

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 263rd Meeting held on 23rd of September 2015

Members Present:

Chairman: Mr J L Hurlston

Members: Mr H B Ebanks
Mr J Gill
Mr M Jacques
Ms T Mortimer
Ms A Owens
Mr C Randall
Ms R Sharma
Mr O Watler
Mr A Wright

Secretary: Dr G Frederick-van Genderen

Apologies:

Call to Order

The Chairman welcomed members and called the meeting to order at 1:37pm after ascertaining that there was a quorum. He noted that Ms R Sharma would be arriving late and then proceeded to offer a special prayer and subsequently declared the meeting open.

Confirmation of Minutes of the 262nd Meeting held on 19th August 2015

The Chairman asked for confirmation of the Minutes of the 262nd Meeting held on 19th August 2015. Mr J Gill moved the motion to accept the Minutes as amended, Mr A Wright seconded the motion and the motion passed unanimously.

Declaration of Conflicts of Interest

None.

Matters Arising

a) Lower Valley Reverse Osmosis Plant (LVRO) - Update.

The Chairman reported that during the period 15 August - 20 September 2015 water production at the LVRO averaged 1,400 cubic metres per day, which is 93% of the rated capacity for this plant with only one train running.

The Chairman advised that the plant is experiencing rapid fouling of the prefilters, which must now be replaced every 10-12 days. Previously this was no more frequent than once every 4-6 weeks with twice the amount of feedwater going through them. Some of the fouling deposits onto the membranes that then have to be cleaned every 10-14 days. This is costly (labour-wise), may shorten the life and reduce the performance (especially the specific energy of the train) of the membranes.

The plant has been temporarily shut down and the plan is to divert the well water to brine until the fouling problem is solved. In order to do this, a pipework must be installed to bypass the plant to pump water directly from the feedwater well to the brine disposal well. The Engineering Services Department is working diligently to finalise the design so this pipework can be installed without delay, and plant operations resume as soon as possible.

b) West Bay Beach Sewerage System Pipeline Rehabilitation Project (2013) - Update.

The Chairman reported that there has been little progress made on this project since early August 2015. On 04 September 2015, Wharton-Smith, Inc, working on behalf of US Sewer & Drain, completed the installation of a 8-inch PVC pipe to replace the clay pipeline in Marble Drive that was damaged during the lining contractor's attempts to remove a collapsed liner.

The Chairman reported that on 27 August 2015 the contractor US Sewer & Drain was again given notice that they are considered to be in breach of Contract as they had have failed to proceed expeditiously and without delay. After some additional correspondence between the contractor and the Water Authority a conference call was held on 17 September 2015, which included the bonding agent and Wharton-Smith, Inc. Although US Sewer & Drain does not accept the Water Authority's position regarding the breach of Contract, they committed to complete the project.

The Chairman reported that there are 11 pipeline sections outstanding, of which the lining contractor considers 3 or 4 not suitable candidates for lining due to the large infiltration, and which are therefore in dispute as the Water Authority does not accept the contractor's rationale and considers these pipeline sections still part of the contract.

The Chairman reported that on 22 September 2015, the contractor indicated that he will remobilise on site on 01 November 2015, and that the remaining work (i.e., the 7 pipeline sections not in dispute) should be completed by early December 2015. He indicated that his staff could not be on island earlier due to other commitments (i.e., another contract), and although the Water Authority is not pleased with this, any alternatives (e.g., pulling the bond and continue with another contractor) will very likely take much longer (several months) to even commence. The Authority will inform the contractor that if his resources are not on island by 02 November 2015 and ready to start work the Performance Bond will be pulled immediately.

c) Cayman Brac Infrastructure Upgrade & Expansion Project - Update.

The Chairman reported that the pipelaying crew installed pipelines in all side roads in Phase 1 of this project (between Cross Road and West End Primary School), comprising over 3,500 feet of 4-inch pipe. This Phase of the Cayman Brac project, including approximately 56 new water service connections, is expected to be completed by 24 September 2015. To date, 23 meters have been installed and commissioned, 29 meter boxes have been installed (without meters), and 4 are still outstanding. The main delay in commissioning water meters is due to the lack of plumbers to complete the customer side pipework.

The Chairman reported that the pipelaying crew members will return to Cayman Brac towards the end of October to commence the next phase of this project (up to Faith Hospital). The design is being finalised and materials for this upcoming phase will be shipped to Cayman Brac within the next 2-3 weeks.

West End Water Works

The Chairman reported that Scott Development Co Ltd confirmed that they had received the large drill bit and that their drill rig had returned to Cayman Brac. It is anticipated that drilling of the required 10-inch diameter well at the West End Water Works site will commence in October 2015.

d) North Sound RO Plant (NSRO) - Update.

The Chairman reported that OCL will soon commence the work on the capital refurbishments of the North Sound RO Plant. Some of the items (replacement membranes, ERI energy recovery vessels, SS pipe manifolds) have already arrived on island. During the upgrade, water production will have to be interrupted from time to time, thus reducing the overall water production capacity.

e) West Bay Beach Sewerage System (WBBSS) Force Sewer Main Installation Project - Update.

The Chairman reported that the sewer force main replacement contract was awarded to Wharton-Smith, Inc. The contract amount is US\$1,561,384.00. A pre-construction meeting will be held on 06 October 2015. The Works must be completed on or before 29 March 2016.

f) **30 June 2015 Audit of Consolidated and Divisional Statements - Update.**

30 June 2014 Audit of Consolidated and Divisional Financial Statements for Water, Wastewater and Statutory

Island Statements - The Chairman reported that the Financial Controller met with KPMG on 22 September 2015 in regards to the completion of the island statements, and expects "solid drafts" for these statements shortly.

Annual Report 2013/2014

Mr M Jacques confirmed that the complete 2013/2014 annual report is expected to be tabled in the Legislative Assembly at the next sitting.

30 June 2015 Audit of Consolidated and Divisional Financial Statements for Water, Wastewater and Statutory

The Chairman reported that the Water Authority met the Public Management & Finance Law (PMFL) deadline of 31 August 2015 to provide the Trial Balance and draft financial statements to the Office of the Auditor General (OAG) and KPMG. KPMG commenced their field work on 31 August 2015 and the audit is progressing smoothly. So far, nothing has come to Management's attention that would suggest any delays in signing off (pending the receipt of PSPB information). The Chairman noted that the Secretary was requesting, similar to prior years, that the Board Members complete and sign off on the "notice of Interests" previously sent out to members.

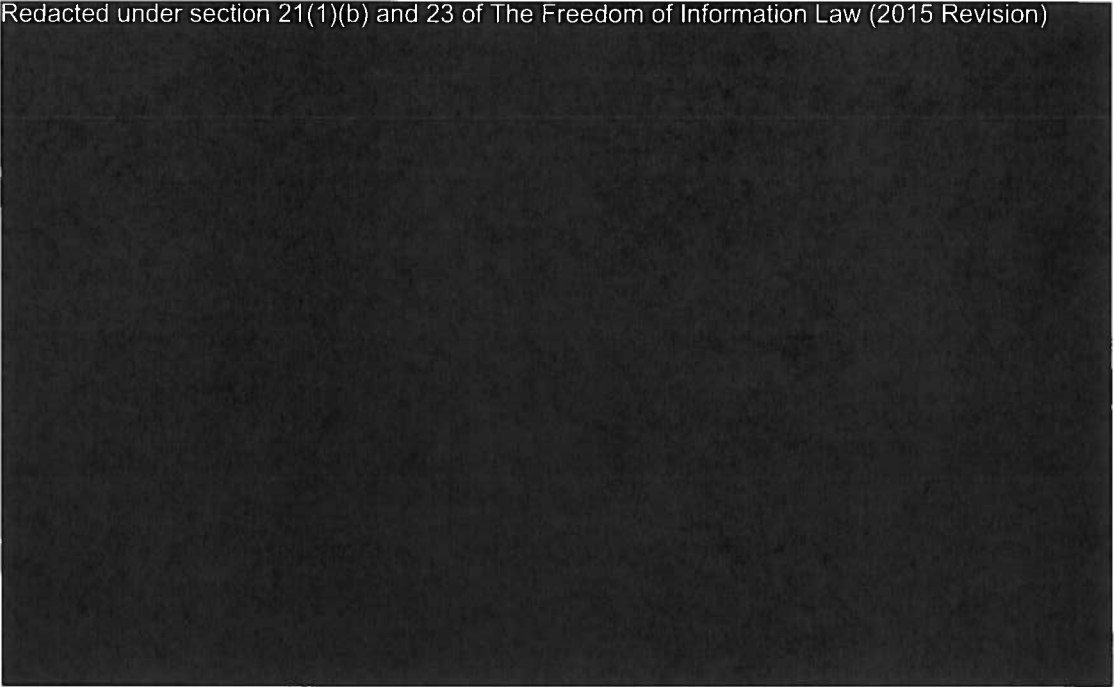
The Authority expects to meet the sign-off deadline of 31 October 2015.

Redacted under section 21(1)(b) and 23 of The Freedom of Information Law (2015 Revision)



Ms R Sharma joined the meeting at this point.

Redacted under section 21(1)(b) and 23 of The Freedom of Information Law (2015 Revision)



Public Service Pension Board (PSPB)

The Chairman reported that there had been active communication between the PSPB, Mercer, KPMG and the Water Authority. The requested information (last request was on 18 September 2015) is still being waited on, however it does appear that progress is being made. All parties involved are keen to get this information and not have it as a lingering outstanding item.

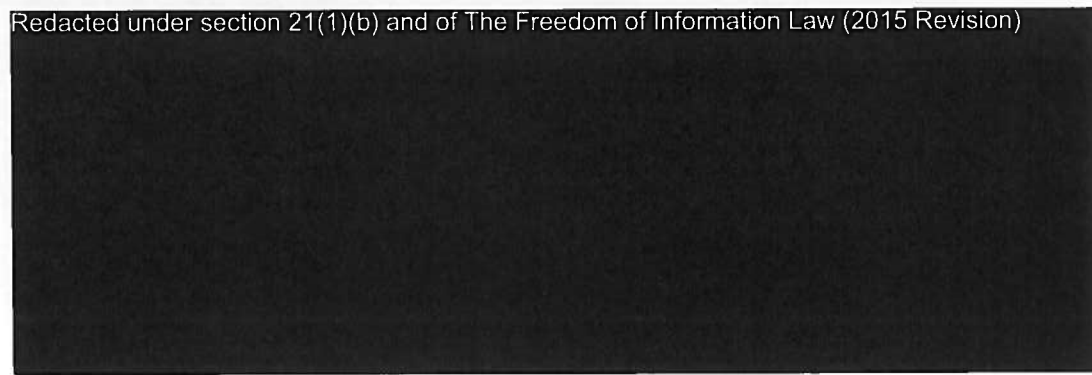
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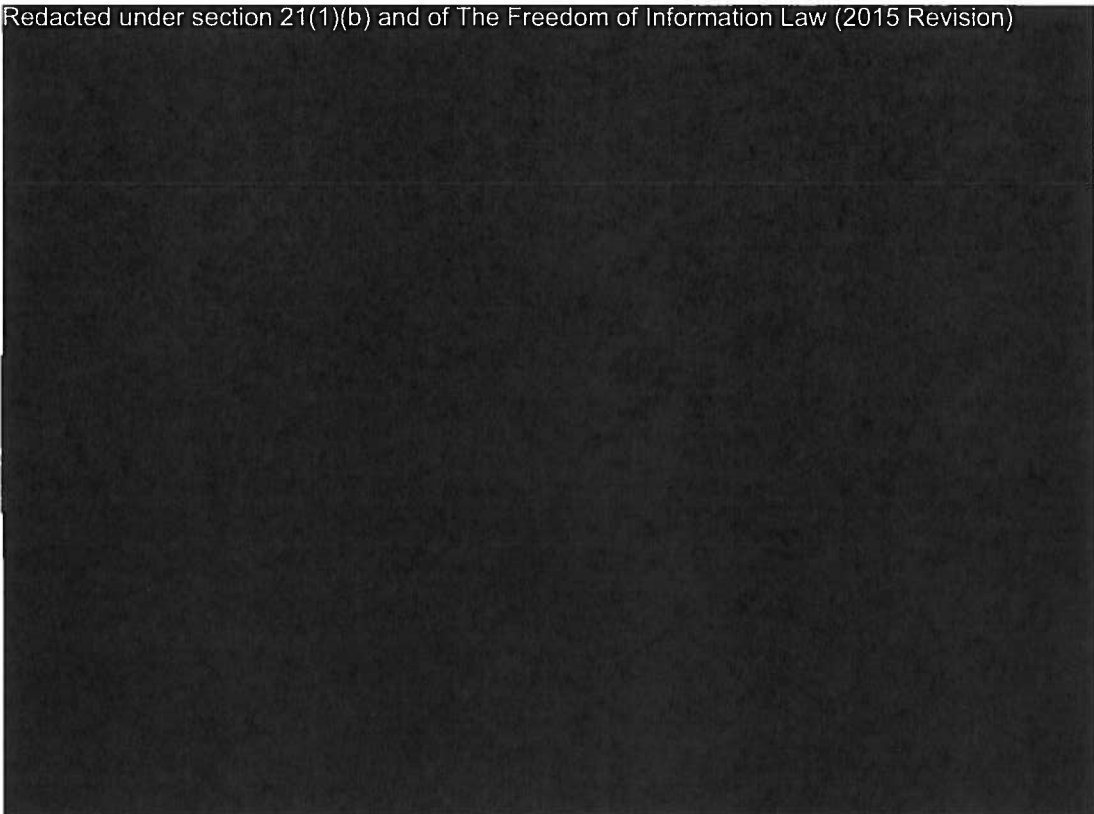
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g) Cayman Water Company (CWC) Negotiations Update.

The Chairman reported that at a meeting with the Honourable Minister, concerns were expressed regarding the number of extensions to the CWC licence. It was suggested to try a different approach to get the Water Authority and CWC working towards getting the licence in place.

The Chairman reported that on 01 September 2015, the Secretary, the Deputy Director and he met to discuss the status of the CWC licence and the outstanding issues that need to be addressed to complete the process. After discussions, it was agreed that as the CWC process had not advanced much further since the Chief Justice's judgement on the judicial review last year, the Water Authority should place on hold on-going work on the draft amendments to the Water Authority Regulations and focus on the CWC licence. The Chairman also requested that the Water Authority prepare a Position Paper that would provide a background to the process thus far, provide the pros and cons on the major aspects of the draft licence and the reasons the Authority is of the opinion that they are in the best interest of the country.

The Chairman reported that on 11 September 2015 the Water Authority Chairman, Mr L Hurlston, Board member, Ms A Owens, and the Water Authority's management team (Gelia Frederick-van Genderen (Secretary), Tom van Zanten (Deputy Director), Lori Bergman (Chief Financial Controller) and Hendrik van Genderen (Water Resources Engineer)), met with

representatives of CWC's Board (Mr Rick McTaggart (CEO), Mr John Tonner (COO), Mr Carson Ebanks (Director), and Mr Ray Whittaker (Director) on behalf of CWC) to discuss the way forward with the licence. The meeting was chaired by the Water Authority Board Chairman.

At the meeting CWC provided an overview of the company and the benefits of the rate model in the current licence, which has been the model for their other operations inside and outside of the Cayman Islands. CWC reiterated that they wished to continue with the current rate model in the new licence and that they did not see why the RCAM had to be introduced. The Chairman explained that Government is in the process of changing the utility landscape by setting up an independent regulator. Until that is worked out the issue of the licence is the Water Authority's responsibility; this was also clearly established in the outcome of the judicial review. The Chairman stressed that the RCAM as proposed by the Authority has full support from Government and that the Authority is also preparing for the introduction of the RCAM for its own operations. He clarified that in his view there was likely a lot less of a difference between what the Water Authority and CWC want to achieve with the licence than what CWC perceives and asked that all involved give the process a fair chance to succeed. The Chairman asked Mr Rick McTaggart and the Authority's Deputy Director to meet to work out the details of the draft licence with the original aim to present a draft license for discussion on 18 September 2015. It was agreed that CWC and the Water Authority would move forward to review and fine tune the draft licence.

The Chairman noted that the meeting was not as adversarial as expected and he feels that the process will be successful with both parties working in good time and in good faith. The Chairman asked that members be prepared if it is necessary to call an Extraordinary meeting to deal with the licencing process.

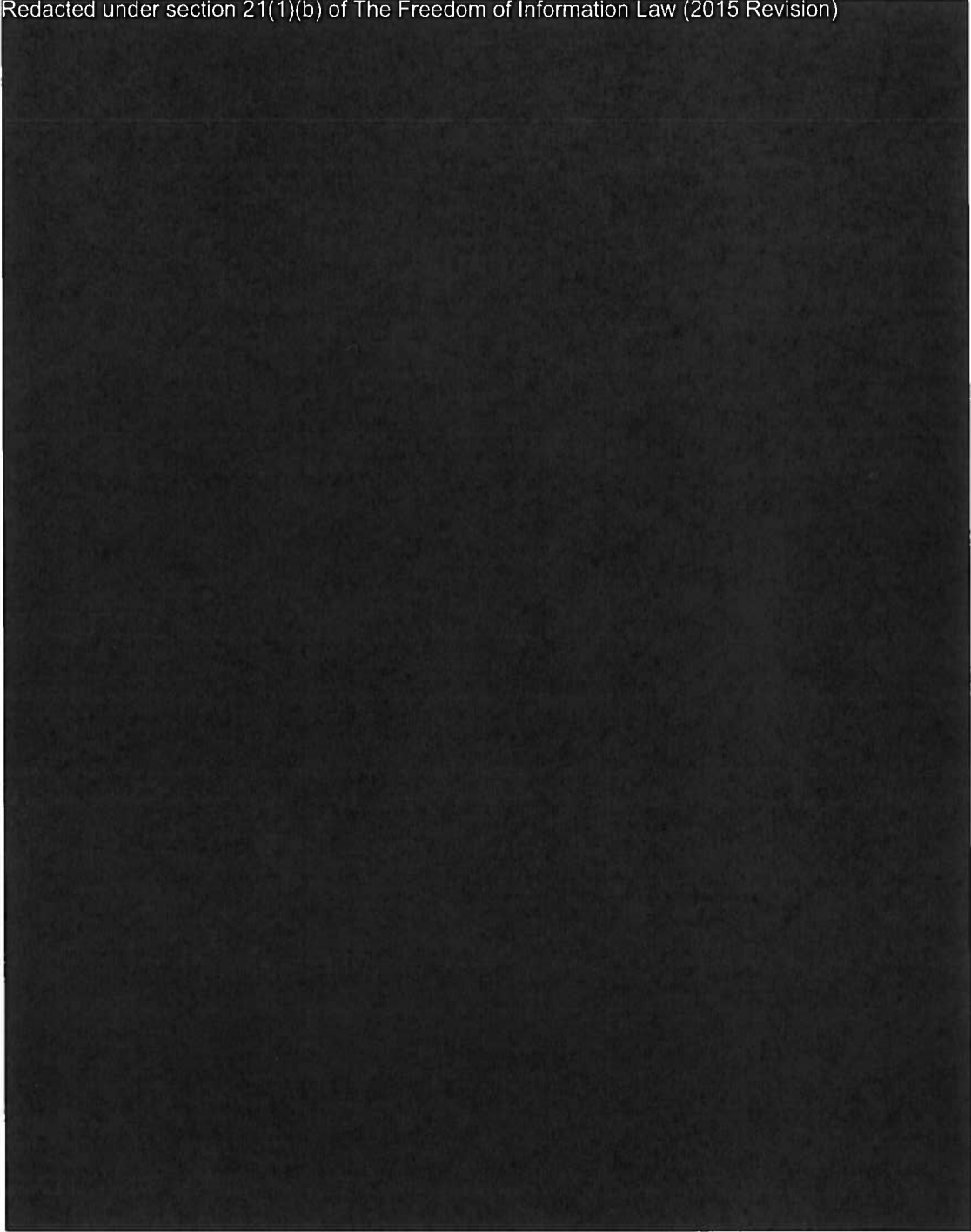
The Chairman noted that as a result of the meeting with CWC, the Deputy Director and the Financial Controller met with Mr Rick McTaggart on 16 September 2015 to elaborate on specific aspects of the proposed changes to the Licence. CWC indicated that they will submit their suggested changes to the draft CWC licence on 25 September 2015 when Mr McTaggart will meet again with the Deputy Director.

The Chairman asked that the Authority's management do their utmost to keep the process moving.

h) Rate Cap Adjustment Mechanism (RCAM).

The Chairman reported that work on the suggested amendments to the Water Authority Regulations to accommodate the RCAM, including suitable Performance Standards to be incorporated as part of the amended Regulations was temporarily stopped to allow more attention being given to completing the CWC licence process.

Redacted under section 21(1)(b) of The Freedom of Information Law (2015 Revision)

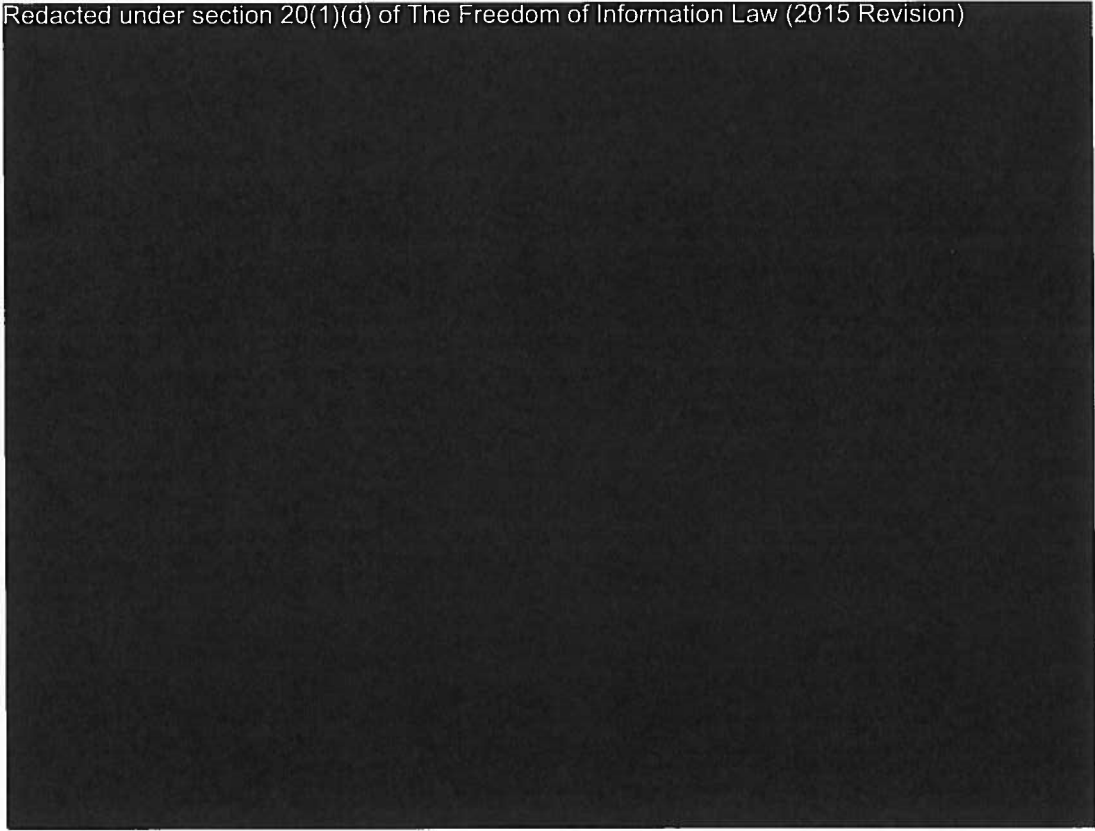


The next step upon resuming work to finalise the required amendments to the Water Authority Regulations will be establishing the scope of the engagement for the overall review of the RCAM documents for reasonableness and provide an additional level of expertise and feedback on the document prior to it going to the Board and subsequently CIG.

- i) **Public Utilities Commission - Update.**

The Chairman advised that on 24 August 2015 the Chairman and the Water Authority Director met with the Honourable Minister of Planning, Agriculture, Housing, and Infrastructure (PLAHI), the PLAHI Chief Officer (CO), Mr Alan Jones, and with Mr Miguel Jacques regarding concerns that the Water Authority had not been provided with sufficient time to review proposed fundamental legislative changes. The Honourable Minister explained that there was some misunderstanding and that the process would require the feedback and support from the Water Authority. There was discussion on the timeline for the Government to implement the new legislation. The Chairman noted that the Water Authority would continue with its statutory duties and provide input and feedback. The Chairman suggested that the Ministry agree to convene a meeting to seek agreement on the most suitable structure to ensure that the Government obtains a well-functioning regulator and water utility. This was agreed to by all and the meeting was set for 25 September 2015.

Redacted under section 20(1)(d) of The Freedom of Information Law (2015 Revision)



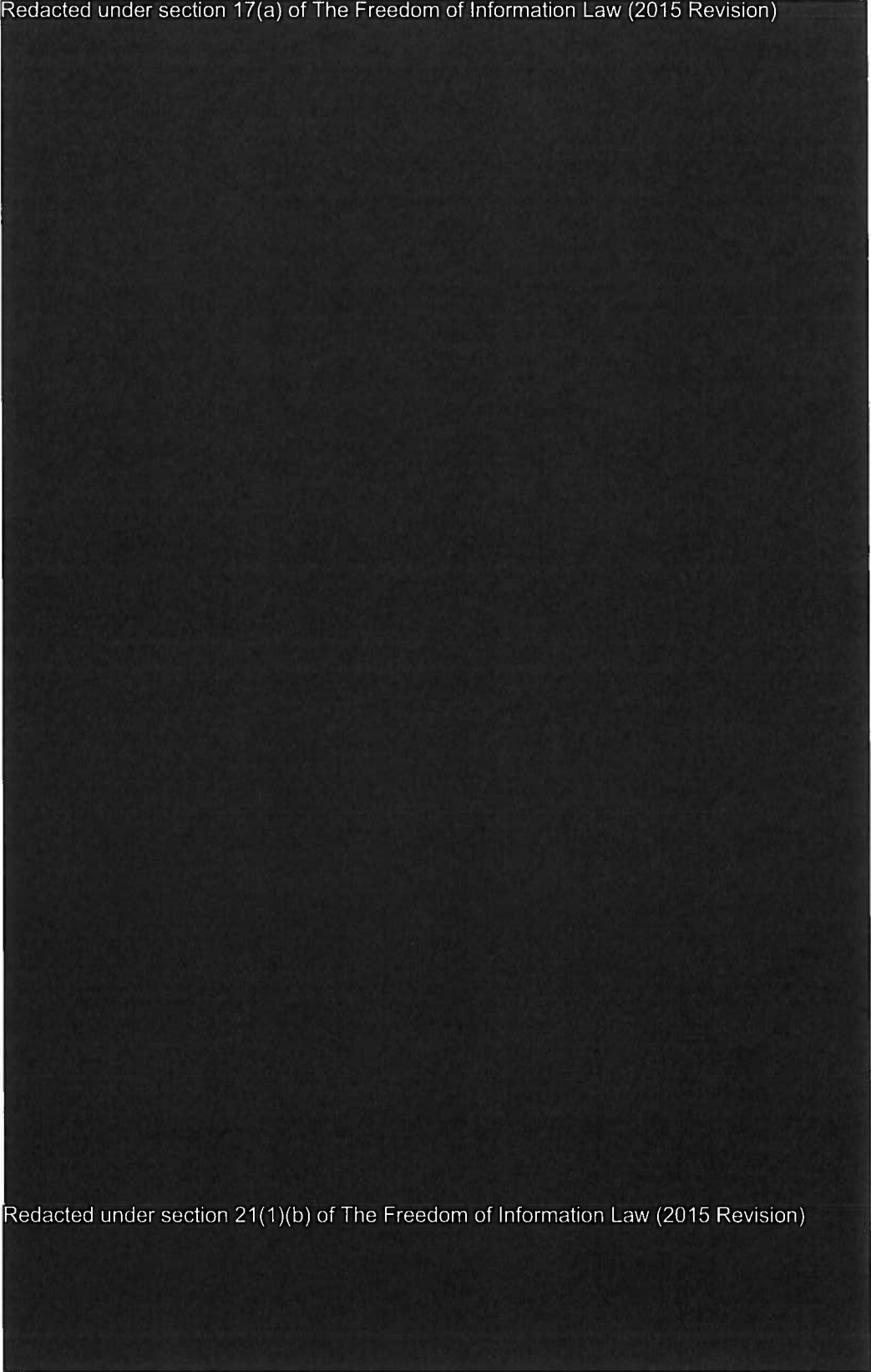
j) **Miscellaneous Updates.**

- a) *In-House Pipelaying Crews* - The Chairman reported that the New Works pipelaying crew completed the installation of temporary pipework to customers in Mahogany Way in anticipation of the replacement of nearly 4,000 feet of 6-inch diameter pipeline. However before work could be properly started, on 17 September 2015 the National Roads Authority (NRA) requested that the Water Authority complete any pipeline installation in the proposed link between Smith Road and Elgin Avenue.

- The existing Melrose Lane will be realigned and widened. The NRA indicated that unless the work is carried out now, the Water Authority will be charged to reinstate the entire width of the road. All work needs to be completed by mid-October 2015. The 4 pipelaying crew members that will return from Cayman Brac on 24 September 2015 will augment the Grand Cayman crew in order to accelerate this work, although it appears that the NRA will struggle to get the road alignment fully marked by the end of this week.
- b) ***Water Supply Division*** - The Chairman reported that in August 2015 Operations WS started work on replacing approximately 1,300 feet of 4-inch pipe in Fairview Road. Temporary service connections were installed and pipeline installation started on 17 August 2015. Unfortunately due to a delay in the shipment of 4-inch pipe, no pipe was available and this work had to be stopped after 300 feet of pipe was installed. Pipe is expected to arrive in early October 2015, after which pipelaying will resume.
 - c) ***Red Gate Admin Building Kitchen Renovation*** - The Chairman reported that the contractor, Campbell's Welding and Construction Services, expects to commence work after cabinets have been constructed, most likely in late October 2015.
 - d) ***Red Gate Admin Building Parking Lot Expansion*** - The Chairman reported that on 21 September 2015 Island Paving carried out some further remedial work to the expanded car park at the Authority's Administration building, as the previously reported defects continued to occur. It has been agreed with the main contractor CMEC that the car park will be monitored for a period of three months. If no re-occurrence of the problem appears during this period, the entire car park will be seal-coated and re-stripped, at which time the one-year warranty period will begin.
 - e) ***Wastewater Division*** - The Chairman reported that due to issues with the flow meter at the wastewater treatment plant no reliable raw sewage inflow data were available from 21 July 2015 until 11 August 2015. During the 20 days in August 2015 since the flow meter was restored the design hydraulic capacity of the plant (2.5 mgd) was exceeded for 13 days. The average daily influent was 2.55 mgd (or approximately 102% of design capacity). This daily average influent was nearly identical to the average influent measurement during August last year (2.52 mgd).
 - f) ***Hurricane Debris Site at Block 55A Parcels 57 and 111*** - The Chairman reported that further to the information provided at previous Board meetings, a preliminary report on the lab testing conducted by International Centre for Environmental and Nuclear Sciences (ICENS), was received on 24 August 2015. The next day a conference call to discuss the report was held with ICENS and PAHO (Pan American Health Organization) and the various agencies involved in the Cayman Islands (Cabinet Secretary, Health Services Authority, Department of Environmental Health, Ministry of Health and Water Authority). Subsequently an update was provided by the Cabinet Secretary to the


residents in the area, the update was released later on as a press release. As the report was of a preliminary nature the release did not go into detail about the results. ICENS has indicated that their report on the testing will be completed soon.

g) Redacted under section 17(a) of The Freedom of Information Law (2015 Revision)



h) Redacted under section 21(1)(b) of The Freedom of Information Law (2015 Revision)

Redacted under section 21(1)(b) of The Freedom of Information Law (2015 Revision)



i) Redacted under section 21(1)(b) of The Freedom of Information Law (2015 Revision)



j) *Laboratory Audit* - The Chairman reported that from 28 through 30 September 2015 the Water Authority will be audited by an auditor from the American Association for Laboratory Accreditation (A2LA). This audit is conducted every 2 years to ensure that the Laboratory is in compliance with the accreditation requirements of the A2LA.

k) *Antigua Public Utilities Authority Laboratory Accreditation* - The Chairman reported that the Water Authority has been approached by the Antigua Public Utilities Authority (APUA) to assist with the accreditation of their water laboratory. APUA has provided a draft memorandum of understanding that includes exchange visits of their and the Water Authority's laboratory staff. There is a possibility that APUA's chemist may be present to witness the upcoming Laboratory audit.

l) *Geology Education Week 12 - 16 October 2015* - The Chairman reported that the Water Authority and Dr Brian Jones, geology professor at the University of Alberta, Canada have teamed up for the third consecutive year to organise Geology Education Week from 12 to 16 October 2015. The format of the week is similar to previous years; geology education is provided to high school students and a professional development course is organised for high school teachers. This year, a second part has been added to the one day professional development course; a one day geology field trip to Cayman Brac. Board members may recall last year's field trip in Cayman Brac with Dr Jones, this provided good information on the overall geology of Cayman Brac and the challenges the Authority faces in developing the water supply in Cayman Brac. Cayman Brac offers several superb locations that illustrate the material covered in the geology lectures. Due to cost and logistics to organise the field trip to Cayman Brac, the number of participants will be limited.

Dr Jones and his colleague Dr Noel James recently published a text book titled "*Origin of Carbonate Sedimentary Rocks*" which is an amazing source of information for upper-level undergraduates and professionals alike. Although not specifically focused on the geology of the Cayman Islands,

the book is clearly informed by the extensive research conducted here by Dr Jones over the past 30 years. A copy of the book will be presented to the Hon Minister for Education and the Authority will provide a copy the book to the schools that participate in the education programme as well as a copy to the George Town Library. The book will be for sale at the National Trust.

The Authority is working closely with the National Trust to organise a public geology lecture in Grand Cayman on 13 October 2015.

m) FOI updates – The Chairman reported that no new requests were received since the FOI Report dated 20 May 2015.

n) Public Authorities Bill (PAB) Consultation Process - The Chairman reported that there is no further update on this matter.

Current Business

a) Management Accounts – August 2015.

The Chairman reported that as the Finance Department is in the middle of the year-end audit the “opening” numbers have not been rolled forward. A draft statement of comprehensive income was made available to members for their review that shows the net income position is in line with prior years. Members were reminded that the numbers are draft as the current emphasis is on the audit and the 2015/2016 numbers are subject to change.

b) Draft Procurement Legislation.

The Chairman reported that on 04 September 2015, several the Statutory Authorities and Government Companies (SAGCs) attended a presentation by Mr Peter Gough, Strategic Advisor to the Deputy Governor (DG) and Mr Craig Milley, Director, Central Procurement Office regarding draft procurement legislation. Copies of the presentation, draft legislation, regulations and guidance document have been provided to members.

The Chairman reported that SAGCs were informed that significant changes are being proposed for Government’s procurement regime which will affect all Government entities as well as every supplier of goods and services. Currently, there is no specific law that covers only procurement. The procurement process is detailed in the PMFL. Mr Gough has explained that the proposed changes are expected to support the development of relationships with local suppliers, improve procurement capability in every ministry, portfolio and statutory authority and government owned company and would limit unilateral tendering and piecemeal approach to management of contracts and eliminate the dangers of lack of due diligence and potential malfeasance. The objective of the new law, which is still being formulated, is to improve governance, transparency and reporting and to limit political involvement. It will also provide for different ways of awarding contracts,

make contracts accessible to more local businesses as well as create a regime that collects and publishes data on public contracts. Training will be a key element to the success of the initiative according to the presenters.

The Chairman reminded members that the Water Authority was represented on a procurement subcommittee in 2012; the subcommittee's report was completed in November 2012. A copy of that report was provided to members. The report did not propose new legislation but recommended that areas of the current system be strengthened and necessary changes be made. The recommendation was not to cast aside the existing system and create an entirely new regime.

The Chairman reported that at the presentation on 04 September 2015, SAGCs understood Government's concerns. However, some SAGCs had concerns and made suggestions on how to make the process workable for the different entities' needs. The group also suggested that improvements to the current legislation may achieve the same objectives.

c) **Customer Request for Bill Adjustment re Customer Account#** [REDACTED]

* Redacted under section 23 of The Freedom of Information Law (2015 Revision)

The Chairman reported that on 15 August 2015 the Authority received a complaint from [REDACTED] requesting that consideration be given to reducing her water bill and water damage clean-up compensation. A copy of the correspondence and the report from Engineering Services Department was provided to members.

The customer writes that her home received water damage due to a broken supply line to the toilet tank in one of the bathrooms. She alleges that the ruptured supply line was caused by the surge of water pressure on 10 July 2015, as a consequence of work being carried out by the Water Authority on the water lines in Bodden Town. Additionally, the customer alleges that an underground pipe in the yard burst around the same time.

A review of the account and the Water Authority's operations in the area was carried out and the findings are that the Water Authority completed work on the replacement of the 12-inch water main in Bodden Town Road on 22 June 2015, and the connection of the 3-inch water main in Gun Square was completed on 01 July 2015, or 2-3 weeks prior to the reported incident.

Additionally, Water Authority records indicate that around early to mid-July 2015 the only repairs carried out in the vicinity of Discover Drive were:

- on 04 July 2015, in Ranch Road (nearly 2 miles away);
- on 14 July 2015, in Doublon Drive (1 mile away) and in Devonshire Road, off Hirst Road (nearly 3 miles away), i.e., several days after the incident occurred.

Based on the operational records that no leaks had been reported or repairs had been carried out around 10 July 2015 the damage cannot have been caused by any activities of Water Authority staff.

The Water Authority's water distribution system provides a pressure of around 40-55 psi at the water meter (depending on location within the water distribution system and time of day). Customers should therefore experience a water pressure not exceeding 50 psi, except at night when the water pressure could be slightly higher (less overall flow at night, thus lower friction losses).

As all plumbing downstream of the meter is the customer's responsibility, the bill is payable. This customer needs to pay the bill in question as the issues were on the customer side and have no relation to the Water Authority's activities in the area. The Secretary respectfully sought the Board's decision on the request from the customer for compensation and reduction in water bill.

Members agreed that the customer should be advised that they reviewed the request and decided not to discount or waive the bill as the Authority's records show that the bill is valid and payable. All plumbing downstream of the meter is the customer's responsibility. There were no works carried out by the Water Authority in the area during the period that could have caused the customer's leaks. The Water Authority is therefore not responsible for the customer's water damage clean-up costs. Members agreed for the Authority to offer a payment plan with waiver of late penalties as usual.

Any Other Business


a) 2015/2016 Scholarship Award.

The Chairman noted that a copy of the interview report was mistakenly omitted from the Board package and will be provided at the next Board meeting. The Secretary apologised for this oversight.

* Redacted under section 23 of The Freedom of Information Law (2015 Revision)



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b) 2015 Caribbean Water & Wastewater Conference & Exhibition 24-28 August 2015.

The Chairman reported that the secretary attended the High Level Ministerial Forum 27-28 August 2015 that was held in conjunction with the 2015 CWWA Conference in Miami, Florida. The main focus was climate change. A further report will be provided at the next Board meeting.

c) Request for e-bills for tenants.

Several Board members requested that the Authority seek to provide e-billing to tenants. The Secretary said she would review this with the Customer Service Manager and IT staff but at the moment she understands there are limitations with the current version of the software used.

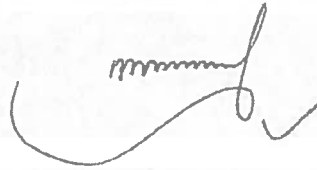
Donation Requests

The Chairman advised that the Sponsorship Assessment Sub-committee would meet after the Board meeting to deal with the following requests for assistance:

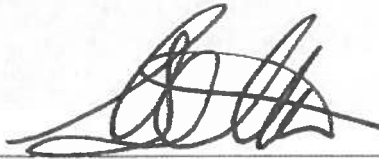
- a) NCVO - 36th Annual Radio Telethon.
- b) Credit Union 4th Annual 5K Walk/Run.
- c) East End Primary School PTA - After School Programme.
- d) CI Flag Football Association - CI National FF Teams.
- e) LimeLite Entertainment - Beyond the Red Carpet.
- f) Save Our Youth (SOY) Foundation - Monster Dash 5K Run/Walk Sponsorship.
- g) Pines Retirement Home.

There being no other business the Chairman thanked members and the meeting was adjourned at 3:18pm.

This is a true and accurate account of the proceedings.



The Chairman



The Secretary