



**Nacimiento Project Commission  
Notice of Meeting and Agenda  
Thursday, November 18, 2010 – 4:00 pm  
Templeton Community Services District Offices**

- I. Call to Order and Flag Salute
- II. 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.
- III. Meeting Notes from August 26, 2010, and October 8, 2010  
(RECOMMEND APPROVAL)
- IV. COMMISSION INFORMATION ITEMS – written reports with brief verbal overview by staff or consultant. No action is required.
  - a. Project Management Report
  - b. Project Schedule
  - c. Project Budget
- V. PRESENTATIONS – no action required.
  - a. Acknowledgement of Retiring Commissioners
  - b. Utilities Division Operational Readiness
  - c. Intake Pipe Damage and Repair Report
- VI. COMMISSION ACTION ITEMS  
(No Subsequent Board of Supervisors Action Required)
  - a. 2011 Meeting Calendar
  - b. Surplus Water Declaration for Water Year 2011
  - c. Surplus Water Pricing
- VII. COMMISSION ACTION ITEMS  
(Board of Supervisors Action is Subsequently Required)
  - a. (none)
- VIII. FUTURE AGENDA ITEMS DESIRED BY COMMISSION

Commissioners  
**David Brooks, Chair,** Templeton CSD  
**Grigger Jones, Vice Chair,** Atascadero MWC  
**John Hamon,** City of El Paso de Robles  
**Frank Mecham,** SLO County Flood Control & Water Conservation District  
**Dave Romero,** City of San Luis Obispo

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**Next Commission meeting scheduled for  
Thursday, February 24, 2011, at 4:00 pm at  
Templeton Community Services District offices**

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# Nacimiento Project Commission

November 18, 2010

## **Agenda Item III – Meeting Notes from August 26, 2010 and October 8, 2010**

### **Meeting Held August 26, 2010**

#### **I. Call to Order, Roll Call and Flag Salute**

Chairman Brooks convened the meeting at 4:00 pm.

Commissioners Present: Chairman Dave Brooks, Templeton CSD  
Vice Chairman Grigger Jones, Atascadero MWC  
David Romero, City of San Luis Obispo  
John Hamon, City of Paso Robles  
Frank Mecham, SLO Flood Control & Water Conservation District

#### **III. Meeting Notes from May 27, 2010**

Commissioner Mecham moved approval of the meeting notes for the May 27, 2010, Commission meeting; Commissioner Jones seconded; passed unanimously.

#### **IV. Commission Information Items**

Construction Status: Construction Manager Johnnie Overton, Jacobs, updated the Commission on Project status. Each pump station has been started with localized “loop flows” for initial testing. Intake Pump #3 has yet to run pending correction of the valve stem clearance issue. Initial flows have been made to T4 and T6 with flows to T2 and T11 next in sequence.

The 30-day commissioning test will begin at the end of September, during which time District operators will put the facilities through a wide array of operations.

Construction on Spec 3 is complete with record drawings in progress. Spec 5 is working through their punch list and has completed the electrical feed to T11 such that the Spec 2 contractor may proceed.

Jacobs is working to clean up any outstanding change order requests.

Pipeline Inspection Issue: With regard to the approximately 12,000 foot section of Unit C1 that has yet to be internally inspected, Mr. Overton reported that an inspection plan has been presented to the Technical Support Group and will next be discussed with the City of Paso Robles. The proposed plan will require dewatering a long segment of the pipeline, isolating the affected reach, cutting in access points, and manned entry. Work in the vicinity of Highway 46 is somewhat problematic. The process may take 4-6 weeks to complete and may be performed during December 2010. Commissioner Hamon asked about traffic control and public notification. Traffic control to allow one-lane of traffic through narrow sections of North River Road will be necessary during working times, and both lanes are planned to be opened during nonworking times. A shut-down of North River Road and detour may also be feasible. Commissioner Brooks asked if public notification ahead of dewatering might be necessary. Those flows will be routed into storm drains, making use of established drainage ways.

Intake Status: John Hollenbeck described damage to the stainless steel intake pipe that occurred on or about August 11, 2010, during dewatering of the shaft and the intake pipe to



prepare for the repositioning of the 48-inch butterfly valve at the bottom of the shaft so its actuator would not interfere with Pump Unit No. 3. No one was injured. It appears that sections of the 48-inch diameter pipe buckled as a result of the external load of the lake water. Portal Valve No. 2 is opened and uncontrolled by the hydraulic power unit. The lowest intake valve (Valve No. 1) is operable and was opened, allowing start-up flows to proceed. The circumstances of the pipe buckling are under investigation by the District.

Mussel Prevention: Mr. Hollenbeck shared highlights of the discussion that took place at the August 5, 2010, Nacimiento Reservoir Operations Committee, including criticism of one of the larger private ramps that has not evidently staffed a full mussel inspection program. Commissioners remarked that private ramp programs are voluntary and that each is to be applauded for their efforts. The public ramps, on the other hand, are commissioned to manage the public boat ramps and are expected to staff and enforce public programs. Commissioner Mecham distributed an informational flier prepared voluntarily by private ramps.

Carolyn Berg explained that State Dept of Fish & Game provide support materials for mussel prevention programs, but not staff for individual lake enforcement. Commissioner Mecham asked about mussel-sniffing dogs and Ms. Berg replied that there are logistical hurdles to overcome such as getting mussel samples for dog training and coming up with perhaps \$8,000 to \$10,000 for training in addition to ongoing handler/canine costs. Commissioner Hamon shared that flotation devices are subject to inspection at some California lakes, not just motorboats. Commissioner Mecham shared that boaters at Lake Tahoe are required to go through an inspection and to display a current tag. A fee to fund inspections and enforcement are also collected.

Progress on cooperative mussel prevention with MCWRA is stalled. Ms. Berg stated that the Nacimiento Water Project's efforts remain centered on public education. Mr. Hollenbeck noted that the FY 10/11 Nacimiento Water Operating Fund budget includes funding for mussel prevention efforts and that neither MCWRA nor Monterey County Parks budgeted for such activities in their fiscal planning. MCWRA did secure a \$50,000 grant that may have already been spent.

Other Informational Items: On other topics, MCWRA asked if oaks could be planted on their property as part of the Project tree replacement program. The District awaits a written proposal from MCWRA.

PG&E's service improvements are complete, in time for system start-up.

AB 1929, the bill that provides indemnification for operators whose lakes become infested with invasive species, has been signed by the Governor.

Mr. Hollenbeck commented on the status of construction claims, noting that the Intake Pump Station Seismic Issue might be settled without legal action. The "Null and Void" wording in the Project Manager's report reflects staff determination of merits. Contractors may pursue legal action even after such a determination.

Valve Turning Ceremony: The Commission previously authorized a \$25,000 budget for this ribbon-cutting/dedication event. Mr. Hollenbeck reminded the Commission that one alternative is to forego the event altogether. If plans proceed, the plan would be for Paavo Ogren and John Hollenbeck to host the event with a video feed of water deliveries to a



downstream turnout. Interviews with Commissioners would be recorded for display during the event, an approach that would reduce production costs.

Another option is to commemorate the Project start-up at the Board of Supervisors' meeting. There was general concurrence that it is customary to acknowledge completion of a public project of this importance that is both on time and under budget. The Commission preferred an event separate from the Board of Supervisors' meeting. The Commission expressed a desire to keep the event modest and allow time to express thanks to those who collaborated in the Project's success.

#### **V. Project Update and Photo Series**

John Hollenbeck shared excerpts from a recent presentation, including photographs of the newly constructed facilities. He described the function of the "pig launcher" near the Intake which is to introduce swabs or "pigs" into the pipeline to clean its interior.

The first flows of water at a turnout occurred on August 13, 2010, to Atascadero Mutual Water Company (Unit T6).

#### **VI. November 2010 Commission Meetings**

The November 4, 2010, valve turning event will be in lieu of the regular November TSG meeting. A route tour is to be held on:

##### **Route Tour**

Friday, October 8, 2010

Leaving Atascadero Mutual Water Company Offices

Noon

Commissioner Brooks, Hamon, and Jones plan to attend. This event is open to the public.

Commissioner Hamon moved to conduct the route tour on October 8, 2010, then the Valve Turning on November 4, 2010, with the next regular Commission meeting set for November 18, 2010. Commissioner Jones seconded; passed unanimously.

#### **VIII. Future Agenda Items Desired by Commission**

Commissioner Mecham asked if the District was ready to take over Project operations. Mr. Hollenbeck confirmed that operations staff is in place. Dean Benedix, County Utilities Division Manager, reported that Carolyn Berg and Scott Duffield are to transfer from the Project construction team to Utilities Division. He acknowledged plans for the senior operator to retire in four months. Operators may attend the November 18, 2010, Commission meeting to report on readiness.

Neither Commissioner Brooks nor Commissioner Romero will seek reelection at their agencies and consequently their terms on the Nacimiento Project Commission will end in December 2010.

At 5:30 pm, Chairman Brooks adjourned the meeting to the October 8, 2010. The November 4, 2010, valve turning/dedication ceremony will be a regular noticed meeting of the Nacimiento Water Commission.



### **Meeting Held October 8, 2010**

The meeting was adjourned at Noon because there was not a quorum. Commissioners Brooks and Jones were in attendance. After the meeting was adjourned, John Hollenbeck took the Commissioners, along with Judy Dietch, and Dean Benedix on a tour of the Atascadero Mutual Water Company (AMWC) turnout, the new recharge pond constructed by AMWC, Templeton Community Services District turnout, and the Rocky Canyon and Santa Ysabel Pump Stations.

*Submitted by Christine Halley and John Hollenbeck*



Nacimiento Project Commission  
November 18, 2010  
**Agenda Item IV.a– Project Management Report**  
(Information Only – No Action Required)

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**PROJECT ISSUES**

**Construction Status**

**Facilities Contract** – The Facilities Contractor (Spec 2) is continuing with start-up activities, testing individual components and complete systems at each of the facilities. The Contractor has pumped water from the Intake Pump Station (IPS) to flush the system and water has been delivered to all of the Participant’s turnouts.

The clearance between the tunnel valve and the lower portion of Pump Unit No. 3 at the IPS remains an issue; however, the Contractor did successfully install a temporary tether between the shaft wall and the pump which limits the pumps swaying movement and will keep the pump from bumping into the tunnel valve. Pump Unit No. 3 has been operated without any apparent issues.

Contractor’s start-up has been slowed by various equipment problems which are being rectified. Deformation to the Camp Roberts tank remains an issue and it will be corrected as a punch-list item after start-up is completed. Operation and Maintenance (O&M) Manuals continue to be submitted for approval. Training plans are also being submitted and training has been held for some equipment. Based on the projected dates of commissioning and the District’s 30-day performance test, the original Contract Completion date of November 2010 will likely not be met; completion by end of 2010 still appears achievable.

**Pipeline North Contract** – The North Pipeline Contractor’s (Spec 3) request for Substantial Completion has been approved; effective date of Substantial Completion was August 10, 2010. Record drawings and O&M Manuals have been submitted and are under review. Contractor is working on other documents and reports necessary to achieve Final Completion. Jacobs continue to work with the Contractor to resolve open change order requests.

**Pipeline South Contract** – The South Pipeline Contractor (Spec 5) has completed the District identified punch list items and has submitted various reports required for Substantial Completion. Although the Contractor has requested Substantial Completion, the corrosion system test results are still being reviewed. Contractor has not submitted all of the required O&M manuals or training plan. Jacobs continue to work with the Contractor to resolve open change order requests.

The Spec 5 Contractor has received lien releases from numerous sub-contractors who had issued stop notices; however, payment to the Spec 5 Contractor continues to be

withheld due to the assessment of liquidated damages and the remaining stop notices filed by Spec 5 sub-contractors. A meeting was held with the Spec 5 Contractor to discuss payment issues; however, no new information was presented to change the District's stance on withholding payment.

**Pipe Inspection within Unit C1** – The issue of internal pipe inspection of the pipe located on North and South River Road remains unresolved. The plan to accomplish the work has been presented to the City of Paso Robles and minor additional information is needed for the formal submittal to the District and the City. It is still anticipated that this inspection would be delayed until at least December 2010 so that start-up of the NWP system will not be delayed.

**Intake Pipe Repair** – The issue of the damage to the 48-inch intake pipe is discussed under Agenda Item V.c.

**Environmental Activities (Construction Phase)** – There are several reports that are due at or near the completion of the construction. JEG, working with their environmental monitoring subconsultant, are preparing these reports.

### **Status of Project Delivery Team Activities**

**Construction Management** – Jacobs Engineering Group (JEG) continues to provide full-time construction management services. JEG participated in the review and negotiations of the Spec 2 claim, and is reviewing other claims by other Contractors. JEG continues to make plans for the Unit C1 pipe inspection which will occur after the startup activities are complete.

**Design Activities** – Black & Veatch (B&V) continues to provide post-design services with full time support at the Construction Management office, and office support to review contractor submittals. B&V is progressing on the Manual of Procedures. B&V is also participating in the review and design of the intake pipe that was damaged on or about August 11, 2010 (see the staff report in the Commission Packet for additional details on the Intake Pipe).

**Environmental Activities (Design Phase)** – Environmental Sciences Associated (ESA) is expected to issue the draft Excavation Report to the District for review and comment by the end of the first week in November 2010. This is the only remaining deliverable by ESA.

**Project Administration** – TJ Cross continues to support the project with administrative support of coordinating meeting agenda and minutes for the Technical Support Group and Commission meetings, and actively working on the quagga mussel efforts of the District. TJ Cross is also progressing on the draft of the Project's history report.

## Outside Agency Issues

**California Department of Public Health** – The Public Works Department, Utilities Division, submitted a permit application on behalf of the San Luis Obispo County Flood Control and Water Conservation District to the California Department of Public Health, in accordance with California Health and Safety Code Section 116525, for the Nacimiento Water Project dated August 23, 2010, to operate a wholesale system intended to supply downstream retailers with a supply of untreated surface water. The California Department of Public Health issued a domestic water supply permit, Water Permit No. 04-06-10P-006, effective October 21, 2010. A copy of the permit certificate follows this page.

**Monterey County Water Resources Agency** – Paavo Ogren continues to represent the District at the monthly Reservoir Operations Committee meetings.

With regard to invasive species prevention, dialogue has resumed with MCWRA and Monterey County Parks regarding plans for future years. Monterey County Parks is to commission a study to evaluate boater/recreation fees particularly for invasive species prevention. They also applied for another grant. The next Elected Official's meeting is tentatively set for January 2011.

A minority representation of the SLO District and Monterey County's Board of Supervisors met to discuss conflict resolution on several items, including the reimbursement of the log boom by MCWRA. This meeting resulted in a meeting between Paavo Ogren (SLO District Public Works Director) and Curtis Weeks (MCWRA General Manager). Several action items are being organized and addressed. No status of the outcome of this meeting was available at the time of this agenda report.

**New Participants** – Nothing noteworthy to report this period.

**PG&E's Savings by Design** – PG&E has recently contacted the District to discuss the Savings by Design incentive program. The Nacimiento Project Manager gave a tour of the three pumping stations to a PG&E representative to assist them in collecting data necessary for their assessment of the incentive. District staff will work with PG&E regarding a presentation item at a Board of Supervisor's meeting whereby PG&E will make presentation of the incentive check, estimated to be in the range of \$100,000 to \$600,000.

## Nacimiento Reservoir Status

As of October 28, 2010, the reservoir elevation is 744.75 ft-NGVD29. This equates to 133,888 acre-feet of storage, which is 35% full. Releases are at 150 cfs.



STATE OF CALIFORNIA  
DEPARTMENT OF PUBLIC HEALTH

*Certificate of Issuance*

OF A

*Water Supply Permit*

TO

**NACIMIENTO WATER PROJECT**

*This is to certify that a water supply permit (**Permit # 04-06-10P-006**) has been issued to the **Nacimiento Water Project** on October 21, 2010, to supply water for domestic purposes, serving participating agencies in San Luis Obispo County. The permit was issued by the California Department of Public Health, pursuant to the provisions of Division 104, Part 12, Chapter 4, Article 7, of the California Health and Safety Code. The permit is subject to the requirements of Title 22, California Code of Regulations, and to the conditions provided in the water supply permit.*



*A copy of the water supply permit is on file with the County of San Luis Obispo or may be obtained by contacting the Santa Barbara District Office of the Department of Public Health, Drinking Water Field Operations Branch, 1180 Eugenia Place, Suite 200, Carpinteria, CA 93013-2000.*

A handwritten signature in dark ink, appearing to read "Kurt Souza".

**Kurt Souza, P.E., Regional Engineer, Santa Barbara District**

**Report on Construction Claims**

**Construction Claim Summary Table as of November 1, 2010**

Construction Contract	Claim Information	Status of Claim
Intake (Spec 1)	NONE	
Facilities (Spec 2)	<p><u>Intake Pump Station Seismic Issue</u> CLOSED 9-23-2010 (pending execution of Change Order with BOS) Submitted 3-8-2010 Claimed Costs: \$1,006,002.02 Claimed Times: 184 Days Costs and Times are open-ended estimates.</p> <p><u>Water Storage Tank Commissioning</u> CLOSED 9-23-2010 (pending execution of Change Order with BOS) Submitted: 5-13-2010 (Notice of Potential Claim) Claimed Costs: \$40,000 Claimed Times: None</p>	<p>Change Order of \$500,000 negotiated, including:</p> <ul style="list-style-type: none"> <li>- \$318,200 to settle the claim (also incorporates the Water Storage Tank claim shown below)</li> <li>- \$122,300 for the intermediate platform</li> <li>- \$59,500 to settle small outstanding changes in the work.</li> </ul> <p>Returned \$20,000 to Contractor within the settlement described above for the Intake Pump Station Seismic Issue.</p>
Pipeline North (Spec 3)	<p><u>Additional County Permit Rock Surfacing Requirement for Wellsona Road (PCO-122)</u> Submitted: 8-25-2010 Claimed Costs: \$51,962 Claimed Times: 0</p> <p><u>Repaving of South River Road and Santa Ysabel Road (PCO-027)</u> Submitted: 8-25-2010 Claimed Costs: \$50,150 Claimed Times: 0</p> <p><u>Longer Hauling of Waste Soils on N and S River Road (PCO-046)</u> Submitted: 8-29-2010 Claimed Costs: \$38,694 Claimed Times: 0</p>	<p>Request for Additional Information submitted to Contractor on 9-24-2010</p> <p>Request for Additional Information submitted to Contractor on 9-24-2010</p> <p>Request for Additional Information submitted to Contractor on 9-28-2010</p>
Pipeline South (Spec 5)	<p><u>Additional BMP's required</u> Submittal 6-8-2010 Claimed Costs: \$355,590.00 Claimed Times: 0</p> <p><u>18" casing under RR near Stenner Creek</u> Submittal: 6-7-2010 Claimed Costs: \$64,384.00 Claimed Times: 0</p> <p><u>Time Extension</u></p>	<p>Null and Void. CONTRACTOR notified on 6-18-2010.</p> <p>Null and Void. CONTRACTOR notified on 6-18-2010.</p> <p>Still awaiting submittal from</p>

Construction Contract	Claim Information	Status of Claim
	Submittal: 7-8-10 (Notice of Potential Claim for PCO-058) Claimed Costs: TBD Claimed Times: TBD	CONTRACTOR. At meeting on 9-29-2010, CONTRACTOR said they submitted claim on 7-17-2010, but DISTRICT team has not seen it. Their indicate the equitable cost is over \$3M. DISTRICT still awaits information.

The Spec 5 Contract submitted a report entitled “Request for Equitable Adjustment” on September 29, 2010. This report does not comply with any of the provisions of the Contract Documents; however, JEG’s best judgment is this report is an attempt to document a final change order request. Several of the items within this report have already been submitted as potential change order requests, and were denied by JEG; therefore, the management strategies of this report are still being developed.

**Valve Turning Ceremony**

The valve turning ceremony was cancelled on September 21, 2010 per a memorandum distributed by the Nacimiento Project Manager. At the time of the cancellation, the District had received over \$13,000 in sponsorships from various firms who had worked on the project. All of this money has been returned to those firms. No public monies for the valve turning ceremony and dedication of the Project will be expended. Taped interviews of the six Nacimiento Commissioners who have served the Project since 2004 through 2010 will be completed for historical documentation of the Project. The narrative anthologies will also be completed for historical documentation.

The topic of having an informal meal and time to reflect on the accomplishments of the Project was discussed at the October 14, 2010, Technical Support Group meeting. The consensus of the group was for a private gathering to be paid by the attendees at a venue where a meal can be catered. Based on venue availability venue capacity, and costs, an event has been planned for a private invitation-only catered dinner to be held the evening of November 18, 2010, following the Commission Meeting, at the community hall in Santa Margarita. Electronic invitations were distributed on October 29, 2010.

The District intends to store a sealed canister at the Intake Pump Station as a time capsule. The capsule will be marked to be opened several decades in the future. Members of the Commission, the Technical Support Group, and other personnel who worked on the Project are asked to submit their items for the capsule to the Nacimiento Project Manager at your earliest convenience. Specifics on the time capsule are still being coordinated.

## **Update of Construction Accidents of October 2, 2008, and August 20, 2009**

The construction accident that occurred the evening of October 2, 2008, at the intersection of Niblick and South River Road in Paso Robles has recently settled. Neither the District nor the County expended any out of pocket expenses to settle this matter. The contractor, Teichert Construction Inc., picked up the entire defense of the County and District pursuant to the contractual terms of the Project's construction agreement with the District. The contractor's insurer, AIG Insurance Company, paid the majority of the claims, and AIG also paid all attorney fees to defend the matter. The resulting settlement agreement completely releases the District and County from any further damages. Additional terms of the settlement which are public information are available upon request.

There was no litigation filed against the District or County for the construction accident that occurred on August 20, 2009, on Camp Roberts.

## **Project Management Transition**

This Commission meeting marks a milestone from changing from the Design and Construction Phase over to the Operation and Maintenance Phase for the Project. Dean Benedix, Division Manager for the Utilities Division of the County's Public Works Department, will transition into the leadership role for the Commission meetings beginning with the February 24, 2010, meeting. John Hollenbeck, the Nacimiento Project Manager, will continue to provide management of design and construction activities until they are concluded.

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Nacimiento Project Commission  
November 18, 2010  
**Agenda Item IV.b– Project Schedule**  
(Information Only – No Action Required)

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The accompanying construction schedule is current as of November 3, 2010. The critical path for the Project is within the startup and commissioning activities. The Spec 2 Contractor is responsible to perform and/or oversee these activities. Delays have occurred in the Contractor's 5-day commissioning test caused by equipment malfunctions at various locations. The Contractor is working to resolve these malfunctions so the 5-day test can begin. The Contractor's three-week look-ahead schedule indicates that the 5-day test should begin on November 16, 2010. A 30-day commissioning test, conducted by the District's operators under the direction of the Contractor's Startup Manager, will begin at the conclusion of the 5-day commissioning test. Current predictions are that the Project's Construction Phase will end in late December 2010.

\* \* \*

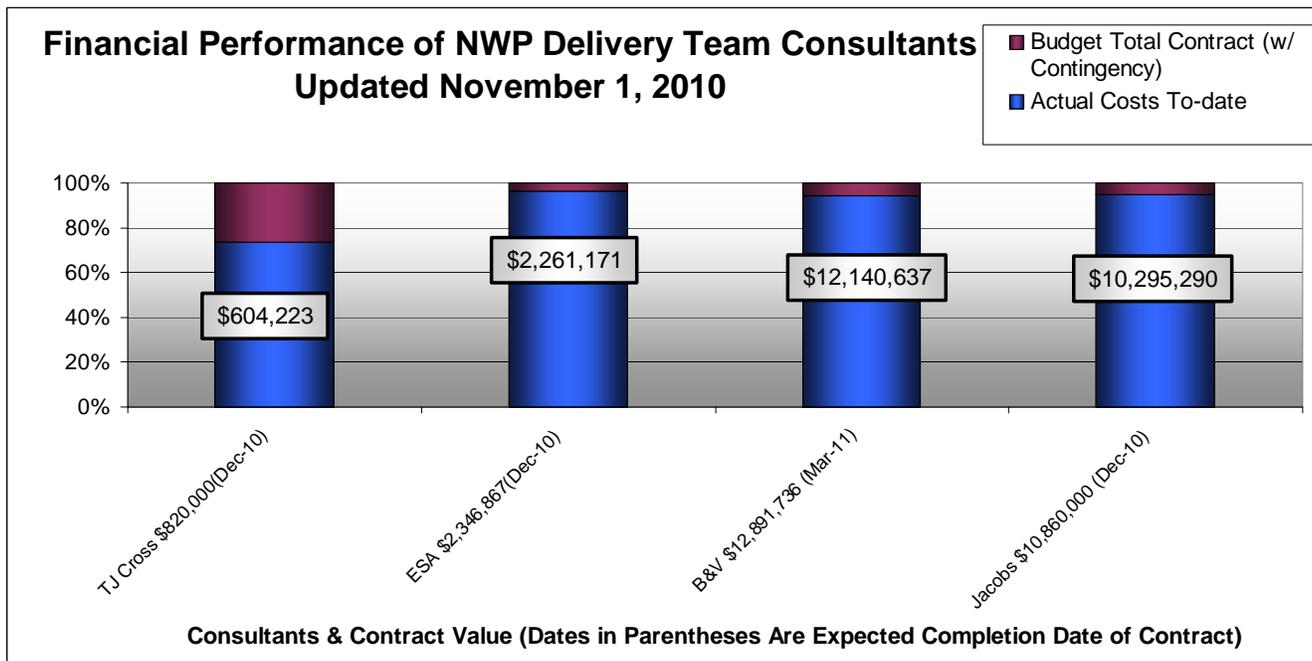




Nacimientto Project Commission  
 November 18, 2010  
**Agenda Item IV.c– Project Budget**  
 (Information Only – No Action Required)

**Design and Construction Phase Budget**

The Project Budget Report through October 31, 2010, for the Design and Construction Phase is attached. The performance summary of the professional service firms still engaged in the Project are presented within the following chart.



**Operation and Maintenance Phase Budget**

The Fiscal Year 2010/11 First Quarter Report for the Nacimientto Water Operating Fund (July 1, 2010, through September 30, 2010) is attached.

**Payment Reminder**

Participants are reminded that the next contract payments are due January 1, 2011, per Article 17.A.2.

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**Nacimiento Water Project  
Project Budget Reporting  
Report Ending Period: 10/31/10**

	Revised Budget: MARCH 2010	Cost to Date thru 10/31/2010	Remaining Budget	Projected Total Cost as of 11/12/2010	Projected Variance (Budget Vs. Projected Cost)	Comments
<b>Design Phase Costs</b>						
Project Management	\$2,450,000	\$2,298,745	\$151,255	\$2,419,494	\$30,506	Includes County Project Manager, VE, support staff, TJCross support, finance team, legal fees, and County overhead allocation during Design Phase. Revised 2/2010- Adjusted to better align with actual costs to date.
AD-15 Process (Preparation for Bidding)	\$113,057	\$ 113,057.01	\$0	\$113,057	\$0	Reproduction and mailing of Contract Docs, addenda, and other bid phase correspondence, utilizing ASAP Reprographics.
Environmental	\$2,346,867	\$ 2,293,603.96	\$53,263	\$2,346,867	\$0	ESA-Includes design assistance, permit applications, agency coordination. Amendments authorized for EIR Addendum and extended cultural resource efforts.
PG&E Service Extension	\$300,000	\$ 101,448.52	\$198,551	\$300,000	\$0	Estimate to extend power to proposed facilities at \$100,0000. Add \$200,000 for low energy usage in first year (2/10)
Right of Way Consulting Services	\$1,562,000	\$1,484,989	\$77,011	\$1,562,000	\$0	Hamner-Jewell contract plus allowance for appraisal, title reports by others, and Special Counsel. Includes court hearings for orders of possession.
Property Acquisition	\$1,700,000	\$ 1,623,986.48	\$76,014	\$1,700,000	\$0	2/10-Revised acquisition budget.
Construction Mgt/Constructability Review	\$669,173	\$ 669,109.19	\$64	\$669,173	\$0	Amendment revised Design Phase Value to \$669,173.
Engineering Design (Includes geotechnical, survey & Design CM)	\$9,088,800	\$ 9,419,153.76	(\$330,354)	\$9,088,800	\$0	Black and Veatch Corporation 11/06-Revised projected total. 8/07-revised back up to original budget pending Design Amendment
Finance	\$0	\$ -	\$0	\$0	\$0	PFM, UBS, and Fulbright & Jaworski support services coded to Project Management line item above.
New Participant Contribution	(\$50,000)	(\$49,040)	(\$961)	(\$50,000)	\$0	11/06-CSA 10A buy-in fee per Article 29 of the WDEC.
Design Phase Budget Reserve (NOTE 1)	\$720,103		\$720,103	\$0	\$720,103	
<b>SUMMARY - DESIGN PHASE</b>	<b>\$18,900,000</b>	<b>\$17,955,053</b>	<b>\$944,947</b>	<b>\$18,149,391</b>	<b>\$750,609</b>	

**Nacimiento Water Project  
Project Budget Reporting  
Report Ending Period: 10/31/10**

	Revised Budget: MARCH 2010	Cost to Date thru 10/31/2010	Remaining Budget	Projected Total Cost as of 11/12/2010	Projected Variance (Budget Vs. Projected Cost)	Comments
<b>Construction Phase Costs</b>						
Project Management	\$4,858,563	\$ 4,660,939.05	\$197,624	\$4,840,424	\$18,139	Includes District staff, County Counsel, intern support, TJCross support, and operator support during construction. Also includes premium for District-provided Builder's Risk Insurance and County overhead allocation. Updated 2/2010: Added \$170,000 from Prof Serv Contingency
Environmental Mitigation	\$1,862,757	\$ 59,479.27	\$1,803,278	\$ 218,083	\$1,644,675	For pipeline realignments, special const tech and other costs incurred due to unforeseen enviro issues. Also used for mitigation of habitat (oak trees, SJ Kit Fox, etc). Revised 2/2010 (\$364,779 to Const Cont, \$955,000 to Prof Services Cont., and \$1,317,464 reduction to correct overall budget to Aug 2007 level)
Construction Management, includes Environmental Monitoring, Materials Testing & Surveying	\$10,190,827	\$ 9,492,651.12	\$698,176	\$10,190,827	\$0	Based on Jacobs construction management services fees and ESA's Environmental Monitoring Fees through Amendment No. 8
Post-Design Services by Designer	\$3,200,000	\$ 2,945,239.72	\$254,760	\$3,920,000	(\$720,000)	Black & Veatch's construction phase services. Added \$720,000 for Amendment #23 (longer period + MOP)
Construction Contracts	\$130,265,722	\$ 129,210,876.48	\$1,054,845	\$ 131,340,441.75	(\$1,074,720)	BASED ON CONSTRUCTION BIDDING + CHANGE ORDERS
District Controlled Contingency Construction Phase Contingency and Reserve (NOTE 1)	\$5,235,826		\$5,235,826	\$3,362,228	\$1,873,598	Recommended contingency for construction change orders, prof service changes, and other Project reserve. Excludes the carryover of unused Design Phase reserves.
<b>SUMMARY - CONST. PHASE</b>	<b>\$155,613,695</b>	<b>\$146,369,186</b>	<b>\$9,244,509</b>	<b>\$153,872,003</b>	<b>\$1,741,691</b>	
<b>Prior Expenses</b>						
Advance Expenditures	\$513,000	\$513,000	\$0	\$513,000	\$0	
Cuesta Tunnel	\$1,031,000	\$1,031,000	\$0	\$1,031,000	\$0	Includes construction of Nacimiento Water Project pipeline section through Cuesta Tunnel and cost for 2003 EIR.
<b>TOTAL PROJECT</b>	<b>\$176,057,695</b>	<b>\$165,868,239</b>	<b>\$10,189,456</b>	<b>\$173,565,394</b>	<b>\$2,492,300</b>	

Positive Projected Variance indicates costs are under the revised line item budget.

Recent Update: November 8, 2010

NOTES 1. When the Design Phase is closed, the reserves will be transferred to the Construction Phase Reserves.

**Nacimiento Water Operating Fund**  
**Operation and Maintenance**  
**FY 2010-2011**

		Budget		Quarter	Quarter	Quarter	Quarter
	WBS Element	FY 2010-11	0	1	2	3	4
<b>Routine Operation and Maintenance</b>							
Master Water Contract	300420.01.03	\$217,140					
Variable Energy Costs	300420.03	\$780,182					
Water Quality Analysis	300420.05	\$240,849					
Water Quality Support	300420.06	\$76,588					
Regulatory Agency/Department of Public Health	300420.02	\$66,615					
Invasive Species/Quagga Mussels	300420.09.02	\$0					
Environmental Mitigation	300420.09.01	\$10,312					
Utilities Operations and Office Engineering	300420.07	\$373,184					
General Accounting	300420.01	\$239,720		\$1,486.36			
County wide Overhead	300420.01.01	\$57,211		\$15,406.00			
Contributions to ISF/New Equipment	300420.01.02	\$3,000					
General Units	300420.10	\$11,905					
Unit A	300420.10.A	\$288,992					
Unit A1	300420.10.A1	\$63,976					
Unit B	300420.10.B	\$181,665					
Unit C	300420.10.C	\$16,967					
Unit C1	300420.10.C1	\$18,915					
Unit D	300420.10.D	\$7,101					
Unit E	300420.10.E	\$1,790					
Unit F	300420.10.F	\$8,298					
Unit F1	300420.10.F1	\$53,821					
Unit F2	300420.10.F2	\$136,504					
Unit G	300420.10.G	\$9,074					
Unit G1	300420.10.G1	\$11,353					
Unit G2	300420.10.G2	\$58,301					
Unit H	300420.10.H	\$1,328					
Unit H1	300420.10.H1	\$9,736					
Unit T-2	300420.10.T2'	\$10,669					
Unit T-4	300420.10.T4	\$11,461					
Unit T-6	300420.10.T6	\$10,669					
Unit T-11/11a	300420.10.T11/T11a	\$23,871					
<b>Total Routine Operation and Maintenance</b>		<b>\$3,001,197</b>		<b>\$16,892.36</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Non-Routine O&amp;M</b>							
Task		\$0					
Task		\$0					
<b>Total Non-Routine Operation and Maintenance</b>		<b>\$0</b>		<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Capital Outlay</b>							
Prior District Costs		\$1,544,000		\$1,544,000.00			
Capital Replacement Contingency		\$103,400					
Capital Reserve/Equipment Replacement		\$386,600					
Operating Reserves		\$226,406					
<b>Total Capital Outlay</b>		<b>\$2,260,406</b>		<b>\$1,544,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>Grand Total</b>		<b>\$5,261,603</b>		<b>\$1,560,892</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Nacimiento Project Commission  
November 18, 2010  
**Agenda Item V.a – Acknowledgement of Retiring Commissioners**  
(Presentation - No Action Required)

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**TO:** Nacimiento Project Commission

**FROM:** John Hollenbeck, Nacimiento Project Manager

**DATE:** November 18, 2010

Both Chairman David Brooks and Commissioner Dave Romero, charter representatives on the Nacimiento Project Commission, do not seek reelection at their respective agencies; therefore, their term on the Nacimiento Project Commission draws to a close at the conclusion of this meeting. On behalf of the District, the Nacimiento Project Manager will present both men with a frame mounted certificate identifying an appreciation of leadership for their services on the Nacimiento Project Commission.

\* \* \*



Nacimiento Project Commission  
November 18, 2010  
**Agenda Item V.b – Utilities Division Operational Readiness**  
(Presentation - No Action Required)

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See Attached Memorandum dated November 18, 2010, from Doug Bird, Hydraulics  
Operations Administrator, Public Works Department, Utilities Division

\* \* \*





SAN LUIS OBISPO COUNTY  
**DEPARTMENT OF PUBLIC WORKS**

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**TO: Nacimiento Project Commission**

**FROM: Doug Bird, Hydraulic Operations Administrator** 

**VIA: Dean Benedix, Utilities Division Manager**   
**Nacimiento Project Technical Support Group**

**DATE: November 18, 2010**

**SUBJECT: Utilities Division Operational Readiness**

**Recommendation**

We recommend that your Commission receive and consider this Operational Readiness Report that was developed in response to questions from your Commissioners regarding the readiness of the County's Utilities Division to assume the responsibility for the operations and maintenance of the Nacimiento Water Project.

**Summary**

Over the next few months the construction phase of the Nacimiento Project will gradually draw to a close and the Operations and Maintenance (O&M) phase of the Project will begin. Members of both the Nacimiento Technical Support Group (TSG) and Project Commissioners have requested a status report regarding the operational readiness of the Utilities Division to assume responsibility for the on-going O&M phase of the Project. Utilities staff, working in conjunction with the Nacimiento Project team (i.e. staff, consultants, contractors, etc), and Public Works accounting and management personnel, have been preparing for the O&M phase of the Project for many months and are ready to assume operational control and management.

**Discussion**

The Utilities Division is made up of over 40 staff members including state registered and certified engineers, water and wastewater workers, water quality laboratory personnel and administrative staff. A copy of the Division Organization Chart is attached for your information. Note that Divisional staff members, that will have responsibilities related to the Project, have been highlighted on the chart.

In addition to those staff shown on the attached chart, other Public Works personnel, with responsibilities related to the Nacimiento Project (either part-time or full-time), include two staff members from the Accounting Division as well as Departmental management. Two current Nacimiento Construction team members, Carolyn Berg and Scott Duffield, will transition to the Utilities Division as the construction phase of the Project winds down and operations are turned over to the Utilities Division.

### Water Systems Operations

Certain operations staff (i.e. Rick Meeks, Tom Trott, Carolyn Berg, and Scott Duffield) have been involved in the Project for a period of time going back to the Design phase. Field staff personnel (including the three newly hired water systems workers) have been undergoing operations training and facility familiarization, with the various Project consultants and contractors, since January 2010.

In addition, they have been heavily involved in the review and approval of a complete Manual of Procedures for the Project, which will include Standard Operating Procedures as well as Standard Administrative and Management Procedures. It should be noted that all water operators associated with the Project have the necessary State of California certifications for operating the Project's distribution system and participate in the County's required on-going training.

Currently, the North County Water Systems Superintendent (Rick Meeks) is in charge of the day-to-day operations of this system with virtually 100 percent of his time dedicated to the Project. Assistant Water Systems Superintendent (Charles Berna) is dedicated for approximately 25% of his time to the Project. Water Systems Workers for the Project system, at this time, consist of 3.6 full time equivalent Water System Worker positions dedicated for day-to-day Project operations. Individual staff members may be rotated on and off of the Project as needed, and up to five of the seven North County Water System Workers can be utilized on the Project, if needed.

### Water Quality Laboratory

The Utilities Division Water Quality Laboratory is a state certified water laboratory and currently meets all state and federal requirements for conducting water quality analyses. Laboratory personnel have been instrumental in the process of anticipating the level of water quality monitoring that will be required for the Project, and as part of this effort have been in frequent consultation with the California Department of Health (CDH).

### Administrative/Engineering Staff

All County water system management personnel are required by the County of San Luis Obispo to maintain appropriate State certifications on an on-going basis, and all are also encouraged to participate in a continuing education program consisting of relevant training and educational programs that are offered throughout the State. County management staff consists of State of California registered Civil Engineers and other technical support staff who are responsible for oversight of the Project operations staff, including ongoing system needs and operations.

The Division is headed by Dean Benedix, Utilities Division Manager, who is in charge of all Project operations. Assisting him with the project are Engineers Courtney Howard, Tom Trott, (Carolyn Berg and Scott Duffield soon to join Utilities), and Administrator Doug Bird. Each of these individuals has been involved in various aspects of the Project for a number of years.

### Accounting Staff

The Accounting Division is headed by Will Clemens, Department Administrator, who oversees the Project's budget as well as those of over 50 Special Districts. Wendy Hall, Administrative Services Manager, is tasked with maintaining the accounting and financials for the Project and has been involved in that process for several years.

### Training

All water system operators and County management staff are required to participate in on-going training opportunities when offered. Courses, seminars and conferences attended include:

- AWWA, APWA and other national organization sponsored events
- Financial management courses
- Regulatory, environmental and legal seminars and courses
- Personnel management seminars and courses
- Continuing education courses
- Certification classes
- Safety training
- CPR and first aid training
- Other applicable training opportunities
- Systems operation and maintenance training

Lastly, it should be noted that the Utilities Division recently submitted a required TMF (Technical, Financial, and Managerial) Capacity analysis to CDH, which included among other items a complete Emergency/Disaster Response Plan for the Project. This report is the County's verification to the State that the District and its staff are fully qualified and prepared to assume operational and management control of the Project upon completion of the construction phase, and adequate funding is programmed to operate and maintain the system.

### Results

The District's Utilities Division has taken all appropriate and necessary steps to ensure that the Project's operations personnel will be fully able to operate the facility in a safe and reliable manner upon system startup.

File: CF 622.10.01 General Correspondence



Nacimiento Project Commission  
November 18, 2010  
**Agenda Item V.c – Intake Pipe Damage and Repair Report**  
(Presentation - No Action Required)

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**TO:** Nacimiento Project Commission  
**FROM:** John R. Hollenbeck, P.E., Nacimiento Project Manager  
**DATE:** November 18, 2010

**Background**

On or about August 11, 2010, while dewatering the 48-inch diameter stainless steel sloping multi-port intake pipe (Intake Pipe), the pipe experienced buckling failure (it partially crushed.) Nobody was injured, only the Intake Pipe was damaged. The Intake Pipe is connected to the horizontal tunnel, and the tunnel is connected to the vertical wet well shaft. Neither the shaft nor tunnel was damaged.

The purpose of this report is to brief your Commission on the damage to the Intake Pipe, what the Nacimiento Project Manager judges is the cause of the damage, and the plan to repair the Intake Pipe.

**Intake Pipe Damage**

The intake pipe experienced partial collapse when the water inside the pipe was removed. The damage, as reported by divers, is illustrated on Exhibit V.c-1. The damage between Valves No. 2 and 3, and Valves No. 3 and 4. Valve No. 2 is reported to be leaning at 10 o'clock position (when looking up towards the surface) and Valve No. 3 is reported to be leaning at 1 o'clock position. The pipe shell between Valves No. 3 and 4 is reported to be severely collapsed, whereas the shell between Valves 2 and 3 is reported to be partially collapsed. All other valves and portions of the pipe are reported to be undamaged.

Valve No. 2 is inoperable, meaning that valve is not responding to commands of “open” or “close” from controls within the pump station. Currently Valve No. 2 is partially open. Valve No. 1 is fully operational and is open. Valve Nos. 3 through 7 have not been exercised, and currently are closed.

**Cause of the Damage**

Black & Veatch Corporation (B&V) is the designer of the Intake Pipe. They were asked to investigate the cause of the pipe collapse by examining their design calculations and by verifying that the materials used for the Intake Pipe were in compliance with the design drawings and specifications.

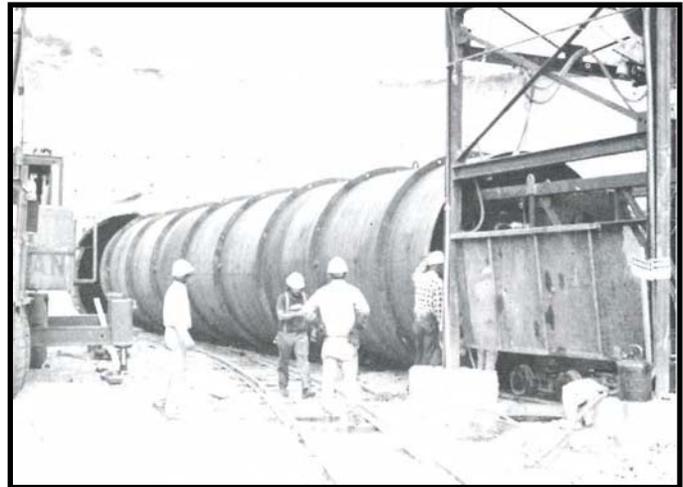
B&V reported to the District that the Contractor did supply the Intake Pipe in compliance with the design shown on the drawings and specifications. They further reported that they



omitted performing the structural calculations to size the Intake Pipe's structural elements to resist the external water loads imposed on the shell of the Intake Pipe when the Intake Pipe is dewatered (dewatering occurs by removing the water from the Intake Pipe, the tunnel, and the shaft). They have accepted responsibilities of damages associated with the omission of performing the design to resist all load cases imposed on the Intake Pipe. Had this design case been analyzed, then the pipe would likely not have been damaged when it was dewatered.

### **Repair Design and Construction**

B&V has performed the preliminary design concept and presented it and the construction method to the District. The use of ring stiffeners (see Photo 1 for example) will be employed to stiffen the shell of the Intake Pipe to resist the loads when the intake is dewatered. B&V is expected to transmit a design submittal to the District in early November.



**Photo 1 Ring Stiffeners on Steel Tunnel Liner**

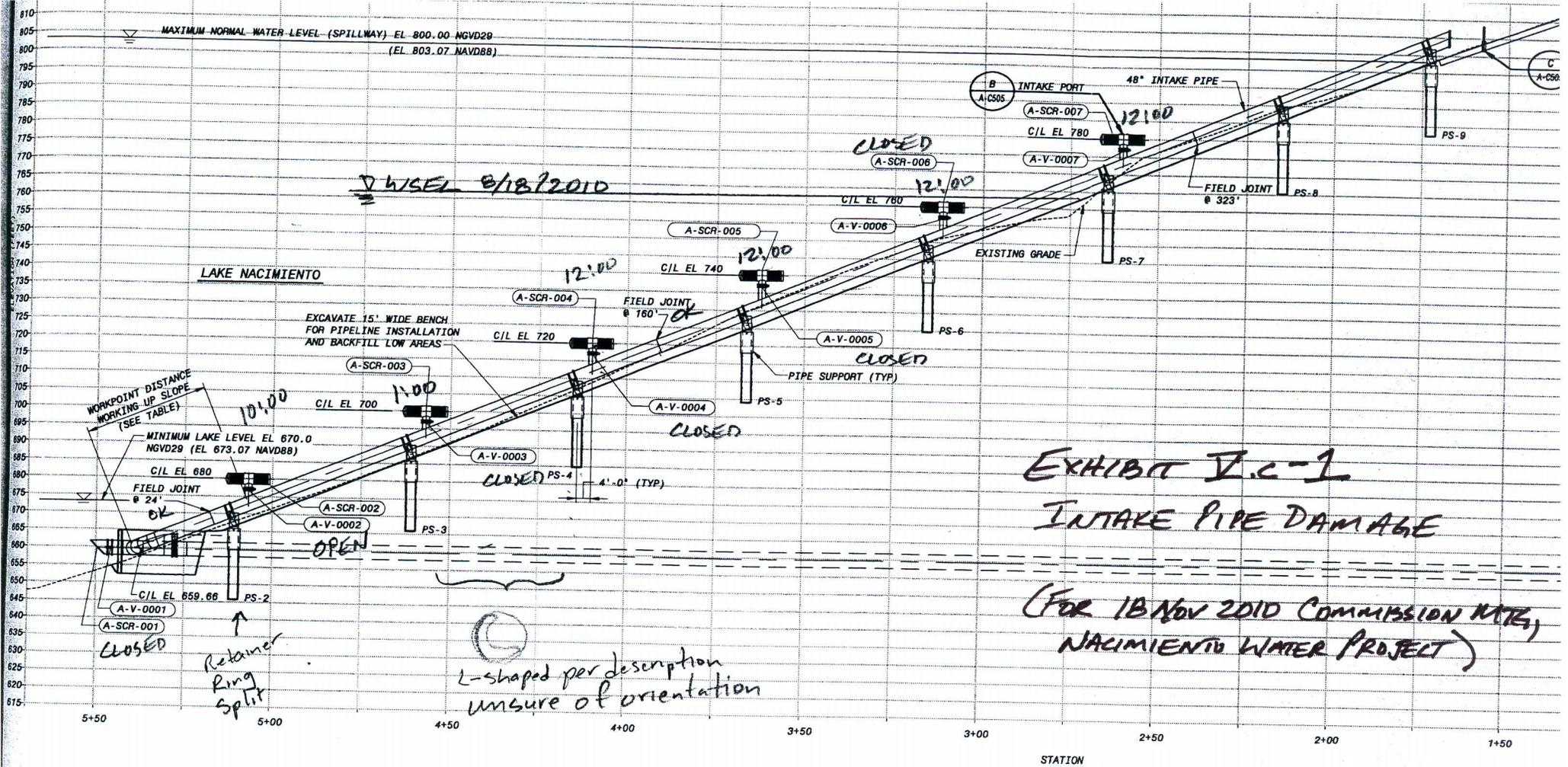
Construction will employ divers to remove the damaged pipe. Welding of the ring stiffeners will be above water where possible. The preliminary schedule for completing the construction is May 2011. B&V will coordinate the hiring of the construction contractor and manage their work. Inspection of the work performed by B&V and their contractor will be by at the direction of the District. It is likely that water deliveries will be disrupted while the construction activities are occurring.

The Technical Support Group (TSG) was briefed on the Intake Pipe repair at the October 14, 2010, meeting. The TSG members expressed concern about creating corrosion points and the quality of underwater welding. The concept of performing the repair work in “the dry” was discussed as the preferred approach. The Nacimiento Project Manager identified that one ring stiffener has to be performed underwater, whereas the remaining stiffeners could be done in a dry environment. The TSG's comment has been communicated with B&V.

### **Impact to Operations**

B&V's preliminary schedule of the repair shows the work can be completed by May 2011. This will result in no deliveries of water while B&V's construction workers are in the water. Deliveries are expected to resume in time for the peak summery deliveries.

\* \* \*



**EXHIBIT V.C-1**  
**INTAKE PIPE DAMAGE**

(FOR 18 NOV 2010 COMMISSION MEETING,  
 NACIMIENTO WATER PROJECT)

Lake EL (per MCWRA web site)  
 NGVD29      NAVD88  
 8/18      759.35      762.42  
 8/19      759.15      762.22

SECTION 1  
 1" = 20'-0"      A-C102

ELEVATION CONVERSION		
PORT	NAVD88	NGVD29
1	659.66	656.59
2	680.00	676.93
3	700.00	696.93
4	720.00	716.93
5	740.00	736.93
6	760.00	756.93
7	780.00	776.93

INTAKE PIPE INSTALLATION (BASED ON PIPE SLOPE = 0.35%)			
PORT	C/L SCREEN	C/L PIPE	DISTANCE WORKING UP SLOPE (FROM WORKP)
2	680.0	673.0	35'-3"
3	700.0	693.0	89'-0"
4	720.0	713.0	139'-6"
5	740.0	733.0	191'-0"
6	760.0	753.0	246'-0"
7	780.0	773.0	301'-2"
PIPE SUPPORTS		C/L WP	DISTANCE WORKING UP SLOPE (FROM WORKP)
PS-8	-	790.0	348'-6"
PS-9	-	817.0	394'-0"

Nacimiento Project Commission  
November 18, 2010  
**Agenda Item VI.a – 2011 Meeting Calendar**  
(Commission Action – No Subsequent Board Action Required)

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**TO:** Nacimiento Project Commission  
**FROM:** Dean Benedix, P.E., Utilities Division Manager  
**DATE:** November 18, 2010

**Recommendation**

Accept the proposed 2011 Calendar of Activities and use this as a guide for planning the coming year's Project meetings.

**Discussion**

Attached is the 2011 Calendar of Activities noting dates for both the Nacimiento Project Commission and the Technical Support Group. We are still planning on monthly TSG meetings (with emphasis on Project operations once water starts flowing) plus quarterly Commission meetings. Notice that there is a special meeting of the Commission proposed for April 22, 2011, to approve the budget, which is necessary to mesh into the overall San Luis Obispo County special districts' budgeting process.

**Financial Considerations**

Staff support to the accompanying meeting schedule has been budgeted in the Nacimiento Water Operating Fund FY 10/11 budget.

**Results**

Sustaining monthly TSG meetings and quarterly Commission meetings will maintain open dialogue with Participants and allow the District to adhere to its reporting requirements per the Water Delivery Entitlement Contracts.

\* \* \*



## Nacimiento Project Commission 2011 Calendar of Activities

Initial Draft - November 18, 2010

<p><b>JAN</b></p> <p><b>TSG</b> – meet on Thursday, Jan 13, 2011 at 2:00 pm in Atascadero</p> <p><b>Commission</b> – Dark</p>	<p><b>FEB</b></p> <p><b>TSG</b> – meet on Thursday, Feb 10, 2011 at 2:00 pm in Paso Robles</p> <p><b>Commission</b> – meet on Thursday, Feb 24, 2011 at 4:00 pm in Templeton</p> <p><b>Reminder: Elect Chair and Vice Chair at first Commission meeting</b></p>	<p><b>MAR</b></p> <p><b>TSG &amp; Finance Committee</b> – meet on Thursday, Mar 10, 2011 at 2:00 pm in San Luis Obispo</p> <p><b>Commission</b> – Dark</p>
<p><b>APR</b></p> <p><b>TSG</b> – meet on Thursday, Apr 14, 2011 at 2:00 pm in Atascadero</p> <p><b>Commission</b> – special meeting on Thursday, April 21, 2011, at 4:00 pm in Templeton (budget approval)</p>	<p><b>MAY</b></p> <p><b>TSG</b> – meet on Thursday, May 12, 2011 at 2:00 pm in Paso Robles</p> <p><b>Commission</b> – meet on May 26, 2011, at 4:00 pm in Templeton</p>	<p><b>JUN</b></p> <p><b>TSG</b> – meet on Thursday, Jun 9, 2011 at 2:00 pm in San Luis Obispo</p> <p><b>Commission</b> – Dark</p>
<p><b>JUL</b></p> <p><b>TSG</b> – meet on Thursday, Jul 14, 2011 at 2:00 pm in Atascadero</p> <p><b>Commission</b> – Dark</p>	<p><b>AUG</b></p> <p><b>TSG</b> – meet on Thursday, Aug 11, 2011 at 2:00 pm in Paso Robles</p> <p><b>Commission</b> – meet on Thursday, Aug 25, 2011 at 4:00 pm in Templeton</p>	<p><b>SEP</b></p> <p><b>TSG</b> – meet on Thursday, Sep 8, 2011 at 2:00 pm in San Luis Obispo</p> <p><b>Commission</b> – Dark</p>
<p><b>OCT</b></p> <p><b>TSG</b> – meet on Thursday, Oct 13, 2011 at 2:00 pm in Atascadero</p> <p><b>Commission</b> – Dark</p>	<p><b>NOV</b></p> <p><b>TSG</b> – meet on Thursday, Nov 3, 2011 at 2:00 pm in Paso Robles</p> <p><b>Commission</b> – meet on Thursday, Nov 17, 2011 at 4:00 pm in Templeton</p>	<p><b>DEC</b></p> <p><b>TSG</b> – meet on Thursday, Dec 8, 2011 at 2:00 pm in San Luis Obispo</p> <p><b>Commission</b> – Dark</p>



Nacimiento Project Commission  
November 18, 2010  
**Agenda Item VI.b – Surplus Water Declaration for Water Year 2011**  
(Commission Action – No Subsequent Board Action Required)

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See Attached Memorandum dated November 18, 2010, from Doug Bird, Hydraulics  
Operations Administrator, Public Works Department, Utilities Division

\* \* \*





# SAN LUIS OBISPO COUNTY DEPARTMENT OF PUBLIC WORKS

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**TO: Nacimiento Project Commission**

**FROM: Doug Bird, Hydraulic Operations Administrator**

**VIA: Dean Benedix, Utilities Division Manager  
Nacimiento Technical Support Group**

**SUBJECT: Surplus Water Declaration for Water Year 2011**

**DATE: November 18, 2010**

## Recommendation

Declare 10,095 acre-feet of Surplus Water available for Water Year 2011.

## Discussion

Provisions of the delivery entitlement contract address water pricing and declaration of available Surplus Water. The Finance Committee agenda for November 5, 2009, covered the topic of water pricing. As for 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 1<sup>st</sup> to September 30<sup>th</sup> (e.g., Water Year 2011 is October 1, 2010, through September 30, 2011), 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 2011  
**6,095 AFY**

Turn-Back Pool Water = Total Delivery Entitlement Obligation – Participant Delivery Requests  
 9,655 – 5,655 for Water Year 2011  
**4,000 AFY**

Surplus Water = Reserve Water + Turn-Back Pool Water  
 6,095 + 4,000 for Water Year 2011  
**10,095 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 2011 (acre-feet)
City of el Paso de Robles, T2	4,000	0	2,525.1
Templeton CSD, T4	250	250	157.8
Atascadero MWC, T6	2,000	2,000	1,262.6
City of San Luis Obispo, T11	3,380	3,380	2,133.7
CSA 10A, T11	25	25	15.8
<b>TOTAL =</b>	<b>9,655</b>	<b>5,655</b>	<b>6,095</b>

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 of the Nacimiento Facilities” (Article 30).

San Luis Obispo County Utilities Division is now administering the Reserve Pool and Turn-Back Pool program. The Division has prepared a Surplus Water staff report for inclusion in the Commission's November 18, 2010, agenda package.

### **Financial Considerations**

Declaration of the amount of Surplus Water for Water Year 2011 carries with it no direct financial impact. The Commission's Finance Committee met on November 5, 2009, to discuss water pricing, namely setting the price for Reserve Pool Water, Turn-Back Pool Water, and related terms of future Reserve Water Customer agreements. It was agreed that San Luis Obispo District will use budget estimates to set water pricing in lieu of "prior years actuals". Revenues from sale of such water would be credited back to Participants 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

L:\UTILITY\OCT10\Surplus Water Declaration for 2011 rev 3.doc.DB:lc

Nacimiento Project Commission  
November 18, 2010  
**Agenda Item VI.c – Surplus Water Pricing**  
(Commission Action – No Subsequent Board Action Required)

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See Attached Memorandum dated November 18, 2010, from Doug Bird, Hydraulics  
Operations Administrator, Public Works Department, Utilities Division

\* \* \*





# SAN LUIS OBISPO COUNTY DEPARTMENT OF PUBLIC WORKS

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**TO: Nacimiento Project Commission**

**FROM: Doug Bird, Hydraulic Operations Administrator**

**VIA: Dean Benedix, Utilities Division Manager  
Nacimiento Project Technical Support Group**

**DATE: November 18, 2010**

**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 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 below (excerpted from Exhibit C) summarizes first water year (October 1 to September 30) surplus water costs based on the terms of the *Water Delivery Entitlement Contracts*.

Participant	AFY	Fixed O&M Per AF	Variable Energy Per AF (Estimated Budget)	Reserve Water Costs for Participants Total (1)	Normal Annualized Debt Service Per AF	Reserve Water Costs/Reserve Water Customers Total (2)
City of El Paso De Robles	4,000	\$201	\$0	<b>\$201</b>	\$928	<b>\$1,129</b>
Templeton CSD	250	\$287	\$132	<b>\$419</b>	\$989	<b>\$1,407</b>
Atascadero MWC	2,000	\$247	\$132	<b>\$378</b>	\$1,218	<b>\$1,597</b>
City of SLO	3,380	\$317	\$142	<b>\$459</b>	\$1,368	<b>\$1,827</b>
Turn- back Pool (3)		\$274	Actual	<b>\$274</b>	\$1,368	<b>\$1,642</b>

- (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.
- (4) Note that for the current fiscal cycle, this is a budget based estimate since no prior year actuals are available.

## **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 condensation 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 1<sup>st</sup> (*Water Year* is from October 1<sup>st</sup> to September 30<sup>th</sup>) 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*).

If, in a given year (as in the current year), the Participants request only a portion (say 5,655 AF) in deliveries (Delivery Request) out of the total 9,655 AF available, the remaining balance of 4,000 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* will be 10,095 AF (i.e. *Surplus water* = *Reserve water* plus *Turnback Pool Water*, or 10,095 AF = 6,095 AF + 4,000AF). The total amount of *Surplus water* is then

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* (Note that for the current fiscal cycle, this is a budget based estimate since no prior year actuals are available).

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 budgeted 2010-2011 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* (Note that for the current fiscal cycle, this is a budget based estimate since no prior year actuals are available).

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 increased if your Commission so desired.

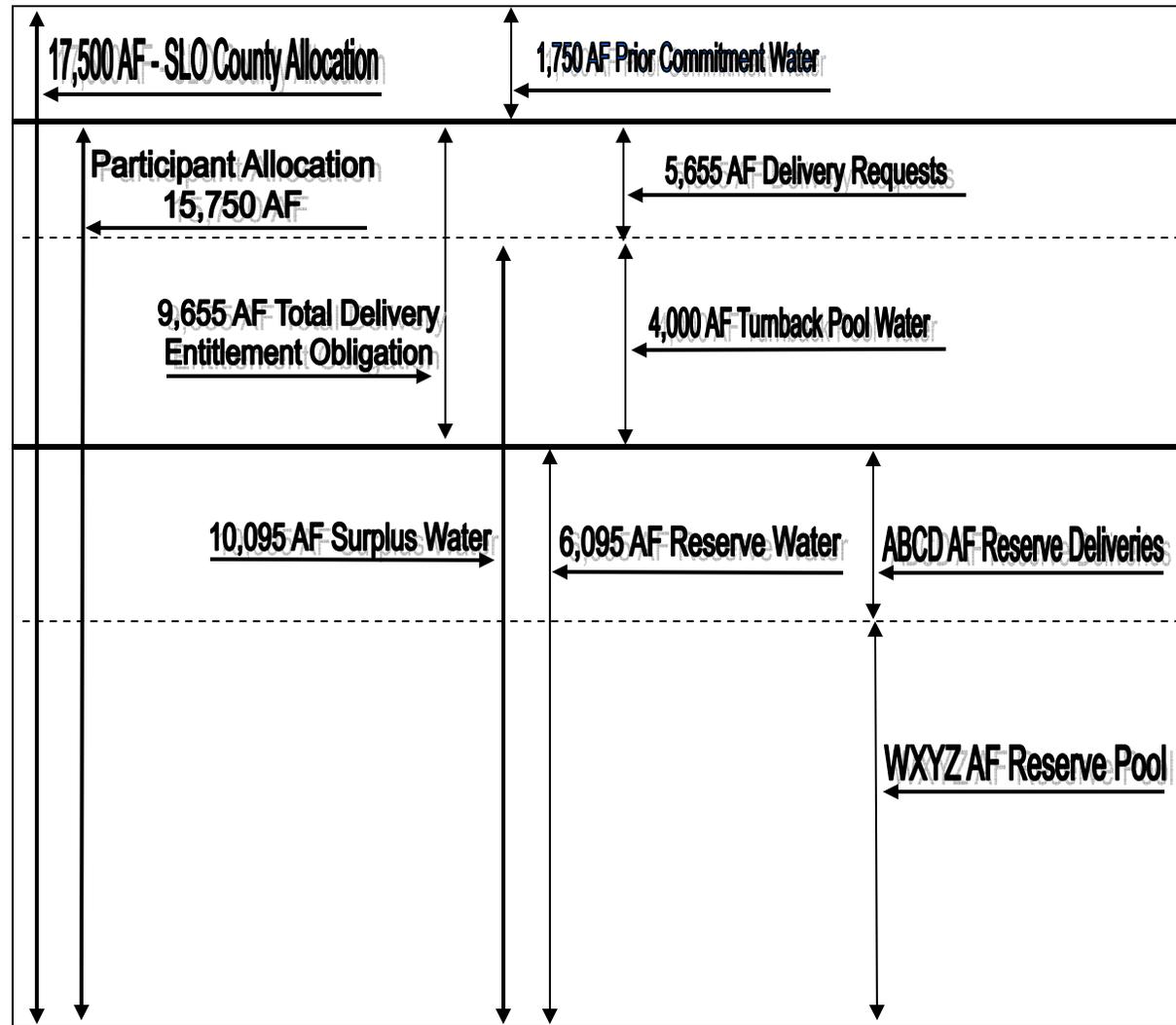
Attachments: Exhibit A – Water Supply Graphic  
Exhibit B – Nacimiento Water Project Water Terminology  
Exhibit C – Surplus Water

File: CF 622.10.01 General Correspondence

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# Exhibit A

## Nacimiento Water Project 2011



VI-10

- 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

**Exhibit B**  
**Nacimiento Water Project**  
**Project Water Terminology**

- District Allocation – 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
- Participant Allocation – 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 5,655 acre feet, the amount of water deliveries requested by the Participants for the following Water Year
- *Turnback Pool Water* – Currently 4,000 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 10,095 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  
Exhibit C**

**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 Participants 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 Nacimiento Facilities for the Delivery of Reserve Water through the Nacimiento 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 Nacimiento Projects Costs, and shall further compare the amount of water conveyed for Reserve Water Customers through such Unit or Units with the amount of Nacimiento 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	Variable Energy Per AF (Estimated Budget)	Reserve Water Costs for Participants Total <sup>(1)</sup>	Normal Annualized Debt Service Per AF	Reserve Water Costs/Reserve Water Customers Total <sup>(2)</sup>	Note: FY 2010-2011 Annualized Installment Debt Service Per AF
City of El Paso De Robles	4,000	\$201	\$0	\$201	\$928	\$1,129	\$293
Templeton CSD	250	\$287	\$132	\$419	\$989	\$1,407	\$318
Atascadero MWC	2,000	\$247	\$132	\$378	\$1,218	\$1,597	\$429
City of SLO	3,380	\$317	\$142	\$459	\$1,368	\$1,827	\$463
County Service Area 10	25	\$317	\$142	\$459	(\$104)	\$356	(\$104)
<b>Turn- back Pool Water <sup>(3)</sup></b>		<b>\$274</b>	<b>Actual</b>	<b>\$274</b>	<b>\$1,368</b>	<b>\$1,642</b>	<b>\$463</b>

(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 Nacimiento 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	<b>\$273.66</b>
Variable Energy (actual)	
<b>Participant Turn Back Pool Total</b>	<b>\$273.66</b>
Debt Services per AF	\$1,367.98 *
<b>Others Turn Back Pool Total</b>	<b>\$1,641.64</b>

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