

OTAY WATER DISTRICT
DESALINATION PROJECT COMMITTEE MEETING
and
SPECIAL MEETING OF THE BOARD OF DIRECTORS

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA
Boardroom

TUESDAY
June 25, 2013
11:30 A.M.

This is a District Committee meeting. This meeting is being posted as a special meeting in order to comply with the Brown Act (Government Code Section §54954.2) in the event that a quorum of the Board is present. Items will be deliberated, however, no formal board actions will be taken at this meeting. The committee makes recommendations to the full board for its consideration and formal action.

AGENDA

1. ROLL CALL
2. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA

DISCUSSION ITEMS

3. UPDATE ON THE ROASARITO DESALINATION PLANT AND THE OTAY MESA CONVEYANCE AND DISINFECTION SYSTEM PROJECTS (WATTON)
4. ADJOURNMENT

BOARD MEMBERS ATTENDING:
Jose Lopez, Chair
Mitch Thompson

All items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

The Agenda, and any attachments containing written information, are available at the District's website at www.otaywater.gov. Written changes to any items to be considered at the open meeting, or to any attachments, will be posted on the District's website. Copies of the Agenda and all attachments are also available through the District Secretary by contacting her at (619) 670-2280.

If you have any disability that would require accommodation in order to enable you to participate in this meeting, please call the District Secretary at 670-2280 at least 24 hours prior to the meeting.

Certification of Posting

I certify that on June 21, 2013 I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 24 hours in advance of the meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on June 21, 2013.

/s/ Susan Cruz, District Secretary



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 3, 2013
SUBMITTED BY:	Mark Watton General Manager	PROJECT:	P2451- DIV. NO. 2 001101
APPROVED BY:	<input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Informational Update on the Rosarito Desalination Plant and the Otay Mesa Conveyance and Disinfection System Projects		

GENERAL MANAGER'S RECOMMENDATION:

No recommendation. This is an informational item only.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To update the Otay Water District (District) Board of Directors (Board) on the progress of the Rosarito Desalination Plant and the Otay Mesa Conveyance and Disinfection System Projects (Project)(see Exhibits A & B for Project locations).

ANALYSIS:

The Project has two different components - the Rosarito desalination plant in the Mexican side and the conveyance and disinfection system in the United States' (U.S.) side.

The desalination plant and the conveyance system south of the border are being developed by NSC Agua S.A. de C.V. (NSC Agua), a Mexican corporation with various investors and Consolidated Water Co. Ltd., a publicly-traded company that operates desalination plants and water distribution systems in the Caribbean basin and more recently in Southeast Asia and Mexico. On March 15, 2012, Consolidated Water Co.

LTD. announced that it had acquired control of 75% of the shares of NSC Agua.

The Project is comprised of a 100 million gallon per day seawater reverse osmosis desalination plant, together with a pump station and pipeline, to convey the water to Tijuana and excess production water to the border between the United States and Mexico. The primary purpose of the Project is to provide potable water service to customers in Mexico and to provide a reliable supply of excess production water to Otay in the U.S. To that effect, the first step before the design and construction of the desalination plant was to install a pilot plant to determine the type of pre-treatment and plant design to be used.

NSC Agua secured permission for the construction of the pilot plant on the power plant site and is presently testing the first treatment phase of the pilot plant. Negotiations with the Comisión Federal de Electricidad (Federal Electricity Commission), the Mexican state-owned electric utility, widely known as CFE, are progressing on the agreements to secure permanent easements and rights to connect pipelines to and from the desalination plant to the seawater intake and outlet structures of the power plant.

NSC Agua is also in negotiations with La Comisión Nacional del Agua (Conagua) on a host of issues. Conagua is the federal body empowered to act upon concessions that may be needed for this Project for the use of the ocean water and both Conagua and Comisión Internacional de Limites y Aguas (CILA) for issues impacting treaties.

NSC Agua is considering scheduling a ribbon cutting ceremony at the pilot plant site after the election of the new Governor of Baja California on July 7, 2013. The Governor represents the executive branch of the government of the state of Baja California, Mexico, per the state's constitution. The official title is "Free and Sovereign State of Baja California" (*Estado Libre y Soberano de Baja California*), and the position is for a period of 6 years, and is not re-electable. The governor's term begins November 1 following the elections.

The Project will provide a potable water transmission pipeline and potentially a pump station to convey the desalinated water from the border between the U.S. and Mexico on Otay Mesa to the Roll Reservoir in Otay Mesa. Given the many challenges in advancing this Project, the District has retained specialty consultants to provide technical, regulatory, bi-national, and policy assistance.

Concerning the facilities north of the border, the District awarded a contract to AECOM Technical Services for the design of a large

diameter pipeline 3.5 miles long, a pump station, and a disinfection facility on October 21, 2010 in the amount of \$3,910,297. Part of the contract also includes CEQA/NEPA compliance and other services to get the California Department of Public Health permitting.

AECOM has initiated work on the environmental studies and surveys and preliminary engineering studies, but hasn't started yet the bulk of the services until NSC Agua meets some milestones that will allow Otay Water District to start the permitting process before the regulatory agencies. When these milestones are met, staff will issue a full Notice to Proceed to AECOM. AECOM's current authorization is for \$1,496,021. As of May 31, 2013, AECOM has invoiced the District for \$217,566. The total expenditures to date on the project are \$1,829,220.

AECOM's last two month activities concentrated on field surveys for rare plants, California gnatcatcher, least bell's vireo, quino checkerspot butterfly, and western burrowing owls. AECOM has also started work on the preliminary design reports for the pipeline; however, the consultant is waiting for information on the pipeline pressure, size, and point of location at the border. Until these specific design parameters are confirmed from NSC Agua, this activity cannot be completed.

The United States and Mexico established the International Boundary Commission in 1889. The Water Treaty of 1944 expanded the duties and the responsibilities of this international body and renamed it the International Boundary and Water Commission (IBWC), or CILA for the Mexican section. Their jurisdiction extends to the parts of the Colorado River that forms the land boundary between the United States and Mexico and administers the many boundary and water-rights treaties and agreements between the two nations. Two years after the earthquakes in 2010 that damaged Mexico's infrastructure south of Mexicali, Minute Order 319 was signed on November 20, 2012. Minute Order 319 allows Mexico to store water in Lake Mead and includes a five year test program between the United States and Mexico that reduces deliveries under low reservoir levels at Lake Mead and allows Mexico to share in increased surplus flows under high reservoir conditions. The pact will also have Arizona and Nevada water agencies pay for improvements to Mexico's infrastructure and to implement water conservation measures that will generate an estimated 100,000 acre-feet of water over the five years. Those agencies would split about half of that water, with the rest going to Metropolitan Water District.

In Minute Order 319, desalination can be considered a methodology to further conserve water for the environment, the farmers, and to relieve some of the pressure from the Colorado River. The language

allows a public-private partnership such as NSC Agua's project. This has generated some interest into how this Project would fit into Minute Order 319 or subsequent Minute Orders.

If successful, this Project will start delivering water to Otay customers by late 2017. This will be the first cross-border water supply project of its kind and requires public messaging to inform key stakeholders and the public of the significance of the Project. The District recently retained Rea and Parker Research to study customers' opinion on the safety, quality, reliability, and affordability of the new water supply. A number of concerns were raised including water quality, crime, terrorism, environmental impacts, and potential nationalization of the assets. There were some concerns about the location of the facility being in Rosarito, Mexico. There is good support for desalinated water as a diversified water supply, a supply that is close to users, and suggested the desalinated water be 40% of the District's supply.

The District started to have interest in this Project since 2005 with the release of the South County/Tijuana Region Seawater Desalination Feasibility Study that was funded by the State of California, State Water Resources Control Board. The San Diego County Water Authority managed the study with oversight and direction for the study provided by the Binational Technical Committee comprised of Conagua, Comisión Estatal de Servicios Públicos de Tijuana (CESPT), Comisión Estatal del Agua (CEA), CILA, and IBWC. California American Water Company, City of Chula Vista, City of San Diego Water Department, Otay Water District, Port of San Diego, and Sweetwater Authority also provided oversight and direction for the study.

Outreach efforts have been taking place to apprise stakeholders, elected officials, and the public about the progress of the Rosarito Beach Desalination Project. These efforts included one-on-one briefings with elected officials, presentations to local chambers of commerce and community groups, updates to regulatory agencies and officials, development of informational materials, and information shared with the media about the Project. The response to community outreach has been positive, to date. As the Project moves forward these outreach efforts will continue.

The District has established very important contacts and discussions with various Mexican officials. This has resulted in a better understanding of the various projects and initiatives by local, state, and federal agencies in Mexico. The Ad-Hoc Desal Commission and staff gave a presentation on the Project to Mexico Congress' Northern Border Affairs Commission chaired by Diputado Jaime Bonilla on May 26, 2013 in Tijuana, Mexico.

On the U.S. side of the border, staff has met with U.S. Congress representatives, U.S. Bureau of Reclamation (USBR) and IBWC commissioner, State, and local officials to showcase the scope of the project.

Since the Project serves constituencies on both side of the border, District staff is mindful that its efforts are not a substitute or be duplicative of the outreach efforts of NSC Agua. Instead, to the greatest extent possible, staff's efforts are viewed as being complimentary and supportive of NSC Agua's efforts to facilitate the Project.

While staff's work has and will continue to be focused to its customers, NSC Agua is aware that they have equal outreach obligations with and among potential customers in Baja California. While those efforts will be ongoing, District staff and its consultants will strive to coordinate messages and compliment the work of NSC Agua to the greatest extent possible.

Prospective actions will include meetings with the State Department on requirements and application for the Presidential Permit. This will include meeting with IBWC and USBR for determination of a federal lead agency for the NEPA component of the District's environmental document. An additional consultant will be needed for the presidential permit to initiate the due diligence effort and contacts with State Department officials. Staff will also meet with regulatory agencies to determine requirements for permitting this project including the California Department of Public Health and the EPA on water quality issues. Staff will increase the community outreach and continue to meet with developers who are working on projects adjacent to the conveyance pipeline. Staff will also start negotiating the terms and conditions for a desalination contract for the purchase of water from NSC Agua.

Attached Exhibit C is a timeline of activities of the Project to completion.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

The approved total budget for CIP P2451, as approved in the Fiscal Year 2014 budget, is \$30,000,000. Expenditures to date are \$1,829,220. Total commitments to date are approximately \$5,797,811 (see Attachment B for budget detail).

The Project Manager anticipates that, based on the attached financial analysis, the budget will be sufficient to support this Project.

Finance has determined that 60% of the funding is available from the Betterment Fund and %40 of the funding is available from the New Water Supply Fee Fund.

STRATEGIC GOAL:

This Project supports the District's Mission statement, "To provide high value water and wastewater services to the customers of Otay Water District, in a professional, effective, and efficient manner" and the District's Strategic Goal 3.1.1, "Actively manage water supply and demand."

LEGAL IMPACT:

None.

BK/RP:jf

P:\WORKING\CIP P2451 Desalination Feasibility Study\Staff Reports\Board 7-3-13\BD 07-03-13, Rosarito Desalination Update, (MW).docx

Attachments: Attachment A - Committee Action
 Attachment B - Budget Detail
 Exhibits A & B - Location Maps
 Exhibit C - Project Timeline



ATTACHMENT A

SUBJECT/PROJECT: P2451-001101	Informational Update on the Rosarito Desalination Plant and the Otay Mesa Conveyance and Disinfection System Projects
-----------------------------------------	-----------------------------------------------------------------------------------------------------------------------

COMMITTEE ACTION:

This item was presented to the Desalination Committee (Committee) at a meeting held on June 25, 2013. The Committee supported presentation to the full Board.

NOTE:

The "Committee Action" is written in anticipation of the Committee moving the item forward for Board approval. This report will be sent to the Board as a Committee approved item, or modified to reflect any discussion or changes as directed from the Committee prior to presentation to the full Board.



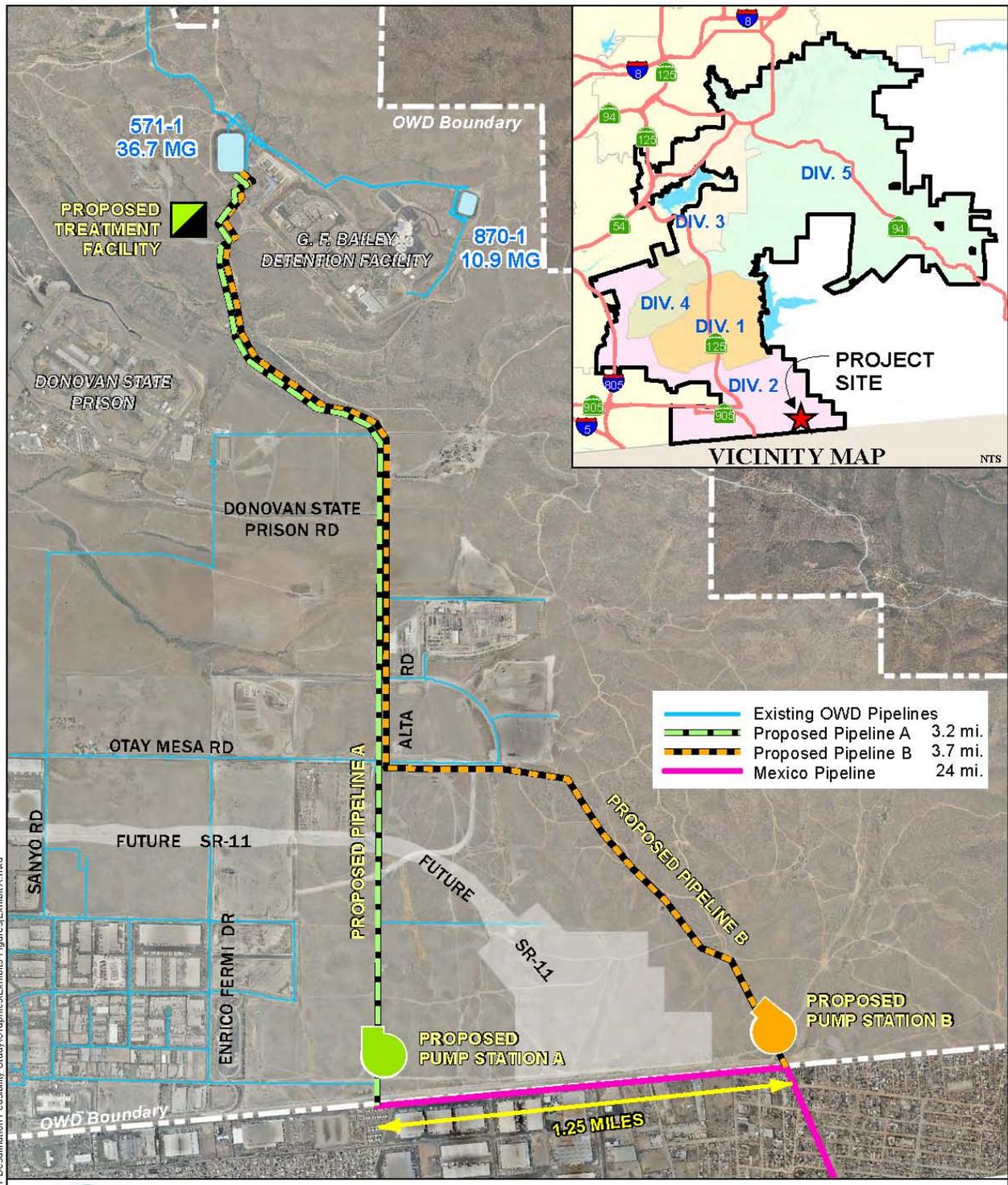
ATTACHMENT B – Budget Detail

SUBJECT/PROJECT:	Informational Update on the Rosarito Desalination Plant and the Otay Mesa Conveyance and Disinfection System Projects
P2451-001101	

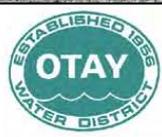
Otay Water District
p2451-Otay Mesa Desalination Conveyance and DI

Date Updated: - 6/7/2013

<i>Budget</i>	<i>Committed</i>	<i>Expenditures</i>	<i>Outstanding Commitment & Forecast</i>	<i>Projected Final Cost</i>	<i>Vendor/Comments</i>
30,000,000					
Planning					
Consultant Contracts	38,000	-	38,000	38,000	ALI MARONESY
	98,577	98,577	-	98,577	CAMP DRESSER & MCKEE INC
	13,311	13,311	-	13,311	CPM PARTNERS INC
	437,200	324,400	112,800	437,200	HECTOR I MARES-COSSIO
	56,796	52,236	4,560	56,796	MARSTON+MARSTON INC
	12,200	12,200	-	12,200	REA & PARKER RESEARCH
	4,173	4,173	-	4,173	SALVADOR LOPEZ
	192,066	104,066	88,000	192,066	SILVA SILVA INTERNATIONAL
Insurance	254	254	-	254	US BANK
Parking and Tolls	722	722	-	722	PETTY CASH CUSTODIAN
	14,102	14,102	-	14,102	US BANK CORPORATE PAYMENT
Travel Reimbursement	3,369	3,369	-	3,369	STAFF
Printing	61	61	-	61	MAIL MANAGEMENT GROUP INC
Professional Legal Fees	162,041	162,041	-	162,041	GARCIA CALDERON & RUIZ LLP
	43,175	43,175	-	43,175	SOLOZANO CARVAJAL GONZALEZ Y
	16,114	16,114	-	16,114	STUTZ ARTIANO SHINOFF
Service Contracts	500	500	-	500	REBECA SOTURA NICKERSON
	106	106	-	106	SAN DIEGO DAILY TRANSCRIPT
Standard Salaries	597,650	597,650	-	597,650	
	50,000	17,500	32,500	50,000	BUSTAMANTE & ASSOCIATES LLC
	32,340	32,340	-	32,340	BROWNSTEIN HYATT FARBER
Total Planning	1,772,757	1,496,897	275,860	1,772,757	
Design					
Consultant Contracts	3,910,297	217,566	3,692,731	3,910,297	AECOM TECHNICAL SERVICES INC
	5,109	5,109	-	5,109	MARSTON+MARSTON INC
	9,855	9,855	-	9,855	MICHAEL R WELCH PHD PE
	8,818	8,818	-	8,818	CPM PARTNERS INC
	5,000	5,000	-	5,000	ATKINS
Meals and Incidentals	14	14	-	14	PETTY CASH CUSTODIAN
Professional Legal Fees	4,359	4,359	-	4,359	STUTZ ARTIANO SHINOFF
Service Contracts	343	343	-	343	SAN DIEGO UNION-TRIBUNE LLC
	114	114	-	114	REPROHAUS CORP
Standard Salaries	80,817	80,817	-	80,817	
Total Design	4,024,725	331,994	3,692,731	4,024,725	
Construction					
Standard Salaries	329	329	-	329	
Total Construction	329	329	-	329	
Grand Total	5,797,812	1,829,221	3,968,591	5,797,812	



P:\WORKING\CIP P.2451 Desalination Feasibility Study\Graphics\Exhibits\Figures\Exhibit A.mxd



OTAY WATER DISTRICT

Otay Mesa Conveyance and
Disinfection Facility Project
EXHIBIT A

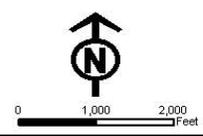
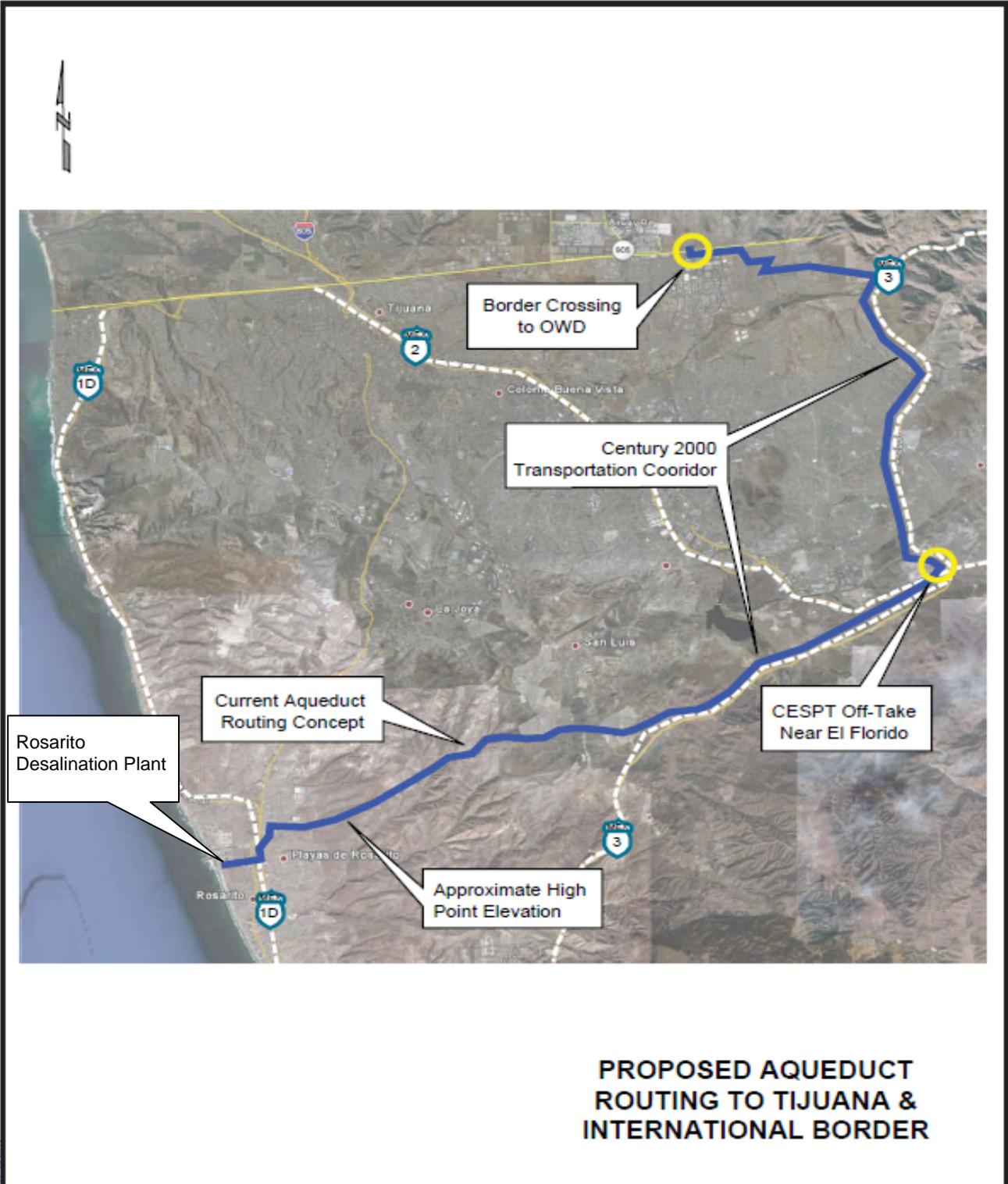


EXHIBIT B



PROPOSED AQUEDUCT ROUTING TO TIJUANA & INTERNATIONAL BORDER

EXHIBIT C

ROSARITO DESALINATION FACILITY CONVEYANCE AND DISINFECTION SYSTEM (CIP 2451) PROJECT TIMELINE

ID	Task/Name	Duration (working days)	Start	Finish	2013					2014					2015					2016					2017																		
					M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J
1	OVERALL PROJECT TIMELINE	1835	8/16/2010	10/26/2017																																							
2	Part 1: Legal Process	730	1/1/2013	10/19/2015																																							
21	Part 2: Consultant Selection Process	88	8/16/2010	12/15/2010																																							
50	Part 3: Preliminary Design Report	280	1/1/2013	1/27/2014																																							
105	Part 4: Environmental	415	1/1/2013	8/4/2014																																							
128	Part 5: Institutional/ CDPH	942	1/1/2013	10/26/2017																																							
151	Part 6: Design	368	1/28/2014	6/25/2015																																							
181	Part 7: Bidding/Award of Construction Contract	86	6/26/2015	10/23/2015																																							
191	Part 8: Construction	466	11/13/2015	8/25/2017																																							
	Commissioning	60	8/26/2017	10/26/2017																																							

Unknown Schedule Impacts:

- California Department of Public Health requirement
- California Department of Public Health requiring desal water data prior to allowing
- Caltrans SR-11 conflicts
- Right-of-Way/Acquisition (Federal/Private)
- Regional Water Quality Control Board Live Stream Discharge Permit or other disposal of reject water
- Blending required with CWA imported water
- Legal challenge or unforeseen legal roadblock
- Construction legal delays on desal plant or offsite pipeline