

ORANGE WATER AND SEWER AUTHORITY
ANNUAL MEETING OF THE BOARD OF DIRECTORS

OCTOBER 20, 2011

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular business meeting on Thursday, October 20, 2011, at 7:00 P.M., at the OWASA Boardroom at 400 Jones Ferry Road, Carrboro.

Directors present: Gordon Merklein, Chair; Amy Witsil, Secretary; Fred Battle; Terri Buckner; Will Raymond; Dana Stidham; William Stott; and John A. Young. Director absent: Alan Rimer, Vice Chair.

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Patrick Davis; Ed Holland; Andrea Orbich; Stephen Winters; and Robert Epting, Esq., Epting and Hackney.

Others present: Michael Clarke; Braxton Foushee; Robin Jacobs; and Meg Holton, Water, Wastewater, and Stormwater Manager of the University of North Carolina at Chapel Hill.

There being a quorum present, Chair Gordon Merklein called the meeting to order.

MOTIONS ACTED UPON

1. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Policy Resolution Regarding Water Purchases to Mitigate the Risk of Shortage during Periods of Extended Drought." (Resolution so titled attached hereto and made a part of these minutes. Motion by John Young, second by Terri Buckner, passed with a vote of five (5) to three (3). (Fred Battle opposed, because he preferred to keep number 5 in the resolution; Will Raymond opposed because he did not want to act before receiving answers to his list of questions; and Dana Stidham opposed because she supported the current language of the Water and Sewer Management, Planning and Boundary Agreement.)

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ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Gordon Merklein said any Board Member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time. There were none.

FINANCE COMMITTEE MEETING

Amy Witsil said that the Finance Committee will meet on Thursday, October 27, 2011 at 5:30 P.M. in the First Floor Conference Room at Chapel Hill Town Hall to discuss first quarter financial results, rate structure and the OWASA's Strategic Plan.

ITEM TWO: PETITIONS AND REQUESTS

Gordon Merklein asked for petitions and requests from the public, Board and staff; there were none.

ITEM THREE: PROPOSED CLARIFICATION OF THE WATER AND SEWER MANAGEMENT, PLANNING AND BOUNDARY AGREEMENT

Ed Kerwin said staff believes it is OWASA's responsibility to ensure a resilient and reliable water supply, today and in the future, and that gaining access and control of OWASA's Jordan Lake allocation is essential toward that end.

Ed Holland presented information from recently completed drought modeling of the impacts on OWASA's water supply with and without supplementary water from Jordan Lake. The analysis indicated that OWASA would have had to implement an emergency plan to install a temporary piping and pumping system from the Haw River to the Cane Creek Reservoir if the record drought of 2001-02 had continued for another seven weeks, thus imposing a multi-million dollar (unbudgeted) financial burden on OWASA customers. A similar crisis could be avoided during future droughts by using the water system infrastructure now in place between the Town of Cary, City of Durham, and OWASA – provided that appropriate modifications are made to OWASA's existing agreements with Cary and Durham. However, OWASA's current Level II Jordan Lake allocation must first be converted to Level I, so that any Jordan Lake water transferred on OWASA's behalf will be charged to OWASA's allocation, rather than to Cary's or Durham's. Mr. Holland noted that the current agreements with Durham and Cary provide for purchases only if water is available, rather than when it is needed. A Level I allocation will enable OWASA to negotiate changes to those agreements that ensure an appropriate amount of water can be purchased when OWASA determines that it is needed.

Gordon Merklein opened the floor for public comments regarding the continued discussion about proposed clarifications to the Water and Sewer Management, Planning and Boundary Agreement (WSMPBA).

Mr. Mac Clarke commented that he had recently attended a public forum for the four open seats on the Chapel Hill Town Council (a new Town Council will be seated in December 2011). He said that he asked the nine candidates about their position regarding OWASA's access to Jordan Lake. Eight of the candidates supported such access, and one did not. Mr. Clarke said maintaining a Jordan Lake allocation is a priority, including an upgrade to a Level I. He also noted that the Jordan Lake allocation rules specify that Level I allocations represent the intent to "use" that allocation within five years. Mr. Clarke noted the very high costs that

OWASA would incur if it participated in the development of new capital facilities at Jordan Lake.

Mr. Merklein then opened the floor for Board discussion.

Will Raymond requested answers to his list of prepared questions before voting on the Jordan Lake/WSMPBA process, which he believed was being rushed.

Mr. Merklein said that the discussion and decision at this meeting is to determine whether or not the Board agrees to move forward with the proposed draft resolution (Policy Resolution Regarding Water Purchases to Mitigate the Risk of Shortage during Periods of Extended Drought), that would seek clarification of the WSMPBA and consensus from the Carrboro Board of Aldermen and Chapel Hill Town Council.

Terri Buckner said she would prefer to allow more time so that there is community agreement.

William Stott agreed to move forward.

John Young agreed to move forward and expressed his openness to alternatives.

Ms. Buckner inquired if the Board's approval of the proposed draft resolution would require that OWASA's Long-Range Water Supply Plan be modified to include the Water Shortage Response Plan.

Dana Stidham said additional water conservation is a solution.

After discussion, John Young made a motion to adopt the Draft Policy Resolution Regarding Water Purchases to Mitigate the Risk of Shortage during Periods of Extended Drought and delete number 5 on page 2 of the resolution (attached):

~~5. OWASA shall continue to take the actions it believes necessary to retain and secure access to its Jordan Lake allocation including initiating procedures to withdraw from the Agreement if all parties do not agree to the proposed clarifying language. In the event OWASA does withdraw it will formally commit to continue to abide by all other provisions of the Agreement.~~

The motion was second by Terri Buckner and passed with a vote of five (5) to three (3). (Fred Battle opposed, because he preferred to keep number 5 in the resolution; Will Raymond opposed because he did not want to act before receiving answers to his list of questions; and Dana Stidham opposed because she supported the current language of the Water and Sewer Management, Planning and Boundary Agreement.)

The Board concurred that a letter and the adopted resolution be sent to the Mayors of Carrboro and Chapel Hill with copies to other parties to the WSMPBA.

Mr. Merklein presented and requested feedback from the Board on his PowerPoint presentation planned for the Chapel Hill Town Council Meeting on October 26, 2011.

The Board was in agreement that a more concise presentation would be better, and that a preview of the revised presentation be provided for feedback at the October 24, 2011 meeting of Chapel Hill's OWASA Committee and Chapel Hill Appointees to the OWASA Board. The Board also agreed that next steps for Carrboro will depend on feedback from the October 24th meeting.

Mr. Raymond petitioned the Board to defer presenting this information to the Chapel Hill Town Council until his questions are answered and the new Council is seated on December 8, 2011.

Mr. Raymond's petition was denied.

There being no further business to come before the Board, the meeting was adjourned at 10:10 P.M.

Enclosure

POLICY RESOLUTION REGARDING WATER PURCHASES TO MITIGATE THE RISK OF SHORTAGE DURING PERIODS OF EXTENDED DROUGHT

WHEREAS, the Board of Directors of Orange Water and Sewer Authority (OWASA) adopted the *Long-Range Water Supply Plan Final Report, April 8, 2010* (the Plan) as a principal guide for future policy and investment decisions regarding the provision of a sustainable, reliable and cost-effective water supply for OWASA's current and future customers through 2060; and

WHEREAS, the Plan included the following five primary recommendations (summarized):

1. "Continue to promote water conservation and efficiency through customer awareness and education, targeted technical assistance, conservation pricing, and support for increased water efficiency standards in new and renovated buildings. The reliability of our local water supply sources assumes that recent gains in water use efficiency will be sustained during the next 50 years.
2. "Continue to pursue the Quarry Reservoir expansion (shallow version) as the most cost-effective, long-term option for a supplemental supply source. This will maximize local control of a substantial increment of supply with minimal additional capital investment.
3. "Continue participation in the Jordan Lake Partnership in order to retain OWASA's water supply storage allocation and to ensure cost-effective access to that allocation through secure and permanent agreements with nearby utilities.
4. "Develop water purchase/sale agreements with neighboring utilities that secure the permanent ability to cost-effectively purchase water under appropriate conditions of supply and demand providing additional flexibility and redundancy in the event of critical facility failure, extreme weather, or other unforeseen/emergency circumstances.
5. "Work cooperatively with the elected boards of Carrboro, Chapel Hill, and Orange County to amend the 2001 *Water and Sewer Management, Planning, and Boundary Agreement* to resolve any unnecessary constraints on access to OWASA's Jordan Lake allocation and to ensure a reliable and sustainable water supply for the future;" and

WHEREAS, the Board continues to believe that the Plan's recommendations remain sound, and that they reflect OWASA's best professional judgment consistent with its responsibilities to OWASA's customers, to the Towns of Carrboro and Chapel Hill, and to the University of North Carolina at Chapel Hill; and

WHEREAS, notwithstanding this commitment to the *Long-Range Water Supply Plan*, the Board also acknowledges and understands from actions taken by the Carrboro Board of Aldermen on December 8, 2009 and March 1, 2011, and by the Chapel Hill Town Council on April 25, 2011 that those elected bodies do not believe that OWASA should purchase water from other communities or obtain water through its Jordan Lake storage allocation during drought conditions unless OWASA has first declared a Water Supply Shortage; and

WHEREAS, recent drought scenario simulations demonstrate that if the record drought of 2001-02 had not ended abruptly in October 2002, OWASA would have had to execute

emergency plans to install a temporary piping and pumping system from the Haw River to the Cane Creek Reservoir by the end of November 2002; however, with permanent and secure access to its Jordan Lake allocation and through the use of interconnection infrastructure that now exists, OWASA would not have had to take such extreme and costly actions; and

WHEREAS, permanent and secure access to Jordan Lake represents the most cost effective and reliable “insurance policy” during an increasingly uncertain future, and such access will also allow OWASA to better optimize the use of its Orange County water supply sources during future droughts; and

WHEREAS, retaining OWASA’s Jordan Lake allocation remains an essential component of plans for a reliable and sustainable water supply future, and because the support of the Carrboro, Chapel Hill and Orange County elected boards will be needed in OWASA’s efforts to retain that allocation, the Board of Directors resolves to enforce the following policy with respect to water purchases and use of its Jordan Lake allocation in times of water shortage due to drought.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF ORANGE WATER AND SEWER AUTHORITY THAT:

1. The *Policy Resolution Regarding Water Purchases to Mitigate the Risk of Shortage During Periods of Extended Drought* adopted by the OWASA Board of Directors on June 9, 2011 is hereby rescinded and replaced by this resolution.
2. OWASA shall only purchase water from other communities or obtain water from its Jordan Lake storage allocation during periods of increased drought risk after it has declared a Stage 1 Water Supply Shortage per OWASA’s State-approved Water Shortage Response Plan and OWASA’s Water Conservation Standards as incorporated therein.
3. The Carrboro Board of Aldermen and Chapel Hill Town Council are hereby requested to reconsider their actions of March 1, 2011 and April 25, 2011 and to approve previously proposed language in the Agreement to clarify that nothing therein shall be construed to prevent OWASA from obtaining water from its Jordan Lake allocation for use by OWASA customers. OWASA respectfully requests that Carrboro and Chapel Hill approve those changes by November 30, 2011.
4. OWASA shall continue to encourage water conservation and the use of reclaimed water, and will continue its existing policy and practice of providing advance notice of a potential or impending shortage to customers and local governments.

Adopted this 20th day of October 2011.