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**MINUTES OF THE BOARD OF WATER AND SEWER COMMISSIONERS
SPECIAL MEETING HELD ON APRIL 4, 2013, AT 8:30 A.M.
IN THE COUNCIL CHAMBERS AT THE MUNICIPAL BUILDING,
101 N. HALAGUENO STREET CARLSBAD, NM**

VOTING MEMBERS PRESENT:	Craig Stephens Steve Massey Larry Henderson Larry Sells	Chairman Member Member Member
VOTING MEMBERS ABSENT:	Gary Perkowski	Member
EX OFFICIO MEMBERS PRESENT:	None	
EX OFFICIO MEMBERS ABSENT:	Mayor Dale Janway Jon Tully	Ex Officio Member Ex Officio Member / City Administrator
BOARD SECRETARY ABSENT:	Jon Tully	City Administrator
ALSO PRESENT:	Steve McCutcheon Annette Barrick Monica Harris Eileen Riordan Luis Camero Tai Etcheverry Mike Abell Richard Aguilar Art Sena Joe Harvey Kevin Wilson James Welch John Marrs Draper Brantley Ray Westall Wyatt Kartchner Dale Vickrey Debbie Masters Danny Masters Morris Keith Edward T. Rodriguez Donny Gregory Roger Hernandez L. L. Gregory Larry W. Gregory Travis Johnson	Deputy City Administrator City Adm. Asst. / City Clerk Finance Director City Attorney Utilities Director City Internal Auditor DE Superintendent Environment Officer Waste Water Superintendent Water Superintendent Citizen Halliburton Citizen Citizen Citizen Citizen Citizen Rio Tanks Fasline Rio Tanks Fasline Citizen SB Oilfield Gregory Rockhouse Citizen Gregory Rockhouse Gregory Rockhouse Citizen

Time Stamps and headings below correspond to recording of meeting and the recording is hereby made a part of the official record.

0:01:42 **1. Call to Order**

0:01:43 **2. Roll Call of Voting Members and Determination of Quorum**

0:01:59 **3. Approval of Agenda**

The motion was made by Larry Henderson and seconded by Larry Sells to approve the April 4, 2013, Agenda of the meeting of the Board of water and Sewer Commissioners. The vote was as follows: Yes - Henderson, Massey, Sells, and Stephens; No - None; Absent - Perkowski. The Motion passed.

0:02:15 **4. Approval of Minutes of regular Board of water and Sewer Commissioners meeting held on March 21, 2013**

Steve Massey requested a correction to the minutes. He asked that his vote on Item #9 Adjourn be changed to a yes.

The motion was made by Steve Massey and seconded by Larry Henderson to approve the Minutes of the Board of Water and Sewer Commissioners meeting of March 21, 2013, as corrected. The vote was as follows: Yes - Henderson, Massey, Sells, and Stephens; No - None; Absent - Perkowski. The Motion passed.

0:03:15 **5. Public Hearing regarding Booster Pumps in DE**

Donny Gregory, Gregory Rockhouse Ranch, explained that the Board asked him to do an Engineering Analysis on why booster pumps will not pull a vacuum. He explained that the fear was that a booster would cause suction on one tap and possibly cause another tap to form a vacuum pulling contaminated water back through the tap. He explained that contamination backflow is not an issue and added that there are backflow preventers and air gaps in the line. He said that some taps naturally have suction without booster pumps. He said that the purpose of a booster pump is to get the flow up and down the line. Larry Sells asked Donny Gregory if he could explain the sustaining valves. Donny Gregory said that the sustaining valves sense the upstream pressure and regulate the incoming side of the flow. Craig Stephens said after reviewing the report it would seem like the solution would be a pressure sustaining valve. Donny Gregory said yes or the simple solution would be to put a booster pump further down the line. He added that another option would be a vacuum breaker. Steve Massey asked when Mr. Gregory is talking about the upper taps that naturally have suction, is it because there is a "T" connection. Donny Gregory said that it is just the main line coming downhill and the water flowing past it will pull a vacuum. Luis camero explained that he does not think it makes a difference what configuration is on the tap. Steve Massey asked about the air breaks and mentioned the possibility of putting in a small tank for the water to come in with an air gap and then pumping out of the tank. Donny Gregory said he did not think that was a good option. It would work but would be difficult and very impractical. Luis Camero added that it may be an

economic issue to create a tank but the advantage of having a tank is that customers can pull out of the tank at whatever flow is needed. Donny Gregory explained that stored capacity tanks are large, very heavy, and very expensive. Luis Camero explained that the city is not suggesting installing the tanks and said that the city delivers the water at a certain pressure and flow. He added that the maximum flow the City can deliver is 80 gallons per minute. He added that the backflow preventer is present to prevent cross contamination. Donny Gregory said if the City provided the backflow preventers the City could put it where the City would like it to be located. Luis Camero said that the contract does not say that the backflow preventer has to remain on site for the life of the contract but it is intended to be the case to protect the customer and the City. Donny Gregory suggested that the City provide the backflow preventers and take it out of the cost of setting the tap so there is not an issue with customers moving the preventers from tap to tap. Luis Camero explained that the city is moving to put in meter sets that have double check valves. He explained that boosters should be located where they are needed as long as service to other customers is not being affected. Larry Sells explained that when he took his dour of Double eagle millions of gallons of water were lost that day and asked why. Mike Abell explained that all the taps on the South Line opened up at once and drained the 3 million gallon tank. Donny Gregory clarified that it was not lost water, the water was sold. Mike Abell explained that it was sold water but it caused negative pressure on certain taps and all of the water went to the rig taps where the booster taps were located. Donny Gregory said that would not be the issue of suction. It would be the lack of water coming down the line.

0:24:30 JP Welch, representative for Halliburton, explained that Halliburton has water with Ray Westall and would like to propose to add water into the Double Eagle line at Loco Hills and Maljamar with the opportunity to take it out in the Double Eagle System. He explained that what he is proposing is to add water to the WIPP line. He explained that Halliburton has clients across the Double Eagle System that Halliburton would like to serve as customers and deliver water to. He explained that Halliburton would be acceptable to put in break tanks and integrators. Craig Stephens asked approximately how many clients Halliburton has. JP Welch said approximately 60 and Halliburton would like to add to that list. Larry sells asked how that would affect the future when the city gets the lines set up to get the water to Carlsbad. JP Welch explained that Halliburton could pay the city or could deliver surplus water. He have the example of putting 110 barrels of water in and taking 100 barrels out and the city would be net positive 10 barrels. Luis camero explained that Halliburton has brought this up to the City before and there have been several discussions. He said that the City has presented their recommendation and it is that the line is a drinking water system. He added that the City's main concern is that the water be non potable drinking water. Mr. Welch explained that the Halliburton network is potable water lines and they are using potable water pipe. He added that a thought is to add water to the WIPP side of the line. Steve McCutcheon explained that when the city spoke with the State Regulator it was indicated that if the City added additional wells that were not owned by the City, those wells would have to be in conformance with all the State Regulations. He added that there would be a fairly substantial certification process required to add water and the other problem is the capacity. Mr. Welch asked if there is a capacity issue with the WIPP Storage tanks. Mr. McCutcheon explained that they ran low because all the water was pulled out with boosters and the line drained.

0:33:56 **6. Public Hearing regarding Security deposits for DE Accounts**

Larry Gregory representing Rockhouse Water Services explained that he resents and does not agree with the whole concept of what the Water Board has done. He added that it is clear to him that the Water board has chosen their customer who is the little old lady on 10th Street that needs enough water to water her grass, and added what a waste of water. He said that the thought process that has not happened is that without the industry that he represents, the potash industry, farming and ranching and the oil and gas industry are very valid clients; there would not be a need for the little old lady on 10th Street because there would not be any people in Carlsbad. He said that he would appreciate a commentary on the concept of the Ordinance that was passed, the price increase, the deposit, and a discussion about who the customer is. He said he has suggested that the Water Board change the Ordinance to include representatives from the Industries that are most affected by water. He said that he suggests that the City grandfather in the companies that have been doing business with the City for 20 years and have paid their bills on time and supported the City. Craig Stephens added that the Board was expanded approximately one year ago from 3 people to 5 and included some other interests. Larry sells explained that he does not have anything against the Industry; he is concerned with all the customers. He added that in 2011 the city overused their water and the Board has to be really concerned about that in the future. Larry Gregory said that he does not feel the Industry was fairly represented and it was a bombshell to triple the price. Steve Massey explained that when the rates went up, the security deposit was affected. He explained that the formula remained the same. When you triple the rate you triple the deposit. He said that he agrees that if you have good credit, the customer should get better interest rates. He added that if the customer has a good track record that customer would not have to put a deposit on every tap that they have if it is a possibility. Larry Gregory explained that water is only valuable where it is actually used. He added that now every other company has raised their rates and the losers are the Industry supporting the community the most.

0:52:37 Monica Harris address the security deposit issue. She said that the security deposit is required because the City cannot file liens on the accounts because there is not a property associated with the account. She said the three times the rate is because by the time of cut-off there will be more usage. She explained that is how the City came up three times the rate and put the Ordinance in place to protect the City. She added that in regard to the "Industry with good credit", unfortunately, the City is not in the banking industry and is not private enterprise. The City is Government. She explained that she has spoken with the Independent auditors and was advised that the City cannot treat one customer differently from another because it would be an anti-donation violation. She added that the City cannot provide or give a service without receiving money in return. She explained that the City has always had the ability to allow customers to do a surety bond or a letter of credit.

0:57:20 Donny Gregory with Rockhouse water services asked what the real risk and cost is to the City. He explained that he understands it would be a loss of revenue at \$1.50 a barrel. Monica Harris explained that the City is a government industry and does not have a profit motive. She explained that the City is interested in insuring that the customers that are using the services are paying the operating cost, costs to maintain the system, and for future capital improvements. She explained that she has done a cost analysis on the cost and the average for

the last 4 year is \$1.47 per 1000 gallons in Double Eagle. She added that does not include money that the city will need to accumulate for future development of the Double Eagle system. She said that the City has to keep in mind, not just what it costs today, but what it will cost over time to keep the wells running. Donny Gregory asked why the Industrial Users are not being charged on the actual risk plus some, not \$1.50. Monica Harris said it is not fair to talk about actual risk. She explained that when the City is working on budget, 5 year planning, and the 20 year plan, the City looks at all the revenue the City anticipates to make over that time frame. She explained that State Statute requires that for all residential and commercial customers the city shall file a lien on unpaid bills. She added that the city does look at how the water is being used and how much. She said that there are only so many water rights and if Industries don't pay the fees eventually the water will not be used.

1:09:40 Steve McCutcheon explained that the changes to Double Eagle are coming sooner rather than later. He explained that in August or September of 2013, Phase II of the construction of the main water line will go to bid. He explained that the changes of bringing the water to Carlsbad is virtually upon the City which is one of the reasons the Water Board took the actions that they did. He explained that the changes will allow people time to prepare and understand that there are big changes coming to double eagle. He explained that the estimated cost of the project is \$45 million to utilize the water. He added that there will be additional costs as the City continues development.

1:12:10 JP Welch explained that he can purchase water out of the Rio Grande and Texas for \$0.09 a barrel. He explained that if he comes 20 to 30 miles inland he has to pay &0.75 or \$1.00 per barrel. He explained that he feels the Industry undervalues what water is worth and the prices are rising everywhere and that he is certainly willing to pay it. He said in terms of water conservation, last year Halliburton was able to frac a well with 100% produced water. He said that Halliburton could help industry and citizens reserve water if there were greater flexibility with State Regulations in storing produced water at the surface.

1:14:26 Debbie Maters, Vice President of Rio Tanks, explained that she has done business with the City for a very long time. She explained that when the cost was \$0.46 a barrel, the deposits were \$2,000 per tap. He explained that if the deposit required in the Ordinance remains it will be totally unattainable for her company to stay in business. She asked what type of company can actually pay the prices asked. He added that she understands that changes are coming and the need for water conservation and is asking that the Board reconsider and not make the prices so high that it will be unattainable for Rio Tanks to remain in business. Larry Sells explained that he does sympathize with the Industry and would like to find a workable solution. He added that the Board's goal is not to put any company out of business with the deposits.

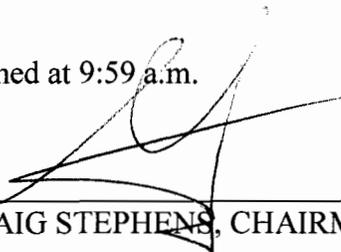
1:21:24 **7. Public Hearing regarding Rates for Double Eagle**

Eddie Rodriguez, SB Oilfield, explained that he keeps hearing that the board is not singling out an Industry, but the definition of an Industrial User is oil and gas related services. He said that the City as a whole overused water and now there will be a small group paying for that use. Craig Stephens said that the Board appreciates everyone being present and added that the Board

takes very seriously the water for the City of Carlsbad. He explained that water restrictions have gone to odd and even water days. He explained that the odd and even days were first implemented around April/May and now are implemented in February. Steve Massey stated that public meetings should have been held before the Ordinance was acted on and not after. Larry Gregory said that the Industry has the same feelings that the Water Board does. He asked what the board is going to do about today's meeting. Craig Stephens said there will be additional discussions in the next Water Board meeting.

1:26:14 **8.** **Adjourn**

There being no further business, the meeting was adjourned at 9:59 a.m.



CRAIG STEPHENS, CHAIRMAN