



**Nacimiento Project Commission
Notice of Meeting and Agenda
Thursday, May 22, 2014 – 4:00 pm
Templeton Community Services District Offices**

1. Call to Order
 - a. Call to Order, Roll Call, and Flag Salute
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 February 27, 2014 and April 17, 2014 (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. Drought Emergency Project Concepts
 - c. Participating Agencies’ Options for Subscribing to Full Allocation
 - d. Disposition of Construction Fund Monies
 - e. J. Lohr Proposal to be a Reserve Water Customer
5. PRESENTATIONS – no action required.
None
6. COMMISSION ACTION ITEMS
(No Subsequent Board of Supervisors Action Required)
 - a. Commission Letter of Support for MCWRA Release Reduction
7. COMMISSION ACTION ITEMS
(Board of Supervisors Action is Subsequently Required)
None
8. FUTURE AGENDA ITEMS DESIRED BY COMMISSION

Commissioners

Frank Mecham, Chair, SLO County Flood Control & Water Conservation District

Kathy Smith, Vice Chair, City of San Luis Obispo

John Hamon, City of El Paso de Robles

Judy Dietch, Templeton CSD

Grigger Jones, Atascadero MWC

**Next Commission meeting scheduled for
Thursday, August 28, 2014, at 4:00 pm at
Templeton Community Services District Offices**

Nacimiento Project Commission

May 22, 2014

Agenda Item 3 – Meeting Notes from February 27, 2014 and April 17, 2014

February 27, 2014

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

Chairperson Dietch convened the meeting at 4:00 p.m.

Commissioners Present:

Chairperson Judith Dietch, Templeton Community Services District

Vice-Chairperson Frank Mecham, San Luis Obispo County Flood Control and Water Conservation District

John Hamon, City of Paso Robles

Grigger Jones, Atascadero Mutual Water Company

Kathy Smith, City of San Luis Obispo

Staff Present:

Paavo Ogren, Dean Benedix, Scott Duffield – District

Christopher Alakal – City of Paso Robles

Jeff Briltz – Templeton Community Services District

John Neil - Atascadero Mutual Water Company

Carrie Mattingly, Wade Horton, Dean Furukawa - City of San Luis Obispo

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

Frank Mecham was nominated as chair and Kathy Smith was nominated as vice chair. Approved unanimously.

Agenda Item 1.c – Conflict of Interest Forms

Reminder to Commission to file a hard copy, or electronically via Clerk Recorder website.

Agenda Item 2 – Public Comment

Paavo Ogren stated that the County has established a drought task force and that there will be an item on the March 11, 2014 Board of Supervisors agenda regarding a declaration of a local drought emergency.

Agenda Item 3.a – Meeting Notes from November 21, 2013

The meeting notes from the November 21, 2013 Commission meeting were unanimously approved without corrections.

Agenda Item 4 –Commission Informational Items

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

Dean Benedix reviewed the report and asked the Commission if there were any questions on items within the report. There were no questions on the Utilities Division Manager’s Report.

Agenda Item 4.b – Second Quarter Operations Budget Update

Dean Benedix gave a brief statement and said the work efforts associated with the Santa Ysabel Pump Station have contributed to the higher than estimated budget for Unit B. USA locate requests and repair of leaks has also contributed to a higher than expected budget expense on some Units. There were no comments or questions.

Agenda Item 4.c – Nacimiento Water Project Initial Watershed Sanitary Survey

Commissioner Mecham asked about the EPA study regarding mercury. Dean informed the Commission that District staff has been and will continue to participate in the study review process.

Agenda Item 4.d – Participating Agencies’ Options for Subscribing to Full Allocation

Paavo Ogren introduced this ongoing discussion item and presented the staff report. The staff report outlined the issues that have been discussed over the last 15 months, scenarios that have been identified by the TSG, as well as summary tables of financial considerations for each scenario. Paavo explained that the District cannot recommend continuation of the tax allocation if the project is fully subscribed. Paavo also explained that the District could support a 10-year plan.

Commissioner Jones presented a motion and provided written direction to the District to return to the Commission on April 17, 2014 with several items summarized as follows:

1. A list of the environmental issues associated with the participants increasing their delivery entitlements so the project becomes fully subscribed, and a preliminary schedule to complete the environmental review process
2. Draft WDEC Amendment language that modifies the hybrid cost methodology
3. Draft WDEC Amendment language that would allow participants to sell water that is in excess to the participants’ initial entitlement

The motion was seconded by Commissioner Mecham and approved unanimously.

Agenda Item 5 – Presentations

Agenda Item 5.a – FY 2014/15 Nacimiento Operating Fund Draft Budget

Copies of the draft budget were provided to the Commissioners and the TSG members. Dean reminded the Commission that the draft budget will be considered for approval by the Commission at the special meeting April 17, 2014.

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

Agenda Item 6.a – Cost Allocation Review of the Construction Fund

Dean Benedix presented the staff report recommending approval of the District retaining a consultant CPA firm to perform a cost allocation review of the completed Nacimeitno Water Project construction fund using projected operation and maintenance savings available this fiscal year (13/14).

Motion was made by Commissioner Jones to approve the recommendation. Motion was seconded by Commissioner Hamon. Motion was approved unanimously.

Agenda Item 8 – Future Agenda Items Desired by Commission
See Item 4.d above.

Chairperson Mecham adjourned the meeting at 4:50 p.m.

April 17, 2014

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

Chairperson Mecham convened the meeting at 4:00 p.m.

Commissioners Present:

Chairperson Frank Mecham, San Luis Obispo County Flood Control and Water Conservation District

Vice-Chairperson Kathy Smith, City of San Luis Obispo

John Hamon, City of Paso Robles

Judith Dietch, Templeton Community Services District

Grigger Jones, Atascadero Mutual Water Company

Staff Present:

Paavo Ogren, Dean Benedix, Will Clemens, Wendy Hall, Erica Stuckey, Scott Duffield – District

Christopher Alakal – City of Paso Robles

John Neil - Atascadero Mutual Water Company

Carrie Mattingly, Wade Horton, Dean Furukawa - City of San Luis Obispo

Agenda Item 2 – Public Comment

None.

Agenda Item 3.a – Meeting Notes from February 27, 2014

The meeting notes from the February 27, 2014 Commission meeting were not available and will be considered at the May 22, 2014 meeting.

Agenda Item 4 –Commission Informational Items

Agenda Item 4.a – Participating Agencies' Options for Subscribing to Full Allocation

Dean Benedix introduced this item and reviewed the background items from the staff report. A draft schedule was distributed to the Commission. Dean explained that the environmental work involves a supplemental EIR, mainly for growth inducement issues. Erica Stuckey, Deputy County Counsel presented additional discussion and identified potential issues associated with three items:

- I. Modification of Hybrid Cost Methodology - Possible with two amendments;
 1. Change the payment condition on any amendment increasing a Participant's delivery entitlement set forth in Article 29(B)
 2. Increase the delivery entitlements

- II. Sale of Additional Delivery Entitlement – Article 22(D)(3)(a) may prevent certain sales of water to third parties that are not governmental agencies. Bond counsel should be consulted on any such amendment to the contracts.
- III. District Contribution from Nacimiento Water Fund/ad valorem tax – An amendment is possible. However, there is an equity issue associated with having County-wide taxpayers contribute to the All Other Construction Costs component. County Counsel is still reviewing the potential legal issues

The Commission gave direction to continue discussions among the Agency managers and staff, and the TSG. Keep on Commission agenda.

Agenda Item 4.b – Second Quarter Operations Budget Update

Wendy Hall gave a brief statement for this item. There were no questions.

Agenda Item 6 – Commission Action Items (No Subsequent Board of Supervisors action Required)

Agenda Item 6.a – J. Lohr 250 AF Proposal

Dean Benedix reviewed the staff report and presented staff recommendation:

District staff recommends the Commission support the J. Lohr request subject to the following:

1. Execution of the Reimbursement Agreement
2. Determination of appropriate pricing of the reserve water
3. Development of a reserve water agreement with J. Lohr
4. Conformance to required CEQA environmental processes

Jerry Lohr was in attendance and gave an oral presentation on J. Lohr's vineyard operations, and also further detailed their proposal with a question and answer period.

Motion was made by Commissioner Hamon to approve the recommendation. Motion was seconded by Commissioner Jones. Motion was approved unanimously.

Agenda Item 7 – Commission Action Items (Board of Supervisors action Subsequently Required)

Agenda Item 7.a – FY 2014/15 Nacimiento Operating Fund Budget

Wendy Hall presented the staff report and reviewed the proposed budget that was previously distributed to the Commission and the Nacimiento Finance Committee. Commissioner Jones asked about the unexpended construction fund monies and more specifically that distribution of the funds to the Agencies should be addressed at this

time. The Commission did recognize that some items, such as environmental mitigation, capital projects at Santa Ysabel Pump Station, and construction contract claims are still being tracked within the construction fund. Will Clemens responded and stated that the District is moving forward with an audit of the construction fund and hoped the Commission would want to complete that first. Will also cautioned that the agencies may want to consult with their finance staff because distribution of the funds may have rate and/or bond debt implications. Will reminded the Commission that the construction fund monies may also factor into the agencies options for subscribing to full allocation especially when the ad valorem tax contribution is discontinued, but acknowledged that each Agency may have other specific and individual needs. Will also made the suggestion that each agency may want to make their own independent decision on their portion of the excess construction funds.

Motion was made by Commissioner Smith to approve the FY 2014/15 Nacimiento Operating Fund Budget. Motion was seconded by Commissioner Jones. The Motion was approved unanimously.

Direction was given to staff to work with each Agency and their finance directors to establish how each Agency would utilize the balance of construction funds.

Agenda Item 8 – Future Agenda Items Desired by Commission

None

Chairperson Mecham adjourned the meeting at 5:15 p.m.

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Nacimiento Project Commission
May 22, 2014
Agenda Item 4.a Utilities Division Manager's Report
(Information Only – No Action is Required)

TO: Nacimiento Project Commission

FROM: Dean Benedix, Utilities Division Manager

SUBJECT: Utilities Division Manager's Report

DATE: May 22, 2014

PROJECT UPDATES

1. Construction Contracts Status Update

A summary of construction contract recent activities are as follows:

Spec 2 (Facilities): Mediation was held June 20, 2013, and was unsuccessful. The trial date has been rescheduled for October 6, 2014.

All other construction contracts are closed.

2. Operations Report

Total pumping from the Intake Pump Station in April was 105.61 AF. All scheduled preventative maintenance was completed.

Santa Ysabel Pump Station: The District continues to work towards installation of the new check valves. The implementation of the motor protection filters project and the space heater circuit project began last month.

Several other significant items to note this month are:

- Megging was completed on the Intake pump motors.
- Construction of the awning structure assemblies at the turn-outs was initiated. The structure at T11 is complete and the other three will be complete by the middle of May.
- Installed new back up batteries in the PLC's at all locations.

3. Outside Agency Issues

- a. **Monterey County Water Resources Agency:** Reservoir status as reported by MCWRA is 22% percent full, or 81,460 acre-feet, as of May 6, 2014. Nacimiento releases were reported as 60cfs.
- b. **New Participants:**
 - A. Santa Margarita Ranch - Nothing new to report/status remains unchanged: Awaiting preliminary design from Santa Margarita Ranch. A like-contract will be developed by District staff. (Staff contacted SMR agent to check on status. Agent indicated they have not progressed or acted to move forward. Placed on hold waiting for SMR.)
 - B. HRCSD – Nothing new to report/status remains unchanged: The District in conjunction with County Counsel has developed a wheeling agreement in accordance with the Water Delivery Entitlement Contracts. The wheeling agreement is in final review by HRCSD. The District will schedule to have the agreement be considered by the Board of Supervisors, and initiate construction of the facility once the agreement is signed by HRCSD. A copy of the final agreement will be forwarded to the participants.
 - C. Pollard Family Trust – Nothing new to report/status remains unchanged: Pollard Family Trust has sold their property. The new owners are reviewing water resource options. If they decide to participate in Nacimiento Water they will contact the District. The District would then develop a reimbursement agreement for District services associated with any request.

4. Invasive Species Prevention Program

With the 2014 season beginning to ramp up, San Luis Obispo County, Monterey County Parks, Monterey County Water Resource Agency, and the Nacimiento Regional Water Management Advisory Committee (NRWMAC) are combining efforts to educate the public about the importance of CLEAN, DRAIN, and DRY.

Beginning in April, SLO County has been receiving vessel information from Lake Piru. This information has been passed on to our screeners and local agencies for an additional tool to utilize during mussel inspections.

On April 11th, agencies hosted the third Level I Screener “Renewal” Class for our volunteer screeners at Heritage Ranch. There will be 1-2 more classes of this type to be held this year, with plans to hold one on May 17th at San Antonio Lake. There were over 120 volunteer screeners needing to renew for 2014, and approximately 25% of those 120 are left that have not renewed their certification yet this year.

A new design will be added to the Hwy 101 billboard this month to catch the attention of boaters heading North on 101 to Lake Nacimiento.

On May 17th, SLO County staff will work together with Monterey County Park Rangers and NRWMAC, to hold the first Level I Screener Class of 2014. This class is intended to teach new screeners about the importance of mussel prevention, characteristics of the pests, and will involve a training portion where the new screener must be able to inspect and find hidden “mussels” on a vessel.

In preparation for the upcoming Memorial Day weekend, SLO County has planned to again place flashing road signs on Nacimiento Lake Drive to inform boaters of the upcoming mussel inspection at the lake. These signs will be placed in this location for the two weeks surrounding Memorial Day Weekend.

5. 18-inch Pipe Rupture

Nothing new to report.

6. Stenner Canyon Hydroelectric Plant

At the April 10, 2014 TSG meeting, comments on the technical memorandum from Hollenbeck were requested to be completed and provided to District staff (Scott Duffield) by the June 12, 2014 TSG meeting. Further consideration of action will be discussed at the June 12th meeting.

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Nacimiento Project Commission
May 22, 2014
Agenda Item 4.b Drought Emergency Project Concepts
(Information Only – No Action is Required)

TO: Nacimiento Project Commission

FROM: Dean Benedix, Utilities Division Manager

VIA: Mark Hutchinson, Deputy Public Works Director

SUBJECT: Drought Emergency Project Concepts

DATE: May 22, 2014

Discussion

In response to the extreme and extended drought conditions, the District has identified two drought emergency projects and will be applying for IRWM grant funding. The District has been discussing these projects with stakeholders and the TSG for several months. The two projects are very briefly described below.

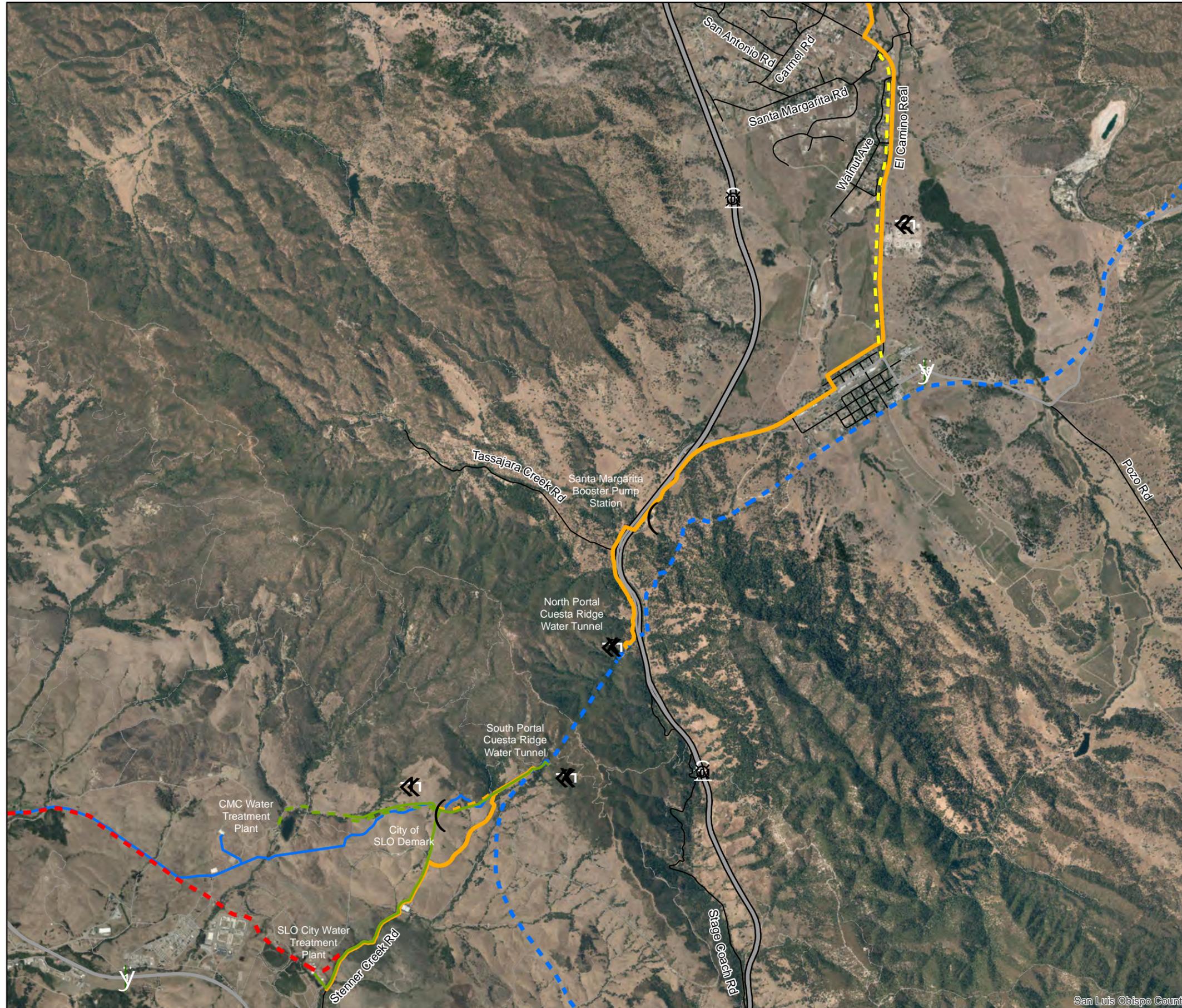
- Nacimiento to Salinas Intertie and Extension - The intent of this project is to provide emergency water to the CMC, County jail, County Emergency Operations Center, County Operations Center, Camp SLO, and Cuesta College via an intertie between the Nacimiento and Salinas pipelines and the extension of the Salinas pipeline to the CMC Water Treatment Plant.

- AMWC to CSA 23 Intertie - The intent of this project is to provide emergency water to CSA 23 (Santa Margarita) via an intertie between the AMWC water system and the CSA 23 water system. Also included would be an intertie to the Garden Farms Water District.

Attachment 4.b illustrates some of the existing and conceptual features associated with the projects.

Attachment: 4.b Drought Emergency Project Concepts

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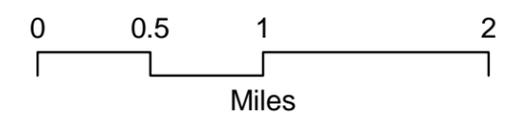
Intertie Project Between the Nacimiento Water Pipeline and the Salinas Water Pipeline to the California Men's Colony Water Treatment Plant

And

Intertie Project Between CSA 23 (Santa Margarita), Atascadero Mutual Water Company, and Garden Farms Community Water District

- Salinas Pipeline (Existing)*
- - Salinas Pipeline (Conceptual)*
- - CSA 23/AMWC/GFCWD Interlie (Conceptual)*
- Nacimiento Pipeline (Existing)
- - Nacimiento Pipeline (Conceptual)
- - State Water Pipeline, Coastal Branch (Existing)
- State Water Pipeline, Chorro Valley (Existing)
- - Whale Rock Pipeline (Existing)

3



- Concepts**
- 1a. Extend Salinas Pipeline to CMC WTP
 - 1b. Extend Salinas Pipeline to CMC WTP and Rehabilitate Salinas Pipeline from City SLO Demark
 - 1c. Extend Salinas Pipeline to CMC WTP and Replace Salinas Pipeline from City SLO Demark
 - 1d. Extend Salinas Pipeline to CMC WTP and Extend Nacimiento Pipeline Beyond City SLO Demark
 - X. Nacimiento Pipeline to Salinas Pipeline Intertie (Location TBD)
 - 2. CSA 23/AMWC/GFCWD Intertie

Nacimiento Project Commission
May 22, 2014
Agenda Item 4.c Participating Agencies' Options for Subscribing to Full Allocation
(Information Only – No Action is Required)

TO: Nacimiento Project Commission

FROM: Dean Benedix, Utilities Division Manager

VIA: Mark Hutchinson, Deputy Public Works Director

SUBJECT: Update on Participating Agencies' Options for Subscribing to Full Allocation

DATE: May 22, 2014

Background

A meeting was held on April 2, 2014 with District staff and Participants' City Managers and General Managers to discuss issues associated with the participating agencies options for subscribing to full allocation. Attachment 4.c is a graphical summary and depiction of the concepts that the have been discussed. All participants were represented and participated. Issues discussed also included those water topics on the Commission's November 15, 2012 agenda, and the three issues raised at the February 27, 2014 Commission meeting:

- List of environmental issues and preliminary schedule to complete environmental review process
- Draft contract amendment that modifies the hybrid cost methodology
- Draft contract amendment that allows sale of water in excess of the Participant's initial delivery entitlement

The three issues raised were subsequently discussed at the Commission meeting of April 17, 2014 and the May 8, 2014 TSG meeting.

Discussion

It is our understanding that participating agencies are meeting to discuss alternatives to the County "10-year" concept and District staff is prepared to schedule a follow up to the April 2, 2014 manager's meeting to continue discussions. The District also understands the TSG in conjunction with each of their Agency managers is preparing a letter to the District with a proposal to subscribe to full allocation, and that this letter will be an alternative proposal to the "10-year" proposal that has been previously discussed.

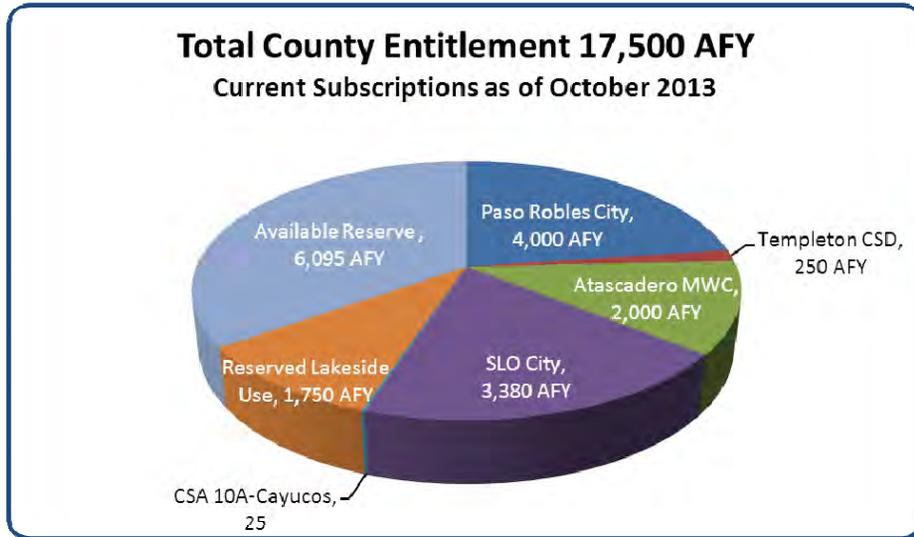
The TSG and staff recommend that discussions and negotiations between the Participants' managers and the County continue and that this item be carried to the August 28, 2014 Commission meeting.

Attachment: Attachment 4.c Nacimiento Summary Graphic

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NACIMIENTO WATER PROJECT RESERVE WATER ALLOCATION CONCEPT

- Commission requested participating agencies consider subscription to full Nacimiento Reserve Water
- Total Reserve Water = 6,095 Acre-feet/ year (AFY)

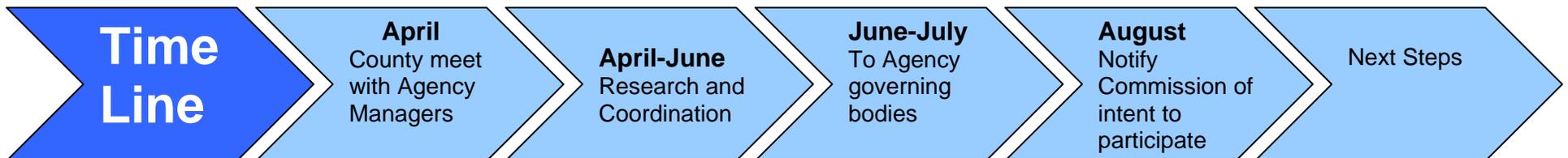


Scenario A
Reserve Water proportioned to original participants based on contracts
(unmodified cost allocation)

Scenario A1
Reserve Water proportioned to original participants based on original share
(modified cost allocation)

Capital Costs			
	Current	Per Contract	Modified
Agency	New Base Project Cost Allocation	Scenario A Cost Allocation	Scenario A1 Cost Allocation
Paso	\$60,538,010	\$59,045,033	\$60,538,010
Templeton	\$5,677,111	\$5,642,885	\$5,677,111
Atascadero	\$32,919,538	\$32,676,620	\$32,919,538
SLO	\$73,649,285	\$75,403,479	\$73,649,285
CSA 10	\$544,743	\$560,671	\$544,743
Total	\$173,328,687	\$173,328,687	\$173,328,687
Reserve Capacity	\$17,084,311	\$0	\$0

Total Annual Costs			
	Current	Per Contract	Modified
Agency	New Base Project Cost Allocation	Scenario A Cost Allocation	Scenario A1 Cost Allocation
Paso	\$4,590,787	\$4,932,376	\$5,037,085
Templeton	\$295,370	\$321,761	\$323,264
Atascadero	\$2,850,940	\$3,054,707	\$3,074,089
SLO	\$5,733,089	\$6,234,644	\$6,110,211
CSA 10	\$4,534	\$8,484	\$7,323
Total	\$13,474,720	\$14,551,972	\$14,551,972



Nacimientto Project Commission
May 22, 2014
Agenda Item 4.d Disposition of Construction Fund Monies
(Information Only – No Action is Required)

TO: Nacimientto Project Commission

FROM: Will Clemens, Finance Division Manager

VIA: Mark Hutchinson, Deputy Public Works Director

SUBJECT: Disposition of Construction Fund Monies

DATE: May 22, 2014

Background

During the Budget Approval Deliberations by the Commission on April 17, 2014, a proposal to transfer remaining Construction Fund monies to the operating fund to be used to pay debt in 14/15 and reduce agency billings was put forth. Staff indicated that this was possible, but would have debt coverage ratio and rate implications for agencies. Staff recommended that agency Finance Managers be consulted before the decision is made and that each agency's governing board make an individual determination as to the disposition of their share of remaining Construction Fund monies as each individual agency has differing needs.

The Commission unanimously approved the 14/15 budget without changes and directed staff to work with individual agencies on disposition of their share of remaining Construction Fund Monies.

Discussion

There is approximately \$10 million of remaining Construction Fund monies. These funds are continuing to be drawn down for construction related activities including, but not limited to environmental mitigation, contractor claims resolution, and specific capital improvements such as the Power Monitoring Project at the Santa Ysabel Pump Station.

If Construction Fund monies are used for debt service, the result would be a decrease in billings for debt service and an increase in billings for the above mentioned items. Agencies would see a one year reduction in overall billings (14/15) which would increase debt coverage ratios and ease water rate requirements for one year. However, future year billings would have to increase to cover the above mentioned items which would result in lower debt coverage ratios and higher water rate requirements in future years.

There are alternatives that could result in lower billings to agencies over a longer term. For example, an agency's share of Construction Fund monies could be transferred to the operating fund to be used for debt service and the "billing savings" could be used to establish an agency specific reserve to offset future year billings. A "rate stabilization" reserve if you will.

District staff is also in the process of putting out a request for proposal for a "cost allocation review" of the Construction Fund by a Certified Public Accountant as directed by the Commission. We anticipate this will be completed next fiscal year. We also hope that the remaining contractor claims can be resolved in the coming fiscal year. Ideally, any disposition of Construction Fund monies would be after the cost allocation review is completed and all contractor claims are resolved.

In closing, District staff is available to discuss the specific needs of each agency as it relates to the disposition of its share of remaining Construction Fund monies and will apply those as directed by each agency's governing board.

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Nacimiento Project Commission
May 22, 2014
Agenda Item 4.e J. Lohr Proposal to be a Reserve Water Customer
(Information Only – No Action is Required)

TO: Nacimiento Project Commission

FROM: Dean Benedix, Utilities Division Manager

VIA: Mark Hutchinson, Deputy Public Works Director

SUBJECT: J. Lohr Proposal to be a Reserve Water Customer

DATE: May 22, 2014

Discussion

This is a status update to District staff's understanding of the Commission's request from their April 17, 2014 meeting:

1. Execution of the Reimbursement Agreement - A reimbursement agreement has been executed and a billing account has been established.
2. Determination of appropriate pricing of the Reserve Water – County Counsel has advised the District and J. Lohr that their proposal to become a Reserve Water Customer submitted to the District on or around March 27, 2014 includes an annual compensation offer equal to the price of Reserve Pool Water for Participants set forth in Article 12(B)(1)(a) of the Water Delivery Entitlement Contracts (WDECs) as shown by Attachment 4.e.1. However, Articles 29(D)(1)(c) and 30(A) of the WDECs prohibit the District from accepting the offered price because it is less than the current charges applicable to the conveyance of Delivery Entitlement through the same Unit or Units.

As an alternative, J. Lohr may want to consider a purchase pursuant to Article 12(D) which states in part;

“...without right of renewal...at prices which will return to the District the largest Net Revenue practicable...attempting to recapture the Operation and Maintenance Costs, the Variable Energy Costs and the Capital Projects Installment Debt Service...at the highest price the market will then bear.”

3. Development of a reserve water agreement with J. Lohr - Office of County Counsel is preparing a draft agreement.
4. Conformance to required CEQA environmental processes - The District is the Lead Agency under CEQA. Should the project move forward, compliance with CEQA will be required as a part of any final discretionary approval to construct the turnout or sign binding agreements. If a decision to move the process forward is made, depending on CEQA requirements, the CEQA efforts could be relatively expedited if a categorical exemption is appropriate. Otherwise, District environmental staff would conduct an Initial Study to determine the scope and content of the required environmental document. A planning level time frame of approximately 5 months would be appropriate for this task. Attachment 4.e.2 is a flow chart of the CEQA review process.

Attachment: 4.e.1 2013/14 Surplus Water Pricing
4.e.2 CEQA Review Process Flow Chart

Attachment 4.e.1

Nacimiento Surplus Water FY 2013-14

Participant	AFY	Reserve Water Costs for Participants Total ⁽¹⁾ with Turnout Costs	Reserve Water Costs for Participants Total ⁽¹⁾ 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	\$107	\$106	\$1,212	\$1,189
Templeton CSD	250	\$148	\$125	\$1,902	\$1,862
Atascadero MWC	2,000	\$128	\$125	\$1,451	\$1,444
City of SLO	3,380	\$166	\$165	\$1,743	\$1,733
County Service Area 10	25	\$166	\$165	\$1,743	\$1,733
Turn- back Pool Water ⁽³⁾		\$143		\$1,897	

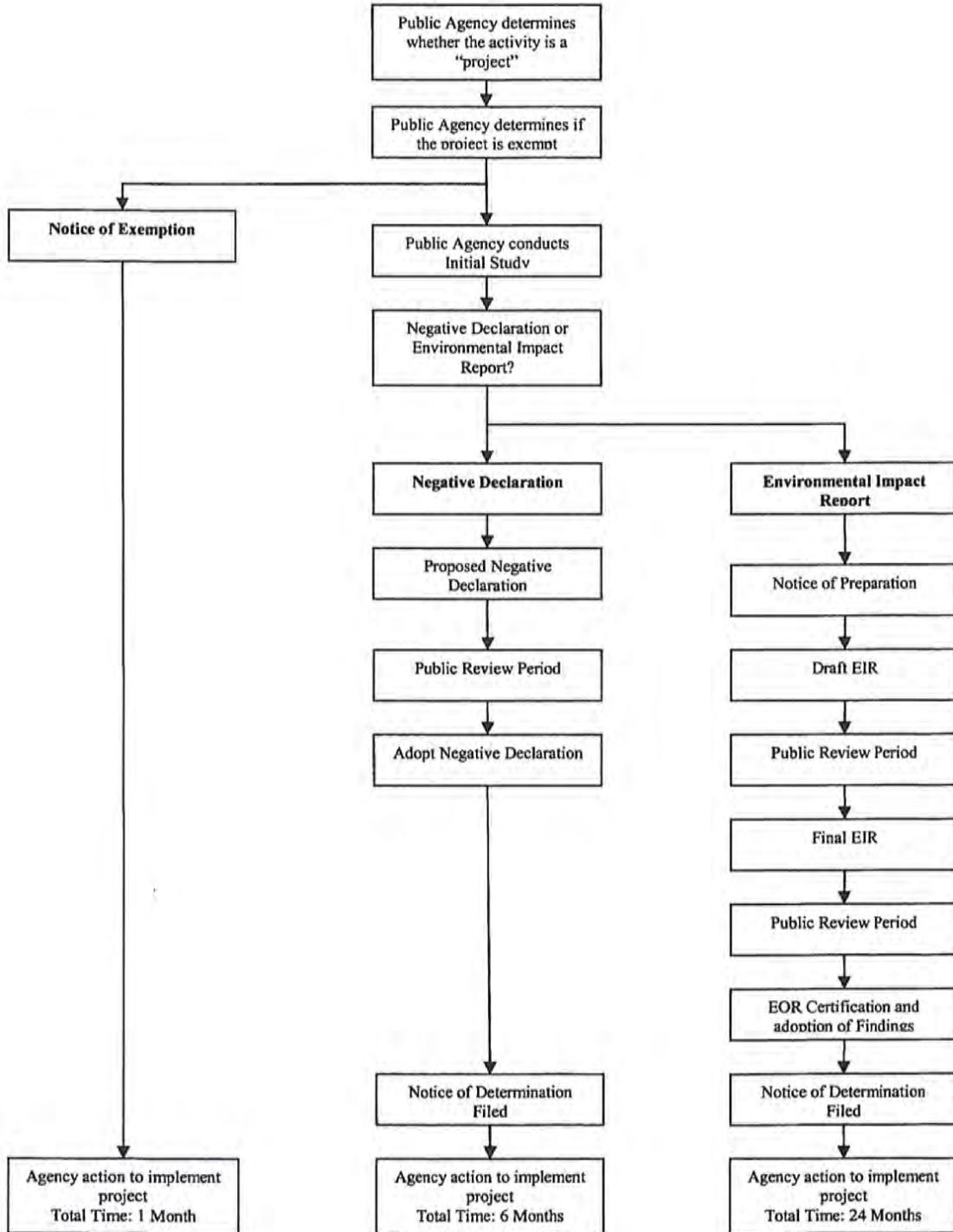
(1) Pursuant to Article 12 (B) of the Delivery Entitlement Contract, this is the pricing cost of Surplus Water for existing and other participants.

(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.

Debt Service Calculation		Net Annual Debt Service Amount (less Turnout Costs)	Debt Service per AF less %Turnout Costs
Paso	4,000	\$4,330,098.80	\$1,082.52
Templeton	250	\$434,261.16	\$1,737.04
Atascadero	2,000	\$2,638,433.94	\$1,319.22
SLO	3,380	\$5,301,450.86	\$1,568.48
CSA 10	25		\$1,568.48
Total	9,655	\$12,704,244.75	

**Figure 1-1
CEQA ENVIRONMENTAL REVIEW PROCESS
AN OVERVIEW**



Nacimiento Project Commission

May 22, 2014

Agenda Item 6.a Commission Letter of Support for MCWRA Release Reduction

(Commission Action Item – No Subsequent Board of Supervisors Action Required)

TO: Nacimiento Project Commission

FROM: Dean Benedix, Utilities Division Manager

VIA: Mark Hutchinson, Deputy Public Works Director

SUBJECT: Commission Letter of Support for MCWRA Release Reduction

DATE: May 22, 2014

Recommendation

Review the attached letter of support for Monterey County Water Resource Agency's request to the National Marine Fisheries Service to allow the reduction in the minimum flow criterion from Nacimiento Reservoir from 60 cubic feet per second to 25 cubic feet per second, and direct the Commission Chairperson to sign.

Background

Monterey County Water Resource Agency (MCWRA) has proposed to reduce the National Marine Fisheries Service (NMFS) required minimum Nacimiento Reservoir releases from 60 cfs to 25 cfs due to the extreme drought conditions and to conserve as much water as possible within the reservoir. Their request and NMFS response letter are attached to this staff report.

This item was discussed with the TSG at their May 8, 2014 meeting and the TSG supports the recommendation. A similar letter of support was also submitted by Heritage Ranch Community Services District and is attached for reference.

Attachment: Draft May 22, 2014 Letter From Nacimiento Project Commission
Attachment 6.a.1 May 1, 2014 Letter of Support From HRCSD
Attachment 6.a.2 March 18, 2014 Letter From MCWRA to NMFS
Attachment 6.a.3 April 25, 2014 Letter From NMFS to MCWRA



San Luis Obispo County FC&WCD
Dean Benedix, P.E.
Utilities Division Manager

Commissioners
Frank Mecham, SLO County FC&WCD
John Hamon, City of Paso Robles
Judy Dietch, Templeton CSD
Grigger Jones, Atascadero MWC
Kathy Smith, City of San Luis Obispo

May 22, 2014

David Chardavoyne, General Manager
Monterey County Water Resources Agency
893 Blanco Circle
Salinas, CA 93901

Subject: Reduction in the Minimum Flow Criterion from Nacimiento Reservoir

Dear Mr. Chardavoyne:

On behalf of the Nacimiento Project Commission, please accept this letter of support for Monterey County Water Resources Agency's (MCWRA) request to the National Marine Fisheries Service (NMFS) to allow the reduction in the minimum flow criterion from Nacimiento Reservoir from 60 cfs to 25 cfs.

The Nacimiento Project (Project) is owned, managed, and operated by the San Luis Obispo County Flood Control and Water Conservation District (District). The Project provides raw water from the Nacimiento Reservoir to numerous Agencies throughout the region, including the City of Paso Robles, Templeton Community Services District, Atascadero Mutual Water Company, the City of San Luis Obispo, and County Service Area 10A.

As you probably know, San Luis Obispo County has experienced below normal levels of precipitation for the previous three rainy seasons. On March 11, 2014, the County Board of Supervisors adopted a resolution proclaiming a local emergency due to drought conditions in San Luis Obispo County. The joint efforts between all Agencies and their residents, regionally and locally, will be critical as we continue to take steps to manage the effects of the drought. A reduction in the minimum flow from Nacimiento Reservoir from 60 cfs to 25 cfs can only help these efforts not only for this year, but also into 2015.

Sincerely,

FRANK MECHAM, Chairperson
Nacimiento Project Commission

cc: Dean Benedix, P.E., San Luis Obispo County FC&WCD

Attachment 6.a.1

May 6, 2014 2:39PM

HERITAGE RANCH CSD 805 227 6231

No.9437 P. 1



Heritage Ranch Community Services District

4870 Heritage Road, Paso Robles, CA 93446

(805) 227-6230 ~ Fax (805) 227-6231

www.heritagerranchcsd.com

May 1, 2014

Richard Ortiz, MCWRA Board of Directors Chair
Monterey County Water Resources Agency
893 Blanco Circle
Salinas, CA 93901

Subject: Reduced Nacimiento Flow 25 cfs

Dear Richard Ortiz, Chair MCWRA Board of Directors:

The Heritage Ranch Community Services District (District) supports the Agency's efforts and plans to reduce the flow from the Nacimiento Reservoir to 25 cubic feet per second. The District believes the Agency's discussions with National Marines Fisheries Service for a lower flow from the reservoir below the current 60 cfs minimum is good planning in response to the Statewide drought conditions.

The District provides water, wastewater, and solid waste services to the community of Heritage Ranch. This community consists of 1,850 residential home water services, a public school, and a small commercial center. Our only water source is the Nacimiento Reservoir via the Nacimiento River. We utilize water from the Nacimiento River under contract with San Luis Obispo County. Any disruption in the continuous flow of water to the Nacimiento River will result in a health and fire safety issue for the community of Heritage Ranch. The District supports reserving water in the reservoir by reducing the outflow and thus delaying a minimum pool condition.

A low water flow in the river will impact our ability to intake water through our gallery wells. However, the District Board of Directors has proclaimed a drought emergency and implemented Stage II water use prohibitions for all customers to reduce water demand.

Sincerely,

A handwritten signature in black ink, appearing to read "John D'Ornellas".

John D'Ornellas
General Manager
Heritage Ranch Community Services District

cc: Lou Calcagno, County Board of Supervisors Chair
David Chardavoyne, MCWRA General Manager

ATTACHMENT 6

MONTEREY COUNTY

WATER RESOURCES AGENCY

PO BOX 930
SALINAS , CA 93902
(831)755-4860
FAX (831) 424-7935

DAVID E. CHARDAVOYNE
GENERAL MANAGER



STREET ADDRESS
893 BLANCO CIRCLE
SALINAS, CA 93901-4455

March 18, 2014

Ms. Joyce Ambrosius
National Marine Fisheries Service
North-Central Coast Office Central Coast Branch
777 Sonoma Ave. Rm 325
Santa Rosa, CA 95404

Dear Ms. Ambrosius:

On February 24, 2014 the Monterey County Water Resources Agency's (Agency) Board of Director's authorized the Agency's Reservoir Operations Committee to determine whether or not the Agency would initiate operations of the Salinas River Diversion Facility (SRDF) for the 2014 irrigation season based on rainfall, inflow to the reservoirs and reservoir water elevations.

On March 5, 2014 the Reservoir Operations Committee unanimously passed a motion for the Agency to not operate the Salinas River Diversion Facility (SRDF) for the 2014 irrigation season (April-October) based on the lack of water in the Agency's two reservoirs, Nacimiento and San Antonio and insufficient rainfall. As you are aware, the National Marine Fisheries Service (NMFS) issued Biological Opinion (BO) SWR/2003/2080 in June 2007 for the Salinas Valley Water Project (SVWP) of which the SRDF is a component.

A second motion unanimously passed by the Committee requested Agency staff to make a formal recommendation to NMFS to allow the reduction in the minimum flow criterion from Nacimiento Reservoir from 60 cubic feet per second (cfs) to 25 cfs. This letter forwards that recommendation and is presented in accordance with page 31 of the "Salinas Valley Water Project Flow Prescription for Steelhead Trout in the Salinas River" (Flow Prescription) which is included in the description of the proposed action in the BO (page 10) for the SVWP. The Flow Prescription states that "Under drought conditions the Monterey County Water Resources Agency will evaluate reservoir storage with regard to the continuation of minimum releases. When water surface of Nacimiento Reservoir is at or below 748 feet mean sea level (msl) recommendations may be presented to NMFS for a reduction of the minimum flow criterion".

On March 12, 2014 the water surface elevation at Nacimiento Reservoir was 727.6 feet, 30.4 feet below elevation 748. To date, total inflow to Nacimiento Reservoir this winter has amounted to approximately 7,500 acre-feet. Weather forecasts for the Central Coast of California, specifically the Nacimiento watershed, indicate very little to no additional rainfall for the remainder of the rainy season. At the current release rate of 60 cfs Nacimiento

Attachment 6.a.2

Ms. Joyce Ambrosius
March 18, 2014
Page 2 of 2

Reservoir will reach its minimum pool elevation of 687.8 feet msl by early February 2015 (next winter), at which time releases from Nacimiento Reservoir will cease, as described on page 31 of the Flow Prescription and page 17 of the BO. With the reduction of releases to 25 cfs it is estimated that reaching minimum pool could be delayed by as much as 180 days, thereby providing prolonged flow into Nacimiento River, maintaining steelhead habitat as long as possible and offsetting the uncertainties of continuing drought conditions through winter 2015 - 2016.

In the summer of 2013 the Agency conducted a "Nacimiento River Low Flow Survey" (Appendix 1) to assess potential habitat and stranding impacts of reduced Nacimiento releases. This survey evaluated low flows between 26-28cfs. This survey concluded that while wetted width of the channel was reduced at these lower flows, there was connectivity along the entire length of the river and adequate areas for summer refugia for fish, including steelhead trout.

Monterey County is currently in an extreme or exceptional drought as depicted in Figure 1. On January 27, 2014 California Governor Jerry Brown declared a State of Emergency due to drought (Appendix 2) with "2014 projected to become the driest year on record."

There will be an agenda item for the March 31, 2014 Agency Board of Directors meeting to discuss progress in achieving the reduction of flows from Nacimiento Reservoir from 60 cfs to 25 cfs. A response is requested from NMFS prior to March 31, 2014 on this recommendation that "integrates an adaptive approach to implement the SVWP Flow Prescription for steelhead and provides flows fostering recovery of steelhead sub-populations in the Salinas Watershed" (page 98 BO).

If you have any questions regarding this request, please contact Elizabeth Krafft at 831.755.4860.

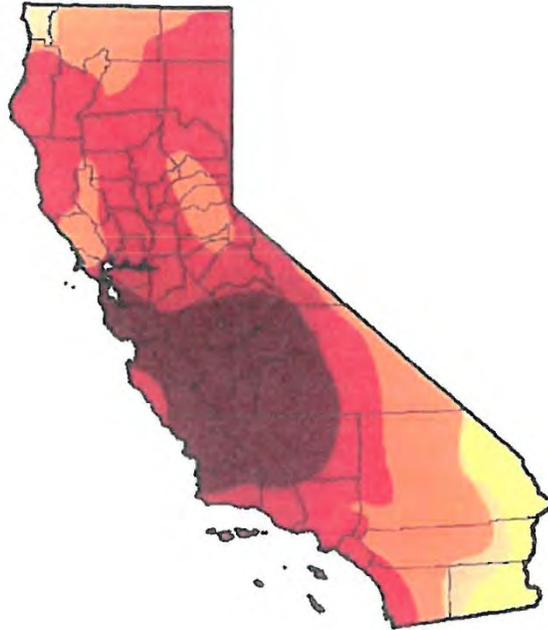
Sincerely,



Attachment:
U.S. Drought Monitor - California

**U.S. Drought Monitor
California**

March 4, 2014
(Released Thursday, Mar. 6, 2014)
Valid 7 a.m. EST



Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	0.00	100.00	94.56	90.82	66.89	22.37
Last Week 2/25/2014	0.00	100.00	94.56	90.82	73.83	26.21
3 Months Ago 12/02/13	2.61	97.39	94.15	82.53	27.59	0.00
Start of Calendar Year 12/01/13	2.61	97.39	94.25	87.53	27.59	0.00
Start of Water Year 10/01/13	2.63	97.37	95.95	84.12	11.36	0.00
One Year Ago 3/5/2013	0.03	99.97	47.37	26.96	0.00	0.00

Intensity

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:
Brad Rippey
U.S. Department of Agriculture



<http://droughtmonitor.unl.edu/>

Figure 1.

Attachment 6.a.3



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
NATIONAL MARINE FISHERIES SERVICE

West Coast Region
777 Sonoma Avenue, Room 325
Santa Rosa, California 95404-4731

April 25, 2014

Refer to NMFS No: 2003-2080

David Chardavoine, General Manager
Monterey County Water Resources Agency
893 Blanco Circle
Salinas, California 93901-4455

Re: Monterey County Water Resources Agency's Recommendations to NOAA's National Marine Fisheries Service for a Reduction of Nacimiento Reservoir Minimum Flow Criterion

Dear Mr. Chardavoine:

On March 21, 2014, NOAA's National Marine Fisheries Service (NMFS) received Monterey County Water Resources Agency's (MCWRA) March 18, 2014, recommendation to reduce Nacimiento Reservoir releases from the existing 60 cubic feet per second (cfs) to 25 cfs. The recommendation is in response to Monterey County experiencing an extreme or exceptional drought. On January 17, 2014, California Governor Edmund G. Brown issued a Proclamation of a State of Emergency regarding drought conditions throughout California. MCWRA has determined that, at the current release rate of 60 cfs, Nacimiento Reservoir will reach its minimum pool elevation of 687.7 feet mean sea level (msl) by early February 2015, assuming there is no additional rain or inflow to the reservoir. Once minimum pool elevation is reached, releases from Nacimiento Reservoir will cease. Nacimiento River is a tributary to the Salinas River, and both rivers support threatened South-Central California Coast (S-CCC) steelhead (*Oncorhynchus mykiss*) and are designated critical habitat for this species.

NMFS has reviewed your recommendation, and on April 1 and 7, 2014, staff from NMFS and MCWRA held a conference call to discuss your recommendation. As you know, on June 21, 2007, in accordance with section 7 of the Endangered Species Act of 1973 (ESA), as amended (16 U.S.C. 1531 *et seq.*), NMFS issued its biological opinion to the U.S. Army Corps of Engineers for their proposal to permit the construction of the Salinas River Diversion Facility (SRDF). In that biological opinion, we analyzed the effects of both the proposed construction/operation of the SRDF and Nacimiento Reservoir Spillway modification and those changes in flow releases from Nacimiento and San Antonio reservoirs that would not otherwise occur without the operation of the SRDF. This included any change in flows along the Salinas River mainstem as well as changes in flows to the Salinas River Lagoon. As part of the project,



Attachment 5

Attachment 6.a.3

2

MCWRA proposed a set of flow prescriptions that included a minimum flow release of 60 cfs from Nacimiento Reservoir to protect and maintain suitable spawning and rearing habitat in the Nacimiento River downstream of Nacimiento Reservoir. Therefore, the biological opinion only analyzed the effects of the proposed flow prescription, including a minimum release of 60 cfs. Operation of the SRDF and concomitant changes in flow releases began in 2010.

NMFS understands MCWRA proposes to reduce Nacimiento Reservoir releases from 60 cfs to 25 cfs as soon as possible. According to MCWRA provisional dam and reservoir daily data (<http://www.mcwra.co.monterey.ca.us/>), on April 2, 2014, the elevation of Nacimiento Reservoir was 726.8 msl. As noted above, at the current release rate, Nacimiento Reservoir will reach its minimum pool elevation by early February 2015 (assuming there is no appreciable rain/inflow). According to MCWRA, with the reduction of releases to 25 cfs, they estimate that reaching minimum pool elevation could be delayed as much as an additional 180 days (also assuming no appreciable rain/inflow), or until approximately early August 2015. MCWRA states their proposed reduction to 25 cfs will extend the duration of surface flows in the Nacimiento River, which would maintain steelhead habitat and provide sufficient water for the operation of wells along the Nacimiento River for as long as possible.

NMFS has determined reducing the minimum flow releases from 60 cfs to 25 cfs is likely to result in adverse impacts to the quality and quantity of S-CCC steelhead habitat, which could result in take of S-CCC steelhead. The reduced flow volume will likely cause water temperatures to increase during spring through fall and with distance downstream from Nacimiento Reservoir. The reduction in flow volume also will likely reduce overall flow velocities and the extent of higher velocity habitats (e.g., riffles, runs, and the heads of pools). Juvenile steelhead generally utilize fast water habitats to feed on drifting invertebrates and obtain sufficient food necessary to meet elevated metabolic demands while rearing in warm water environments. In our 2007 biological opinion, NMFS did not analyze minimum flows from Nacimiento River downstream of the dam less than 60 cfs, and therefore, the potential for the effects described above were not analyzed. Thus, any take¹ associated with the proposed reduction in reservoir releases would be unexempted take, and MCWRA could be in violation of section 9 of the ESA.²

If MCWRA wishes to implement their proposed reduction in reservoir releases, NMFS offers the following measures to help address our concerns. These measures do not obviate your need to contact other regulatory agencies, nor does implementation of these measures supersede any permits or authorization already in place from other agencies. Implementation of these measures does not exempt MCWRA from any take of listed species that may occur.

¹ Under section 3 of the ESA, the term "take" means to harass, harm, pursue, hunt, shoot, wound, kill, trap, capture or collect, or to attempt to engage in any such conduct. Harm is further defined by NMFS as an act which actually kills or injures fish or wildlife. Such an act may include significant habitat modification or degradation which actually kills or injures fish or wildlife by significantly impairing essential behavioral patterns, including breeding, spawning, rearing, migrating, feeding, or sheltering (50 CFR 222.102).

² Section 9 of the ESA and Federal regulation pursuant to section 4(d) of the ESA prohibit the take of endangered and threatened species, respectively, without special exemption.

Attachment 6.a.3

3

Ramping rate

In order to minimize impacts to steelhead, their habitat, and macroinvertebrate prey, MCWRA should ramp down flows such that changes in stage will be approximately two inches per hour (Hunter 1992).

Temperature monitoring

In order to evaluate the impact of flow reduction on steelhead and their habitat, MCWRA should conduct continuous stream temperature monitoring for as long as flows are at a reduced level and provide stream temperature data to NMFS on a monthly basis. Water temperature data should reflect the longitudinal and seasonal range of conditions present in the Nacimiento River downstream of Nacimiento Dam.

Fish monitoring

To assess longitudinal presence/absence and relative abundance of steelhead and to evaluate the effect of the flow reduction, MCWRA should conduct summer fish monitoring (*e.g.*, snorkel/electrofishing) in addition to the required fish sampling typically done annually in October. NMFS staff is available to assist with the summer monitoring efforts.

Supplemental Flow Release

To offset the potential negative impacts of the proposed flow reduction in 2014 to the Salinas River steelhead population, NMFS recommends MCWRA provide additional flow releases in the future to help facilitate successful steelhead passage. This recommendation comports with language in the 2007 biological opinion (“[w]hen hydrologic conditions permit, MCWRA may maintain adult upstream passage flow after triggers are no longer met, such as between storm events, when meteorological forecasting indicates the imminent possibility of Arroyo Seco trigger flows reoccurring.”). If sufficient water is stored, implementation of supplemental flow releases could be used to augment existing flows to improve or extend the window for successful downstream migration of smolts and kelts or for the upstream migration of adults. The supplemental flow release would be a collaborative effort between MCWRA and NMFS and decisions on the volumes necessary to achieve the enhanced passage would be contingent on reservoir elevation, existing flows in the river (and lower Arroyo Seco) and future weather forecast at that time.

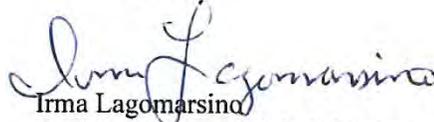
Our 2007 biological opinion did not analyze ongoing Nacimiento and San Antonio dam operations and maintenance as a part of the proposed action, because they are neither indirect effects nor interrelated or interdependent actions to the proposed action. Most dam operations and maintenance were part of the environmental baseline to which the effects of the proposed action were added. As a result, the Incidental Take Statement for the 2007 biological opinion does not exempt any incidental take resulting from those baseline operations. You are aware of our determination that the bulk of the flow released from the Nacimiento and San Antonio dams do not have take exemption coverage. We recommend MCWRA apply to NMFS (and the U.S. Fish and Wildlife Service) for a ESA section 10 (a)(1)(B) permit, *i.e.*, a habitat conservation plan, so that ongoing dam operations, maintenance, and drought contingency plans could be exempted from ESA section 9 prohibitions. NMFS is willing and able to work with you on such an effort.

Attachment 6.a.3

4

Thank you again for providing us with your recommendations. We look forward to future collaboration. Please direct questions regarding this letter to Mr. William Stevens, North-Central Coast Office, at (707) 575-6066, or via e-mail at William.Stevens@noaa.gov.

Sincerely,



Irma Lagomarsino
Assistant Regional Administrator
California Coastal Area Office

cc: Elizabeth Krafft, MCWRA, Salinas
Howard Franklin, MCWRA, Salinas
Richard Ortiz, Chair, Board of Directors, MCWRA, Salinas
Deidre Sullivan, Board of Directors, MCWRA, Salinas
Patrick McGreal, Deputy County Counsel, MCWRA, Salinas
Holly Costa, U.S. Army Corps of Engineers, San Francisco
Ho Truong, NOAA Office for Law Enforcement, Long Beach
Julie Means, California Department of Fish and Wildlife, Fresno
Jennifer Epp, Central Coast Regional Water Quality Control Board, San Luis Obispo

Literature Cited

Hunter, M.A. 1992. Hydropower flow fluctuations and salmonids: a review of the biological effects, mechanical causes, and options for mitigation. State of Washington, Department of Fisheries, Technical Report No. 119, Olympia, Washington.