

CONFIDENTIAL



Water Authority of the Cayman Islands

Minutes of 266th Meeting held on 20th of January 2016

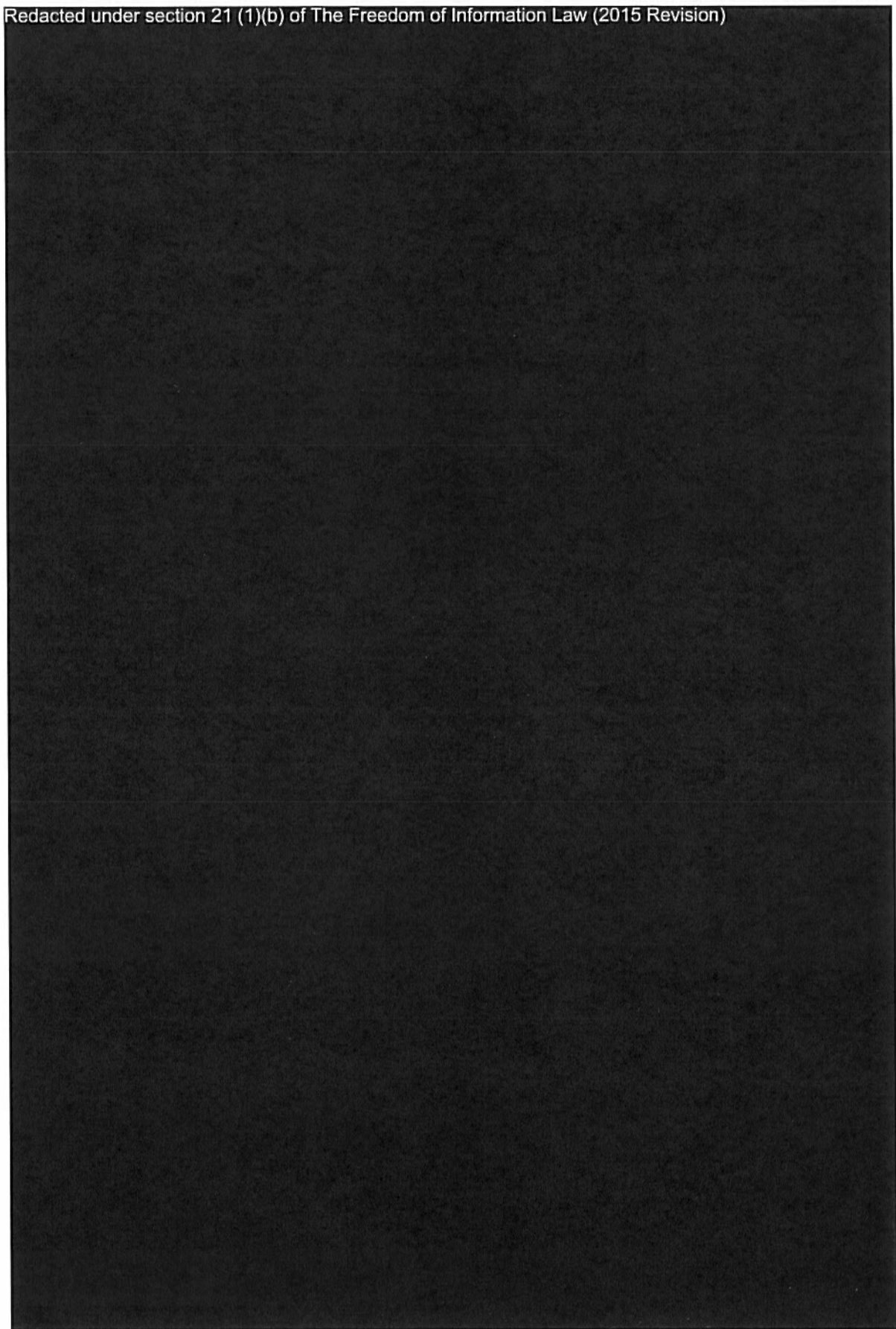
Members Present:

Chairman:	Mr J L Hurlston
Members:	Mr J Gill Mr M Jacques Mr C Randall Mr O Watler
Secretary:	Dr G Frederick-van Genderen
Apologies:	Mr H B Ebanks Ms T Mortimer Ms A Owens Ms R Sharma Mr A Wright
Guests:	Mr J P Morgan, <i>Strategic Advisor, Ministry of Planning, Housing, Agriculture, & Infrastructure (PLAHI)</i> Mr T van Zanten, <i>Deputy Director Water Authority</i> Ms L Bergman, <i>Financial Controller, Water Authority</i> Mr H van Genderen, <i>Water Resources Engineer, Water Authority</i>

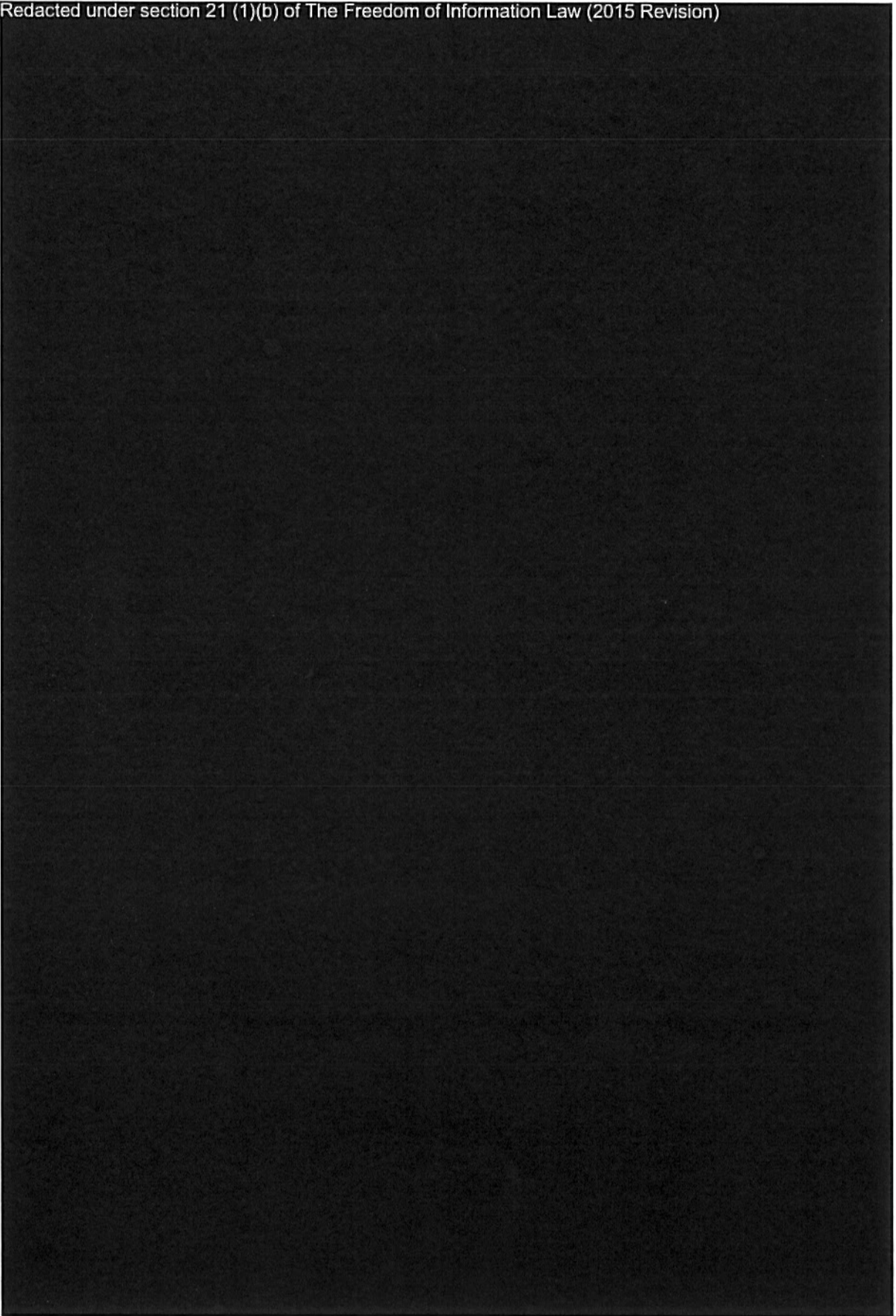
Call to Order

The Chairman welcomed members and called the meeting to order at 1:37pm after ascertaining that there was a quorum and then proceeded to offer a special prayer and subsequently declared the meeting open.

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The Chairman then proceeded continue the Board meeting by acknowledging apologies from Mr HB Ebanks, Ms T Mortimer, Ms A Owens, Ms R Sharma, and Mr A Wright.

Confirmation of Minutes of the 265th Meeting held on 10th December 2015

The Chairman asked for confirmation of the Minutes of the 265th Meeting held on 10th December 2015. Mr J Gill moved the motion to accept the Minutes as amended, Mr C Randall seconded the motion and the motion passed unanimously.

Declaration of Conflicts of Interest

None were declared.

Matters Arising

a) **Public Utilities Commission (PUC) - Update.**

The Chairman advised that as reported at the December 2015 Board meeting, the Authority submitted a position paper regarding the Public Utilities Commission (PUC) to the Ministry on 27 November 2015. On 16 December 2015 the Authority received a response from the Ministry. On 08 January 2016 a meeting was held at the Ministry at which the Honourable Minister, the Water Authority's Chairman, the Ministry's Strategic Advisor, the Ministry's Senior Policy Officer and senior Water Authority staff were present. It was agreed that the Authority and the Ministry would review proposed changes to the Water Authority Law. The meeting for that review is scheduled on 29 January 2016.

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

b) **Lower Valley Reverse Osmosis Plant (LVRO) - Update.**

The Chairman reported that on 11 January 2016 JML International Ltd (the contractor for the installation of the external feedwater pipework) confirmed that all materials will be on island by early February 2016 and that actual construction of the Work is expected to commence around mid-February. The equipment (which is on island and owned by DART) that will be used to fuse the HDPE pipe is a McElroy Mobile 618 butt-fusion machine.

In late December 2015 the Authority Facilities Electrician, assisted by in-house resources, installed new underground electrical conduits and new electrical cables between the RO building and each of the three feed water wells

(replacing the ageing existing direct-buried cables) in anticipation of water production resuming at this plant.

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

The Chairman reported that to date five pipeline sections remain outstanding. The contractor US Sewer & Drain was unsuccessful in lining the pipeline section attempted in December 2015 (M1001-M1002, behind Cost-U-Less) and they consider at least two of the remaining pipeline sections not a suitable candidate for lining.

Additionally the Authority requested that the contractor re-televiser those lined pipeline sections that have been re-steamed in order to verify that these still meet the criteria of the Contract. This would be at an additional cost to the Authority, if these liners were found to be in good condition.

In view of the lack of progress since the contractor's return to the island in early November 2015, it is unlikely that this contract will be finalised before the remaining two temporary work permits for its staff expire (on 28 January 2016 and 17 February 2016).

The contractor has been asked to identify replacement staff in order to finalise the contract without further delays.

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

The Chairman reported that following their break over the Christmas period, the pipelaying crew returned to Cayman Brac on 11 January 2016. Efforts since have concentrated on completing the outstanding service connections. So far 25 plus service connections/meter boxes have been installed since their return. It is anticipated that actual pipelaying on this phase of the project (up to Faith hospital) will start on 26 January 2016.

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

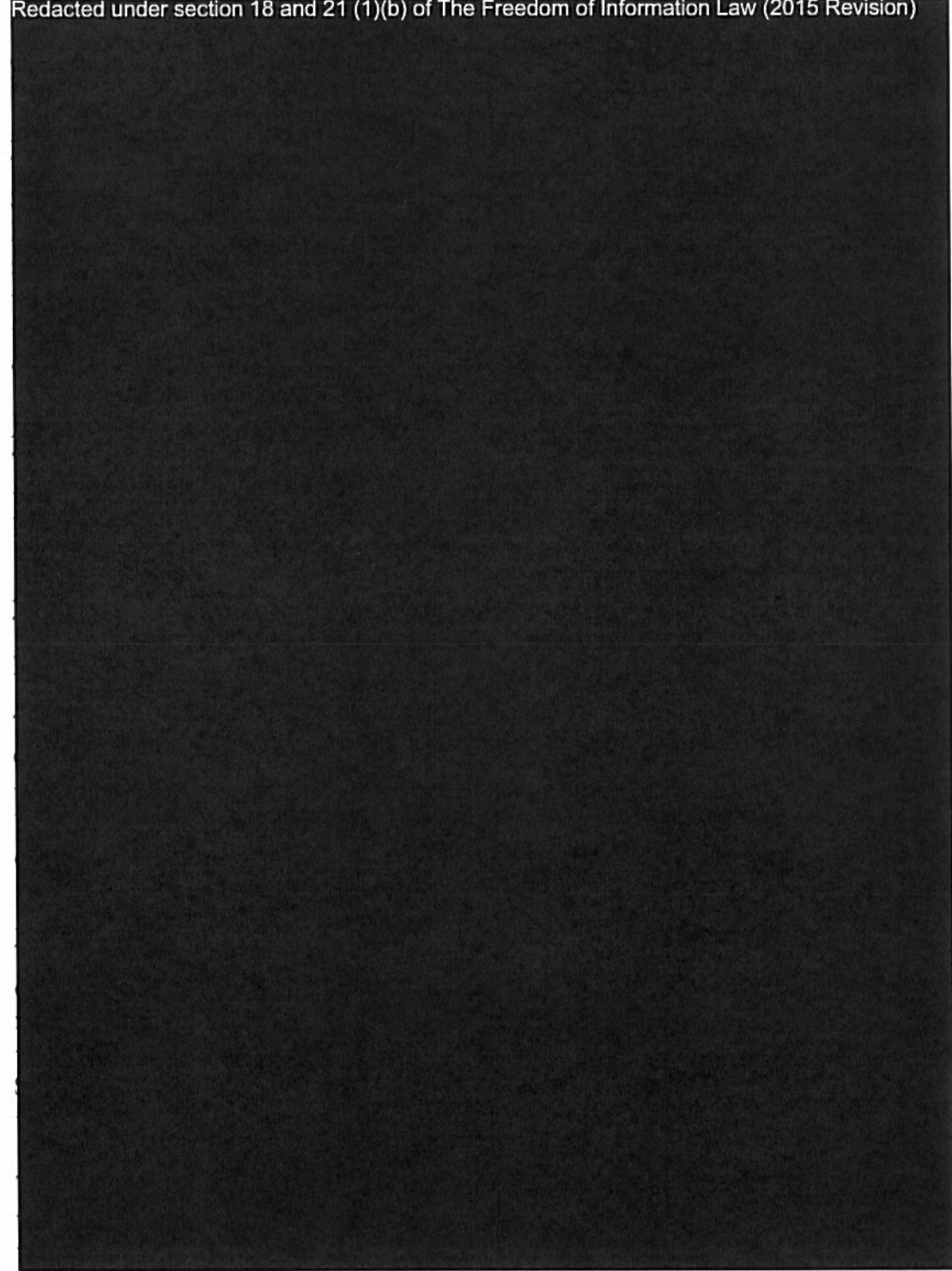
The Chairman noted that as reported previously, OCL completed most of the work on the capital refurbishments of the North Sound RO Plant. The main outstanding item is the refurbishment of the second high pressure pump rebuild. This will not be done until March 2016 due to the turnaround time from Flowserve, the pump manufacturer that will rebuild the worn rotating assembly.

The Chairman reported that OCL reduced the Specific Energy Consumption in their December 2015 billing for the water produced by this plant (from 3.465 to 3.28 kWh/m³, i.e., a reduction of 5.3%), although under the contract agreement this reduction was not due until all Capital Works are complete.

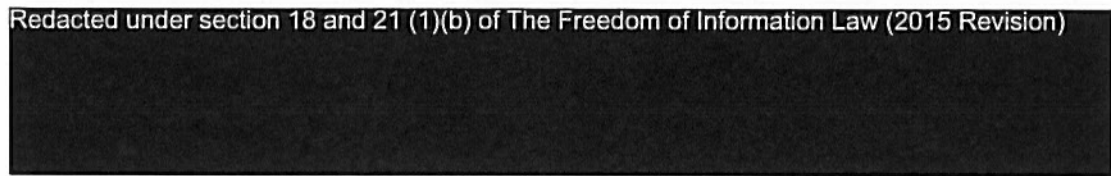
f) **West Bay Beach Sewerage System (WBBSS) Force Sewer Main Installation Project - Update.**

The Chairman reported the contractor for the sewer force main replacement contract Wharton-Smith, Inc has all materials and equipment on island, and anticipates that construction will start later this week (initially all efforts will be concentrated on fusing a significant portion of the HDPE pipe). The whole of the Works must be completed on or before 09 May 2016.

g) **Redacted under section 18 and 21 (1)(b) of The Freedom of Information Law (2015 Revision)**



Redacted under section 18 and 21 (1)(b) of The Freedom of Information Law (2015 Revision)



h)

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



Cayman Water Company – Annual Base Water Rate Adjustment

The Chairman reported that CWC's retail water rates are adjusted annually in accordance with their 1990 licence as extended. The licence determines that the base water rates are adjusted in January each year as follows: 20% of the rate is adjusted for the annual change in the CICPI (Cayman Islands Consumer Price Index), 35% of the rate is adjusted for the annual change in the USPPI (United States Producer Consumer Price Index) and 45% of the rate remains unchanged. Base water rates do not cover fluctuations in electricity rates; this is covered separately by the Energy Adjustment Factor (EAF). Under the licence CWC submits the calculations for the base rate adjustments early in January; the Water Authority verifies the calculations and approves the rate adjustment.

The Chairman reported that the CICPI decreased by 2.9% and the USPPI decreased by 8.7% (Sep 2014–Sep 2015). As a result CWC's retail base rates for 2016 decreased by 4.4% compared to their 2015 rates. In 2016 a single

residential customer of CWC will have a monthly bill of \$101.62 plus EAF whereas a single residential Water Authority customer in Grand Cayman pays \$92.11 per month plus EAF, a difference of approximately 10.3%. This charge is based on the average monthly water consumption of Water Authority's single residential customers; this is 19.1 cubic metres or approximately 5,000 gallons.

i) **Rate Cap Adjustment Mechanism (RCAM).**

The Chairman reported that there is no further update on this matter.

j) **Miscellaneous Updates.**

a) *In-House Pipelaying Crews* - The Chairman reported that the New Works pipelaying crew continues work on the replacement of nearly 4,000 feet of 6-inch diameter pipeline in Mahogany Way. It is anticipated that this will take at least another two months to complete.

b) *Water Supply Division* - The Chairman reported that on 18 January 2016 Operations WS started work on Phase II of the project to replace the 12-inch water main along Bodden Town Road, which comprises the area between Gun Square Road and Manse Road, a length of approximately 2,200 feet. This phase is expected to take approximately 10 weeks to complete.

Affected residences and businesses will be connected to a temporary service line to minimise interruptions in service while the pipeline project is underway. Actual pipelaying will likely not occur until 01 February 2016. Portions of Bodden Town Road will be restricted to the motoring public during normal working hours. Local access will be maintained throughout, but through-traffic will be diverted around the work area via Anton Bodden Drive. The Secretary noted that public service announcements regarding the project were on going and that there will be signage to assist with traffic management. The Water Authority would do its best to accommodate the local businesses but the safety of the motoring public and Water Authority staff is paramount.

c) *Wastewater Division* - The Chairman reported that during the month of December 2015, the design hydraulic capacity of the plant (2.5 mgd) was exceeded for 30 days. The average daily influent was 2.73 mgd (or approximately 109% of design capacity). This daily average influent was nearly identical to the average influent measurement during the same period last year (2.69 mgd).

d) *Red Gate Admin Building Parking Lot Expansion* - The Chairman reported that on 08 January 2016 the Authority confirmed to the contractor CMEC that no further paving defects have become apparent over the previous 3 months, and that his sub-contractor Island Paving can now arrange to seal coat the entire area of paving installed under this contract, and re-paint the pavement markings. Additionally the Authority requested the contractor to replace 16 tyre stops, installed under this contract, that are either broken or cracked.

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

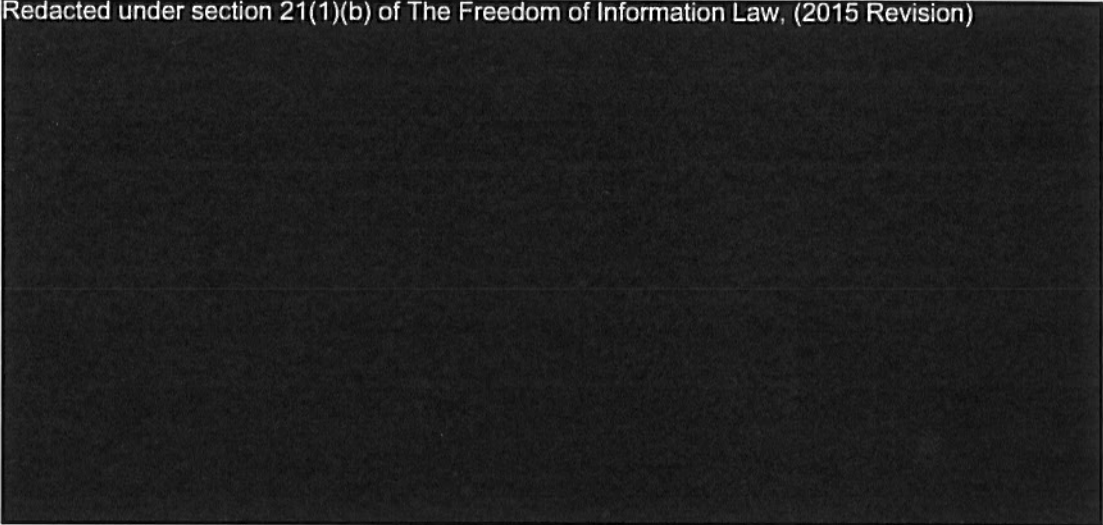


- f) *FOI updates* - The Chairman reported that no requests were received since the FOI Report dated 07 December 2015 and provided to members.
- g) *Public Authorities Bill (PAB) Consultation Process* - The Chairman reported that there is no further update on this matter.

Current Business

a) **Management Accounts – November & December 2015.**

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Based on estimates for the first six months of the 2015/2016 fiscal period, Operating Revenue continues to be higher by 1.7% than in the prior but below budget by 13.8%. A strong increase continues to show in the Brac with \$34k higher sales than in the prior year (9.6% increase) and 6% above budget.

Operating expenses for the first six months decreased by 6.5% over prior year, primarily as a result of decreased water purchases in direct relation to the cost of electricity and a decrease in pumping costs, also in direct relation to the falling fuel prices. The Authority is below budget by 19.1% for operating expenses, which is within expectation as the water sales have not been as high as expected combined with lower than anticipated fuel prices.

Consistent with prior explanations, loan interest is expected to decrease as there are no new borrowings.

Administrative expenses are slightly above prior year (1.5%) but below budget by 24.7%. The change from prior year is reasonable as there was a 3% COLA given to staff which would raise the salary expense, which is offset by a reduction in the insurance fees.

In summary, the Authority's estimated net income for the first six months of 2015/2016 is much stronger than the prior year and well above expectation. This is similar to prior years and reasonable as there are significant expenses that are expected to be incurred prior to year-end that will directly affect the bottom line, specifically bad debt expense, past service pension liability, audit fees and pending professional fees. Even with the expected up and coming expenses the Authority continues to be in a very strong financial position, with sufficient cash reserves to continue the Cayman Brac extension project, complete the Wastewater CCTV projects, commence administrative remediation projects and meet day-to-day operational and administrative expenses.

b)

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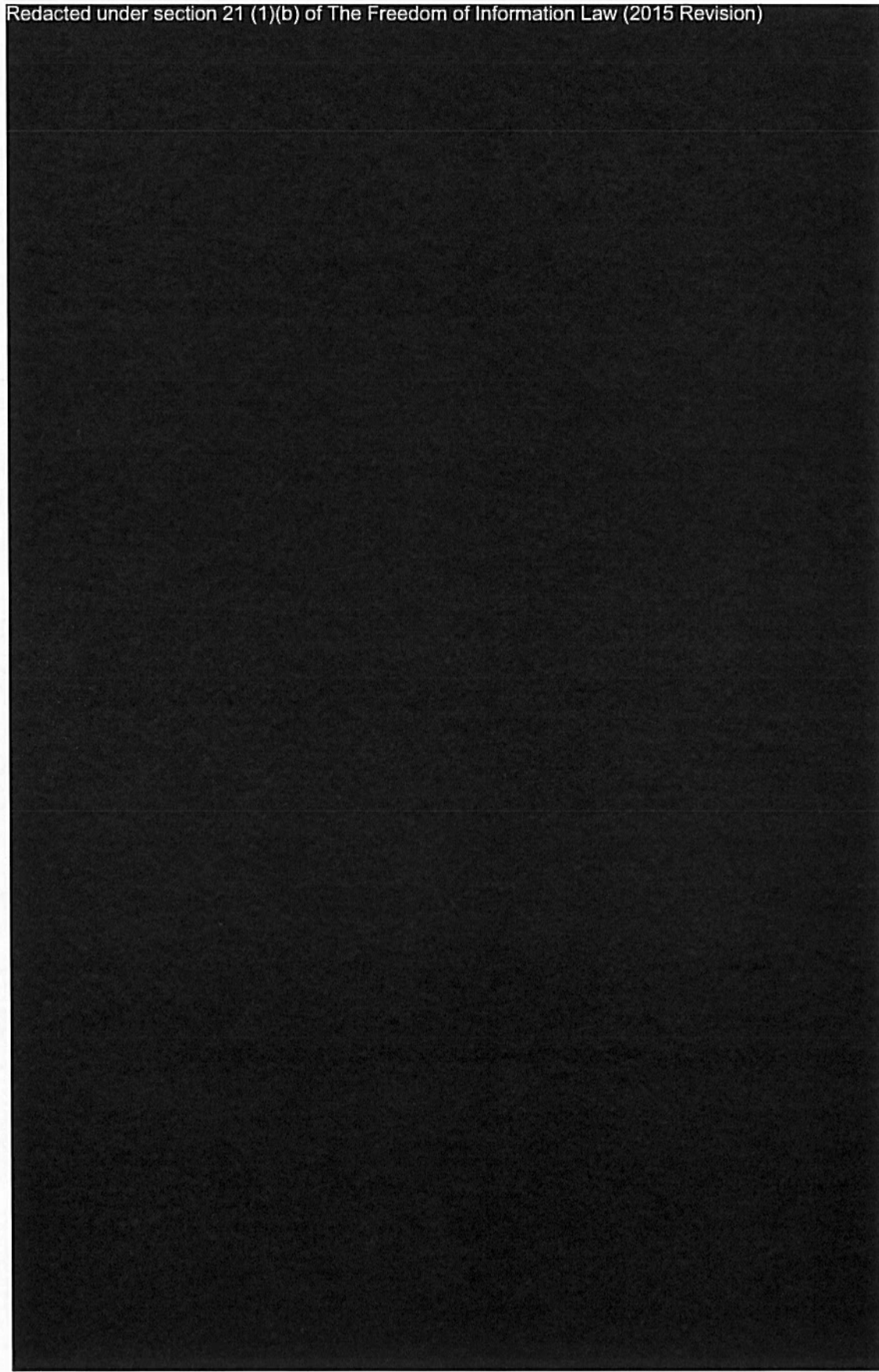
c)

Water Distribution Pump Station Project 2016 - Red Gate Water Works.

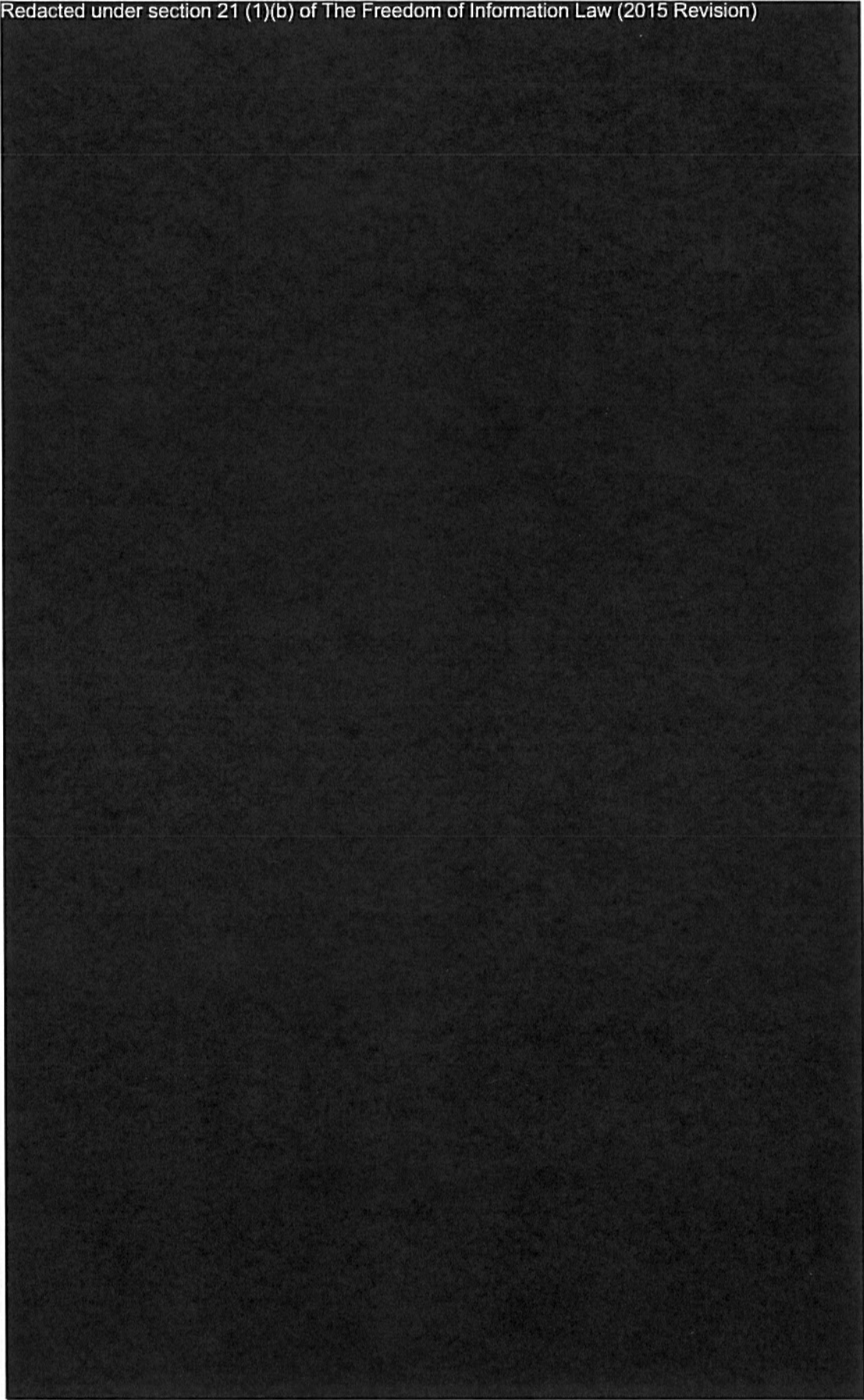
The Chairman reminded members that the 2015/2016 budget approved funds for the construction of a new water distribution pumping station at the Red Gate Water Works to replace the existing pump station which was commissioned in 1995. The amount estimated for this project was \$500,000 and was based on rates paid on previous similar contracts, making due allowances for inflation, etc.

The Chairman advised that due to the significant growth of the water distribution system the existing pump station does not meet the current requirements of the Water Authority as the centrifugal pump sets have reached the end of their life cycle and will soon be too small to provide the flows necessary. The pumping station is also too small to accommodate the larger pumps and pipework required. The new pumping station will improve the reliability of the Grand Cayman Water Distribution System and also improve the energy efficiency of the water distribution pumps.

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Any Other Business

a) **Report on American Water Summit 2015, CAWASA AGM & Caribbean Global Water Leaders.**

The Chairman reported that the Secretary, as a member of the Global Water Leaders Group, was invited to attend the American Water Summit 2015 held 19-21 October in Denver, Colorado, USA. As part of the activities, the Secretary participated in a workshop specifically geared for the Global Water Leaders entitled "*Innovation and Implementation*". The focus of the workshop was "*how can we best drive innovation across the water and wastewater sector?*" A panel discussion opened the workshop with leaders in the industry discussing the challenges and solutions for innovation in the US and abroad, as well as sharing the preliminary findings of the latest research conducted by the Global Water Leaders Group. This was a survey of water and wastewater utility CEOs about particular operational challenges which they would like to address; barriers to innovation that they have faced; and, solutions which have been successful. Subsequently, participants engaged in robust and frank discussions on various topics relevant to the findings of the survey. Water and wastewater utilities often struggle with adopting "innovation" as often, decision makers and engineers perceive recent and not time-tested innovation as high risk.

The balance has to be between the utility being able to professionally assess opportunities and technology and then being able to communicate potential impacts to customers and regulators. Working with private sector companies willing to take some of the risk is one strategy. However, one of the key points made was that before embarking on or introducing technology that impact customers directly (increased rates, interactive portals such as smart metering), utilities should consider making the case to the public to demonstrate the benefits of introducing same successfully. Encouraging/facilitating the exposure of utility decision makers and engineers to innovative solutions being developed in the private sector will help the utilities build on internal expertise.

The theme of the main summit was “Scalable Solutions” and focussed on bringing about more effective communication across all segments of the water industry and between water and energy players. The workshop and Summit were very informative and presented an opportunity to network with leaders in the water industry in the USA. There were interesting presentations and discussions regarding utility finance; corporate water strategy; and, water technology and innovation. The Chairman reported that she has discussed some of the ideas and concepts with her management team.

The Chairman reported that during the period 02-03 December 2015 the Secretary attended the annual general meeting of the Caribbean Water and Sewerage Association (CAWASA) the 2nd Caribbean Water Leaders Summit in Antigua & Barbuda. The theme for the summit was “Leaders Charting New Waters: Water Utility Prosperity Through Energy Efficiency”.

The Chairman reported that CDB and the Global Water Leaders Group co-hosted the event, along with the Antigua Public Utilities Authority, the Caribbean Water and Sewerage Association Inc, and the Global Environment Facility-Caribbean Regional Fund for Wastewater Management. The theme was chosen based on the findings from a 2013 Caribbean Development Bank (CDB) assessment that showed that electricity costs account for up to 40 percent of the annual operating budgets of some water and wastewater utilities in the Caribbean water sector. Yet energy costs are among the most controllable operating expenses for water and wastewater utilities.

During the summit, attendees discussed how to tackle energy challenges in regional water and wastewater utilities. Opportunities and techniques for improving energy efficiency were explored and lessons learned from their national operations through panel sessions, workshops and practical learning sessions were shared.

At the event, the Chairman noted that the Secretary had reported that participants also heard from some of the world’s leading water experts, who shared best practices for using energy audits to achieving energy efficiency, and optimising markets for wastewater by-products.

The Secretary advised members that she had been invited to participate in the next meeting of the Global Water Leaders which is being held in Abu Dhabi in April. The organisation will cover the cost of airfare and the Secretary sought the Authority’s support for accommodation and per diem. Members had no objection.

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



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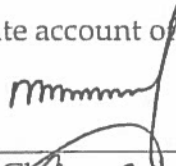
Donation Requests

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

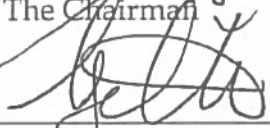
- a) Cayman Islands Chamber of Commerce - Leadership Cayman Infrastructure and Environment Seminar.
- b) Global Young Leader Conference 2016 - Samekia and Samuel Stewart.
- c) Cayman Islands Humane Society - Aid with monthly water bill.
- d) Grasspiece Promotions - Swindon Town FC Youth Camp.
- e) Cayman Islands Chamber of Commerce - Earth Day Island Clean Up 2016.
- f) Rowena Scott Memorial 5K Walk/Run.
- g) Girl Guiding Cayman Islands - "Guiding the Way" Family Fun walk/run 2016.
- h) Cayman Islands Agricultural Society - 49th Annual Agriculture Show.

There being no other business the Chairman thanked members and the meeting was adjourned at 4:01pm.

This is a true and accurate account of the proceedings.



The Chairman



The Secretary