

**MINUTES OF THE REGULAR
MEETING OF
THE BOARD OF DIRECTORS
OF
THE INLAND EMPIRE UTILITIES AGENCY*
WEDNESDAY, SEPTEMBER 15, 2010
10:00 A.M.**

DIRECTORS PRESENT

John Anderson
Terry Catlin, President
Michael Camacho, Secretary
Gene Koopman
Angel Santiago, Vice President

STAFF PRESENT

Thomas A. Love, Chief Executive Officer/General Manager
Patrick Sheilds, Executive Manager of Operations
Kathleen Baxter, Supervising Contracts and Programs Administrator
Chris Berch, Manager of Planning and Environmental Compliance
Teresa Caraza, Records Management Coordinator
Maria Catalan, Records Management Coordinator
Tina Cheng, Budget Officer
Michael Chung, Manager of Fiscal Management
Gabriel DeSaddi, Manager of Construction Management
Sondra Elrod, Administration and Public Affairs Officer
Warren Green, Manager of Safety and Risk Management
Gina Hillary, Manager of Human Resources
Majid Karim, Deputy Manager of Engineering
Cameron Langner, Manager of Contracts and Procurement
Randy Lee, Manager of Operations
Suresh Malkani, Accounting Supervisor
Lisa Morgan-Perales, Water Resources Analyst II
Beth Olhasso, Limited-Term Water Resources Analyst I
Craig Parker, Manager of Engineering
Christina Valencia, Manager of Financial Planning
Teresa Velarde, Manager of Internal Audit
Robert Wallin, Contracts and Programs Administrator
April Woodruff, Board Secretary

OTHERS PRESENT

Jack Allingham, Retiree
Jean Cihigoyenetché, General Counsel
Steve Elie
Miles Pettroff
Mark Sanfilippo
Susie Spears, Retiree

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 10:00 a.m., and he led the pledge of allegiance to the flag. A quorum was present.

President Catlin stated that members of the public may address the Board. There was no one desiring to do so.

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

Chief Executive Officer/General Manager Thomas A. Love requested that the Board move Action Item, RP-1 FUEL CELL POWER PURCHASE AGREEMENT AWARD. PROJECT NO. EN10012.00, to after the Closed Session portion of the agenda. It was the consensus of the Board to do so.

CONSENT CALENDAR

President Catlin asked if anyone wished to remove any item from the Consent Calendar. There was no one desiring to do so.

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

M2010-9-3

MOVED, approval of the Consent Calendar.

A. The Board approved the minutes from the September 1, Board meeting.

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

C. The Board approved staff's recommendation to add a secondary banking institution for the investment of surplus funds.

D. The Board:

1. Approved the 2010/11 Internal Audit Department annual Audit Plan; and
2. Directed the Manager of Internal Audit to finalize the 2010/11 Audit Plan.

E. The Board:

1. Adopted Resolution No. 2010-9-2, Procedures for Records Retention, Destruction, and Amendments to the Records Retention Schedule; and

RESOLUTION NO. 2010-9-2

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, PERTAINING TO THE PROCEDURES FOR RECORDS RETENTION, DESTRUCTION, AND AMENDMENT OF THE RECORDS RETENTION SCHEDULES (for full text, see Resolution Book).

2. Approved the amendments to the Agency's Records Retention Schedule.

Continued...

M2010-9-3, continued.

F. The Board:

1. Approved the License and Use Permit between Inland Empire Utilities Agency (IEUA) and the City of Ontario for the 1630 West Recycled Water Pump Station for the Northwest Project Area, Project No. WR10032; and
2. Authorized the Chief Executive Officer/General Manager to execute the License and Use Permit Agreement.

G. The Board:

1. Terminated the construction contract for the Prado Lake Discharge Modifications, Project No. EN07010.04, and TP-1 SBS Pump Improvements, Project No. EN07006.04, with Sepulveda Construction;
2. Authorized the Chief Executive Officer/General Manager to execute the termination notice;
3. Awarded the construction contract for the Prado Lake Discharge Modifications, Project No. EN07010.04, and TP-1 SBS Pump Improvements, Project No. EN07006.04, to the second lowest responsive bidder, Coconstruction, Inc. for their low bid of \$434,700; and
4. Authorized the Chief executive Officer/General Manager to execute the contract.

H. The Board:

1. Approved Contract Amendment No. 4600000105-004 with GK & Associates to perform project management services for capital improvement projects for the not-to-exceed fee of \$544,300; and
2. Authorized the Chief Executive Officer/General Manager to execute the contract amendment.

I. The Board:

1. Accepted the work as performed by Mike Bubalo Construction, Inc. as complete under the construction contract for the RP-2 and RP-5 IPS Overflow Protection Project No. EN10006; and
2. Authorized the Chief Executive Officer/General Manager to execute the Notice of Completion.

Continued...

M2010-9-3, continued.

J. The Board:

1. Approved to surplus manure collection and transportation equipment, which is anticipated to have an aggregate value of greater than \$200,000;
2. Approved the sale of the surplus equipment to obtain best market value; and
3. Authorized the Chief Executive Officer/General Manager to enter into agreements to sell the equipment.

K. The Board authorized the procurement of excess general, automobile, and public entity errors and omissions liability insurance for the period of October 1, 2010, to September 30, 2011, in the amount of \$234,495.

L. The Board:

1. Approved Agreement No. 4600000771 with Chino Basin Water Conservation District to provide landscape evaluation and audit services for member agency residential and commercial retail water customers for a not-to-exceed amount of \$75,000; and
2. Authorized the Chief Executive Officer/General Manager to execute the agreement.

M. The Board:

1. Approved issuance of Contract No. 4600000787 to Basic Chemical Solutions, L.L.C. for supply of sodium bisulfate for up to a five-year period and an initial unit price of \$0.224/dry pound (delivered), plus tax; and
2. Authorized the Chief Executive Officer/General Manager to execute and issue said contract.

N. The Board:

1. Approved the award of Contract No. 4600000788 with Universal Protective Services, unarmed uniformed security services, for a not-to-exceed amount of \$861,000, up to a five-year term; and
2. Authorized the Chief Executive Officer/General Manager to execute the contract.

O. The Board approved the amendment of Fiscal Year 2010/11 Budget for open encumbrances carried forward from FY 2009/10 in the amount of \$11,404,771.

INFORMATION ITEMS

CONSTRUCTION MANAGEMENT EXECUTIVE SUMMARY PRESENTATION

Manager of Construction Management, Gabe DeSaddi, gave a PowerPoint status report on the 4th quarter Construction Management projects. He highlighted completed projects, in progress projects, and minor construction, maintenance, and emergency projects.

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

TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR JULY 2010

FY 2009/10 FOURTH QUARTER BUDGET VARIANCE AND PERFORMANCE GOALS UPDATES

PUBLIC OUTREACH AND COMMUNICATIONS

LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES, LLC

LEGISLATIVE REPORT FROM THE DOLPHIN GROUP

CONSTRUCTION MANAGEMENT FOLLOW UP AUDIT

PAYROLL AUDIT

AUDIT COMMITTEE RESPONSIBILITIES REPORT

INTERNAL AUDIT DEPARTMENT STATUS REPORT FOR SEPTEMBER 2010

ANNUAL WATER USE REPORT FOR FISCAL YEAR 2009/10

MWD'S 2010 INTEGRATED RESOURCE PLAN (IRP) UPDATE

REGIONAL LONG TERM WATER USE EFFICIENCY BUSINESS PLAN

AGENCY REPRESENTATIVES' REPORTS

SAWPA REPORT

The next Commission Meeting is scheduled for September 21.

MWD REPORT

Director Santiago reported that the Executive Committee is evaluating the current nomination process for MWD Chair and working on formalizing the nomination process. He reported that San Diego had requested to extend the IRP; however, the MWD Board did not approve the request.

REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT

President Catlin reported that the Policy Committee meeting was routine in nature. He reported that Chief Executive Officer/General Manager, Thomas A. Love, presented the 2011/12 proposed rate scenarios to the Tech Committee.

CHINO BASIN WATERMASTER REPORT

Director Camacho reported that the Chino Basin Watermaster Board meeting was routine in nature. He reported that yesterday (9/14/10), he and President Catlin attended the Desalter Expansion Project workshop.

CHIEF EXECUTIVE OFFICER/GENERAL MANAGER'S REPORT

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

BOARD OF DIRECTORS REQUESTED FUTURE AGENDA ITEMS

The Board of Directors had no requested future agenda items.

DIRECTORS' COMMENTS

Director Anderson reported that he attended the Association of the San Bernardino County Special District Membership meeting at the Castaway Restaurant, where Ms. Alexandra Shockey, a Lobbyist for Hillscape Associates was the guest speaker. Director Anderson stated that approximately 57 members attended.

CLOSED SESSION

The Board went into closed session at 10:20 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) Taisei-T&K Joint Venture vs. IEUA. Case No. CIVRS 911401 (4) Westco vs. IEUA, Case No. 37-2009-00058161-CU-BC-NC; (5) Martin vs. IEUA, Case No. CIVRS 1000767; B. PURSUANT TO GOVERNMENT CODE SECTION 54956.8 – CONFERENCE WITH REAL PROPERTY NEGOTIATOR: (1) 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; (2) Property: Parcel on the northeast corner of El Prado and Flower; Negotiating Parties: The Carson Companies; Under Negotiation: Price and Terms of Sale; (3) Property: RP-5 SHF; Negotiating Parties: Environ Strategy; Under Negotiation: Terms of Lease; C. PURSUANT TO GOVERNMENT CODE SECTION 54957.6 – CONFERENCE WITH LABOR NEGOTIATOR: Meet and Confer Negotiations – General Unit and Operators' Association; Negotiating Parties: Patrick Sheilds and Gina Hillary; D. PURSUANT TO GOVERNMENT CODE SECTION 54954.5 – PUBLIC EMPLOYEE DISMISSAL/DISCIPLINE/RELEASE

The meeting resumed at 11:00 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 911401

Martin vs. IEUA, Case No. CIVRS 1000767

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

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

The Board did not discuss these items.

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

Property: Parcel on the northeast corner of El Prado and Flower

Negotiating Parties: The Carson Companies

Under Negotiation: Price and Terms of Sale

Property: RP-5 SHF

Negotiating Parties: Environ Strategy

Under Negotiation: Terms of Lease;

The Board took no reportable action.

Regarding Conference with Labor Negotiator:

Meet and Confer Negotiations – General Unit and Operators' Association

Negotiating Parties: Patrick Sheilds and Gina Hillary

The Board took no reportable action.

Regarding Public Employee Dismissal/Discipline/Release:

The Board took no reportable action.

ACTION ITEM

RP-1 FUEL CELL POWER PURCHASE AGREEMENT AWARD, PROJECT NO. EN10012.00

Manager of Engineering, Craig Parker, stated that since August 2008, SCAQMD implemented rule 1110.2 which has reduced our capability of using the Internal Combustion Engines. He stated that this rule has reduced the amount of natural gas that can be used and imposes more stringent emission limits. Mr. Parker stated that staff started investigation of other power generation options that will have lower emissions and can be accomplished, using a Power Purchase Agreement (PPA) to avoid a large capital cost. He stated that Fuel Cells met this requirement and the Agency first put out an RFP in March of 2009. He reported that only one proposal was received and was rejected by the Board in September 2009. He said the Agency issued a second RFP in October of 2009 and received 3 proposals. After conducting interviews and going through a best-and-final offer process, the review committee recommended entering into negotiations with UTS BioEnergy, LLC. Mr. Parker concluded his report by stating that negotiations are almost complete; however, there are some minor changes to contract language that need to be reviewed and the main points are: PPA term of 20 years, PPA price of \$0.1228 per kWh, and an escalation rate of 2.5% fixed. The Fuel Cell capacity is 2,800 kWh (gross) and 2,444 kWh (net).

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

M2010-9-4

MOVED, to:

1. Award the RP-1 Fuel Cell Power Purchase Agreement to UTS BioEnergy, LLC, Project No. EN10012.00; and; and
2. Authorize the Chief Executive Officer/General Manager to finalize and execute the Power Purchase Agreement.

With no further business, President Catlin adjourned the meeting at 11:20 a.m.

Secretary

APPROVED: OCTOBER 6, 2010