CITY COUNCIL CONFERENCE MINUTES

June 10, 2014

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a conference at 5:37 p.m. in the Municipal Building Conference Room on the 10th day of June, 2014, and notice and agenda of the meeting were posted at the Municipal Building at 201 West Gray, and the Norman Public Library at 225 North Webster 24 hours prior to the beginning of the meeting.

PRESENT:	Councilmembers Castleberry, Griffith, Heiple, Holman, Miller, Williams and Mayor Rosenthal
ABSENT:	Councilmember Jungman and Kovach

Item 1, being:

Mr. John Rehring, Carollo Engineering, highlighted the Strategic Water Supply Plan (SWSP) and said water use already exceeds local supply that includes Lake Thunderbird, the Garber-Wellington Aquifer, and intermittent purchases of treated water from Oklahoma City (OKC).

The SWSP planning process included two (2) phases:

- Phase I: screening criteria for source options, determining short list of viable source options, and two (2) public meetings held; and
- Phase 2: detailing and evaluating the source options, determining two (2) – three (3) preferred portfolios, and two (2) public meetings.

The water supply options include both existing and new sources. Existing sources: Lake Thunderbird (at firm yield); Garber Wellington Aquifer Wells (with treatment); intermittent purchases of treated water from OKC (wholesale); and conservation and reuse. New local sources: additional conservation; direct non-potable reuse; Lake Thunderbird augmentation (indirect potable reuse); stormwater capture and reuse; Canadian River diversion; capture Lake Thunderbird spillage; and dredging Lake Thunderbird. New regional sources: co-owner with OKC for southeast Oklahoma treated water; co-owner with OKC for southeast Oklahoma raw water; Scissortail Reservoir; Parker Reservoir; and Kaw Lake.

Mr. Rehring said after input from the Steering Committee, Council, and the public the two portfolios that best meet Norman's criteria for water supply are Portfolios 13 and 14 and highlighted the portfolios as follows:

> **Portfolio 13 - Regional Raw Water (co-owner with OKC)**: Local control over treatment but contingent on OKC projects moving forward. It involves building a parallel pipeline from southeast Oklahoma to be treated at Norman's Water Treatment Facility (WTF). The capitals costs will be approximately $340 million and operations and maintenance (O&M) will be approximately $23 million per year
> **Portfolio 14 - New Wells and Thunderbird Augmentation**: Local control over sources; discharge permitting uncertainties; efficient use of water resources; and greater phasing potential - the City can phase in the construction of the wells. The capital costs will be approximately $270 million and O&M will be approximately $22 million per year.

Mr. Rehring said Portfolio 14 would involve taking water from the Water Reclamation Facility (WRF), pumping the water over the hill into the Dave Blue Creek tributary, then pumping the water into Lake Thunderbird, and finally pumping the water out of Lake Thunderbird to an expanded water treatment facility, possibly the same site as the current WRF. He said Norman's WRF will need to add additional treatment processes to treat water for pharmaceuticals and personal care products, which are not currently regulated but are contaminates of concern that may be regulated in the future.

Mr. Rehring said on June 3, 2014, the OKC Utility Trust reviewed the results of their utility rate study and will be changing the rates for all users including wholesale customers. He said OKC wants to make sure they have cost recovery for wholesale customers, which will include the Atoka Pipeline. He said the Atoka Pipeline will have huge capital costs that OKC will try to recover through their rates. He said currently, Norman is an on-demand user with OKC and that has a high rate per 1,000 gallons, but since it is only used during peak summer months the net amount of gallons of water is not that much. He said a proposed option would be service availability where rates are based on average day, peak day, and peak hour use so if water is purchased during peak use time, a higher rate will be charged. He said under Portfolio 13, Norman would fare better by being a co-owner of the Atoka Pipeline.

Mr. Rehring highlighted future issues that could affect water supplies. He said federal regulations regarding Chromium 6 are expected to be enacted by 2017. He said there is a lot of support for water reuse at the State level and public sentiment is changing from a disposal mentality to a recycling mentality. There is a trend of moving away from seasonal non-potable uses to potable reuse, which would consist of treating effluent to augment water supplies then using that water as part of the potable supply.

Mr. Rehring said Indirect Potable Reuse (IPR) is becoming more commonplace and two Oklahoma communities have included IPR in their water supply analyses. He said this option would involve taking water from the WRF, pumping the water over the hill into the Dave Blue Creek tributary, then pumping the water into Lake Thunderbird, and finally pumping the water out of Lake Thunderbird to an expanded water treatment facility, possibly the same site as the current WRF. He said research is paving the way for Direct Potable Reuse (DPR) that is water carried pipe to pipe going straight from the WRF to an advanced water treatment facility then into the distribution system.

Mr. Rehring said there is a lot of work being done on non-potable categories of water reuse and the Oklahoma Department of Environmental Quality (ODEQ) is working on the potable use regulation for that. He said possible examples of authorized uses would include public access landscape irrigation; toilet flushing; fire protection; vehicle/equipment washing; drip irrigation of vineyards/orchards; range cattle watering; soil compaction; and non-food crop irrigation.

Mr. Rehring said the Oklahoma Legislation just passed HB 1187 that further supports implementation of water reuse and approving water reuse discharges into sensitive water supplies such as Lake Thunderbird.

Mr. Rehring asked what would happen if the City does not act. He said the City has very few choices because demand is going to go up over time and the only current way to increase supply is to increase the amount of water being purchased from OKC at more than $5 per 1,000 gallons and OKC is preparing to raise that rate. He said there is also a physical constraint on the OKC connection and at some point Norman would have to augment its ability to move that water from the connection with OKC into Norman. He said it is expected that Norman's allocation from Lake Thunderbird will be reduced as well and Chromium 6 regulations will be implemented, which means more wells will not comply and have to be shut down.

Mr. Rehring summarized comments from the Ad-Hoc Committee meetings and public meetings as follows:

Portfolio 13

Interest in maintaining access to OKC supply in the future and possibly on an ongoing basis;
More resilient option to climate change and avoids putting "all eggs in one basket" (Lake Thunderbird);
Concerns over potential loss of local control over supply;
Public acceptance Atoka Pipeline sharing and future Sardis/Kiamichi diversions;
Concerns over size of upfront investment building Atoka Pipeline; and
Questions about status of tribal litigation/mediation.

Portfolio 14

Provides local control of supply;
Efficient use of resources;
Better phasing potential;
Question about downstream water right impacts;
Questions about public acceptance and outreach;
Uncertainty in discharge water quality requirements;
Concerns about impacts of reuse on Lake Thunderbird (capacity and water quality); and
Perspectives of Midwest City and Del City because Lake Thunderbird is a shared resource.

Mr. Rehring said, as part of the ad hoc process, Corollo asked for input on how to compare the different portfolios. He said Portfolio 14 seemed to be the best option for Norman overall. He said both portfolios are capable of meeting Norman's long term supply needs, but there was concern regarding potential risk of having a long pipeline providing a majority of the water supply so that was a slight factor in favor of Portfolio 14. He said Portfolio 14 makes full use of effluent from the WRF versus wasting a valuable resource by discharging it to North Canadian River; it can be phased in with new wells and phased capacity for Lake Thunderbird augmentation; it has lower capital costs and slightly lower operations and maintenance (O&M) cost; it meets environmental stewardship goals better by having local management; and it is more consistent with community values.

Councilmember Castleberry said by not discharging into the North Canadian River would the City be impacting water downstream and Mr. Rehring said the City is currently discharging an average of 11 million gallons per day (mgd) at the WRF. By 2060, between potable and non-potable reuse, the City will be discharging approximately 9 million mgd so if that becomes an issue with water rights, the million gallons per day (mgd) could be supplemented with additional wells.

Councilmember Castleberry asked if the City would get back everything it augments into the Lake and Mr. Rehring said there is no precedent for that in Oklahoma today, but there is a strong argument that the reason the water is there is because the City augmented the Lake; therefore, the City gets back everything it puts into the Lake minus evaporation losses.

Councilmember Miller said Portfolio 14 has lower O&M costs and asked if there might be something unforeseen in the future that could change that and Mr. Rehring said that is a possibility and things that could affect that outside of the City's control are power costs, drinking water regulations, and potable water reuse regulations.

Councilmember Miller said several citizens expressed the desire to combine the two portfolios, but there could be a huge cost issue and asked Mr. Rehring to elaborate on that. Mr. Rehring said technically it is possible, but the City is making decisions on where to invest the majority of its money. If the City builds one big system it is less expensive on a per gallon basis than building a lot of little systems. He said while there is diversity in both portfolios on supply sources when the City invests in another major supply source and splits that up then the City is migrating towards a bunch of little sources versus one big source so the economy of scale goes away and costs are driven up. He said the benefit of investing in multiple projects is getting supply diversity so you are not reliant on a single source.

Councilmember Williams said Portfolio 14 seems to be the better option due to the risk of relying on a large pipeline and asked what those risks are. Mr. Rehring said risks can be man-made events or natural events, such as seismic events that would disrupt deliveries from the pipeline or an act of terrorism. He said it is unclear how long such events could disrupt service.

Councilmember Williams asked if anyone had foreseen Chromium 6 regulations coming forward fifteen years ago and Mr. Rehring said the regulatory process takes a while and fifteen years ago he does not believe anyone knew Chromium 6 would be regulated, although arsenic regulations were beginning to be developed. He said the Environmental Protection Agency (EPA) begins with a monitoring process and if a concern is flagged, a regulation is developed. Councilmember Williams said in fifteen years there will be more regulations, but no one knows what the regulations will be and asked how that will affect future wells. He asked if the possibility of having to shut down new wells is factored into the plan. Mr. Rehring said the potential is there as well and the way to deal with that is to bring all those wells to a common treatment site, which involves investing in pipeline to carry raw water into the WRF and distribute it through the system. He said a large part of that investment will already have been made to build infrastructure to bring those wells together and treat that water. He said the City will be better equipped to handle that scenario in both portfolios.

Councilmember Griffith asked if the City will retain the option of purchasing water from OKC for the next 50 years to use as a fallback if something were to happen and Mr. Rehring said since the infrastructure is there it would be prudent to retain that connection for emergencies.

Councilmember Castleberry asked for the size of the Atoka water suppl. Mr. Rehring said tribal litigation could affect the availability of that water, but as a frame of reference an average amount of water that flows over Hugo dam in southeast Oklahoma is 1.7 million acre feet per year and to put that in reference a city the size of Denver uses approximately 300,000 acre feet per year. It does not mean it's all available for our use, but that give you an idea of how much water is in the basin.

Councilmember Castleberry said if Norman does not partner with OKC on the Atoka Pipeline in the beginning can Norman invest in it later and Mr. Rehring said he has never seen a firm deadline, but there may be opportunities for discussion and negotiation with OKC. He said OKC is trying to decide if they want to cover the brunt of the capital costs upfront without knowing who may partner with them. Councilmember Castleberry asked the timeline on building the pipeline and Mr. Rehring said he did not know, but OKC intends to move forward in the very near future and that timeline depends on when the tribal litigation is resolved.

Mayor Rosenthal said an argument was made that Portfolio 13 might be more resilient in terms of climate change, but the idea of putting all the eggs in one basket is incorrect. She said reuse is probably the most resilient source the City can rely upon in terms of weather uncertainty. She said the Central Oklahoma Master Conservancy District (COMCD) felt the best option would be to augment Lake Thunderbird and increase Norman's local supply. She said this is a difficult choice, but personally she believed Portfolio 14 seems to have the most public acceptance and that is the direction the City should be going. Councilmember Griffith agreed and said that option gives Norman independence, costs less, has phasing potential, and would have far less extraneous contingencies affecting the water supply.

Councilmember Williams spoke to several constituents who felt that Portfolio 13 was a better option because OKC is basically the big brother and will continue to grow. OKC has made very smart decisions about water and being a partner at the table rather than a customer at the table would make a big difference. He said having the opportunity to partner with a big City would make Norman the little brother and having that potential in a partnership would give Norman more leverage. He said Norman does not have control over regulations so being able to share the costs for remediation of those regulations would be cost effective. He was leaning more towards Portfolio 14 until he talked with several constituents and now he was unsure. Councilmember Miller said she heard the same comments and felt there would be benefits to partnering with OKC, but her concern is the lawsuit with the tribes and how long that will last or how much that will affect the pipeline. She said there are huge costs involved and once Norman has partnered with OKC, there is no going back leaving Norman with little flexibility. She said operationally, OKC can raise their rates whenever they want, but Norman has to build consensus in the community every time Norman wants a rate increase so that is just one more issue Norman has to deal with. She said that makes her lean towards Portfolio 14.

Councilmember Heiple asked if OKC stated that as long as Norman does not have control of utility rates, Norman would not be considered as part of the pipeline consortium and Mr. Ken Komiske, Director of Utilities, said OKC said if Norman wants to be a partner, then they will want to see the money first. Councilmember Heiple asked if OKC has stated that if Norman did not have control of utility rates, OKC would not be wild about letting Norman being a partner because if Norman could not raise the rates then Norman could not pay the bill and Mr. Komiske said that part is true. He said OKC will not allow Norman to buy in until there is a guarantee that Norman can pay their share. He said Norman cannot borrow money without some type of collateral that the money can be repaid and in order to do that rates have to be set first. Councilmember Heiple said while Portfolio 13 is an option it may not be realistic if Norman does have control over utility rates.

Mayor Rosenthal said so we would actually need a rate increase sooner than 2025 based on what you just said and Mr. Komiske agreed. Mr. Rehring said the timeline shows that along with the full report. Mayor Rosenthal asked if it reflected the expectation that OKC would want that funding up front? Mr. Rehring said the report shows a bond issue parallel to the Atoka pipeline under Portfolio 13 and then the line from the Atoka pipeline to the treatment facility would come next.

Councilmember Holman said good points have been made under both scenarios but feels more comfortable with Portfolio 14.

Mayor Rosenthal said at this time she hears more support for Portfolio 14, but will let Council give it some more thought and she will advise the City Manager when to bring an option to Council for action.

Councilmember Miller said the Absentee Shawnee Tribe is still looking at the possibility of constructing a water treatment plant in the Little Axe area and felt Council should keep that in mind.

Items submitted for the record

1. PowerPoint presentation entitled, "Norman Utilities Authority 2060 Strategic Water Supply Plan," dated June 10, 2014

The meeting adjourned at 6:25 p.m.

ATTEST:

Brenda Hall
City Clerk

Cindy S Rosenthal
Mayor

CITY OF NORMAN CORPORATE SEAL OKLAHOMA