



**Nacimiento Project Commission
Meeting and Agenda
Thursday, February 28, 2013 – 4:00 pm
Templeton Community Services District Offices**

1. Call to Order
 - a. Call to Order, Roll Call, and Flag Salute
 - b. Nomination and Election of Commission Officers
2. Public Comment
This is the opportunity for members of the public to address the Commission on items that are not on the agenda, subject to a three minute time limit.
3. Meeting Notes from November 15, 2012 (RECOMMEND APPROVAL)
4. COMMISSION INFORMATION ITEMS – written reports with brief verbal overview by staff or consultant. No action is required.
 - a. Utilities Division Manager’s Report
 - b. Credit Downgrade of Nacimiento Project Bonds
5. PRESENTATIONS – no action required.
 - a. FY 2013/14 Nacimiento Operating Fund Draft Budget
 - b. County of San Luis Obispo Fiber Optics
6. COMMISSION ACTION ITEMS
(No Subsequent Board of Supervisors Action Required)
 - a. Surplus Water Declaration for Water Year 2013
 - b. Surplus Water Pricing
 - c. City of Paso Robles Turnout Operation
7. COMMISSION ACTION ITEMS
(Board of Supervisors Action is Subsequently Required)
 - a. Demand Response Program
8. FUTURE AGENDA ITEMS DESIRED BY COMMISSION

Commissioners
John Hamon, Chair, City of El Paso de Robles
Judy Dietch, Vice Chair, Templeton CSD
Grigger Jones, Atascadero MWC
Kathy Smith, City of San Luis Obispo
Frank Mecham, SLO County Flood Control & Water Conservation District

**Next Commission meeting scheduled for
Thursday, April 18, 2013, at 4:00 pm at
Templeton Community Services District Offices**

Nacimiento Project Commission
February 28, 2013

Agenda Item 1.b – Nomination and Election of Commission Officers

(Commission Action – No Board of Supervisors Action Subsequently Required)

TO: Nacimiento Project Commission
FROM: Dean Benedix, P.E., Utilities Division Manager
DATE: February 28, 2013

In accordance with the Commission’s adopted Rules of Procedure, the Commission is to elect a Chair and Vice-Chair at the first meeting of each year. Terms of office are for one year.

Appointed Commissioners for 2013 by each Participant and the District are:

San Luis Obispo County Flood Control & Water Conservation District (also representing CSA 10A)	Frank Mecham
City of el Paso de Robles	John Hamon Duane Picanco, Alternate Commissioner
City of San Luis Obispo	Kathy Smith To be determined, Alternate Commissioner
Atascadero Mutual Water Company	Grigger Jones John Neil, Alternate Commissioner
Templeton Community Services District	Judith Dietch John Gannon, Alternate Commissioner

During calendar year 2012, Commissioner John Hamon served as Committee Chair and Commissioner Judith Dietch served as Vice-Chair. Nominations and elections for 2013 will be held at the February 28, 2013, Commission meeting.

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Nacimiento Project Commission
February 28, 2013
Agenda Item 3 – Meeting Notes from November 15, 2012

Agenda Item 1.a – Call to Order, Roll Call, Flag Salute

Chairman Hamon convened the meeting at 4:00 p.m.

Commissioners Present: Chairman John Hamon, City of Paso Robles
Vice-Chairman Judith Dietch, Templeton Community Services District
Frank Mecham, San Luis Obispo County Flood Control and Water Conservation District
Grigger Jones, Atascadero Mutual Water Company
Kathy Smith (Alternate Commissioner), City of San Luis Obispo

Agenda Item 2 – Public Comment

There were no public comments.

Agenda Item 3.a – Meeting Notes from April 19, 2012

The meeting notes from the August 23, 2012, Commission Meeting were unanimously approved without corrections.

Agenda Item 4 – Commission Informational Items

Agenda Item 4.a – Utilities Division Manager’s Report

Project Status Update

Dean Benedix updated the Commission that mediation for the Teichert case is still scheduled for December 18, 2012. Mediation for the Mountain Cascade case is now scheduled for December 5, 2012.

Unit C1 Inspection

Dean Benedix stated the inspection is complete. Some defects were found and corrected and will be addressed as part of the mediation for the Teichert case

Operations Report

Dean Benedix gave a brief summary of the operations report. The system has been shutdown for approximately two months for the Unit C1 inspection so routine maintenance has been the priority. Dean stated the erosion repair at the Intake site has been completed. Troubleshooting and some warranty work at the Santa Ysabel Pump Station is ongoing and is anticipated to be addressed as part of the mediation of the Mountain Cascade case.

Nacimiento Reservoir Status

Dean Benedix gave a brief summary of the reservoir status and data obtained from the Monterey County Water Resources Agency. The Commission asked if MCWRA does any sedimentation studies. Paavo Ogren responded that they do study one location near a tributary and that there have been no unusual findings.

Outside Agency Issues

Monterey County Water Resources Agency: Dean Benedix reported that an Agreement with MCWRA for settlement of the USGS Alert (stream gauges) and other issues has been executed. The temporary construction easement for the performance of the Intake repair was also executed as part of the Agreement.

Santa Margarita Ranch: Discussed with item 4.d.

Lewis Pollard Family Trust: Nothing to report.

Heritage Ranch Community Service District: Discussed with item 4.c.

Invasive Species Prevention Program

Dean Benedix stated that AB No. 2443 was signed by the Governor on September 23, 2012. The State Department of Boating and Waterways will develop grant programs that should be available next year.

18" Pipe Rupture

Dean Benedix gave a brief update on the pipe rupture that occurred April 13, 2012, near Santa Margarita Ranch. The initial testing on representative samples from the pipe section does not indicate anything unusual or out of Standards. Additional tests will be performed on samples taken from the dented area of the pipe section for comparison. The permanent repair with a pressure monitoring device is on hold until the testing results are thoroughly evaluated.

Intake Pipe Repair

Dean Benedix gave an update of the Intake Pipe repair status. The District anticipates the contractor starting work on December 7, 2012 with some activity prior to that for mobilization, etc. The schedule shows shutdown of the system from December 7, 2012 to March 20, 2013, but intermittent deliveries may be possible depending on work sequencing and progress.

Fiber Optic Update

Dean Benedix stated the MOU was executed September 25, 2012. A presentation by the County ITD was given to the County BOS regarding fiber optics and the staff report is attached to the Commission packet. The Commission requested that a similar presentation be given at a future Commission meeting.

Klau Buena Vista Mine Superfund Site

Dean Benedix gave an update on this item that was not included in the packet. The EPA is holding a meeting November 28, 2012, 6 p.m. at the HRCSD office regarding

their investigation of the extent of mercury contamination in and around Lake Nacimiento. The meeting will be attended by District staff. The EPA plans to initially study Las Tablas Creek, a tributary to the Lake, and then move to study of the Lake itself sometime in 2013.

Agenda Item 4.b – First Quarter Project Budget and Water Quality Budget

Dean Benedix stated that the overall quarterly budget expenditures were 14.5%, and that this number reflects that expenditures associated with routine operations and maintenance, non-routine operations and maintenance, and capital outlay.

Agenda Item 4.c – Heritage Ranch CSD request for emergency turnout

Dean Benedix gave a brief overview of the Heritage Ranch CSD request for emergency turnout and the events that have made the request necessary. Steve Tanaka, a representative of Heritage Ranch, reports on some of the other options that Heritage Ranch has explored in the past. The Commission discussed the next steps and suggested moving forward with development of the request.

Agenda Item 4.d – Santa Margarita Ranch request to become a Project Participant

Dean Benedix gave a brief summary of Santa Margarita Ranch's request to become a project participant. This includes 4 AF for fire protection, and 2 additional AF for frost protection at a later date. This would be a portion of the 200 AF that was included in the EIR. Mr. Rossi gives an overview of the Santa Margarita Ranch and their current water usage and needs, and explains why the Ranch is looking to become a participant. The Commission suggested that further development of the request be coordinated with the TSG.

Agenda Item 5 – Presentations

Agenda Item 5.a – Discussion Regarding Increasing Project Participant's Delivery Entitlement

Scott Duffield delivered a presentation regarding the foreseeable issues with increasing entitlement shares. The presentation includes proportional increase information, EIR issues, financial issues, capacity issues, and other issues. The Commission discusses the background for why the item is being discussed. The Commission discusses the timeline for new participants that were included in the EIR to take their portion of the entitlement. The commission wishes to keep the discussion on this matter moving forward and suggested that each agency address it with their individual organization.

Agenda Item 6 – Commission Action Items (No subsequent Board of Supervisors action required)

Agenda Item 6.a – 2013 Calendar of Activities

The Commission reviews the proposed 2013 Calendar and approves it with a unanimous vote.

Agenda Item 7 – Commission Action Items (Subsequent Board of Supervisors action required).

Agenda Item 7.a – TJ Cross Contract Amendment for Quagga Mussel Program Support

Dean Benedix stated that the amendment to the TJ Cross Contract will provide mussel prevention support services through June 30, 2013 at a cost of \$35,000. The support services include coordination in refining the current vessel inspection, and resident vessel program. There are currently three options with regards to the TJ Cross contract including no amendment to the contract, a six month extension, and a 1 year extension. Commissioner Jones moves that Option B, Six Month Extension, be the recommended amendment to the TJ Cross Contract, seconded by Commissioner Dietch. The motion is approved with a unanimous vote.

Agenda Item 8 – Future Agenda Items Desired by Commission

A presentation from County ITD regarding the use of fiber optics in the County, with a summary of the presentation given to the County Board of Supervisors as well as discussion on the County's short term proposed fiber optic projects and future plans.

Chairman Hamon adjourned the meeting at 5:30 p.m.

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Submitted by Scott Duffield, Project Manager

Nacimiento Project Commission
February 28, 2013
Agenda Item 4.a – Utilities Division Manager’s Report

PROJECT UPDATES

1. Construction Contracts Status Update

A summary of construction contract recent activities are as follows:

Spec 2 (Facilities): The only remaining issues are at the Santa Ysabel Pump Station and are related to the control system. Operation of the pump station is needed to determine if these control issues are warranty items or not. The pump station will not be operated until Spring 2013. A formal mediation date has not been set but monthly telephone conference updates are held between counsels.

Spec 3 (Pipeline North): Mediation of this case was held December 18, 2012.

Jacobs (Construction Management): Mediation was held February 14, 2013.

2. Operations Report

2.57 million gallons were pumped from the Intake Pump Station in January. This water was delivered to the Atascadero and Templeton turn-outs in order to work on the control system at the Santa Ysabel Pump Station. At the Santa Ysabel Pump Station we have corrected the current unbalance fault in the constant speed pumps but will need to wait until we can go into full delivery to get all the bugs worked out of the pump control program. The Intake Pipe repairs are going well with no major set backs yet encountered. We have discovered that not all of the hardware originally used was stainless steel and have had to order stainless nuts, bolts and washers to correct this. Preventative maintenance scheduled for the month of January has been completed. A leak on a pump-out about a mile upstream of the T11 turn out was discovered and repaired. A relay on the Rocky Canyon Tank float switch failed and was replaced. While in the electrical panel, sign of mouse activity was discovered. A multitude of traps were laid out and we have contacted our pest control vendor and are in the process of setting up a pest control program.

3. Raw Water pH Level Increase

Water Quality laboratory staff continues to monitor pH levels in the line. In order to minimize increased pH levels in the stagnant pipeline water, portions of the pipeline will be drained. After startup in April, sections of the pipeline will be filled and drained to Atascadero Mutual Water Company and Templeton Community Services District until an acceptable pH level is reached before Delivery Entitlement water delivery begins.

4. Nacimiento Reservoir Status

Reservoir status as reported by MCWRA is 48% percent full, or 180,850 acre-feet, as of February 21, 2013. MCWRA releases are reported as 60 cfs. See Attachment C to this report for the full MCWRA Reservoir Operations report. The TSG advised that inclusion of the MCWRA report is not necessary to be included in the TSG monthly agenda package. Does the Commission desire to continue to have this report included in future Commission packages?

5. Outside Agency Issues

Monterey County Water Resources Agency: Nothing noteworthy to report.

New Participants:

- Santa Margarita Ranch – A checking and inspection agreement is being drafted and will be sent to Santa Margarita Ranch.
- Lewis Pollard Family Trust – Nothing new to report.
- HRCSD – A checking and inspection agreement is being drafted and will be sent to HRCSD.

6. EPA Klau/Buena Vista Mines Investigation – Lake Nacimiento Study

- Mines site - The Feasibility Study report, which will describe possible cleanup alternatives, is projected to be completed before October 2013.
- Las Tablas Creek - Six monitoring sites in the Las Tablas Creek watershed have been identified and preparations are underway to begin monitoring during the next rainy season (winter 2013-14).
- Lake Nacimiento - Comments on the draft Sampling and Analysis Plan (SAP) were due from the EPA's project technical advisory group on January 22. The SAP will be refined accordingly. Currently monitoring is projected to start this summer.

7. Invasive Species Prevention Program

On January 31, 2013, representatives from Monterey and San Luis Obispo County met with the Heritage Ranch mussel coordinator. The purpose of the meeting was to observe Heritage Ranch's internal process of performing mussel inspection and their vessel tracking program. Mussel awareness classes for the Resident Vessel Program continue and will be held several more times prior to the summer boating season. We are also currently working to implement a Level I screener re-certification process. There are currently 66 vessels enrolled in the Resident Vessel Program.

8. 18-inch Pipe Rupture

The District has sent a demand letter to Southern California Pipeline (contractor) seeking recovery of all costs of the repair and investigation, and for the contractor to provide a plan for permanent repair of the pipeline. Expended costs to date are approximately \$84,000. The District is prepared to finalize and implement a permanent

repair plan should the contractor be non responsive. The District estimates the cost of the permanent repair to be approximately \$10,000 to \$12,000.

9. Intake Pipe Repair

The repair work is progressing. Tasks that require dive operations are taking slightly longer than anticipated mostly due to the higher than planned lake elevations. The latest schedule update indicates that the water delivery outage is anticipated to continue through April 10, 2013 (an additional 10 days). Some hardware including numerous washers on the intake valve flange bolts and the hydraulic line couplings have significant corrosion and appear to not be stainless steel as specified. There is also some corrosion observed on the valve bodies and actuators on intake valves 4 through 7, which may have been exacerbated by corrosion from the washers. Corrosion is also observed on the actuators in several locations. The District is looking into what can be done to minimize corrosion on the actuators. While the valves are accessible the effected hardware will be replaced with stainless steel and the valve bodies will be refurbished and recoated. These items are not accountable to Black & Veatch's responsibilities for the Intake repair work. The District is securing the parts and the intake repair subcontractor will provide the labor to replace the effected hardware and refurbish and recoat the valve bodies. The District estimates the parts and labor to be approximately \$10,000.

Several other significant items to note this month are:

- The welding of the stiffening rings onto Pipe Section 1 (underwater) is complete.
- The welding of the stiffening rings onto Pipe Section 3 and 4 is complete.
- The installation of the hydraulic lines on Pipe Section 2 (new section) is progressing.

An Intake pipe section schematic and several photographs of the intake pipe, intake valves, and other intake components are attached to this report.

10. Pectinatella magnifica (P. mag) Update

No colonies have been found since November 2012, and none are expected due to cold water temperatures. Two other reports of P. mag sightings in the last three years have been received:

- District staff has reported seeing P mag colonies hanging on the underside of the intake pipe just above the lake surface in September 2010
- Monterey County Parks Department rangers have reported seeing P mag colonies at the Lake Nacimiento Resort marina and at the entrance to the Las Tablas Creek arm in 2011

It appears that P. mag has been in Lake Nacimiento since before the NWP pipeline was operational. WQL staff has conducted the following tank inspections during pipeline shutdowns:

- January 2012 - Camp Roberts Tank
- October 2012 - Rocky Canyon Tank and Cuesta Tunnel Tank

No evidence of P. mag colonies was observed during these inspections.

11. Oak Shores Sewer Interceptor Laterals

The District has implemented some preliminary measures to decrease the immediate risk of a breach in the Interceptor Sewer System.

1. All lateral joints were taped.
2. Cleanouts were capped.
3. Buoys and signs were placed to mark all exposed laterals. Approximately 20 buoys/signs were placed at approximately 20 exposed laterals. The buoys, signs, and cables will be removed after the rainy season.

One property owner has contacted District staff to voice concern with the buoy/sign marker system. This property owner's concerns are being discussed and addressed.

The District's consultant, MNS, is still in the process of completing the Interceptor Sewer Risk Assessment Study. This Study will assess the risks associated with the Interceptor Sewer System, including its laterals, and will make recommendations for future improvement. The 100% final submittal is scheduled to be delivered on March 21, 2013, for District review.

12. Draft Fiscal Year 2013/2014 Capital Outlay Plan (COP)

The draft 8 year COP program project/equipment list was briefly discussed at the January 10, 2013, TSG meeting. A more detailed discussion will take place at the annual joint budget meeting of the Nacimiento TSG and Finance Committees on Thursday, March 14, 2013, at 2:00 pm in San Luis Obispo. Final consideration of the draft budget will be conducted at the Nacimiento Commission's annual special budget meeting to be held on Thursday, April 18, 2013, at 4:00 pm in Templeton.

13. Fiber Optic Update

At the February 14, 2013 TSG meeting, the City of San Luis Obispo presented an interest in using the fiber optic system installed with the Nacimiento Water Project for City purposes. This interest is similar to that of the City of Paso Robles' and will be discussed and developed further with the TSG and returned to the Commission as appropriate.

14. Conflict of Interest Forms

Pursuant to the Commission Conflict of Interest Code, Conflict of Interest Statements (Form 700) are required to be filed by Commissioners and Alternate Commissioners. A separate notification will be distributed in the next week. The Form 700 must be received in the County Clerk-Recorder office or postmarked by 5:00 p.m., April 2, 2013.

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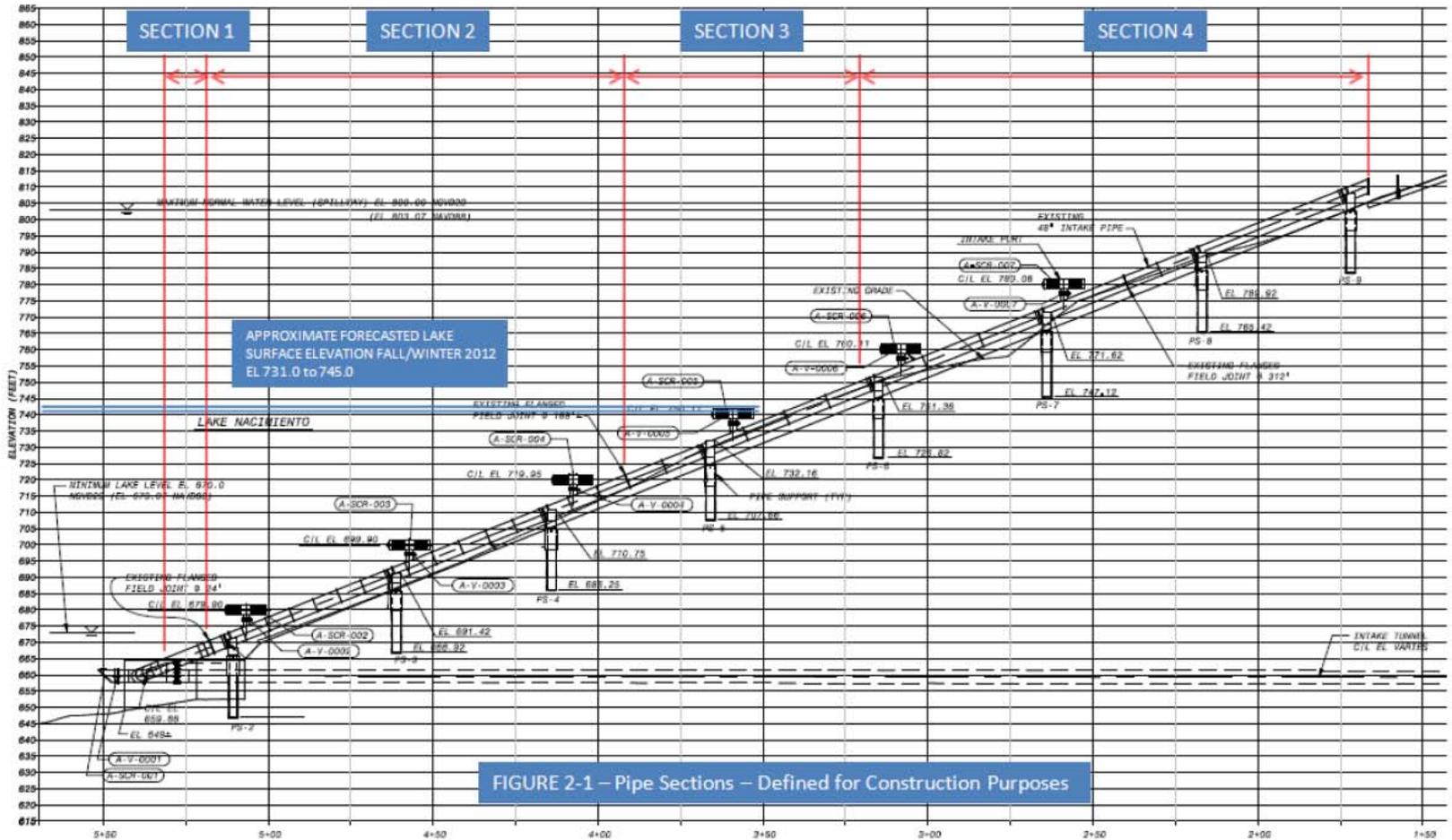


FIGURE 2-1 – Pipe Sections – Defined for Construction Purposes



Pipe Section No. 3



Pipe Section No. 2, Upper Portion



Pipe Section No. 2, Upper Portion



Pipe Section No. 2, Upper Portion



Pipe Section No. 2, Lower Portion



Pipe Section No. 2, Lower Portion



Pipe Section No. 3, Fitted With New Stiffening Rings



Pipe Section No. 2, (New, 1 of 3)



24-Inch Stainless Steel Butterfly Valve



24-Inch Stainless Steel Butterfly Valve



24-Inch Ductile Iron Butterfly Valve



**24-Inch Ductile Iron Valve, Stainless Steel Valve Actuator,
and Stainless Steel Hydraulic Lines**



Hydraulic Line Stainless Steel Union Couplings



24-Inch Ductile Iron Valve to Stainless Steel Valve Actuator Connection

Nacimiento Project Commission

February 28, 2013

Agenda Item 4.b – Credit Downgrade of Nacimiento Project Bonds
(Information Only – No Action Required)

TO: Nacimiento Project Commission

FROM: Will Clemens, Department Administrator

VIA: Dean Benedix, Utilities Division Manager

SUBJECT: Downgrade of Nacimiento Project Bonds by Fitch Ratings

DATE: February 28, 2013

Recommendation

That your Commission receives the staff report and discusses as your Commission deems appropriate.

Discussion

In 2007, the San Luis Obispo County Financing Authority issued \$190.4 million in both taxable and tax-exempt revenue bonds to finance the construction of the Nacimiento Water Project. These bonds are secured by the revenue streams provided by the contracts with the participating agencies. These bonds were given the highest rating AAA (Highest Credit Quality) out of the 9 credit categories used by Fitch Ratings. This rating was based on the financial performance of the bond insurer MBIA. This rating provided the lowest possible interest rate at the time of issuance and is fixed for the life of the bonds (30 years or until refinanced).

In 2009 the bonds were downgraded to AA- (Very High Credit Quality) based on the financial performance of the bond insurer MBIA. The modifiers “+” or “-” may be appended to a rating to denote relative status within major rating categories. This had no impact to the interest rates paid by the project participants, but only affected the cost of the bonds being sold on the secondary financial markets.

Fitch Ratings performs routine surveillance of the bond issues for which they provide ratings every two years. This involves review of the financial performance of each of the three major participants (Cities of San Luis Obispo and Paso Robles and the Atascadero Mutual Water Company). They take a “weakest link approach” and base their rating on the “weakest” of these three participants. This review was concluded in December 2012.

Based on the review, the bonds were downgraded to the third highest rating A+ (High Credit Quality). This rating was based on the challenges that Paso Robles has faced in establishing a rate structure and collecting sufficient revenue to pay its share of debt service. Those challenges are, however, not out of the norm due to requirements of Proposition 218, and the diligence of Paso Robles in its efforts is noteworthy. More detail on the rationale behind the credit downgrade is included in the attached press release from Fitch Ratings.

Again, this downgrade does not impact the interest rates currently paid by the participants, but impacts the price of the bonds sold to investors in the secondary financial market. However, it does reflect the likely rating should an additional bond sale be needed for the project. Staff does not anticipate needing to sell bonds until at least 2017, and this would only be to refund the current bonds if favorable interest rates continue as they are now.

ATTACHMENT: Fitch Ratings Press Release

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Tagging Info

**Fitch Downgrades Nacimiento Water Project Revenue Bonds to 'A+' from 'AA-';
Outlook Stable** Ratings Endorsement Policy
20 Dec 2012 3:33 PM (EST)

Fitch Ratings-San Francisco-20 December 2012: Fitch Ratings has downgraded the rating on the following San Luis Obispo County Financing Authority, CA, debt to 'A+' from 'AA-':

--\$152.9 million Nacimiento Water Project revenue bonds, series 2007A (tax-exempt);

--\$37.5 million Nacimiento Water Project revenue bonds, series 2007B (taxable).

The Rating Outlook is Stable.

SECURITY

The Project bonds are backed by take-or-pay water delivery entitlement contracts with five San Luis Obispo County water providers: the city of San Luis Obispo (SLO), the city of El Paso de Robles (Paso Robles), Atascadero Mutual Water Company (Atascadero), the Templeton Community Services District and San Luis Obispo County Service Area 10A. Contract payments are senior obligations payable from participants' gross water revenues and subject to a 25% step-up provision.

KEY RATING DRIVERS

DOWNGRADED ON FINANCIAL PERFORMANCE: The downgrade reflects poor financial performance of Paso Robles, the weakest of the three primary participants (SLO, Atascadero and Paso Robles).

WEAK FINANCIAL PERFORMANCE: Financial performance of most participants has been adequate, but tardy rate action, reduced connection fee revenues and weak water sales in Paso Robles have yielded several years of inadequate financial performance with debt service coverage below 1.0x in fiscal years 2011 and 2012 and unlikely to reach a sustainable level until fiscal 2014 or 2015.

STRONG RESERVES ALLOW ADJUSTMENT: Each of the primary participants has significant reserves. Paso Robles came into the project with a significant cash cushion (1,275 days of unrestricted cash at the end of fiscal 2011) that it is utilizing as it adjusts to project debt service costs. While liquidity is forecast to remain adequate, multiyear draws on reserves to meet debt service obligations are unusual and not compatible with the 'AA-' category rating.

VARIABLE RATES, FIXED EXPENSES: Paso Robles has approved rates that should provide adequate coverage by fiscal 2015, but the new rates are entirely volumetric, creating a mismatch between high fixed costs and the entirely variable rate structure.

HIGH DEBT BURDEN: The participants all have high debt burdens relative to their customer bases due to the project. The resulting debt service has challenged most of the participating agencies, but particularly Paso Robles.

SIGNIFICANT SERVICE AREA: The Nacimiento Water Project is of vital economic importance to California's Central Coast region. The project provides increased water supply reliability and allows for future demand growth, improving the economic prospects of the region. The area was less hard hit by the economic downturn than most California communities and is recovering at a gradual pace.

SOLID LEGAL FRAMEWORK: Debt service is supported by take-or-pay water delivery entitlement contracts that provide strong bondholder protection despite variable water supply and demand conditions. A 25% step up provision lessens risk

of failure by any given member, but are insufficient to fully offset payments of largest members.

WEAKEST LINK ANALYSIS: Fitch's analysis centers on the three primary participants, which pay 96% of debt service and whose contributions could not be fully recouped through step-up provisions. The 'A+' rating reflects the credit quality of Paso Robles, the weakest of the primary participants.

ATASCADERO, SLO REMAIN STRONG: Fitch rates the city of San Luis Obispo's water revenue bonds 'AA' with a Stable Outlook. Atascadero's financial performance is solid with healthy liquidity and adequate, consistent debt service coverage.

WHAT COULD TRIGGER A RATING ACTION

CONTINUED WEAK FINANCIAL PERFORMANCE: Fitch expects the current period of financial weakness to be temporary, but any further decline in performance or continued weakness after the current period of adjustment would put downward pressure on the rating.

CREDIT PROFILE

The participating water agencies are located on California's central coast about halfway between Los Angeles and San Francisco. The project consists of a 45-mile pipeline that connects the agencies to Lake Nacimiento, a reservoir in the sparsely developed region near the border between San Luis Obispo and Monterey counties. The connection provides the region with an additional 15,750 acre feet of water annually.

PASO ROBLES PERFORMS POORLY

Financial performance has been weaker than expected in Paso Robles due to weak water sales, decreasing connection fee revenues, and tardy rate adjustments. The utility posted a small loss before paying debt service in fiscal 2011, providing no debt service coverage and requiring \$1.2 million of debt service to be paid from reserves. Preliminary unaudited results show Fitch calculated coverage rising to just 0.5x in fiscal 2012, the first year of full debt service. The city's cash flow projections don't show it reaching 1.0x coverage until 2014, and the system is unlikely to generate enough excess revenues to sustainably maintain and invest in the system until 2015.

Paso Robles faced significant opposition to fixed capital charges it tried to impose to support project costs, including protests under California's Proposition 218 and legal challenges. The rate controversy delayed the city's plan to gradually raise rates to fully cover debt service costs by about four years. After scrapping its initial rate plan, the city has imposed a five-year, 2012 - 16 rate package that will provide adequate debt service coverage when fully phased-in, but leaves it with very weak performance and vulnerable to various risks in the early years of its financial forecast.

The rate package replaces a fixed capital charge with a volumetric rate that's likely to provide less consistent results. While the forecast appears reasonably conservative in terms of water demand and connection fee revenues, it is materially weaker than prior expectations and incompatible with an 'AA' category rating. The Paso Robles water enterprise's financial liquidity appears adequate to withstand this period, having started with a very robust \$23.0 million of unrestricted cash and investments at the end of 2011. The utility's cash flow projections show it drawing reserves below policy targets over the next five years, in part due to required deposits to a coverage fund (essentially a prepayment of debt service) due to its failure to meet its 1.25x debt service coverage target.

While these deposits are a sign of stress, they do benefit bondholders more than some other uses of the funds and help support the rating at the 'A+' level. Fitch believes the utility's cash position will remain healthy, but it is vulnerable to further shocks and unlikely to support a higher rating in the near term.

The delay in increasing rates has also forced the city to delay construction of a water treatment plant that would allow it to fully utilize its share of Nacimiento water. The city plans to begin using the pipeline water for groundwater recharge in the next year or so, but it has been forced to maintain water rationing in the meantime, artificially reducing sales and financial performance. With Paso Robles' reserves diminished to pay debt service in the early years of project operations, the city will likely need to rely on debt to finance construction of a water treatment plant that would allow it to take fuller advantage of project water, increasing already high debt ratios. Paso Robles plans to issue about \$8 million of bonds over the next several years to finance construction of a scaled back treatment plant. Debt per customer is forecast to rise from \$6,500 at the end of fiscal 2012 to about \$6,700 in 2017.

IMPORTANT SUPPLY TO SOLID SERVICE AREA

The Nacimiento project provides significant new water supply that should bolster the prospects of the underlying regional economy. The service area is known for its mild climate, vineyards and natural beauty. While development was slowed by the recession and the downturn in the U.S. housing market, the San Luis Obispo County economy has outperformed the state of California during the downturn. The local economy is relatively stable - anchored by government, educational institutions, and utilities. The state is a major employer via a local prison, university and hospital. Tourism, agriculture,

retailing and construction are major private industries. San Luis Obispo County's unemployment rate was well below the state average at 7.3% in October. The rate has declined by three percentage points since the beginning of 2010. Over the longer term, the county's labor market has performed better than the nation as well. The jobless rate was well below the national average for the decade prior to the current recession and held below 5% for every year from 1997 to 2007.

STRONGER OBLIGORS ADJUST MORE QUICKLY, BUT FEEL STRESS

The City of San Luis Obispo's water enterprise (water revenue bonds rated 'AA' with a Stable Outlook by Fitch) has exhibited strong financial performance during the recession due to its stable and diverse customer base, annual rate increases and long-range financial planning. Net revenues available for debt service have averaged 2.4x in recent years, and liquidity has been consistently strong with more than 600 days cash on hand. The utility also encountered stress due to the rising Nacimiento debt service burden and recent adverse weather and economic conditions, but coverage is likely to remain at or above 1.0x during its adjustment to the new debt service and likely to recover to approach 2.0x before the end of the current forecast horizon.

Atascadero's financial performance remains adequate with debt service coverage at 2.7x in 2011 and about 1.3x according in 2012, the first year of full debt service. The private, non-profit water utility expects to post debt service coverage of about 1.2x over five year forecast horizon. While this coverage is slim, capital needs are minimal, leaving the utility with less need for excess revenues than other project participants. The forecast appears conservative both in terms of connection fee revenues and water demand. The utility has significant rate flexibility because it is not regulated by the California Public Utilities Commission or subject to the tax and fee limitations that apply to rate-setting at governmental water agencies. The utility has ample liquidity to withstand any near-term financial stress with 430 days cash on hand at the end of fiscal 2012.

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

In addition to the sources of information identified in the Revenue-Supported Rating Criteria, this action was informed by information from CreditScope and IHS Global Insights.

Applicable Criteria and Related Research:

--'Revenue-Supported Rating Criteria', dated June 12, 2012;
--'U.S. Water and Sewer Revenue Bond Rating Criteria', dated Aug. 3, 2012;
--'2012 Water and Sewer Medians', dated Dec. 8, 2011;
--'2012 Outlook: Water and Sewer Sector', dated Dec. 8, 2011.

Applicable Criteria and Related Research:

Revenue-Supported Rating Criteria
U.S. Water and Sewer Revenue Bond Rating Criteria
2012 Water and Sewer Medians
2012 Outlook: Water and Sewer Sector

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Nacimiento Project Commission
February 28, 2013
**Agenda Item 5.a – Fiscal Year 2013–2014 Operating Fund Draft
Budget**
(Information Only – No Action Required)

TO: Nacimiento Project Commission

FROM: Wendy Hall, Administrative Services Manager

VIA: Dean Benedix, Utilities Division Manager

SUBJECT: Fiscal Year 2013-2014 Operating Fund Draft Budget

DATE: February 28, 2013

Copies of the draft Fiscal Year 2013-2014 Project Budget will be provided at the Commission meeting on February 28, 2013. On March 14, 2013, the Nacimiento TSG and Finance Committees will meet with District staff at 2:00 pm in San Luis Obispo to discuss the draft budget. Subsequently, on April 18, 2013, the Nacimiento Commission will meet in Templeton at 4:00 pm to conduct its annual special budget meeting to consider approval of the 2013-2014 Project Budget.

* * *

Nacimiento Project Commission
February 28, 2013
Agenda Item 5.b – County of San Luis Obispo Fiber Optics
(Information Only – No Action Required)

TO: Nacimiento Project Commission
FROM: Scott Duffield, Project Manager
VIA: Dean Benedix, Utilities Division Manager
SUBJECT: County of San Luis Obispo Fiber Optics
DATE: February 28, 2013

As requested by your Commission at the November 15, 2012 meeting, a presentation regarding the County of San Luis Obispo fiber optic system will be given by a representative of San Luis Obispo County Information Technology.

* * *

Nacimiento Project Commission

February 28, 2013

Agenda Item 6.a – Surplus Water Declaration for Water Year 2013

(Commission Action – No Subsequent Board Action Required)

TO: Nacimiento Project Commission
FROM: Doug Bird, Hydraulic Operations Administrator
VIA: Dean Benedix, Utilities Division Manager
SUBJECT: Surplus Water Declaration for Water Year 2013
DATE: February 28, 2013

Recommendation

Declare 9607 acre-feet of Surplus Water available for Water Year 2013.

Discussion

Provisions of the delivery entitlement contract address water pricing and declaration of available Surplus Water. Article 12(A) states that:

(A) District Determination of Amount of Surplus Water; Reserve Pool; Turn-Back. The District shall notify All Participants of the total amount of Surplus Water, if any, available for a Water Year on or about the first day of the then-current Water Year, and once so declared by the District, said amount shall not be changed without first obtaining the consent of All Participants. Surplus Water purchased by the Participant will be delivered to the Participant in the same manner provided for in the delivery of the Participant's Delivery Entitlement and to the extent that all of said Surplus Water purchased is not in fact taken by the Participant by the end of the Water Year in question, then such undelivered amount of Surplus Water shall revert to the District and shall not thereafter be available to the Participant.

Since the Water Year runs from October 1st to September 30th (e.g., Water Year 2013 is October 1, 2012, through September 30, 2013), it is time for the District to make the notification regarding Surplus Water. Surplus Water is defined as Reserve Water plus Turn-Back Pool Water as follows:

Reserve Water = Nacimiento Reservoir Water – Prior Commitment Water – Total Delivery Entitlement Obligation
17,500 – 1,750 – 9,655 for Water Year 2012
6,095 AFY

Turn-Back Pool Water = Total Delivery Entitlement Obligation – Participant Delivery Requests

9,655 – 6143 for Water Year 2013
3,512 AFY

Surplus Water = Reserve Water + Turn-Back Pool Water

6,095 + 3,512 for Water Year 2013
9,607 AFY

Reserve Pool Water = Portion of Reserve Water remaining after satisfying provisions of Article 29(A) – Use of Reserve Water (i.e., to alleviate permanent shortages, to alleviate temporary shortages, to satisfy obligations to Reserve Water Customers, for additional water to Participants and Other Participants, and for New Participants).

The District hereby notifies All Participants of the total amount of Surplus Water available and said amount shall not be changed without consent of All Participants. The Reserve Pool Water portion of Surplus Water is hereby offered to Participants as follows:

Participant	Delivery Entitlement Share (acre-feet per year)	Delivery Requests	Proportional Offer of Reserve Pool Water for Water Year 2012 (acre-feet)
City of el Paso de Robles, T2	4,000	988	2,525.1
Templeton CSD, T4	250	250	157.8
Atascadero MWC, T6	2,000	1500	1,262.6
City of San Luis Obispo, T11	3,380	3380	2,133.7
CSA 10A, T11	25	25	15.8
TOTAL =	9,655	6143	6,095

Reserve Pool Water shall be offered and re-offered per Article 12(B)(1) until all of the Reserve Pool Water has been sold. Turn-Back Pool Water may only be offered so long as no Reserve Pool Water remains.

Once All Participant water needs are satisfied by either delivery of Delivery Entitlement or Surplus Water, then the San Luis Obispo District “shall use its best efforts to temporarily lease the Reserved Capacity Water” (Article 30).

In its role to administer the Reserve Pool and Turn-Back Pool program, the Utilities Division has prepared a Surplus Water Pricing staff report for inclusion in the Commission’s February 28, 2013, agenda package.

In addition, staff has attached a copy of the spreadsheet report “Water Delivery Entitlement Contract Reporting” hereto. The report details the delivery requests for each of the Participants for Water Years 2013, 2014, and 2015.

This item was presented to the TSG on February 14, 2013. The TSG had not comments on this item.

Financial Considerations

Declaration of the amount of Surplus Water for Water Year 2013 carries with it no direct financial impact. Turn-Back Pool Water, and related terms for future Reserve Water Customer agreements have been set to policy. It was agreed that in the beginning years of operations the District will use budget estimates, however, when a full year of operations has elapsed the calculation would be based on prior years actuals to set water pricing as stated in the Delivery Entitlement contracts. Revenues from sale of such water would be credited back to Participants and the District per the terms of the delivery entitlement contracts.

Results

Declaring Surplus Water for the current water year will put into motion Reserve Pool and Turn-Back Pool water offers and allow the District to entertain agreements with Reserve Water Customers.

File: CF 622.10.01 General Correspondence

Attachment: Water Delivery Entitlement Contract Reporting

* * *

Water Delivery Entitlement Contract Reporting
Article 7 - Water Delivery Amounts and Schedule - PRELIMINARY, DATED 10/12/11
Water Years: 2012, 2013, and 2014

Note: Water Year is October 1 through September 30, thus, WY 2012 is Oct 1, 2011 through Sep 30, 2012.
 Note: Items in blue are manual inputs



NWP NACIMIENTO WATER PROJECT
 San Luis Obispo County Flood Control & Water Conservation District

Project Summary			
Water Year:	2012	2013	2014
Nacimiento Reservoir Water (AF):	17,500.0	17,500.0	17,500.0
Prior Commitment Water (AF):	1,750.0	1,750.0	1,750.0
Total Delivery Entitlement Obligation (AF):	9,655.0	9,655.0	9,655.0
Participant Delivery Requests (AF):	5,655.0	5,655.0	5,655.0
Reserve Water (AF):	6,095.0	6,095.0	6,095.0
Turn-Back Pool Water (AF):	4,000.0	4,000.0	1,535.5
Surplus Water (AF):	10,095.0	10,095.0	7,630.5
Reserve Water Customer Obligations (AF):	0.0	0.0	0.0
Reserve Pool Water (AF):	4,000.0	4,000.0	1,535.5
Reserve Water requested (AF):	0.0	0.0	0.0

WATER YEAR: 2012 Delivery Entitlement = 4,000.0 AF Turn-Back Pool Water (AF) = 4,000.0 AF
 Delivery Entitlement = 250.0 AF Turn-Back Pool Water (AF) = 0.0 AF
 Delivery Entitlement = 2,000.0 AF Turn-Back Pool Water (AF) = 0.0 AF
 Delivery Entitlement = 3,380.0 AF Turn-Back Pool Water (AF) = 0.0 AF
 Delivery Entitlement = 25.0 AF Turn-Back Pool Water (AF) = 0.0 AF

Participant	Unit T2 - Paso Robles						Unit T4 - Templeton CSD						Unit T6 - Atascadero MWC						Unit T11 - San Luis Obispo						Unit T11a - CSA10A					
	Delivery Amount (acre-feet)			Max capable = 9.03 cfs			Delivery Amount (acre-feet)			Max capable = 1.03 cfs			Delivery Amount (acre-feet)			Max capable = 8.29 cfs			Delivery Amount (acre-feet)			Max capable = 5.10 cfs			Delivery Amount (acre-feet)			Max capable = 0.04 cfs		
	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM
OCT	0.0	0.0	0.0	0.00	0:00	0:00	23.8	0.0	23.8	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	310.0	0.0	310.0	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
NOV	0.0	0.0	0.0	0.00	0:00	0:00	23.8	0.0	23.8	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	306.2	0.0	306.2	8.40	6:00	21:00	2.3	0.0	2.3	0.04	0:00	0:00
DEC	0.0	0.0	0.0	0.00	0:00	0:00	9.0	0.0	9.0	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	144.3	0.0	144.3	8.40	6:00	21:00	1.0	0.0	1.0	0.02	0:00	0:00
JAN	0.0	0.0	0.0	0.00	0:00	0:00	8.3	0.0	8.3	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	164.6	0.0	164.6	8.40	6:00	21:00	1.0	0.0	1.0	0.02	0:00	0:00
FEB	0.0	0.0	0.0	0.00	0:00	0:00	22.0	0.0	22.0	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	296.1	0.0	296.1	8.40	6:00	21:00	2.3	0.0	2.3	0.04	0:00	0:00
MAR	0.0	0.0	0.0	0.00	0:00	0:00	23.8	0.0	23.8	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	310.0	0.0	310.0	8.40	6:00	21:00	2.3	0.0	2.3	0.04	0:00	0:00
APR	0.0	0.0	0.0	0.00	0:00	0:00	23.0	0.0	23.0	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	306.2	0.0	306.2	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
MAY	0.0	0.0	0.0	0.00	0:00	0:00	23.8	0.0	23.8	0.39	0:00	0:00	250.0	0.0	250.0	8.29	0:00	0:00	310.0	0.0	310.0	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
JUN	0.0	0.0	0.0	0.00	0:00	0:00	23.0	0.0	23.0	0.39	0:00	0:00	500.0	0.0	500.0	8.29	0:00	0:00	306.2	0.0	306.2	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
JUL	0.0	0.0	0.0	0.00	0:00	0:00	23.8	0.0	23.8	0.39	0:00	0:00	500.0	0.0	500.0	8.29	0:00	0:00	310.0	0.0	310.0	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
AUG	0.0	0.0	0.0	0.00	0:00	0:00	23.8	0.0	23.8	0.39	0:00	0:00	500.0	0.0	500.0	8.29	0:00	0:00	310.0	0.0	310.0	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
SEP	0.0	0.0	0.0	0.00	0:00	0:00	23.0	0.0	23.0	0.39	0:00	0:00	250.0	0.0	250.0	8.29	0:00	0:00	306.2	0.0	306.2	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
TOTALS	0.0	0.0	0.0				250.0	0.0	250.0				2,000.0	0.0	2,000.0				3,380.0	0.0	3,380.0				25.0	0.0	25.0			

WATER YEAR: 2013 Delivery Entitlement = 4,000.0 AF Turn-Back Pool Water (AF) = 4,000.0 AF
 Delivery Entitlement = 250.0 AF Turn-Back Pool Water (AF) = 0.0 AF
 Delivery Entitlement = 2,000.0 AF Turn-Back Pool Water (AF) = 0.0 AF
 Delivery Entitlement = 3,380.0 AF Turn-Back Pool Water (AF) = 0.0 AF
 Delivery Entitlement = 25.0 AF Turn-Back Pool Water (AF) = 0.0 AF

Participant	Unit T2 - Paso Robles						Unit T4 - Templeton CSD						Unit T6 - Atascadero MWC						Unit T11 - San Luis Obispo						Unit T11a - CSA10A					
	Delivery Amount (acre-feet)			Max capable = 9.03 cfs			Delivery Amount (acre-feet)			Max capable = 1.03 cfs			Delivery Amount (acre-feet)			Max capable = 8.29 cfs			Delivery Amount (acre-feet)			Max capable = 5.10 cfs			Delivery Amount (acre-feet)			Max capable = 0.04 cfs		
	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM
OCT	0.0	0.0	0.0	0.00	0:00	0:00	23.8	0.0	23.8	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	310.0	0.0	310.0	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
NOV	0.0	0.0	0.0	0.00	0:00	0:00	23.8	0.0	23.8	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	307.8	0.0	307.8	8.40	6:00	21:00	2.3	0.0	2.3	0.04	0:00	0:00
DEC	0.0	0.0	0.0	0.00	0:00	0:00	9.0	0.0	9.0	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	145.4	0.0	145.4	8.40	6:00	21:00	1.0	0.0	1.0	0.02	0:00	0:00
JAN	0.0	0.0	0.0	0.00	0:00	0:00	8.3	0.0	8.3	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	165.7	0.0	165.7	8.40	6:00	21:00	1.0	0.0	1.0	0.02	0:00	0:00
FEB	0.0	0.0	0.0	0.00	0:00	0:00	22.0	0.0	22.0	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	287.5	0.0	287.5	8.40	6:00	21:00	2.3	0.0	2.3	0.04	0:00	0:00
MAR	0.0	0.0	0.0	0.00	0:00	0:00	23.8	0.0	23.8	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	310.0	0.0	310.0	8.40	6:00	21:00	2.3	0.0	2.3	0.04	0:00	0:00
APR	0.0	0.0	0.0	0.00	0:00	0:00	23.0	0.0	23.0	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	307.8	0.0	307.8	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
MAY	0.0	0.0	0.0	0.00	0:00	0:00	23.8	0.0	23.8	0.39	0:00	0:00	250.0	0.0	250.0	8.29	0:00	0:00	310.0	0.0	310.0	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
JUN	0.0	0.0	0.0	0.00	0:00	0:00	23.0	0.0	23.0	0.39	0:00	0:00	500.0	0.0	500.0	8.29	0:00	0:00	307.8	0.0	307.8	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
JUL	0.0	0.0	0.0	0.00	0:00	0:00	23.8	0.0	23.8	0.39	0:00	0:00	500.0	0.0	500.0	8.29	0:00	0:00	310.0	0.0	310.0	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
AUG	0.0	0.0	0.0	0.00	0:00	0:00	23.8	0.0	23.8	0.39	0:00	0:00	500.0	0.0	500.0	8.29	0:00	0:00	310.0	0.0	310.0	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
SEP	0.0	0.0	0.0	0.00	0:00	0:00	23.0	0.0	23.0	0.39	0:00	0:00	250.0	0.0	250.0	8.29	0:00	0:00	307.8	0.0	307.8	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
TOTALS	0.0	0.0	0.0				250.0	0.0	250.0				2,000.0	0.0	2,000.0				3,380.0	0.0	3,380.0				25.0	0.0	25.0			

WATER YEAR: 2014 Delivery Entitlement = 4,000.0 AF Turn-Back Pool Water (AF) = 1,535.5 AF
 Delivery Entitlement = 250.0 AF Turn-Back Pool Water (AF) = 0.0 AF
 Delivery Entitlement = 2,000.0 AF Turn-Back Pool Water (AF) = 0.0 AF
 Delivery Entitlement = 3,380.0 AF Turn-Back Pool Water (AF) = 0.0 AF
 Delivery Entitlement = 25.0 AF Turn-Back Pool Water (AF) = 0.0 AF

Participant	Unit T2 - Paso Robles						Unit T4 - Templeton CSD						Unit T6 - Atascadero MWC						Unit T11 - San Luis Obispo						Unit T11a - CSA10A					
	Delivery Amount (acre-feet)			Max capable = 9.03 cfs			Delivery Amount (acre-feet)			Max capable = 1.03 cfs			Delivery Amount (acre-feet)			Max capable = 8.29 cfs			Delivery Amount (acre-feet)			Max capable = 5.10 cfs			Delivery Amount (acre-feet)			Max capable = 0.04 cfs		
	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM	Normal Delivery	Reserve Water Request	Total Delivery Amount	Maximum Flow Rate (cfs)	Begin HH:MM	End HH:MM
OCT	209.3	0.0	209.3	3.40	0:00	0:00	23.8	0.0	23.8	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	310.0	0.0	310.0	8.40	5:00	22:00	2.3	0.0	2.3	0.04	0:00	0:00
NOV	202.6	0.0	202.6	3.40	0:00	0:00	23.0	0.0	23.0	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	307.8	0.0	307.8	8.40	6:00	21:00	2.3	0.0	2.3	0.04	0:00	0:00
DEC	209.3	0.0	209.3	3.40	0:00	0:00	9.0	0.0	9.0	0.39	0:00	0:00	0.0	0.0	0.0	0.00	0:00	0:00	145.4	0.0	145.4	8.40	6:00	21:00	1.0	0.0	1.0	0.02	0:00	0:00
JAN	209.3	0.0	209.3	3.																										

Nacimiento Project Commission
 February 28, 2013
Agenda Item 6.b – Surplus Water Pricing
 (Commission Action – No Subsequent Board Action Required)

TO: Nacimiento Project Commission
FROM: Doug Bird, Hydraulic Operations Administrator
VIA: Dean Benedix, Utilities Division Manager
DATE: February 28, 2013
SUBJECT: Surplus Water Pricing

Recommendation

We recommend that your honorable Commission receive and accept this *surplus water* staff report for the record and for use in considering the sale of *surplus water* to other potential participants (including third parties). District staff has developed this report to illustrate a simplified version of the process for *surplus water* determinations and cost development.

Summary

The table shown below (excerpted from attached Exhibit C – Surplus Water) summarizes water year (October 1 to September 30) surplus water costs based on the agreed upon terms in the *Water Delivery Entitlement Contracts*.

Participant	AFY	Fixed O&M per AF, with Turnout Costs	Fixed O&M per AF, less Turnout Costs	Variable Energy Per AF (Actual)	Reserve Water Costs for Participants Total (1) with Turnout Costs	Reserve Water Costs for Participants Total (1) less Turnout Costs	FY 2011-2012 Annualized Debt Service Per AF, with Turnout Costs	FY 2011-2012 Annualized Debt Service Per AF, less Turnout Costs	Reserve Water Costs/Reserve Water Customers Total (2) with Turnout Costs	Reserve Water Costs/Reserve Water Customers Total (2) less Turnout Cost
City of El Paso De Robles	4,000	\$131	\$131	\$0	\$131	\$131	\$1,105	\$1,073	\$1,236	\$1,204
Templeton CSD	250	\$131	\$131	\$0	\$131	\$131	\$1,746	\$1,715	\$1,877	\$1,845
Atascadero MWC	2,000	\$131	\$130	\$0	\$131	\$130	\$1,322	\$1,299	\$1,453	\$1,429
City of SLO	3,380	\$131	\$130	\$0	\$131	\$130	\$1,576	\$1,551	\$1,707	\$1,681
County Service Area 10	25	\$131	\$130	\$0	\$131	\$130	\$1,576	\$1,551	\$1,707	\$1,681
Turn-back Pool Water (3)		\$131	\$130 Actual		\$131	\$131	\$1,746	\$1,715	\$1,877	\$1,846

Discussion

The *Water Delivery Entitlement Contract* (WDEC) (all italicized text are specifically defined terms in the WDEC) language establishes the process for the District's annual

determination of the amount of *surplus water* available for sale and the process to determine the cost per acre foot (AF) for said *surplus water*. As with many legal contracts/agreements the exact intent of the language may not be inherently clear and District staff has undertaken to provide additional clarification in the matter of *surplus water* determinations, declarations and pricing.

The information provided in this report is a condensed form of the language within the WDEC and was drawn from a number of articles in the WDEC including: Articles 12, 16, 29, and 30. The discussion provided herein should be considered informational only and the original WDEC should be referenced in any legal matters relating to *surplus water* as discussed in this report.

For purposes of clarification a water balance graphic (Exhibit A) was developed to illustrate the division of the District's 17,500 AF of water into various portions or 'pools' of water. In addition, for further clarification, a description of each 'pool' is provided in Exhibit B.

Surplus Water Determination

Annually, on or before October 1st (*Water Year* is from October 1st to September 30th) District staff will calculate the quantity and cost of *surplus water* available for deliveries to the Participants or others. The total amount of water available (Participant Allocation) to the Project is 15,750 AF but as of this report the Participants have contracted for only 9,655 AF (*Total Delivery Entitlement Obligation*) of that amount. The remaining 6,095 AF is therefore considered to be *Reserve water* (one of two components of *Surplus water*).

During the current *Water Year* the Participants requested only a portion (6,143 AF) in deliveries (Delivery Request) out of the total 9,655 AF available, and therefore the remaining balance of 3,512 AF is considered to be *Turnback Pool water* (the second component of *Surplus water*).

Using this current year example detailed above, the total amount of *Surplus water* is 9,607 AF (i.e. *Surplus water* = *Reserve water* plus *Turnback Pool Water*, or 9,607 AF = 6,095 AF + 3,512 AF). The total amount of *Surplus water* is now available for sale to the Participants or others that may be interested in purchasing the water, with one caveat. The *Reserve water* must be sold off in its entirety prior to the sale of any *Turnback Pool Water*.

Reserve Water Pricing

The cost of *Reserve water* to each Participant consists of two components:

- 1) *Operations and Maintenance Costs* per AF of *Reserve water* for the prior year
- 2) *Variable Energy Costs* associated with the delivery of the *Reserve water*.

For Non-Participants a third component (Debit Service) is added:

3) *Debt Service Costs* per AF for *Reserve water* delivered for the current year.

The attached Exhibit “C” (*Surplus Water*) provides a more detailed breakdown of the specifics for developing these cost figures as well as references to the particular WDEC Articles that govern this process. Note that the cost figures in Exhibit “C” reflect the actual prior year costs for both *Reserve* and *Turnback Pool* water.

Turnback Pool Water Pricing

The cost of *Turnback Pool Water* to each Participant consists of two components:

- 1) *Operations and Maintenance Costs* per AF based on prior year average O&M costs for the delivery of all Delivery Entitlements
- 2) *Variable Energy Costs* associated with the delivery of *Turnback Pool Water*.

For Non-Participants a third component (*Debit Service*) is added:

- 3) *Debit Service Costs* per AF for *Turnback Pool* water delivered for the current year

Exhibit “C” provides a table that indicates the cost per acre-foot of *Turnback Pool* water and as indicated in the table’s footnote, the debt service cost per AF was calculated to be the highest cost that any of the Participant agencies would have to pay (per the terms of the WDEC). It should also be noted that these rates could be adjusted if your Commission so desired.

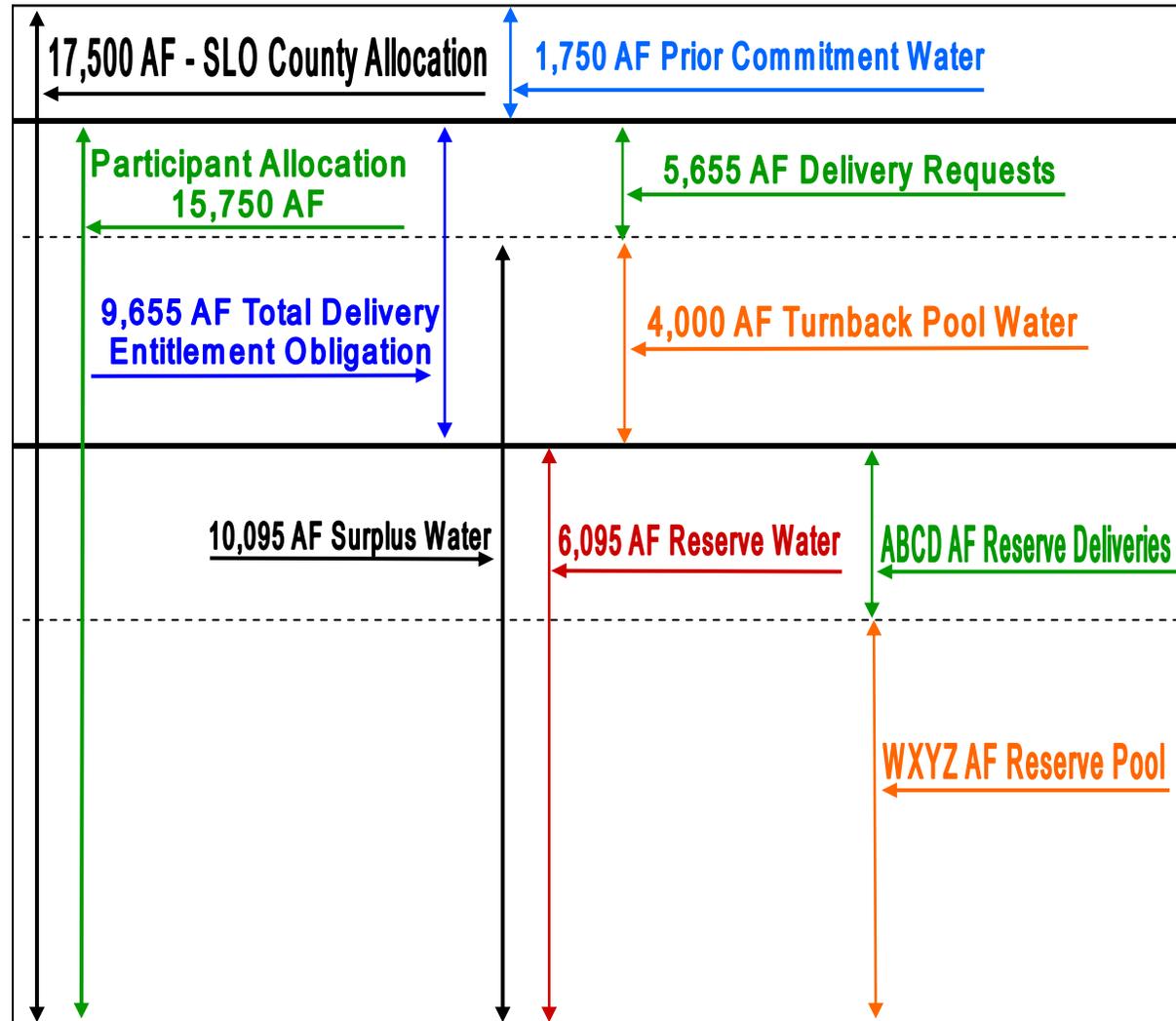
Attachments: Exhibit A – Water Supply Graphic
Exhibit B – Nacimiento Water Project Water Terminology
Exhibit C – Surplus Water

File: CF 622.10.01 General Correspondence

* * *

Exhibit A

Nacimiento Water Project 2011



Reserve Water = Nacimiento Total minus Prior Commitment minus Total Delivery Entitlement Obligation Water

Turn Back Pool = Total Delivery Entitlement Obligation Water minus Participant Delivery Requests

Surplus Water = Reserve Water + Turn Back Pool Water

Reserve Pool Water = Reserve Water minus Reserve Water Deliveries

D.Bird, 7 February 2013 , N\NWP\Delivery Allocations and Surplus Water

Exhibit B
Nacimiento Water Project
Project Water Terminology

- *Nacimiento Reservoir Water* – 17,500 acre feet, the entire allocation of Nacimiento water contracted to the District
- *Prior Commitment Water* – 1,750 acre feet, the amount of water designated for various lakeside users and not available for deliveries to the Participant agencies
- *Nacimiento Project Water* – 15,750 acre feet, the amount of District Allocation remaining and available for deliveries after subtracting the Prior Commitment Water
- *Total Delivery Entitlement Obligation* – Currently 9,655 acre feet, the amount of water contracted for by the Participant agencies and that the District is obligated to deliver to the Participants upon request
- *Delivery Requests* – Currently 3,189.2 acre feet, the amount of water deliveries requested by the Participants for the following Water Year
- *Turnback Pool Water* – Currently 6,465.8 acre feet, the amount of the *Total Delivery Entitlement Obligation* remaining after subtracting the Delivery Request amount from the *Total Delivery Entitlement Obligation* (*Turnback Pool Water* is one of two components of the *Surplus Water* pool)
- *Reserve Water* – Currently 6,095 acre feet, the amount of Participant Allocation remaining after subtracting the Total Delivery Entitlement Obligation from the Participant Allocation (*Reserve Water* is one of two components of the *Surplus Water*)
- *Surplus Water* - Currently 12,560.8 acre feet, the combined amount of *Turnback Pool Water* and *Reserve Water*
- *Reserve Deliveries* – Currently 0.0 acre feet, the amount of Reserve Water sold to the Participants or other parties
- *Reserve Pool Water* – Currently 6,095 acre feet, the amount of *Reserve Water* remaining after subtracting Reserve Deliveries

Surplus Water

Reserve Pool Water: The portion of Reserve Water remaining, if any, after the District applies and delivers the Reserve Water in accordance with the priorities set forth in Article 29(A) of the Delivery Entitlement Contract.

Article 12(B)

(B) Sale of Surplus Water by District: Rates. From the Surplus Water held by the District, the District shall first sell any and all of the Reserve Pool Water portion of the Surplus Water. No Turn-Back Pool Water shall be sold by the District so long as any Reserve Pool Water remains unsold.

(1) Sale of Reserve Pool Water. The District shall offer the Reserve Pool Water to the Participant and to Other Participants pro rata in proportion to their respective Delivery Entitlement Share and Other Delivery Entitlement Shares. Any amount of Reserve Pool Water not purchased by an Other Participant shall be reoffered to the Participant. If it purchased its pro rata share of Reserve Pool Water, and the Other Participant purchasing Reserve Pool Water pro rata according to their respective Delivery Entitlement Share and Other Delivery Entitlement Shares until all of the Reserve Pool Water has been sold.

(a) Price for Reserve Pool Water. For Reserve Pool Water, the Participant shall pay to the District the sum of the following:

- (1) The portion of the Operation and Maintenance Costs attributable to the Reserve Pool Water and incurred by the District in the immediately preceding Water Year per acre-foot, plus
- (2) The Variable Energy Costs incurred by the District for the delivery of the Reserve Pool Water as calculated in Article 16(C)(2) hereof.

Article 29(D)

(c) The price charged by the District to any Reserve Water Customer for the delivery of said Reserve Water may not be less than the greater of: (i) rates that the District would charge for Surplus Water under Article 12 of this Contract delivered to that Participant geographically nearest the place where the Reserve Water Customer takes delivery of Reserve Water, (ii) the charges resulting from the application of the provisions of Article 30(A) hereof.

Article 30

(A) District's Use of Capacity in the Nacimientos Facilities for the Delivery of Reserve Water through the Nacimientos Facilities to a Reserve Water Customer. If at any time during the term of this Contract, the District conveys Reserve Water through any Unit to a Reserve Water Customer, the Reserve Water Customer shall be required to pay the District for such conveyance and delivery services in a manner and at prices which will return to the District the largest net revenue practicable, but in no event shall such conveyance be effected at charges less than those applicable to the conveyance of Delivery Entitlement through the same Unit or Units. In determining the appropriate charges for water conveyed and delivered for a Reserve Water Customer, the District shall take into account the particular Unit or Units through which conveyance of such water occurs, shall compare the Operation and Maintenance Cost and Capital Projects Installment Debt Service apportionable to such Unit or Units with Nacimientos Projects Costs, and shall further compare the amount of water conveyed for Reserve Water Customers through such Unit or Units with the amount of Nacimientos Project Water conveyed for the Participant and for the Other Participants through such Unit or Units for the same period of time.

Participant	AFY	Fixed O&M per AF, with Turnout Costs	Fixed O&M per AF, less Turnout Costs	Variable Energy Per AF (Actual)	Reserve Water Costs for Participants Total (1) with Turnout Costs	Reserve Water Costs for Participants Total (1) less Turnout Costs	FY 2011-2012 Annualized Debt Service Per AF, with Turnout Costs	FY 2011-2012 Annualized Debt Service Per AF, less Turnout Costs	Reserve Water Costs/Reserve Water Customers Total (2) with Turnout Costs	Reserve Water Costs/Reserve Water Customers Total (2) less Turnout Cost
City of El Paso De Robles	4,000	\$131	\$131	\$0	\$131	\$131	\$1,105	\$1,073	\$1,236	\$1,204
Templeton CSD	250	\$131	\$131	\$0	\$131	\$131	\$1,746	\$1,715	\$1,877	\$1,845
Ascadero MWC	2,000	\$131	\$130	\$0	\$131	\$130	\$1,322	\$1,299	\$1,453	\$1,429
City of SLO	3,380	\$131	\$130	\$0	\$131	\$130	\$1,576	\$1,551	\$1,707	\$1,681
County Service Area 10	25	\$131	\$130	\$0	\$131	\$130	\$1,576	\$1,551	\$1,707	\$1,681
Turn-back Pool Water (3)		\$131	\$130	Actual	\$131	\$131	\$1,746	\$1,715	\$1,877	\$1,846

- (1) Pursuant to Article 12 (B) of the Delivery Entitlement Contract, this is the pricing cost of Surplus Water for existing and other participants.
- (2) Pursuant to Article 29(D) and 30, Reserve Water customers pay to the District the largest net revenue practicable, and not less than participants that utilize the same unit or units for the delivery of water.
- (3) Pursuant to Article 12(B), no "Turn-back pool" water shall be sold by the District so long as any Reserve Pool Water remains unsold. Turn-back Pool Water is the portion of the Delivery Entitlement which the Participant does not request to be delivered for the water year in question.

Note: Prior Year O&M = (O&M - Variable Energy + Operating Reserves) / AFY of Participant

Turn-back Pool Water: The part of the Delivery Entitlement which the Participant does not request be delivered for the water year in question in accordance with Article 7, together with those portion of the Other Delivery Entitlements which are not requested to be so delivered under the correlative provisions of the effected Like-Contracts.

Article 12(B)

(2) Sale of Turn-Back Pool Water. The District shall offer the Turn-back Pool Water to the Participant and to the Other Participants pro rata in proportion to their Delivery Entitlement Share and Other Delivery Entitlement Shares, respectively.

(a) Price for Turn-Back Pool Water. For the Turn-Back Pool Water, the Participant shall pay to the District the sum of the following:

- (1) The average of the Operation and Maintenance Costs incurred by the District in the immediately preceding Water Year per acre foot for the delivery of the Delivery Entitlement and the Other Delivery Entitlements to the Participant and to the Other Participants, respectively, plus
- (2) The Variable Energy Costs incurred by the District for the delivery of the Turn-Back Pool Water as calculated in Article 16(C)(2) hereof.

(D) the District may offer to sale and deliver any Surplus Water not purchased by the Participant or Other Participant to any other prospective purchaser without right of renewal, in a manner and at prices which will return to the District the largest Net Revenue practicable for the benefit of the Nacimientos Facilities, but in no event at prices less than those at which such Surplus Water is offered to the Participant, unless the Participant is first tendered such Surplus Water by the District at the lower price in writing, and in each case, attempting to recapture the Operation and Maintenance Costs, the Variable Energy Costs and the Capital Projects Installment Debt Service attributable to the volume of Surplus Water actually purchased by such third parties, at the highest price the market will then bear.

Average O&M	131
Variable Energy (actual)	
Participant Turn Back Pool	
Total	131
Debt Services per AF	1,746 *
Others Turn Back Pool	
Total	1,877

* This is calculated as the highest cost per AF, but could be increased if the Commission so desired.

Nacimiento Project Commission
February 28, 2013
Agenda Item 6.c –City of Paso Robles Turnout Operation
(Commission Action – No Subsequent Board Action Required)

TO: Nacimiento Project Commission

FROM: Scott Duffield, Project Manager

VIA: Dean Benedix, Utilities Division Manager

DATE: February 28, 2013

SUBJECT: City of Paso Robles Turnout Operation

Recommendation

It is our recommendation that the Nacimiento Commission receives the staff report and approves the operation of the City of Paso Robles Turnout in a fixed valve position mode rather than a rate of flow mode.

Background

The District received a request from the City of Paso Robles for the District to operate the City's Turnout in a fixed valve position mode rather than a rate of flow mode. The City's intent is to install a globe pattern flow control valve between the Turnout and the future City water treatment plant which would allow them to adjust the flow entering the plant to accommodate their daily operational needs. The City's request to control the flows of Project water through the turnout differs from the Water Delivery Entitlement Contracts which provide that the District controls the flows of the Project, including flows through the turnouts. As an operating practice, we do believe that the City's request can be accommodated without adverse impacts on the Project or the other participating agencies.

This request was briefly introduced at the January TSG meeting and was discussed in more detail at the February TSG meeting. The TSG is supportive of the request. The City of Paso Robles' request, a letter dated January 31, 2013 from their design engineer AECOM, is attached to this staff report.

Discussion

The District is accepting of the City's request to modify the District's Nacimiento water operations practice and would allow the Turnout to be operated in a fixed valve position mode with conditions, as stated on the following page.

- The District's right to control flows pursuant to the Water Delivery Entitlement Contracts shall remain in full force and effect and may be exercised at any time.
- The fixed valve position mode operation shall only be for City of Paso Robles Phase 1 water treatment plant flows (9.03 cfs maximum).
- The fixed valve position mode operation shall have no adverse effects on the Nacimiento system's operations.
- The City's flow control valve shall operate in the same manner as the Turnout flow control valve, including but not limited to:
 - Valve shall be set to take three minutes or more to travel from open to closed
 - The maximum valve position ramp rate shall be set at 0.83% per second
- The City's turnout will automatically shutdown under the following conditions:
 - City's utility power failure
 - City's emergency shutdown request
 - Flow deviation alarm
 - Tank low level
- The City shall pay for any and all costs associated with any and all new work, materials, and/or modifications to the system to accommodate the requested modification to Nacimiento water operations practice.

ATTACHMENTS: Letter dated January 31, 2013 from AECOM

* * *



AECOM
1360 E. Spruce Avenue
Suite 101
Fresno, CA 93720
www.aecom.com

559 448 8222 tel
559 448 8233 fax

January 31, 2013

Mr. Scott Duffield, P.E.
San Luis Obispo County, Dept of Public Works
Utilities Division
Room 207, County Government Center
San Luis Obispo, CA 93408

Subject: Nacimiento Pipeline Turnout Operations for City of Paso Robles Water Treatment Plant

In previous correspondence and meetings, AECOM has explained that treatment plant flow adjustments would be necessary one or more times each day to accommodate the routine operational requirements of the City's proposed membrane microfiltration process. The City's turnout (T2) and flow-control operational strategy outlined in this memo has been developed considering the input and recommendations from the Flood Control District and Nacimiento pipeline designers from Black and Veatch and AECOM.

To accomplish the required flow rate adjustments necessary to operate the City's planned water treatment plant, a globe pattern flow control valve ("Cla-Val") between T2 and the water treatment plant dissolved air flotation basin will be utilized. Opening and closing of this solenoid-operated flow-control valve will be controlled by the treatment plant SCADA system and hydraulic piloting. Both the hydraulic and electronic speed controls will be adjusted to reduce opening and closing speeds to match those of the T2 valve. Furthermore, the water treatment plant flow-control valve will automatically close at a controlled speed if the treatment plant is taken off-line for any reason, including a power failure.

This treatment plant flow-control strategy requires the T2 flow-control valve to be operated in a fixed position while the treatment plant flow-control valve modulates flow to the water treatment plant. AECOM recommends using the treatment plant control valve instead of the turnout flow control valve to regulate flow because it provides for the cost effective and efficient design solution for the City's water treatment plant. Additionally, AECOM determined the smaller treatment plant flow-control valve (8-inch) is more appropriate than the 16-inch valve at T-2 for the 3.9 cfs that will be delivered.

During previous meetings, the District expressed concern that unplanned changes in the turnout flow could result in unacceptable transient pressure excursions within the Nacimiento pipeline, particularly when the County is bypassing the Camp Roberts tank. The Nacimiento pipeline surge analysis evaluated scenarios that included power failure at one of the pumping stations, and instantaneous closure of the T2 turnout control valves at maximum flow (both in bypass and normal mode). Therefore, instantaneously closing a valve at the turnout with 20% of the design flow cannot exceed the design limits of the pipeline. In our opinion, the proposed method of operation places no additional risk to the Nacimiento pipeline. Please feel free to call me if you have any further questions or concerns.

Yours Sincerely,

Kevin Berryhill, P.E.

Nacimiento Project Commission

February 28, 2013

Agenda Item 7.a – Demand Response Program with EnerNOC

(Commission Action - Board of Supervisors Action is Subsequently Required)

TO: Nacimiento Project Commission
FROM: Scott Duffield, Project Manager
VIA: Dean Benedix, Utilities Division Manager
SUBJECT: Demand Response Program with EnerNOC
DATE: February 28, 2013

Recommendation

It is our recommendation that the Nacimiento Project Commission approve development of a Demand Response Program for calendar years 2013 through 2017.

Background

The electrical supply and transmission capacity within California has physical limitations, and the utility companies have developed Demand Response Programs as a mitigation tool to improve system reliability during times when the supply and/or transmission capacity are stressed to near their limits. Very hot weather over the entire state is what typically stresses the electrical system. PG&E's Demand Response Program includes a self-managed program, and also includes third-party programs managed by aggregator companies. One such aggregator company is EnerNOC.

District staff began reviewing the EnerNOC program in 2011. The EnerNOC program has the following benefits available to the District and the Participants.

- Revenue is available for participating in their program.
- No penalties if the District cannot respond to a request for electrical reduction.
- EnerNOC provides on-going management support to the District for the management of the District's nomination of electrical reduction capacity (measured in kilowatts, or kW).
- Real-time data visibility on the District's power usage at the pump stations via internet connection to EnerNOC's operation center.
- Revenue is received in the form of a check and is not a credit to the electric bills.
- EnerNOC funds all capital improvements associated with data recording and reporting equipment that both PG&E and EnerNOC install at the electrical metering switchgear at the pump stations.
- The Project has no out-of-pocket costs.

The proposed participation is a 30-minute notification plan and is summarized as follows:

EnerNOC Demand Response Program 30-Minute Notification Plan

- A 30-minute minimum amount of time may be given to the District to curtail electrical usage
- Participation from May 1 to Oct 31
- Participating on non-holiday weekdays only, from 11:00 a.m. to 7:00 p.m.
- Demand response lasts from 2- to 6-hours per event
- Maximum of 80-hour participating in a year
- PG&E can call for two tests of system per year
- Capacity Payment = \$40/kW of nominated capacity
- Estimate of financial revenue from program = **\$29,200 / yr.** (Source: Financial assessment by EnerNOC assumes 730kW nominated)
- Estimate of financial revenue as a percentage of budgeted Variable Energy Cost is approximately **6.4-percent** (based on FY 2011/12 Budget)
- No penalty if the District cannot respond and reduce electrical usage
- Historical minimum notification time ever provided is 4-hours according to EnerNOC's business development manager

Discussion

The Nacimiento Water Project is governed by the Water Delivery Entitlement Contract (WDEC) between the District and the Participants, and the WDEC was reviewed by staff to evaluate how to manage participating in the Demand Response Program between the District and the Participants.

The Technical Support Group discussed participation in the Demand Response Program at their February 14, 2013 meeting, and supports enrollment and participation in the program starting this calendar year. The TSG's support is based on distribution of received revenue consistent with charges for variable energy costs as currently stipulated in WDEC Article 16(C)(2)(a) as stated below:

“Variable Energy Costs for the Calendar Quarter in question shall be divided by the total acre-feet of Nacimiento Project Water delivered by the District during such Calendar Quarter to the Participant and to all Other Participants pursuant to this Contract and Like-Contracts”

The following is a brief description of the steps the District anticipates to move forward and to manage a Demand Response Program pending final inclusion of such into the WDEC.

- Process the agreement with EnerNOC through District staff, District Counsel, and finally with the District's Board, subject to review by County Purchasing for compliance with existing purchasing/contracting policies. The staff report transmitting the EnerNOC agreement to the District's Board will include a written

management policy to be approved by the Board. The policy will be the result of collaboration with District staff and the Technical Support Group.

- The policy to manage the revenue from the Demand Response Program is proposed to have the cash receipts as a cost offset under the Variable Energy Cost described within Article 16(C)(2) of the WDEC.

Other Agency Involvement/Impact

The current Participants in the Project are the City of Paso Robles, Templeton Community Services District, Atascadero Mutual Water Company, City of San Luis Obispo, and County Service Area 10 Benefit Zone A. The Technical Support Group, which includes representatives from the Participants, supports participation in the proposed Demand Response Program.

Financial Considerations

The Demand Response Program creates benefit by offsetting power costs with little effort and no risk to operations on the part of the District. The estimated annual benefit from the proposed Demand Response Program is \$29,700.

The District is not responsible for any capital costs associated with any equipment that needs to be installed at the pump stations to satisfy PG&E and/or EnerNOC. EnerNOC will pay for any and all capital costs charged by PG&E and/or EnerNOC.

The District is not financially penalized if ever the District is unable to respond to a request to curtail electrical power usage at the pumping plants.

Results

Approval of this item by your Commission will allow District staff to move forward this calendar year with the development and approval of the Demand Response Program Contract with Enernoc, and development and approval of the interim Demand Response Program management policy, by the District's Board of Supervisors.

* * *