwater leases held by Blue Water Systems, they are limited to 2 acre-ft/yr of water withdrawals per acre of land leased. They have approximately 90,000 acres leased, with 20,000 acre-ft/yr already committed to the City of Manor and the 51,000 acre-ft/yr currently permitted and up for sale. INTERA recommends GCWA consider this strategy quickly before SAWS or LCRA claim the already permitted water amounts.

In developing the GCWA Daily-Hydro model, INTERA learned from NRG that it only uses 24,000 acre-ft/yr of their 40,000 acre-ft/yr relatively senior (1926) Brazos River water right. It also has long-term (through 2030) contracts with BRA to provide up to 81,000 acre-ft/yr and typically only use 10,000-20,000 acre-ft/yr of this contract water. Therefore if GCWA were to negotiate the usage of 16,000 acre-ft of water from NRG's water right and 60,000 acre-ft/yr of its contract water, these quantities combined with GCWA's current 48,080 acre-ft/yr of contract water from BRA would be sufficient to meet GCWA's expected 2013 shortages (during a repeat of 2011 flow conditions). This analysis was modeled using a modified version of the GCWA Daily-Hydro model, and does recognize that the 16,000 acre-ft/yr of water from NRG's water right is not necessarily going to be available when needed. In essence, the 16,000 acre-ft/yr is modeled as an additional GCWA senior water right, giving GCWA further diversion precedence over more junior rights held by Dow, GCWA, and the Brazosport Water Authority. INTERA recommends GCWA consider NRG as an option viable for use in supplying water in 2012.

INTERA has also requested that GCWA consider purchasing "spot-water" from suppliers who provided water during 2011. INTERA does not know who these suppliers were, and has requested this information from GCWA. It might also be possible to purchase additional water from BRA, as the recent rains in Central Texas lead to an increase in BRA system storage of over 330,000 acre-ft (from January 11 – January 29, 2012) and the overall system is at approximately 75% capacity.

To date, INTERA has spent \$81,874.92 (out of the allotted \$99,000) on the tasks under this single contract. Of the spent money, \$60,000 was authorized under the original contract and the 1st contract amendment. The work discussed for Tasks #1-#3 above was authorized under the 2nd contract amendment.

(c) Administrative Report by General Manager Ivan Langford

This may be a different approach than what you are accustomed to; it is my intention for each department/division plus legal and legislative to continue to give their individual monthly reports at each meeting of the Board. I will only touch on activities I have been directly involved in to avoid redundancy.

Customer visits-

January 19- Area city managers monthly meeting- many are our customers directly and others are SEWater Plant customers.

January 23- first of multiple meetings with City of Texas City, Chamber of Commerce, Economic Development Alliance- participated in presentation to foreign company interested in bringing new manufacturing facility to TC. Culminated with formal presentations on February 28th.

January 27- Attended 'State of the City' event with Russell in Sugarland and then met with Utility Director and Asst. City Manager of Sugarland on their turf.

February 2- met with Chair and V-Chair of Municipal Advisory Operating Committee (MAOC). discussed concerns regarding WTP reliability.

February 7- attended MAOC monthly meeting. Primary topics discussed were purchase of additional supplemental water and water conservation/drought contingency planning.

Internal Operations-

January 20- Start of technology site review of our internal and external computer network. Initial assessment was done with PC & Cable out of League City. They have several recommendations that Nancy and I are following up on. Also multiple communications with Comcast to provide high speed internet and phone lines to admin office; service should be available in about 60 days. Exploring hosted Exchange service for email and bringing in consultant to assist with consolidation of GIS data.

January 30- toured TMWTP, and returned twice since.

February 9- Nancy and I met with Anne McLaughlin- web site designer out of Dickinson. We gave her parameters we are seeking and she should have a proposal for us this week. Project will include development of new web site, new logo, and quarterly/annual newsletters. There will be separate login for Board members and customers.

Additionally, we now have monthly agenda preparation meetings- goal is to get agenda completed by the Friday before Board meetings. David and I meet weekly with James and John to review the status of all projects they are working on.

External Contacts-

January 24- attended Basin and Bays Stakeholder Committee (BBASC) meeting at BRA offices in Waco. They are charged with review of the soon to be completed Brazos River and Associated Bay and Estuary System (BBEST) study. BBASC tentatively plans to meet twice a month. Molly and Mindy both recommend I attend and stay involved in this process. The bottom line- SB 3 in the last Texas legislative session mandated a series of studies on all Texas river basins and established minimum flows to the Texas Coastal Bays and Estuaries. This has obvious unintended consequences for us. Next meeting is Feb. 28th.

January 25- attended TCEQ Board meeting to hear ruling on BRA's request for new permit authorizing an additional 421,449 acre-feet from the State to BRA. Request denied, more to be covered by legal and its implications for us.

January 30- meeting with DOW Freeport operations. More to come from legal, however they indicated opposition to our call/use of junior rights first (see Jordan's report) indicating it would have adverse impact on their water availability. On the other hand, they are very interested in securing additional

water rights through GCWA. They only want to buy water, and leave the hassle of obtaining additional water rights up to us.

February 9- Met with Gulf Coast Waste Disposal Authority leadership, Ricky Clifton- GM, and Charlie Ganze, former GM and now Special Projects Coordinator. They are in very early stages of investigating water reuse among all Texas City wastewater dischargers. When they are further along, they will get back to us.

February 9- Met with Missouri City officials- Ed Broussard, their new City Manager and Scott Elmer, Assist City Manager. Meeting included myself, James McWhorter, and Russell Jones. Thank you to Russell for setting up this meeting.

Upcoming-

February 14- meeting with Lisa Lattu, City of Houston, and discussion of SE Water Plant.

February 15- Mainland United Way luncheon in Texas City.

February 15- meeting with City of LaMarque city officials.

February 17- tour canal system projects with David

February 20- GCWA Holiday

February 21- meeting with Harris Galveston Coastal Subsidence District officials

February 22- David and I meeting with INEOS officials at Chocolate Bayou facility

February 23- David and I are making presentation to joint meeting of WEAT/AWWA in west Houston- giving them an update on GCWA.

February 24- possible trip to Austin to hear Jordan's presentation to Water Availability Modeling work group.

February 27/28- attending BRACC meeting at BRA headquarters in Waco

March 2- Gulf Coast Water Conservation Symposium in League City

March 7/8/9- attending Texas Water Conservation Association conference in Dallas