

**MINUTES OF THE REGULAR
MEETING OF
THE BOARD OF DIRECTORS
OF
THE INLAND EMPIRE UTILITIES AGENCY*
WEDNESDAY, MARCH 17, 2010
10:00 A.M.**

DIRECTORS PRESENT

John Anderson
Michael Camacho
Terry Catlin, President
Gene Koopman, Vice President

DIRECTOR ABSENT

Angel Santiago, Secretary

STAFF PRESENT

Jean Cihigoyenette, General Counsel
Richard Atwater, Chief Executive Officer/General Manager
Martha Davis, Executive Manager of Policy Development
Tom Love, Executive Manager of Engineering
Patrick Sheilds, Executive Manager of Operations
Rosemary Alvarado, Supervising Contracts and Programs Administrator
Kathleen Baxter, Supervising Contracts and Programs Administrator
Tina Cheng, Budget Officer
Pari Dezhnam, Manager of Pretreatment and Source Control
Sondra Elrod, Public Information Officer
Joel Ignacio, Senior Associate Engineer
Majid Karim, Deputy Manager of Engineering
Cameron Langner, Manager of Contracts and Programs Administrator
Chandler Letulle, Deputy Manager of Operations
Mark Lopez, Training Officer
Craig Parker, Manager of Engineering
Craig Proctor, Pretreatment and Source Control Supervisor
Robert Wallin, Contracts and Programs Administrator
Jamal Zughbi, Senior Engineer
April Woodruff, Board Secretary

OTHERS PRESENT

Ed Graham, Representative for Assemblyman Curt Hagman
John McNamara, Environ Strategy
Jinghui Niu, Environ Strategy
Chuck Tobin, Burrtec

A regular meeting of the Board of Directors of the Inland Empire Utilities Agency* was held at the office of the Agency, 6075 Kimball Avenue, Bldg. A., Chino, California on the above date.

President Catlin called the meeting to order at 10:05 a.m., and dispensed the pledge of allegiance to the flag. A quorum was present.

President Catlin stated that members of the public may address the Board.

Mr. Ed Graham, representative for Assemblyman Curt Hagman, stated that Assemblyman Curt Hagman wants the Inland Empire Utilities Agency Board of Directors to know that he supports the agency, and invites the Board to address any issues, comments, and concerns to him through Mr. Ed Graham.

The Board of Directors thanked Mr. Graham.

President Catlin asked if there were any additions/deletions to the agenda. There were no additions/deletions to the agenda.

CONSENT CALENDAR

President Catlin asked if anyone wished to remove any item from the Consent Calendar. There was no response.

Upon motion by Director Koopman, seconded by Director Anderson, and unanimously carried:

M2010-3-4

MOVED, approval of the Consent Calendar.

A. The Board approved the minutes from the March 3, 2010, Board of Directors' meeting.

B. The Board approved the Treasurer's Report as submitted.

C. The Board:

1. Approved award of Contract No. 4600000648 for financial advisory services with Public Financial Management (PFM) for \$50,000, plus expenses up to \$2,000 for a not-to-exceed amount of \$52,000, in connection with the refinancing of the 1994 Revenue Bonds; and
2. Authorized the Chief Executive Officer/General Manager to execute Contract No. 4600000648.

D. The Board:

1. Approved the Amendment No. 3 to the CDA Joint Exercise of Powers Agreement; and
2. Adopted Resolution No. 2010-3-3, approving the Amendment No. 3 to the CDA Joint Exercise of Powers Agreement.

RESOLUTION NO. 2010-3-3

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, APPROVING AN AMENDMENT NO. 3 TO JOINT EXERCISE OF POWERS AGREEMENT CREATING THE CHINO BASIN DESALTER AUTHORITY (for full text, see Resolution Book).

E. The Board adopted Resolution No. 2010-3-2, implementing an updated Employer-Employee Relations Resolution of the Inland Empire Utilities Agency.

Continued...

M2010-3-4, continued.

**RESOLUTION NO. 2010-3-2
A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO
COUNTY, CALIFORNIA, ADOPTING THE REVISED
EMPLOYER-EMPLOYEE RELATIONS RESOLUTION** (for full
text, see Resolution Book).

F. The Board adopted a position of support for AB 2256 (Huffman) on
“Flushable” Product Labeling.

G. The Board:

1. Accepted the work as performed by Murrieta Development
Company as complete under the construction contract for the
CIM Recycled Water Pipeline Project, Project No. EN08014.00;
and
2. Authorized the Chief Executive Officer/General Manager to
execute the Notice of Completion.

H. The Board approved the purchase of replacement air diffusers in
CCWRF and RP-5 aeration basins, for a not-to-exceed aggregate
amount of \$250,000, including all taxes and freight charges.

I. The Board:

1. Approved the temporary extension of the use of three (3)
NRWS capacity units for the City of Ontario Ion-Exchange (IX)
Plant until June 30, 2010;
2. Allowed the City of Ontario to purchase three (3) NRWS
capacity units at a total cost of \$450,000 prior to July 31, 2010;
and
3. Authorized the Chief Executive Officer/General Manager to
execute the NRWS Capacity Right Agreement for the city of
Ontario IX Plant.

ACTION ITEMS

ACQUISITION OF NRWS CAPACITY FROM CSDLAC

Manager of Pretreatment & Source Control, Parivash Dezhm, provided a summary of the Non-Reclaimable Wastewater System (NRWS) agreements with Los Angeles County Sanitation District (LACSD). She mentioned that at the present time there are two main agreements, one called Edison agreement and the other one is for the remaining of the northern NRWS. She covered the agreement differences and she mentioned that the Edison agreement will sunset on May 23, 2012. Presently, there are three Ion Exchange Plants from City of Upland, Ontario, and Monte Vista Water District that discharge approximately 175,000 gallons per day of brine waste to this pipeline. Staff is recommending purchasing 180,000 gallons per day capacity to cover the flow from these ion exchange plants. Ms. Dezhm informed the IEUA Board of Directors that LACSD initial capacity charge has been scheduled to increase substantially, and it is in the

Agency's best interest to renew this agreement now. By renewing this agreement in Fiscal Year 2009/10, IEUA could save approximately \$380,000. Under the proposed purchase agreement from LACSD, the Agency could choose to pay the full amount of \$1,405,721 now or pay only \$987,334 now and pay the balance of \$418,386 over a five-year period in equal annual installment of \$100,000 at an interest rate of 6.25%, (or \$82,000).

Upon motion by Director Koopman, seconded by President Catlin, and unanimously carried,

M2010-3-5

MOVED, to:

1. Approve purchasing 180,000 gallons per day Pipeline and Treatment Capacity for the total amount of \$1,405,721.27 from the County Sanitation Districts of Los Angeles County for the Edison Pipeline Non-Reclaimable Wastewater System; and
2. Authorize the Chief Executive Officer/General Manager to execute the agreement.

SITE LEASE APPROVAL FOR THE RP-5 SOLIDS HANDLING AND RENEWABLE ENERGY EFFICIENCIES PROJECT FACILITIES

Manager of Engineering, Craig Parker, stated that in September 2009, staff issued a Request for Proposal to solicit private enterprise proposals to lease operate, and generate power or the sale of gas. He stated that in December, the Agency received four proposals, and on January 20, the Board authorized staff to pursue negotiation with Environ Strategy Consultants, Inc. (Environ) and Onsite Power Systems, Inc. Mr. Parker reported that the Agency concluded that Environ Strategy Consultants, Inc.'s negotiated proposal and deal points provided the best overall benefits to the Agency, consistent with the Agency's requested Black and Veatch review and evaluation of the technical analysis and economic analysis. He briefly highlighted the deal points. Mr. Parker stated that Phase I will be online by October 2011, and Phase II will be online approximately two years after that. Brief discussions ensued regarding the ability to receive grants and loans; the timing of the two-year limit on the \$500,000 performance bond; and costs of restoring site to native condition.

President Catlin stated that Director Santiago was unable to attend today's Board meeting and has requested that the Board consider deferring this item to allow him to participate in the discussion. It was the consensus of the Board to move forward with an action on this item.

Executive Manager of Engineering, Tom Love, acknowledged and thanked the Environ team and Agency staff for their diligence, hard work, and efforts to meet the schedule.

Upon motion by Director Koopman, seconded by Director Camacho, and unanimously carried:

M2010-3-6

MOVED, to:

1. Approve the property lease agreement with Environ Strategy Consultants, Inc. for the lease of the RP-5 Solids Handling Facility (RP-5 SHF), and the Renewable Energy Efficiencies Project (REEP) facilities, (Project No. EN09043.00); and
2. Authorize the Chief Executive Officer/General Manager to finalize and execute the property lease agreement.

RP-4 WIND TURBINE POWER PLANT POWER PURCHASE AGREEMENT (PPA) AND SITE LEASE

Manager of Engineering, Craig Parker, stated the key object of the Agency’s Energy Management Strategy is to be “grid-less” by 2020. He stated that staff investigated and determined that the use of wind power at RP-4, which has sustainable wind to drive a wind turbine for electricity to feed the plant was viable. He stated that on December 23, 2009, the Agency solicited proposals from vendors to provide a wind turbine system installation under a Power Purchase Agreement/Design-Build Option, and in February, the Agency received proposals from Foundation Windpower and Johnson Controls, followed by best and final offers from both vendors. Staff determined that Foundation Windpower’s 20-year best and final offer was deemed favorable, as it included the lowest energy rate. Mr. Parker stated that Windpower’s average energy rate over the next 20 years is less than the Southern California Edison rate, resulting in an approximate savings of \$3 million over the 20-year period. He noted that this agreement was reviewed by the Agency’s General Counsel.

Upon motion by Director Anderson, seconded by Director Camacho, and unanimously carried:

- M2010-3-7**
MOVED, to:
1. Award the PPA contract for the RP-4 Wind Turbine Power Plant to Foundation Wind Power (formerly Energy Alchemy LLC);
 2. Authorize the Chief Executive Officer/General Manager to finalize and execute the PPA Agreement and Site Lease; and
 3. Establish Project No. EN10011 for an amount of \$160,000 from the RC Fund.

INFORMATION ITEMS

SELF-REGENERATING WATER SOFTENER CONTROL PROGRAM

Executive Manager of Policy Development, Martha Davis, reviewed AB 1366, which provides local agencies that own and operate a community sewer or water recycling facility with expanded authority to regulate residential self-regenerating water softeners. She stated that the first step in the process of implementing the new law is for the Santa Ana Regional Water Control Board (Regional Board) to adopt a series of findings, which can be used as basis for adopting ordinances that would regulate the water softeners. She reported that on March 18, the Regional Board is scheduled to consider Order No. R8-2010-0008, which will amend IEUA’s Regional Recycling Water Permit, and make the necessary finding that will control the discharge of waste from residential on-site regenerating water softeners into the collection systems. Ms. Davis stated the next step will be for IEUA to adopt an ordinance that will provide the contracting agencies with the authority to implement and enforce local ordinances. She stated that the Agency will work with the contracting agencies to develop ordinance language that can be used as a model for adoption by each city and water agency. She stated that she will continue to keep the Board updated of the progress.

CHINO BASIN REGIONAL SEWAGE SERVICE CONTRACT AUDIT OF THE SEVEN MEMBER AGENCIES

Chief Executive Officer/General Manager, Richard Atwater, stated that this item was presented to the March 10, Audit Committee. He reported that the audit identified some inconsistencies in its interpretation and in the selection of the business categories. He stated that it appears that Exhibit J, which was originally developed in the 1980's, does not include a comprehensive list of all business types, because there are some new "types" of retail and other commercial businesses, which do not fit the existing Exhibit J. Mr. Atwater stated member agency representative indicated that it would be helpful to have commercial category definitions or specific criteria for categorizing the different commercial businesses.

Executive Manager of Engineering, Tom Love, reported that one city did not provide its general ledger when request for comparison of revenue recorded to revenue reported to IEUA. He noted that the audit recommended that a "Right to Audit" clause, which required financial records to be made available for review, in the Regional Contract, would minimize audit scope limitations.

Director Koopman requested that staff provide a brief information item regarding the challenges encountered when the seven member agencies do not provide sufficient information to accomplish an accurate Chino Basin Regional Sewage Service Contract audit.

THE FOLLOWING INFORMATION ITEMS WERE RECEIVED AND FILED BY THE BOARD:

TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR JANUARY 2010

FY 2010/11 OVERVIEW OF THE DRAFT REGIONAL AND RECYCLED WATER BUDGETS

PUBLIC OUTREACH AND COMMUNICATIONS

LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES

LEGISLATIVE REPORT FROM GEYER AND ASSOCIATES

LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES, LLC

LEGISLATIVE REPORT FROM THE DOLPHIN GROUP

IEUA MONTHLY WATER NEWSLETTER

INTERNAL AUDIT DEPARTMENT STATUS REPORT FOR MARCH 2010

PETTY CASH AUDIT

SAWPA – BASIN MONITORING PROGRAM TASK FORCE AND EMERGING CONSTITUENTS WORKGROUP SUPPORT AND FUNDING

MAGNOLIA CHANNEL IMPROVEMENTS UPDATE, PROJECT NO. EN06040.03

RP-5 RECYCLED WATER PUMP STATION EXPANSION EQUIPMENT PRE-PURCHASE AND CONSTRUCTION CONTRACT AWARD UPDATE, PROJECT NO. EN10001.00

OPERATIONS UPDATE

AGENCY REPRESENTATIVES' REPORTS

SAWPA REPORT

Meeting rescheduled to March 30, 2010, due to the activities in Sacramento.

MWD REPORT

Chief Executive Officer/General Manager, Richard Atwater, reported that MWD Member Agencies Managers meeting will be conducting a Budget Rate Workshop on March 23. He reported that the decision on both the Drought Allocation and the Water Rate Increase will be on the April 13, MWD agenda. He also reported that the Department of Water Resources updated the State Project Allocation, but no increases – it is still at 15%.

REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT

Chief Executive Officer/General Manager, Richard Atwater, reported that staff reviewed the draft budget with the Technical Committee two weeks ago. He stated that a Board Budget Workshop is scheduled for March 31 at 10:00 a.m., and a Budget Workshop for the Regional Sewerage Technical Committee on March 25.

CHINO BASIN WATERMASTER REPORT

Director Camacho stated that he had no additional updates.

CHIEF EXECUTIVE OFFICER/GENERAL MANAGER'S REPORT

The Chief Executive Officer/General Manager's Report was received and filed by the Board.

Chief Executive Officer/General Manager, Richard Atwater, reported that the Agency closed out both Swap bonds. He stated that a meeting has been scheduled this afternoon with MWD and are working closely with the Chino Desalting Authority on resolving their LRP payments. He stated that staff will be making a presentation to the CDA Board regarding the LRP payments on April 1. He also report that he and staff had a meeting last week with Mr. Jerry Theibault, and he indicated that he had no intention of filing a fine or enforcement action with IEUA.

BOARD OF DIRECTORS REQUESTED FUTURE AGENDA ITEMS

Director Koopman reminded staff for a report on the amount and use of Agency cell phones, as well as suggested options to cut cell phone costs. Staff responded that the report is in progress and will be presented at the next Board meeting.

Director Koopman requested that staff provide a brief information item regarding the challenges encountered when the seven member agencies do not provide sufficient information to accomplish an accurate Chino Basin Regional Sewage Service Contract audit.

President Catlin stated that he would like to establish a "committee structure" to better understand and have the opportunity to review the recent and future organizational changes taking place at the Agency.

DIRECTORS' COMMENTS

Director Anderson reported that he, along with Directors Koopman, Catlin and Camacho, attended the Special District Dinner meeting, which was hosted by Inland Empire Utilities Agency. He stated that Executive Manager of Engineering, Tom Love, gave a PowerPoint presentation on recycled water.

CLOSED SESSION

The Board went into closed session at 11:00 a.m., A. PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION: (1) IEUA vs. Mr. Anthony Maglica, Case No. RCV098354; (2) Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010; (3) Westech Engineering vs. IEUA, Case No.

CIVRS 914130; (4) Taisei-T&K Joint Venture vs. IEUA, Case No. CIVRS 911401 (5) Dispatch Transportation vs. IEUA, Case No. CIVDS 917754; (6) Westco vs. IEUA, Case No. 37-2009-00058161-CU-BC-NC; (7) Prousys vs. IEUA, Case No. CIVRS 1000135; (8) Martin vs. IEUA, Case No. CIVRS 1000767 B. PURSUANT TO GOVERNMENT CODE SECTION 54956.9 – CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION One (1) case; C. PURSUANT TO GOVERNMENT CODE SECTION 54956.8 – CONFERENCE WITH REAL PROPERTY NEGOTIATOR Property: (1) Property: RP-5 Solids Handling Facility; Negotiating Parties: Environ Strategy Consultants, Inc. and Onsite Power System, Inc.; Under Negotiation: Price and Terms of Lease; (2) Property: RP-4 Wind Power; Negotiating Parties: Energy Alchemy and Johnson Controls; Under Negotiation: Price and Terms of Lease; (3) Property: RP-1 Fuel Cell; Negotiating Parties: Biofuels Energy, LLC, UTS/HDR/Filanc, and Otto H. Rosentreter Co.; Under Negotiation: Price and Terms of Lease;

The meeting resumed at 11:50 a.m. and General Counsel, Jean Cihigoyenette, stated that the below-mentioned matters were discussed in Closed Session, and the Board took the following actions:

Regarding Conference with Legal Counsel – Existing Litigation:

IEUA vs. Mr. Anthony Maglica, Case No. RCV098354

Taisei-T&K Joint Venture vs. IEUA, Case No. CIVRS 922401

The Board took no reportable action.

Regarding Conference with Legal Counsel – Existing Litigation:

Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010

Westech Engineering vs. IEUA, Case No. CIVRS 914130

Dispatch Transportation vs. IEUA, Case No. CIVDS 917754

Wesco vs. IEUA, Case No. 37-2009-00058161-CU-BC-NC

Prousys vs. IEUA, Case No. CIVRS 1000135

Martin vs. IEUA, Case No. CIVRS 914130

The Board did not discuss these items.

Regarding Anticipated Litigation:

One Case

The Board took no reportable action.

Regarding Conference with Real Property Negotiator:

Property: RP-1 Fuel Cell

Negotiating Parties: Biofuels Energy, LLC, UTS/HD/Filanc, and Otto H. Rosentreter Co.

Under Negotiation: Price and Terms of Lease

The Board took no reportable action.

Regarding Conference with Real Property Negotiator:

Property: RP-5 Solids Handling Facility
Negotiating Parties: Environ Strategy Consultants, Inc. and Onsite Power System, Inc.
Under Negotiation: Price and Terms of Lease

Property: RP-4 Wind Power
Negotiating Parties: Energy Alchemy and Johnson Controls
Under Negotiation: Price and Terms of Lease

The Board did not discuss these items.

With no further business, President Catlin adjourned the meeting at 11:51 a.m.

Secretary

APPROVED: APRIL 7, 2010