

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works		(2) MEETING DATE January 24, 2006		(3) CONTACT/PHONE John Hollenbeck, P.E., Nacimiento Project Manager (805) 781-1288	
(4) SUBJECT Revised Policy on Nacimiento Water Project Upsizing					
(5) SUMMARY OF REQUEST It is requested that you approve the revised policy on the Nacimiento Water Project upsizing.					
(6) RECOMMENDED ACTION It is recommended that your Honorable Board sitting as the Board of Supervisors for the San Luis Obispo County Flood Control and Water Conservation District approve the revised policy for the upsizing of the Nacimiento Water Project as stated in Exhibit A.					
(7) FUNDING SOURCE(S) Nacimiento Participants		(8) CURRENT YEAR COST N/A for County		(9) ANNUAL COST N/A for County	
(10) BUDGETED? <input type="checkbox"/> YES <input checked="" type="checkbox"/> N/A <input type="checkbox"/> NO					
(11) OTHER AGENCY/ADVISORY GROUP INVOLVEMENT (LIST): Nacimiento Project Commission, the cities of Arroyo Grande and Grover Beach, Oceano Community Services District					
(12) WILL REQUEST REQUIRE ADDITIONAL STAFF? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, How Many? _____ <input type="checkbox"/> Permanent _____ <input type="checkbox"/> Limited Term _____ <input type="checkbox"/> Contract _____ <input type="checkbox"/> Temporary Help _____					
(13) SUPERVISOR DISTRICT(S) All			(14) LOCATION MAP <input checked="" type="checkbox"/> Attached <input type="checkbox"/> N/A		
(15) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Presentation <input type="checkbox"/> Board Business (Time Est. _____)			(16) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions (Orig + 4 copies) <input type="checkbox"/> Contracts (Orig + 4 copies) <input type="checkbox"/> Ordinances (Orig + 4 copies) <input checked="" type="checkbox"/> N/A		
(17) NEED EXTRA EXECUTED COPIES? <input type="checkbox"/> Number: _____ <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A			(18) APPROPRIATION TRANSFER REQUIRED? <input type="checkbox"/> Submitted <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A		

Reference: 06JAN24-C-15

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(19) ADMINISTRATIVE OFFICE REVIEW	<p><i>OK Leslie Bron</i></p> <p style="font-size: 2em;"><i>B-15</i></p> <p style="font-size: 2em;"><i>1-24-06</i></p>
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SAN LUIS OBISPO COUNTY DEPARTMENT OF PUBLIC WORKS

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TO: Board of Supervisors of the San Luis Obispo County Flood Control and Water Conservation District

FROM: John R. Hollenbeck, P.E., Nacimiento Project Manager 

VIA: Paavo Ogren, Deputy Director of Public Works 

DATE: January 24, 2006

SUBJECT: Revised Policy on Nacimiento Water Project Upsizing

Recommendation

It is recommended that your Honorable Board, sitting as the Board of Supervisors for the San Luis Obispo County Flood Control and Water Conservation District, approve the revised policy for the upsizing of the Nacimiento Water Project as stated in Exhibit A.

Discussion

On February 4, 2004, (prior to execution of water delivery contracts), your Board approved the following original (and current) policy to upsize the Nacimiento Project so that it can accommodate full delivery of the Project's entire allocation of 15,750 acre-feet per year:

Project Design

The Project will be designed to deliver the full 15,750 acre-feet per year allocated for Project use based on points of delivery requested by Participating Agencies and the capability to deliver *any unsubscribed water to any point of delivery. (Emphasis added)*

The Project's Environmental Impact Report (EIR), which was certified by your Board on January 6, 2004, contemplated subscriptions for total deliveries of 13,575 acre-feet per year to those entities identified in the Project's Environmental Impact Report (EIR) (see Attachment A for list of entities), which reflected 2,625 acre-feet per year of unsubscribed water.

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In August 2004, four agencies executed contracts with the District (the cities of Paso Robles and San Luis Obispo, the Templeton Community Services District, and the Atascadero Mutual Water Company) that total 9,630 acre-feet per year, leaving 6,120 acre-feet per year unsubscribed. This unsubscribed volume is termed "Reserve Water". As a result of the February 2004 policy, the Project's design requires delivery capacity of the entire Reserve Water allocation of 6,120 acre-feet per year to the furthest point of delivery (the City of San Luis Obispo's water treatment plant - see Unit Map in Attachment B). The current Reserve Water amount of 6,120 is 3,495 (33.1%) acre-feet per year greater than the unsubscribed volume of 2,625 reflected in the Project EIR.

Additionally, the cost of public infrastructure projects has risen dramatically since your February 2004 policy decision. Revised cost estimates for the Project indicate that the District's property tax revenues, which are contractually dedicated to the Project, will not be sufficient to cover the long-term debt for the current cost estimate of upsizing the project (see Financial Considerations below for recent cost estimates). As a result, the Project's design engineers developed alternative Project upsizing scenario. The Nacimiento Commission considered those alternatives at a public hearing on December 15, 2005. The revised upsizing policy recommended in Exhibit "A" was approved by the Commission to reflect the continued need to upsize the project while also controlling project costs. The revised approach could save between \$8- to \$9-million. This scenario is described in Exhibit A.

The proposed policy will still result in full delivery capability from Lake Nacimiento, but the modified policy will reduce the pipeline's upsizing. The percentage of Reserve Water delivered to the end of the current Project is reasonably near (82-percent) the EIR-predicted Reserve Water perceived during your adoption of the February 2004 policy.

Other Agency Involvement/Impact

The Nacimiento Project Commission, representing those agencies currently participating in the Project and who are obligated to pay Project costs, unanimously approved at their December 15, 2005, meeting the design strategy described in Exhibit A.

Attachment A includes a list of all the entities evaluated in the Project's EIR.

The cities of Arroyo Grande and Grover Beach and the Oceano Community Services District are currently evaluating alternative sources of supplemental water. Under the revised policy, their ability to participate in the future is not restricted at this time but would require them to expeditiously proceed with their engineering and environmental evaluations and would require fiscal commitments to cover, at a minimum, the incremental cost of upsizing the Project to accommodate their future potential uses.

Financial Considerations

The original (Summer 2004) engineer's opinion of probably construction cost for the full-upsized Project was \$116.3M, and other financing, environmental, right-of-way, design, and construction related services bring the total Project Budget to \$150.0M.

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The current (September 2005) engineer's opinion of probably construction cost for the full-upsized Project is \$146.1M, and when the other design and construction related services are added, the Project Budget needed to build the Project would be \$179.8M.

The water delivery agreements for the Project provide the four participating entities with the right to opt-out of the Project if total cost estimates exceed \$150.0M after the initial construction bids are obtained; thus, evaluating design details, cost implications, and developing cost mitigation strategies is a significant management priority at this time.

Results

The revised Project policy will result, at a minimum, in the capability to deliver Reserve Water to points of delivery in approximately the same proportions as is being designed for those agencies who are currently participating in the Project. The policy also provides that entities included in the Project EIR, and others not included, may negotiate terms and conditions so that capacity is constructed for their potential future use.

Attachments: Exhibit A – Modified Policy for Upsizing the Nacimientto Water Project
 Attachment A – Original List of Possible Participants Identified in the EIR
 Attachment B – Nacimientto Water Project Unit Map

File: NWP File D.5.1

Reference: 06JAN24-C-15

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Exhibit A. Modified Policy for Upsizing the Nacimiento Water Project
January 24, 2005

The Nacimiento Water Project (Project) will be designed, constructed, and operated to meet the following objectives:

1. The Project will be designed to withdraw 15,750¹ acre-feet per year from Lake Nacimiento.
2. The Reserve Water of the Project is the unsubscribed volume of water within the 15,750 acre-feet per year from Lake Nacimiento. At this time with the execution of the Initial Participant Contracts, the Reserve Water is 6,120 acre-feet per year.
3. The Project will be designed to deliver the full 15,750 acre-feet per year allocated for Project use with a downsizing of the conveyance of the Reserve Water based on the proportional Delivery Entitlement of the Initial Participants. A volume of 2,148 acre-feet per year of Reserve Water will be delivered through Unit "H1", which is defined as the terminus of the existing Project conveyance at the City of San Luis Obispo's water treatment plant. The 2,148 acre-feet per year is nominally equal to the Reserve Water estimated in the Project's Environmental Impact Report (EIR) which was adopted by the Board on January 6, 2004.
4. That design for the distribution of all remaining Reserve Water is as follows:
 - a. Any entities identified in the Project Environmental Impact Report may secure full delivery capacity for their uses if they execute a Delivery Entitlement Contract so as to not delay Project construction activities and if they pay any and all costs to fully mitigate the impact of revised and/or additional Design Phase efforts that result from their request.
 - b. Any entities not identified in the Project Environmental Impact Report may request that capacity is constructed for their future potential use subject to terms and conditions approved by the Nacimiento Project Commission.
 - c. The volumetric Distribution of the Reserved Capacity is as follows:

Nacimiento Project Water (AF/yr)		15,750		Hydraulic Downsizing at Turnout	
		Total Reserve Water Available at Turnout (AF/yr)		(AF/yr)	
Participant	Delivery Entitlements Per Aug 2004 Contracts (AF/yr)	Existing	Recommended	Existing	Recommended
Paso Robles	4,000	6,120	6,120	0	2,542
Templeton	250	6,120	3,578	0	159
Atascadero	2,000	6,120	3,419	0	1,271
San Luis Obispo	3,380	6,120	2,148	0	2,148
Total	9,630			0	6,120
Current Reserve (AF/yr)	NWP Water 6,120				
Reserve Water Available for Delivery in South County (South of City of SLO) - AF/yr		6,120	2,148		

¹ The 15,750 acre-feet per year may increase if Heritage Ranch CSD subscribes to the Project. Presently, they take delivery of District Water from the Nacimiento River. If they subscribe to Project Water, their delivery would be added to the 15,750 acre-feet per year.

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Table ES.1 Tentative Nacimiento Water Project Allocations

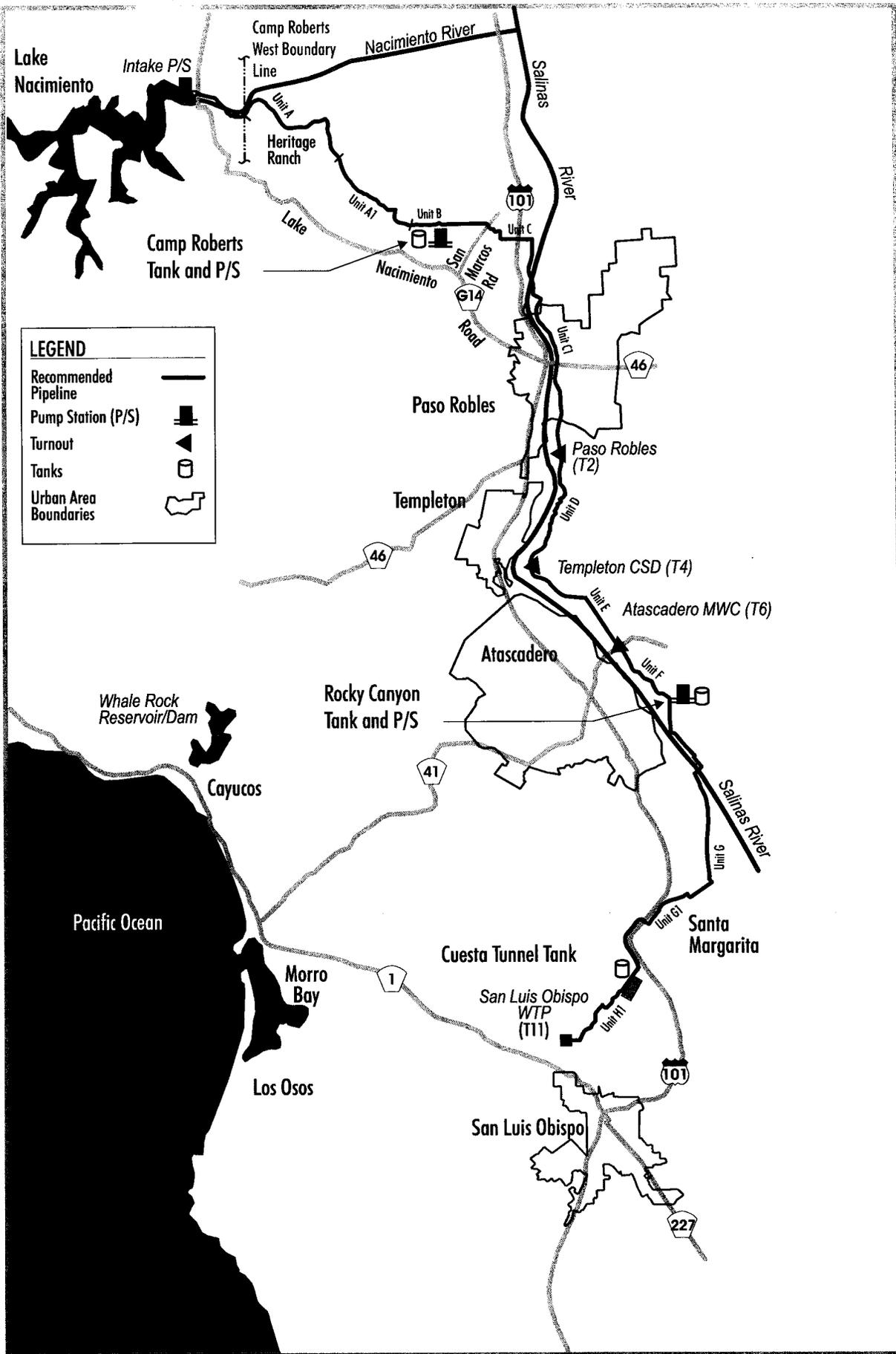
Water Purveyor	Allocation	Peaking Factor	Flow Rate	
	afy	% *	mgd	cfs
San Miguel CSD	610	10	0.60	0.93
Paso Robles City	4,000	30	4.64	7.18
Templeton CSD	250	30	0.29	0.45
Atascadero MWC	3,000	30	3.48	5.38
Santa Margarita Ranch	200	10	0.20	0.30
CSA 23-Santa Margarita	100	30	0.12	0.19
San Luis Obispo City	3,380	10	3.32	5.14
Camp San Luis Obispo	200	10	0.20	0.30
San Luis CUSD-Morro Bay	55	10	0.05	0.08
CSA 10A Cayucos	80	10	0.08	0.12
Lewis Pollard Trust-Cayucos	50	10	0.05	0.08
Morro Rock MWC-Cayucos	30	10	0.03	0.05
CSA 22-Airport Area	890	10	0.87	1.35
Fiero Lane WC-Airport Area	30	10	0.03	0.05
Edna Valley MWC-Airport Area	700	10	0.69	1.06
Subtotal	13,575		15.25	23.59
SLO County (Contingency)	2,625	10	2.57	3.98
Pipeline Total	16,200		17.82	27.57
Reserved for Lakeside use	1,300	NA	NA	NA
Total Allocation	17,500			

Note: * Peaking factor is the percent of extra capacity requested by the purveyors to allow short term flows higher than the average of their yearly allocation. For the purveyors that requested no peaking, 10% has been added to allow for system downtime.

afy =acre feet per year; mgd=million gallons per day; cfs=cubic feet per second; MWC=Mutual Water Company; CSD=Community Services District; CSA=County Service Area; SLO=San Luis Obispo; WC=Water Company; NA=Not Applicable

Source: Carollo Engineers, EIR Preparation Phase Engineering Report, April 2002.

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Nacimiento Water Project Report
UNIT MAP

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