

MINUTES OF THE SPECIAL MEETING
OF THE
BOARD OF DIRECTORS
OF THE
EL TORO WATER DISTRICT
May 16, 2013

President Martin called the Special meeting of the Board of Directors of the ELTORO WATER DISTRICT to order at 4:00 o'clock p.m. on May 16, 2013 at the El Toro Water District Administrative Offices, 24251 Los Alisos Boulevard, Lake Forest, California.

Director Vergara led in the Pledge of Allegiance to the flag.

Directors TED F. MARTIN, M. SCOTT GOLDMAN, JOSE F. VERGARA, WILLIAM H. KAHN, and JERARD B. WERNER were present.

Also present were ROBERT R. HILL, General Manager/Assistant Secretary, DENNIS P. CAFFERTY, Director of Operations and Engineering, NEELY SHAHBAKHTI, Controller, GILBERT J. GRANITO, General Counsel, and POLLY WELSCH, Recording Secretary.

MICHAEL P. GRANDY, Chief Financial Officer/Assistant Treasurer, was absent.

ORAL COMMUNICATIONS - PUBLIC COMMENTS

President Martin stated that at this time members of the public may address the Board or they may reserve this opportunity with regards to an item on the agenda, until the Board discusses said item later in today's meeting.

There were no comments.

Water System/Supply Reliability Workshop

Mr. Hill stated that included in the Board package is the 2013 update of the South Orange County Water Reliability Study. He further stated that he will provide a high level review of the study, and staff will discuss how it relates to ETWD's planning, and next steps.

Mr. Hill stated that system and supply related to infrastructure and the ability to move water resources are the two types of reliability to plan for. He further stated that outage duration and levels of demand during an emergency will also be discussed.

Mr. Hill stated that each agency is different with current resources available to them, their demands, and the level of curtailment they might achieve. He further stated that relying on the MET system is significant consideration as we move forward.

Mr. Hill stated that vulnerability and the impact of the Bay Delta restrictions and earthquakes were also considered. He further stated that a map is included in the study that shows where we get our water and potential earthquake locations and potential vulnerability.

Director Kahn asked if there is a way for us to get water from Diamond Valley Lake. Mr. Hill replied that Diamond Valley would be part of MET's portfolio of storage accounts to sustain their service area during an emergency.

Mr. Hill stated that Orange County is 50% imported water and 50% from local sources. Vice President Goldman asked if this is county wide. Mr. Hill replied yes. The study states that approximately 97% of South Orange County's

potable water supply is imported from Northern California and the Colorado River, and this water is treated locally at Diemer and delivered via two aging pipelines, the East Orange County Feeder No. 2 and the AMP.

Mr. Hill stated that in the study is a slide showing outage scenarios reflecting fault areas and potential damages, and the potential recovery period in months.

Vice President Goldman asked if one of the pipelines were shut down in an emergency, would Diemer still be functional. Mr. Hill replied that Diemer feeds the Second Lower Feeder No. 2 and the AMP.

Mr. Hill stated that from a local standpoint the water agencies should be planning for a 30-60 day outage. Vice President Goldman stated that MET's Administrative Policy calls for a planned 7-day outage to accommodate MET system maintenance.

Mr. Hill stated that part of the investment for water reliability will be the cost factor. He further stated that MET costs through 2035 anticipate a 3-6% increase which could be from \$1,700 an acre foot to over \$3,000 an acre foot.

Mr. Hill stated that recycled water, Strand Ranch, Cadiz, and other project costs are used as a basis for comparison.

Director Werner asked who did the study for MWDOC. Mr. Hill replied that the update was prepared by MWDOC staff.

Mr. Hill stated that part of the study analysis was to determine what is a reasonable level of demand curtailment and what is extreme, depending on the

extent of the emergency. He further stated that there are different degrees of demand varying on the seasons.

Mr. Hill provided an overview of MET's Water Shortage Allocation with and without local supply.

Mr. Hill stated that the study recommends a 30 day to 60 day emergency Diemer outage as a reliability planning target.

Mr. Hill showed a slide with all of the existing and planned water projects. He further stated that staff will show a slide of which projects our District should be considering as we move forward.

Director Werner asked if the suggested projects are what staff feels the District needs to do, or the entire County. Mr. Hill replied that for this discussion staff is focusing on our District's potential reliability investments. He further stated that one of the projects that staff feels should fall out of the reliability discussions is pursuit of an arrangement whereby South County can store import water in the OC Basin for emergency purposes.

Mr. Cafferty stated that when the District finished the Master Plan, this type of analysis was reviewed, based on emergency duration/sustainability. He further stated that demands have dropped significantly, and projects have changed.

Mr. Cafferty stated that currently we are running at an annual average of 13 cfs which increases to approximately 17 cfs during summer months.

President Martin stated that the water going into the Baker plant is not blended. Mr. Cafferty replied that is correct, it is all Colorado River water coming

from Lake Mathews, other than if there is an opportunity to take water from Irvine Lake, which would come in with a higher TDS.

Vice President Goldman asked in 2002 were our demands close to 10,500. Mr. Cafferty stated that in 2002 we were budgeting to purchase 11,000 and sell 10,700 acre feet. Vice President Goldman stated that he would like to see the supply percentage breakout showing MET, conservation rates, and recycling.

Mr. Cafferty stated that the Baker Water Treatment Plant project will be the next projected project. He further stated that the project is expected to go out to bid in June with a bid opening in August. The Go/No Go decision is anticipated in the September timeframe.

Mr. Cafferty stated that 5 cfs will be taken off the Diemer plant, which is the amount we will be getting from the Baker Plant.

Mr. Cafferty stated that one of the benefits of the Baker Plant is that if there is an interruption in water supply from MET, there is the potential to operate for a period of time taking water from Irvine Lake.

Director Vergara asked if the water is taken from Irvine Lake, will MET consider it to be a local supply. Mr. Cafferty replied that it would, but the water will be conveyed to the South County pipeline and not the AMP.

Director Werner asked if there is a commitment with IRWD to keep Irvine Lake full. Mr. Cafferty replied no, but there is a commitment to give us water from Irvine Lake if they have it. Vice President Goldman stated that half of the water in Irvine Lake is owned by Serrano Water District.

Mr. Cafferty stated that the next likely project for us may be an expansion of our Recycled Water capability considering another 500 acre feet per year, which would be expanding our West Side System into Gate 11 and down toward Gate 9, building the Los Alisos System, as well as the potential of extending the pipeline down Muirlands Blvd to La Paz into the Agean Hills area.

Mr. Cafferty stated that staff has reviewed how many days we can go without MET water today, and where we will be with the Recycled Water project, and the Baker project. He further stated that based upon 2012 demands our winter, annual average, and summer demands are 10 cfs, 13 cfs, and 17 cfs respectively. Mr. Cafferty said that with implementation of the Baker and Phase I Recycled Water Projects we will reduce our dependence from Diemer from 95% to 51%.

Vice President Goldman asked if staff is looking at R-6 only. Mr. Cafferty stated that staff is including 4 million gallons of water in non R-6 tank storage.

Mr. Cafferty stated that staff is recommending that we target a 60 day outage using curtailed winter and summer demands.

President Martin asked if this assumption is based on the completion of the Recycled Water project. Mr. Cafferty replied yes. He further stated that with Baker and Recycled Water, and using a 26% curtailment factor for winter, we can meet demands for about 64 days. Mr. Cafferty stated that for summer, using a 33% curtailment factor, we can meet demands for about 27 days.

Mr. Cafferty stated that staff is having discussions with MNWD for wheeling water through their system, and discussions with IRWD about moving water through their system on a daily basis to bring Baker WTP water to ETWD.

Director Kahn asked if staff is still considering building a pump station. Mr. Cafferty replied that an existing station will be reconstructed.

Mr. Hill stated that the Baker project is not just a reliability project, because at some point in the future the lines will cross and it will become a financial project for us and we will be paying less for the treated water from Baker than we do from MET.

Mr. Hill stated that the study recommends that each agency be able to set its own goals and plans for reliability, as each agency has unique circumstances and may have policy differences and directions from the governing board or council for their plans.

Director Kahn suggested that staff prepare a color coded map detailing the proposed projects and costs associated with each. Mr. Cafferty stated that the conveyance presentation will detail how to get the water from each project to our plant.

Director Kahn stated that Jeff Kightlinger stated that if the Delta suffers major damage from a large earthquake, it could be down for several months or several years.

Mr. Cafferty stated that one of the big issues with new supplies such as Poseidon is how much water we can take and how to get the water to our system. He further stated that we are making the assumption that we would be

delivering the water in the R-6 Reservoir, which would mean wheeling it through possibly MNWD's system.

Mr. Hill stated that proposed reliability projects for emergency use could include Poseidon, Phase II Recycled Water Expansion project, Baker Treatment plant, Lower Feeder project, Diemer, IRWD's Strand Ranch, and Cadiz. He further stated that also included is SOCOD, and the OCWD Groundwater Basin.

Mr. Hill stated that the Lower Feeder takes water from the Jensen Treatment Plant and would be an expensive alternative if only used in an emergency.

Vice President Goldman stated that we have to be realistic in our percentages and the number of emergency storage days being 30 days or 60 days.

Director Kahn asked what the SOCOD is. Mr. Hill replied that it is the South Orange County Ocean Desal project in Dana Point.

Director Kahn stated that at the MWDOC/MET Directors workshop they discussed the issues at the San Onofre nuclear plant, and stated that there could be brown outs this summer. Mr. Hill replied that the District has generators and should be able to handle a brown out.

President Martin stated that he feels we should look into a 60 day plan, but not feel pressured into any commitments to these projects.

Director Vergara stated that MET stores water in the OCWD basin and they have plenty of room to store more water. Mr. Hill replied that discussion should continue between South County and OCWD/MWDOC.

Mr. Hill indicated that the Next Steps would be to determine investment decision criteria (cost/benefit), schedule, curtailment sensitivity, and customer communication.

Resolution No. 13-5-1 which Recognizes SMWD Director Roger Faubel

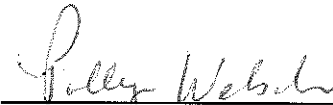
President Martin asked for a motion.

Motion: Director Werner made a motion, seconded by Director Kahn and unanimously carried across the Board to adopt Resolution No. 13-5-1 which recognizes Director Roger Faubel for his leadership and commends him for his dedication and public service as an elected official of the SMWD.

ADJOURNMENT

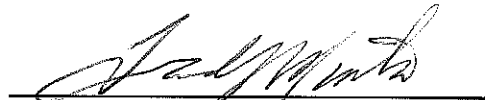
There being no further business to come before the Board, today's meeting was adjourned at 5:35 o'clock p.m.

Respectfully submitted,




POLLY WELSCH
Recording Secretary

APPROVED:



TED F. MARTIN, President of
the El Toro Water District and the
Board of Directors thereof



ROBERT R. HILL, Secretary
of the El Toro Water District and
the Board of Directors thereof