

## MINUTES OF REGULAR MEETING – AUGUST 8, 2016

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 5:00 p.m. by President Matheis on August 8, 2016 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: LaMar, Swan, Matheis, Reinhart and Withers.

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Engineering and Water Quality Burton, Executive Director of Finance Clary, Executive Director of Water Policy Weghorst, Executive Director of Operations Sheilds, Director of Treasury and Risk Management Jacobson, Director of Water Resources Sanchez, Director of Public Affairs Beeman, Director of Human Resources Roney, Assistant Director of Recycling Operations Zepeda, Assistant Director of Maintenance Drake, Legal Counsel Arneson, Special Legal Counsel asey, Secretary Bonkowski, Principle Engineer Akiyoshi, Ms. Christine Compton, Mr. Barkov Meserlian, Mr. Colton Martin, Ms. Susan Kennedy, Mr. David O'Dell, Mr. Bruce Newell, and Mr. Jim Reed.

WRITTEN AND ORAL COMMUNICATIONS: None.

### CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 THROUGH 7 WERE APPROVED AS FOLLOWS:

3. RATIFY/APPROVE BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS

Recommendation: That the Board ratify/approve the meetings and events for Steven LaMar, Mary Aileen Matheis, Peer Swan and Douglas Reinhart as described.

4. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the July 25, 2016 Regular Board meeting be approved as presented.

5. 2017 MEDICAL INSURANCE COVERAGE RENEWAL

Recommendation: That the Board authorize the continuance of IRWD's health care coverage with CalPERS for calendar year 2017 with changes in employee and District contribution levels as recommended in Table A.

CONSENT CALENDAR (CONTINUED)

6. DENTAL AND VISION INSURANCE COVERAGE FOR CALENDAR YEAR 2017

Recommendation: That the Board authorize the General Manager to extend IRWD's existing contract with ACWA/JPIA for Delta Preferred Option Plan A with child and adult orthodontic coverage for calendar year 2017, and with EyeMed for vision coverage for the fourth year of the rate guarantee for 2017.

7. NOMINATION OF MARY AILEEN MATHEIS AS THE THIRD VICE PRESIDENT OF ISDOC AND AS A MEMBER OF THE ISDOC EXECUTIVE COMMITTEE

Recommendation: That the Board adopt the following resolution by title nominating Mary Aileen Matheis to serve on the Independent Special Districts of Orange County Executive Committee for the 2017-2018 term in the role of Third Vice President.

RESOLUTION NO. 2016-23

RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY,  
CALIFORNIA PLACING IN NOMINATION MARY AILEEN MATHEIS  
AS THE THIRD VICE PRESIDENT OF ISDOC AND MEMBER OF  
THE ISDOC EXECUTIVE COMMITTEE FOR THE 2017-2018 TERM

ACTION CALENDAR

IRVINE LAKE PIPELINE NORTH CONVERSION SANTIAGO HILLS ZONE C+ RESERVOIR CONSTRUCTION AWARD AND CONSTRUCTION PHASE SERVICES CONSULTANT SELECTION

The Irvine Lake Pipeline (ILP) North Conversion Project is part of the District's strategic plan to increase recycled water usage and reduce reliance on imported water supplies by converting a significant portion of the ILP from untreated water to recycled water. As part of the project, a new Santiago Hills Zone C+ 2.4 million gallon buried concrete recycled water reservoir and various improvements at the Rattlesnake Complex and Zone A-C booster pump station are required. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD FOUND THAT THE IRREGULARITY IN THE BID OF PASCAL & LUDWIG CONSTRUCTORS DID NOT AFFECT THE BID AMOUNT OR GIVE THE BIDDER A COMPETITIVE ADVANTAGE OVER THE OTHER BIDDERS AND WAIVED THE IRREGULARITY; AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH PASCAL & LUDWIG CONSTRUCTORS IN THE AMOUNT OF \$9,038,010, AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH KLEINFELDER IN THE AMOUNT OF \$244,470 FOR CONSTRUCTION PHASE SERVICES FOR THE IRVINE LAKE PIPELINE NORTH CONVERSION SANTIAGO HILLS ZONE C+ RESERVOIR, PROJECT 5407.

## ENERGY MANAGEMENT SERVICES AGREEMENT

Director Withers said that due to his firm's past relationship with AMS, he will recuse himself on this item and left the Board room at 5:18 p.m. Using a PowerPoint presentation, Executive Director of Operations Sheilds presented an overview of the Energy Management Services agreements. Mr. Sheilds said the retirement of the San Onofre Nuclear Generating Station (SONGS) has created a gap in local electric power capacity of approximately 2,000 MW. He reviewed the key parties including the California Independent System Operator (CA-ISO) and the CPUC, who are authorized by SCE to procure new incremental capacity through Local Capacity Requirements (LCR) contracts to fill the void left by the closure of SONGS.

Mr. Sheilds said that in 2015, the CPUC approved several LCR contracts proposed by SCE, one of which was to develop 50 MW of behind-the-meter (connected to host customer load) grid-scale energy storage systems using batteries. These energy storage projects sited at qualified host customer facilities involve charging batteries from the grid during off-peak hours (lower cost power) and then discharging them during on-peak times reducing stress on the grid as well as reducing the overall cost of power for IRWD. AMS was awarded 10-year contracts by SCE to develop and operate 50 MW of battery storage systems known as Demand Response Energy Storage (DRES) systems. AMS bears all responsibility for project design, development, permitting, financing, maintenance, operations, and all legal and contractual obligations to SCE. Additionally, AMS will install battery storage systems that will be dedicated only to IRWD's demand management needs separate and distinct from the DRES systems dedicated to SCE.

Mr. Sheilds said that these demand management systems will be partially financed by Self-Generation Incentive Program (SGIP) grant funding. The SGIP is a grant-funding mechanism that provides financial incentives for energy projects including energy storage. The grant funding is essential to the economic viability of the projects dedicated for demand management for IRWD only. These funds are allocated on a first come, first served basis to successful applicants and reserving them as early as possible was an important first step. IRWD and AMS were successful in applying for and conditionally reserving approximately \$11,000,000 of SGIP funds for the proposed IRWD projects.

Mr. Sheilds said that in February 2016, IRWD signed a non-binding Memorandum of Understanding with AMS allowing both parties the time to perform an in-depth due diligence to fully evaluate project development options, finalize site selection, continue the grant funding process, perform legal and financial reviews, and explore tentative contractual arrangements. EcoMotion, a consultant with expertise regarding Energy Storage Systems and Power Purchase Agreement type contracts, was retained by IRWD to assist in this process. He said that as a result, 11 facilities at IRWD were confirmed to be viable for locating energy storage systems and the tentative terms and conditions of the Energy Services Management Agreements were negotiated. These six sites, referred to as the DRES sites, will have battery storage systems with six-hour capacity, four hours dedicated to SCE's DRES needs and two hours dedicated to IRWD only. When these systems are operating as both for DRES and demand management, IRWD receives the coincidental benefits in terms of cost savings. The DRES projects will be covered by their own agreement.

Mr. Sheilds said that the installation and operation of the battery systems will result in cost reduction in both energy and demand charges in IRWD's electrical bills for the 11 selected sites. The systems will also provide the opportunity to avail of new revenue generating opportunities such as participation in the Automated Demand Response program. The projected savings for

the base year period were derived by comparing actual SCE bills to calculated bills for the same accounts and base period assuming the batteries are operational. The result of this analysis was the development of the Minimum Guaranteed Cost Savings (MGCS) for IRWD contained in the Energy Management Service Agreements. The total annual MGCS for the DRES sites is \$525,000, with \$315,000 cost savings guaranteed to IRWD annually and \$210,000 paid annually to AMS in the form of a monthly service fee. The annual MGCS for the demand management sites is \$88,000, with \$66,000 cost savings guaranteed to IRWD annually and \$22,000 paid annually to AMS in the form of a monthly service fee. The MGCS will be reconciled for both contracts with actuals in a “true-up” period in the year following a Term Year (12 consecutive billing periods). Following the true-up analysis, any amount above the MGCS will be shared between IRWD and AMS with 65% going to IRWD. IRWD will be made whole by AMS for any amount under the MGCS after any given true-up year.

Director Reinhart reported that this item was reviewed by the Engineering and Operations Committee on July 19, 2016. Following discussion, on MOTION by Reinhart, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE AGREEMENTS WITH HYBRID-ELECTRIC BUILDING TECHNOLOGIES IRVINE 1, LLC, HYBRID-ELECTRIC BUILDING TECHNOLOGIES WEST LOS ANGELES 1, LLC, AND REDWOOD ENERGY STORAGE, LLC TO PROVIDE ENERGY MANAGEMENT SERVICES RELATED TO BATTERY ENERGY STORAGE SYSTEMS HOSTED AT IRWD SITES, AND THE BOARD DETERMINED THE PROJECTS ARE EXEMPT FROM CEQA, APPROVED THE PROJECTS, AUTHORIZED STAFF TO POST AND FILE THE NOTICES OF EXEMPTION IN ORANGE COUNTY, AND AUTHORIZED THE ADDITION OF THE ENERGY STORAGE SYSTEMS, PROJECT 7444, IN THE AMOUNT OF \$222,200 TO THE FY 2016-17 CAPITAL BUDGET.**

#### GENERAL MANAGER’S REPORT

General Manager Cook reported that he, Cheryl Clary, and Rob Jacobson, and the District’s underwriters Goldman Sachs and Merrill Lynch met with representatives from rating agencies Fitch and Standard and Poors (S & P). Mr. Cook said the District requested that the Certificates of Participation be rated, and just received a AAA rating by Fitch. He said he was hopeful that the District would receive word from S & P this evening.

Mr. Cook said that he received a call from Ms. Bettina Boxall from the Los Angeles Times and she had questions relative to the desalination project. He said that he and staff were able to speak with her today on a conference call.

#### DIRECTORS’ COMMENTS

Director LaMar reported that he attended an NWRA Western Water Conference in Sun Valley, Idaho and noted that during the Board meeting, Mr. Bob Johnson announced he will be retiring from this organization.

Director Withers returned to the Board Room at 6:22 p.m. He reported that Mr. Jeff Mosier, NWRI’s Executive Director, had resigned, and that they will be recruiting for a replacement.

Director Swan reported that he attended a Santa Ana Watershed meeting, a Southern California Dialogue meeting, and a WACO meeting.

Director Reinhart said that he attended a MWDOC Board workshop, and a SOCWA Board meeting where a discussion was held relative to voting rights for Moulton Niguel Water District as it is the largest user with only one of nine votes.

Director Matheis commented on the Consent Calendar item relative to her nomination to the ISDOC Board where she said she was asked to seek this position, and accepted. She further said she attended her typical monthly meetings.

Consultant Jim Reed reported on meetings he attended on behalf of the District.

CLOSED SESSION

President Matheis said that the following Closed Session would be held:

CLOSED SESSION CONFERENCE WITH LEGAL COUNSEL RELATIVE TO EXISTING LITIGATION - Government Code Section 54956.9(d)(1) IRWD v. OCWD (Case No.30-2016-00858584-CU-WM-CJC).

OPEN SESSION

Following the Closed Session, the meeting was reconvened with LaMar, Reinhart, Withers, Swan, and Matheis present. President Matheis said there was no action to report.

ADJOURNMENT

There being no further business, President Matheis adjourned the meeting.

APPROVED and SIGNED this 22nd day of August, 2016.

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President, IRVINE RANCH WATER DISTRICT

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Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

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Legal Counsel - Bowie, Arneson, Wiles & Giannone