



Nacimiento Project Commission Notice of Meeting and Agenda

Thursday, February 26, 2009 – 4:00 pm
Templeton Community Services District Offices

- I. Call to Order First Meeting of the Year
 - a. Call to Order, Roll Call, and Flag Salute
 - b. Nomination and Election of Commission Officers
- 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 November 20, 2008
(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. Construction Management Report on First Year of Construction
- VI. COMMISSION ACTION ITEMS
(No Subsequent Board of Supervisors Action Required)
 - a. Revised Project Budget- Design and Construction Phases
- VII. COMMISSION ACTION ITEMS
(Board of Supervisors Action is Subsequently Required)
 - a. (none)
- VIII. FUTURE AGENDA ITEMS DESIRED BY COMMISSION

Commissioners
Dave Romero, Vice Chair, City of San Luis Obispo

David Brooks, Templeton CSD

John Hamon, City of El Paso de Robles

Grigger Jones, Atascadero MWC

Frank Mecham, SLO County Flood Control & Water Conservation District

**Next Commission meeting scheduled for
Thursday, May 28, 2009, at 4:00 pm at
Templeton Community Services District offices**

Nacimiento Project Commission
February 26, 2009

Agenda Item I.b – Nomination and Election of Commission Officers
(Commission Action – No Board of Supervisors Action Subsequently Required)

TO: Nacimiento Project Commission
FROM: Christine M. Halley, P.E., Nacimiento Project Engineer
VIA: John R. Hollenbeck, P.E., Nacimiento Project Manager
DATE: February 26, 2009

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

Appointed Commissioners for 2009 by each Participant and the District are:

San Luis Obispo County Flood Control & Water Conservation District (also representing CSA 10A)	Frank Mecham
City of el Paso de Robles	John Hamon Duane Picanco, Alternate Commissioner
City of San Luis Obispo	Dave Romero John Ashbaugh, Alternate Commissioner
Atascadero Mutual Water Company	Grigger Jones John Neil, Alternate Commissioner
Templeton Community Services District	David Brooks Judith Dietch, Alternate Commissioner

During calendar year 2008, Supervisor Harry Ovitt served as Chair and Mayor Dave Romero served as Committee Vice-Chair. Nominations and elections for 2009 will be held at the February 26, 2009, Commission meeting.

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Nacimiento Project Commission
February 26, 2009
Agenda Item III – Meeting Notes from November 20, 2008

I. Call to Order, Roll Call and Flag Salute

Chairman Ovitt convened the meeting at 4:00 pm.

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

II. Public Comment – None.

III. Meeting Notes from Prior Meetings

Commissioner Mecham moved to approve the meeting notes for the August 28, 2008, meeting; Commissioner Jones seconded; passed unanimously.

IV. Project Manager's Report

Construction Manager, Mr. Ed Weyrauch, is recovering from surgery, so Mr. Bob Lewis, Jacobs, reported on construction status. The lake tap went without incident and the tunnel section was being flooded today. Three of the four intake sections are expected to be in place before Thanksgiving as is completion of the field testing of the intake hydraulic system. The Rocky Canyon Tank ring foundation has been replaced and the retaining wall at the Cuesta Tank site is to be poured later this month. The pump cans are set at the Santa Ysabel Pump Station and the access road at Camp Roberts Tank is underway.

Ms. Anni Larkins, Jacobs, reported that the unexploded ordnance clearance is done across Camp Roberts and that crews are about to mobilize for the pipeline installation across Rabbit Ridge Winery. Whitaker has completed all but the turnout vaults and fiber optics systems on the Pipeline Central section. Crews are mobilized near Santa Margarita and along Stenner Creek Road. Southern California Pipeline will be installing pipe in the overland section south of the Cuesta Tunnel soon. Spec 3 has progressed to 23% with 46% of anticipated schedule expended; Spec 4 is at 92% progress and 45% schedule; Spec 5 is at 71% progress and 47% time.

With regard to schedule, several contractors are tracking behind their approved progress schedules, but are still within the time allowed per the contract terms. For example, the contract terms call for system turnover in November 2009 while the contractors' approved schedules suggest a turnover in mid-2009. Mr. John Hollenbeck's, Nacimiento Project Manager, expectation is that the system may be ready for start-up in the second quarter of 2010.

Mr. Hollenbeck pointed out that the thrust collar installed on the stainless steel intake assembly at Lake Nacimiento will need cathodic protection to extend its useful life.



The Technical Support Group's recommended Portal Selection Procedure was included in the November 2008 agenda materials.

With regard to easements, Mr. Hollenbeck reported that terms have been settled with an affected winery owner and that depositions in the Monterey County Water Resources Agency (MCWRA) case are scheduled for December 2008. Mediation is underway with a property owner south of Templeton. Mr. Hollenbeck also mentioned that a drainage easement is planned for an un-planned overflow of Rocky Canyon Tank.

The District is negotiating a contract amendment with ESA to cover additional design phase services that have arisen. Mr. Hollenbeck plans to seek authorization for an amount that is likely to cover other activities through the end of construction (perhaps +\$500,000).

Commissioners asked about enforcement of invasive mussel prevention steps and staff reported little evidence of such enforcement by Monterey County. Infestation is likely to have significant impact on operations of the Nacimiento Water Project and would drive up costs to the public. Draining of other California lakes has been considered to kill invasive species such as quagga mussels. The District seeks to meet with MCWRA staff on this and other coordination matters. Commissioner Romero expressed concern on this point, commenting on the seriousness of the consequences were quagga mussels to infest Lake Nacimiento. Chairman Ovitt pointed out that perhaps Monterey County *Parks & Recreation* Dept may be the appropriate agency to talk to regarding enforcement. Suggestions were to put MCWRA and Monterey County both on notice as to responsibility for the consequences of inaction and to reach out to governing officials directly. Meshing these actions with both the easement settlement and the proposed Health & Safety Code Amendment comes into play. Statutes requiring the State Dept of Fish & Game to work with local agencies on mussel infestation prevention efforts may also be cited. The Commission asked about the County's Water Resources Advisory Committee's recommendations pertaining to private boat ramps and Land Use Policies. The Commission recommended:

1. Meeting with MCWRA and Monterey County staff on this topic (i.e. the "working group")
2. Sending direct communications to the elected officials
3. Participating in the Reservoir Operations Committee
4. Organizing Participants to write letters and take 3 minutes in public meetings on this matter

Mr. Hollenbeck mentioned that MCWRA has not yet reimbursed the District for its share of the new log boom installation, estimated at \$482,000.¹

The southern Salinas River crossing is not yet resolved. A microtunneling change order valued at approximately \$1.27 million has been proposed. Mr. Hollenbeck estimates that contingencies-to-date amount to 1.7% and would rise to 4.3% with the southern Salinas River proposal mentioned herein. These are favorably low at this point in construction.

Commissioner Romero and Mr. Gary Henderson introduced the City of San Luis Obispo's new Utilities Director, Ms. Carrie Mattingly. Ms. Mattingly came to San Luis Obispo from Port Hueneme.

¹ The Project Manager later confirmed that the actual amount of the log boom installation is \$487,000.

VI. Commission Action Items (No Subsequent Board of Supervisors Action Required)

Mr. Doug Monn, City of Paso Robles Public Works Director, described the suggested memorial to Mr. Jacob Gaines and Mr. Manuel Villagomez who died in the October 2008 construction accident, noting that the Technical Support Group indicated its support for the proposal at their meeting earlier this month. Commissioner Jones moved support for up to \$20,000 use of contingencies for this project; Commissioner Romero seconded the motion; passed unanimously. The Commission's expectation is that staff will return with a more detailed description of the proposed memorial, taking into consideration that it may be prudent to wait for construction to be complete to dedicate the memorial.

Commissioners considered the amendment to the Commission By-Laws. Commissioner Mecham moved approval; Commissioner Romero seconded the motion; passed unanimously.

Commissioners considered the amendment to the Commission Conflict of Interest Code. Commissioner Brooks moved approval; Commissioner Romero seconded the motion; passed unanimously.

Today's meeting is the last consecutive seating of the original five Commissioners. Participants took time to express their thanks for the cooperation and leadership demonstrated by Chairman Ovitt and Commissioner Mecham in particular, whose terms are up with the agencies they represent.

VIII. Future Agenda Items Desired by Commission

None requested.

Chairman Ovitt adjourned the meeting at 5:15 pm.

Submitted by Christine Halley



Nacimiento Project Commission
February 26, 2009
Agenda Item IV.a– Project Management Report
(Information Only – No Action Required)

PROJECT ISSUES

Construction Status

Construction Manager, Mr. Ed Weyrauch, will make a presentation highlighting the first year of Project construction (Agenda Item V). As for more recent activities, the Intake Shaft dewatering was underway during the week of February 9th in preparation for Fowler’s operational testing later in the month. The Facilities contractor (Mountain Cascade) installed surge tanks at the Intake and the Santa Ysabel pump station.

Mountain Cascade has yet to form the ring-beam foundation at Cuesta Tank, awaiting drier site conditions. Rocky Canyon Tank has been painted and the four foot block wall erected at Rocky Canyon Pump Station. The pressure test of the Santa Ysabel yard piping successfully passed. Crews are forming the metering vaults at that location now.

Teichert’s crews are installing pipe from the Nacimiento River to the Intake and will accept delivery of pipe during the first week of February for installation on Camp Roberts. Pipeline installation across Rabbit Ridge Winery is complete and crews will move to the Texas Road/Mahoney Road reach next. Teichert is preparing to stripe along South River Road in Paso Robles from Niblick Road to Navajo Road.

Whitaker successfully pulled the fiber optic cables into place and is working on splicing. They expect to qualify for their Notice of Substantial Completion by April 2009.

In the southern reaches of the pipeline route, Southern California Pipeline has completed pipeline installation from Rocky Canyon Tank to the Highway 101 crossing. South of Highway 101, pipe is installed in the spans between planned creek and railroad crossings awaiting the allowed permit window to proceed with the creek crossings themselves.

Overall as of February 11, 2009, 169,000 feet of pipe was in place, 125,000 feet of which had been pressure-tested. 92,000 feet of trench had been paved.

Status of Project Delivery Team Activities

Right of way – Mediation proceedings with Monterey County Water Resources Agency took place on January 29, 2009. Both agency’s Boards accepted the settlement amount of \$398,842 plus statutory costs on February 10, 2009.

Mediation failed with one private property owner near Templeton. The Project Manager will advise District’s Board at a later date in closed session of the specifics of this matter. The trial date is September 21, 2009.



Remaining right-of-way issues include clearing up a title issue on one parcel, correcting the legal description prior to recordation of another, and securing a flowage easement for the right-of-way for the Rocky Canyon Tank overflow.

Design Activities – Black & Veatch examined the potential scour depth at the southern Salinas River crossing and determined the depth to be considerably shallower than the general river scour depth estimate initially stated. The implication of this is that open-cut trenching remains a feasible construction method as opposed to the more costly microtunneling alternative. When site conditions allow, Black & Veatch will conduct auger borings and add a piezometer to gather data as the basis for design of a dewatering system.

Environmental Permitting Activities – ESA prepared a second addendum to the Nacimiento Water Project EIR to allow for use of a dirt access road to the southern portal of Cuesta Tunnel. The District's Board adopted the addendum on February 10, 2009. The environmental team also advised project members on permit coverage for pipeline construction along Stenner Creek Road and dewatering activities at the Southern Salinas River crossing. City of San Luis Obispo Natural Resources Manager requested stabilization measures along Stenner Creek Road to reduce erosion and sedimentation. Discussions regarding the approach to revegetation in that reach are also underway. Following an in-field planning meeting in late January, the boulders with bedrock mortars encountered at Tassajara Creek Road are being moved with Albion and Native American involvement.

Outside Agency Issues

State Legislature – Paso Robles proposed amendment to the Health & Safety Code is being sponsored by Assemblyman Blakeslee as Assembly Bill 80. AB 80 is making its way through committee now and was most recently referred to the Water, Parks & Wildlife Committee on February 5, 2009.

Invasive Mussel Inspections – The latest San Luis Obispo County inspection reports indicate no detection of any invasive mussel species. The County's Public Works Director, Mr. Paavo Ogren, met with the Monterey County Water Resources Agency General Manager, Mr. Curtis Weeks, on February 19, 2009, to review several agency coordination issues. One issue discussed was the invasive aquatic species. Both agreed that this issue is complex since there are several lake access points along the shore of Lake Nacimiento, and since Monterey Agency does not have land use powers along the shores of the lake. Both San Luis Obispo Flood Control and Water Conservation District and Monterey Agency understand that coordination between both agencies is needed.

Camp Roberts – The potential to provide in-lieu services in exchange for the Camp Roberts easement valuation remains viable. The Camp has not presented a list to the District.

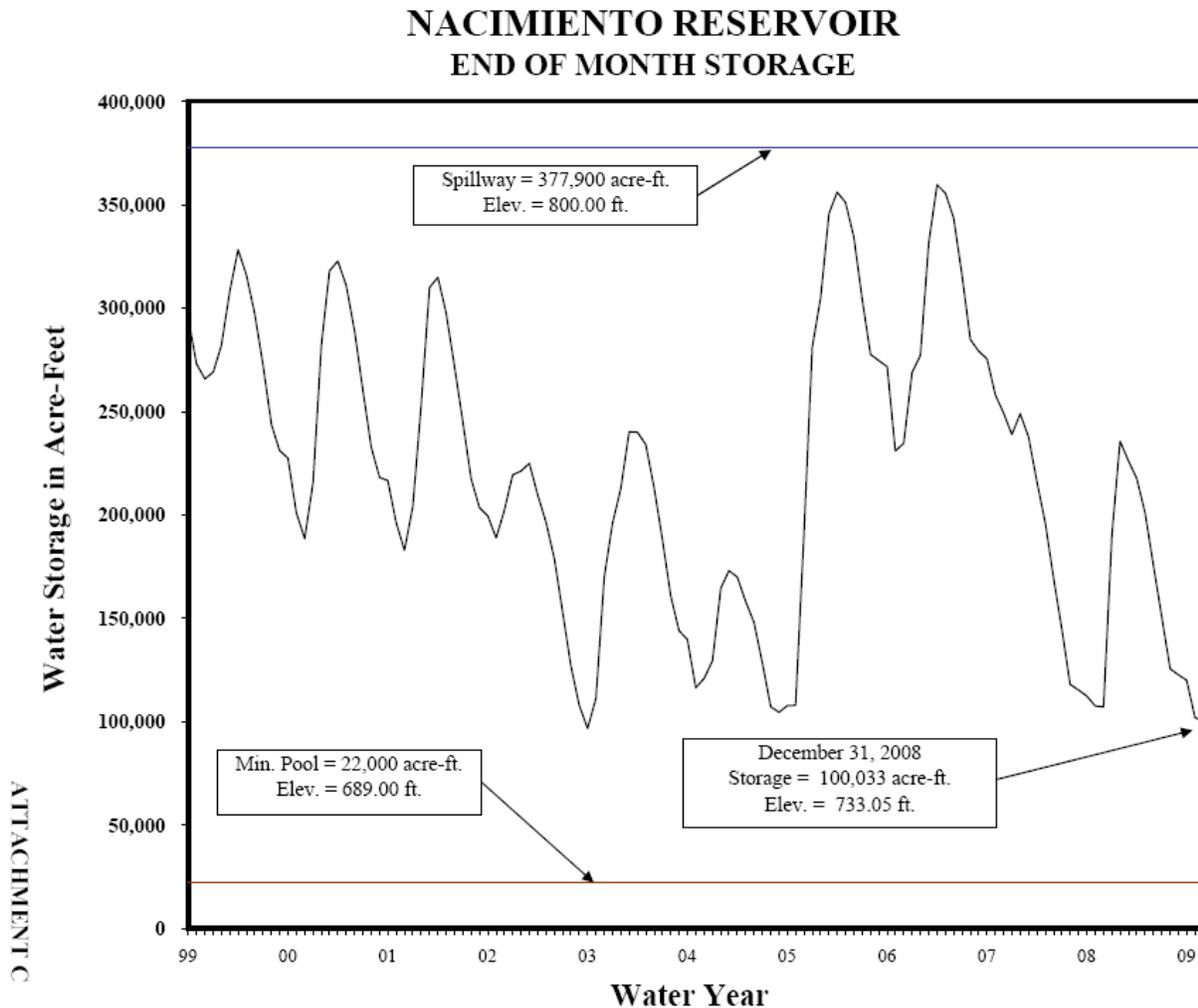
PG&E – On February 11, 2009, PG&E staff stated that PG&E is proceeding with a job package to upgrade facilities to Heritage Ranch and the surrounding areas in order to provide capacity for the Intake Pump Station. They are reportedly on track to be under construction by the first quarter of 2010 and in operation with the upgraded facilities by Memorial Weekend 2010. PG&E plans to have the new electrical service for the Intake in place by October 1, 2009, and suggests that demands are such that the existing power configuration could support the testing and start-up of the Intake Pump Station, so long as those demands take place outside of the summertime peak period.



New Participants – Both the Lewis A. Pollard Family Trust and California Men’s Colony continue to express active interest in possible Project participation. Since Lewis A Pollard Family Trust was included in the Project Environmental Impact Report, the Delivery Entitlement Contracts are such that the District may enter into a contract with the Trust without the need for Commission action. Dialogue with Santa Margarita Ranch is on hold.

Nacimiento Reservoir Status

Reservoir status as reported by Monterey County Water Resources Agency is:



Source: Monterey County Water Resources Agency report for Q1 Water Year 08/09

The posted reservoir elevation as of February 23, 2009, is 741.45 feet, or 33% of capacity.

Note that at this point in the water year approximately 101,800 acre-feet of storage remains in the reservoir above minimum pool and that the terms of the District’s contractual right for water are such that reservoir releases may continue in the event that the reservoir reaches minimum pool for the benefit of SLO District. We will continue to watch reservoir levels as the water year progresses and report on impacts to SLO District’s planned release schedules.

Last Seating of the Original Commission – November 20, 2008

They say that a picture is worth 1,000 words...



Grigger Jones, Atascadero Mutual Water Co; **Frank Mecham**, City of el Paso de Robles; **Dave Romero**, City of San Luis Obispo; **Harry Ovitt**, San Luis Obispo County Flood Control & Water Conservation District; **David Brooks**, Templeton Community Services District; **John Hollenbeck**, Nacimiento Project Manager



Christine Halley, Nacimiento Project Engineer; **Grigger Jones**, Commissioner - Atascadero MWC; **Frank Mecham**, Commissioner - Paso Robles; **Bill Van Orden**, General Manager (ret.) Templeton CSD; **John Moss**, Utilities Director (ret.) City of SLO; **Dave Romero**, Commissioner – City of SLO; **Harry Ovitt**, Commissioner SLO County; **Gary Henderson**, City of SLO Water Division Manager; **Pat Foran**, SLO County Counsel's Office; **David Brooks**, Templeton CSD; **Judith Dietch**, Director, Templeton CSD; **John Hollenbeck**, Nacimiento Project Manager





The Original Nacimiento Project Commission  **2004-2008**

Grigger Jones, Atascadero Mutual Water Co; **Frank Mecham**, City of el Paso de Robles; **Dave Romero**, City of San Luis Obispo; **Harry Ovitt**, San Luis Obispo County Flood Control & Water Conservation District; **David Brooks**, Templeton Community Services District

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Nacimiento Project Commission
February 26, 2009
Agenda Item IV.b– Project Schedule
(Information Only – No Action Required)

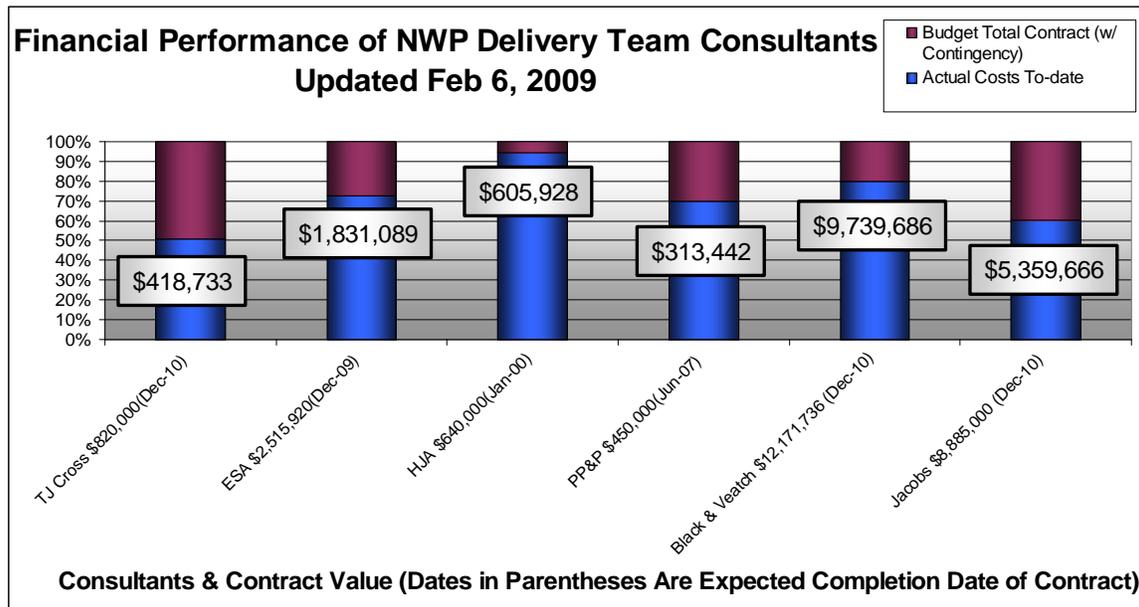
The accompanying construction schedule is current as of January 1, 2009.



Nacimiento Project Commission
 February 26, 2009
Agenda Item IV.c– Project Budget
 (Information Only – No Action Required)

Budget Status

The Project Budget Report is presented as Agenda Item VI.a. The Financial Performance of consultants is illustrated in the following graphic.



Updated O&M Budget

Now that construction is well underway, the Project team set out to update the estimated operations and maintenance costs forecasted for early years of operation. Refer to the attached memo dated February 23, 2009, by Christine Halley and Carolyn Berg regarding the basis for the updated O&M estimate.

The updated estimate suggests that O&M costs in start-up years may be more on the order of \$2.6 to \$2.8 million per year as opposed to the \$3.2 million (less the maintenance expense value) estimate published in the 2007 Cost Summary Report. The reduction is primarily associated with lower power consumption and fewer operators.

The Project Manager discussed this revised O&M estimate with the Technical Support Group on February 11, 2009, and agreed to confirm the proposed staffing plan in particular before publishing subsequent estimates.

Other cost components make up the year-to-year Nacimiento Water Project budget as discussed below.

Annual Budget Issues

Terms of the Delivery Entitlement Contracts speak to operations and maintenance and other annual budget issues once the Project is in operation. Contract excerpts addressing annual budget and invoicing:

ARTICLE 4 - OWNERSHIP, OPERATION AND MAINTENANCE OF NACIMIENTO FACILITIES

“(C) District’s Capital Reserves; Annual Budgets to Be Prepared by the District. In order to satisfy its covenants set forth in this Article, the District shall determine the amount of Capital Reserves necessary for the Nacimiento Facilities for the upcoming Water Year² and shall prepare its draft annual budget by **no later than March 1** to reflect such Capital Reserves. The District shall provide copies of each such budget to the Nacimiento Project Commission, the Participant and the Other Participants for review and comment prior to the distribution of the draft annual budget to the Board of Supervisors, and shall, if deemed necessary or advisable, develop and promulgate to the Nacimiento Project Commission, the Participant and the Other Participants a multi-year improvement plan for the Nacimiento Facilities reflecting the annual requirements for the Capital Reserves.”

ARTICLE 16 - OBLIGATIONS FOR NACIMIENTO PROJECT COSTS

“(B) District’s Determination of Nacimiento Project Costs for each Fiscal Year. **On or before April 1 of each Calendar Year**, the District shall estimate the new or additional Nacimiento Project Costs for the Fiscal Year commencing on the immediately following July 1 and the result shall comprise the Total Participant Contract Payments due, collectively, from the Participant hereunder and from the Other Participants under their respective Like-Contracts for the said Fiscal Year. Nacimiento Project Costs shall include:

- (1) Nacimiento Project Construction Costs;
- (2) Additional Capital Project Costs;
- (3) Capital Projects Installment Debt Service;
- (4) Master Water Contract Costs incurred following the first date upon which an allocation of ad valorem property taxes under Article 17(B)(5);
- (5) Capital Reserve Costs;
- (6) Operation and Maintenance Costs;
- (7) Variable Energy Costs;
- (8) Other annual or incidental costs associated with the Nacimiento Facilities.”

² Water Year = October 1 to September 30.



The Project Manager prepared the attached draft budget worksheet to illustrate a proposed format for the District budget reporting. One category of costs discussed with the Technical Support Group is the Capital Reserve Costs. These are defined in the Delivery Entitlement Contract as “the District’s annual costs of maintaining Capital Reserves, determined by the District and budgeted annually by the District as provided for in Article 4(C) hereof, to be apportioned among All Participants as provided for in Article 16(C)(1) hereof”. It is standard practice for utilities to maintain capital reserves to fund scheduled maintenance, planned capital projects, and Required Additional Projects. This is commonly referred to as a “sinking fund” or “repair and replacement fund”.

An analysis is now underway to outline an approach to asset valuation and future capital needs for equipment replacement. Meanwhile, the District plans to commence publication of the referenced budgets and Project cost estimates for Water Year 2010/11, i.e. for the first full planned year of Project operations.

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NWP NACIMIENTO WATER PROJECT

San Luis Obispo County Flood Control & Water Conservation District

San Luis Obispo County FC&WCD

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

Commissioners

Harry Ovitt, SLO County FC&WCD
Frank Mecham, City of Paso Robles
David Brooks, Templeton CSD
Grigger Jones, Atascadero MWC
Dave Romero, City of San Luis Obispo

DATE: February 23, 2009

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

FROM: Christine M. Halley, P.E., Nacimiento Project Engineer
Carolyn K. Berg, E.I.T., Nacimiento Project Engineer

SUBJECT: Updated O&M Budget

At this point in Project development, the team has referenced a 2006 estimate of annual operations and maintenance (O&M) costs for budgeting purposes. The purpose of this memo is to update the O&M estimate for the first three fiscal years of operation.

By way of background, the "Cost Summary Report" dated August 17, 2007, prepared by Black & Veatch (commonly referred to as the "Opt-Out Report") listed estimated annual O&M costs at \$3.64 million:

Labor =	\$1.20 million
Fixed Expenses =	\$0.90 million (\$0.61 million Master Water Plan + \$0.29 million Water Fund Charges)
Variable =	\$1.06 million (power, chemicals, etc.)
Maintenance Expense =	\$0.48 million (sinking fund)
Subtotal =	\$3.64 million ¹
Less Maintenance Expense =	(\$0.48 million)
TOTAL =	\$3.16 million

That value was carried through to other financial reports issued to Participants and to the bond financing team. It is this value that is currently under review.

¹ Source: SLO County Public Works Dept, Accounting staff. All figures inflated to Dec 2010.

Labor

The attached labor budget is based on:

FY 10/11	FY 11/12	FY 12/13
0.5 FTE Water Systems Superintendent ²	0.5 FTE Water Systems Superintendent	0.5 FTE Water Systems Superintendent
2.25 FTE Water Systems Worker	2.25 FTE Water Systems Worker + 1 FTE trainee	3.25 FTE Water Systems Worker + 1 FTE trainee
1 FTE Chemist	0.75 FTE Chemist	0.75 FTE Chemist
0.5 FTE Admin Services Officer	0.5 FTE Admin Services Officer	0.25 FTE Admin Services Officer
0.35 Engineer IV	0.6 Engineer IV	0.6 Engineer IV
4.6 FTEs Total	5.6 FTEs Total	6.4 FTEs Total

This plan is based on having two of the operators on board during the first year of operation, the period during which the construction warranties remain largely in effect. We suggest adding an additional trainee during the second year of operation.

The lab will be called-upon to assist with operational water quality analyses during the initial year of operation, then may settle back into a more routine Dept of Public Health sampling program. We suggest budgeting for a full-time chemist in year one, then reducing thereafter.

Perhaps a half-time administrator will work on the Project to issue invoices, reconcile to actual costs, analyze PG&E expenses, and provide other administrative Project support. This administrator would be responsible for adherence to bond covenants and for financial aspects of the delivery entitlement contracts.

As for overall Project management once the construction phase is complete, the attached labor estimate is based on a senior engineer (E-IV) being assigned to the Project. That individual would hold responsibility for dialogue with Participants (the Commission, TSG, and treatment operators), dialogue with potential New Participants, developing a capital improvement program, warranty inspections, dialogue with regulators, trend analyses, and overall adherence to the delivery entitlement contracts. The manager would also administrate Surplus Water and Reserve Water programs, manage outside consultants, and administer any Additional Capital Projects. This would be at least a half-time assignment for a senior engineer.

Fixed Expenses

Fixed expenses relate to Master Water Plan and Water Fund Charges as well as the Nacimiento Water Project's contribution to the sinking fund. Public Works administrative staff could provide more detail as to the basis for these costs. Their recommendations for budgeting were carried forward into this updated O&M estimate.

² FTE = full-time equivalency

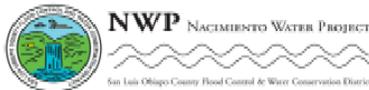
Variable Expenses

Variable expenses are largely energy costs. Power costs were updated based on the current plan for Participant deliveries, the up-sized Units A and A1, and the current E-20 rate schedule. We applied the same pumping plant efficiencies as used in the 2007 B&V energy estimate but suggest that this be revisited once we have actual efficiency data for the Project pump stations.

Related to this are anticipated Savings by Design energy rebates. We have yet to update the projected energy usage upon which the PG&E Savings by Design credits are based.

Conclusion

Based on this update, we conclude that O&M in the initial years of operation may be:



TOTAL BUDGET - Nacimientto Water Project - Operation and Maintenance Phase

Updated: 2/6/2009

	FY 10/11	FY 11/12	FY 12/13	
Labor	411,000	565,000	661,000	Labor is based on staffing estimate by Project team (CMH, CB - Dec 08): (a) 4.63 FTE (FY 10/11), 5.63 FTE (FY 11/12), 6.38 FTE (12/13); (b) Inflation Rate = 3.5%; (c) County overhead = 9.3% for weighted labor rates; (d) FY 07/08 Median County salary rates Fixed costs include: (a) Fixed Expenses; (b) Master Water Plan; (c) Water Fund Charges; (d) Sinking Fund. The Fixed Expenses are based on Co. Admin. Value of 2.02% of Total NWP O&M Budget per 2007/08 County Accounting practices plus an allowance for Naci. Ann. Operating Budget Admin., Capital Outlay, and Maintenance/Other per Accounting Budget Cost Report 9/28/2007.
Fixed Cost	1,352,000	1,380,000	1,380,000	
Variable Cost	806,000	846,000	742,000	
Total Anticipated Budget	2,569,000	2,791,000	2,783,000	Variable costs predominantly consist of Pump Station energy costs. The updated value reflects reduced initial deliveries to Paso Robles (2,000 AFY) and now reflects the 10/2008 PG&E Rate Schedule E-20. Updated value is based on the upsizing of Units A/A1. An additional \$163,000 was included for other NWP energy costs.

Note that the "Maintenance Expense" (i.e. sinking fund) included in the 2007 Black & Veatch estimate is contractually tracked separately from the O&M estimate listed above. Refer to the 2010/11 budget worksheet for a projection of debt service, O&M, sinking fund, and all related annual project costs.

**Nacimiento Water Project
Budget Worksheet for FY 10/11**

C. Halley

2/18/2009

Nacimiento Project Costs for FY 2010/11

Nacimiento Water Project start-up is scheduled for Q1 FY2010/11 such that deliveries will not fully commence until fiscal year 2010/11. The following budgetary outline per Article 16 (C) of the Delivery Entitlement Contract is provided to illustrate the manner in which future fiscal year budgeting will be developed.

Category (Ref: WDEC, Article 16)	Description ¹	Category Budget	Basis of the Category Budget
(1) Nacimiento Project Construction Costs	Cost of initial construction, design, engineering, planning, environmental mitigation, project administration and management of the Nacimiento Water Project. Presumably, this category is for costs that are <i>not</i> included in the Capital Projects Installment Debt Service below.	\$ 176,057,695	Budget Value presented in Commission Budget Report; Revenue Bond financed. See debt service (3) below.
(1a) Environmental Mitigation Construction Cost	Presumably, costs associated with post-construction environmental mitigation and permit compliance	\$ 8,772,000	Cost Summary Report, B&V, Aug 23, 2007
(1b) Reserved Capacity Construction Cost	Costs associated with that portion of the Project that are not needed to deliver the Total Delivery Entitlement Obligations	\$ 15,552,913	Cost Summary Report, B&V, Aug 23, 2007
(1c) All Other Construction Costs		\$ 151,732,782	NPCC less sum of the RCCC and the EMCC
(2) Additional Capital Project Costs	Budget placeholder for anticipated Approved Additional Project, Emergency Project, or a Required Additional Project	\$ - per year	Since Project start-up is not planned until the end of FY 2009/10, no such capital project budgeting is recommended.
(3) Capital Projects Installment Debt Service	Debt service for Municipal Obligation Bonds and any administrative costs associated with the bonds.	\$ 196,410,000 total value, not annual debt svc	Final Official Statement, Sep 10, 2007
(4) Master Water Contract Costs	District obligations relating to 15,750 acre-feet per year of the 17,500 acre-feet per year Nacimiento entitlement	TBD	Estimate by Public Works accounting staff in 2007.
(5) Capital Reserve Costs	Proposed deposit to reserves for scheduled maintenance, planned capital projects, and Required Additional Projects	TBD	
(6) Operation and Maintenance Costs	Expenses associated with Project operations, maintenance, and repair	\$ 3,638,555 per year; in review now	Final Official Statement, p. 19, Sep 10, 2007
(7) Variable Energy Costs	Pumping energy for delivering water	\$ 1,069,424 included in (6) above	Cost Summary Report, B&V, Aug 23, 2007
(8) Other annual or incidental costs associated with the Nacimiento Facilities		TBD	

1. See Water Delivery Entitlement Contracts for full definitions

Nacimiento Project Commission
February 26, 2009
Agenda Item V– Presentation by Construction Manager
(Presentation)

TO: Nacimiento Project Commission

FROM: Christine Halley, P.E., Nacimiento Project Engineer

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

DATE: February 26, 2009

In October 2007, the District issued Notices to Proceed for all five Nacimiento Water Project construction contracts and on October 25, 2007, broke ground on the single largest public works project that San Luis Obispo County has ever undertaken.

Sixteen months, thirty-two miles of pipe, and \$75 million construction dollars later, the Nacimiento Water Project is well on its way to deliver supplemental water supply to Paso Robles, Templeton, Atascadero, San Luis Obispo, and Cayucos.

Construction Manager, Mr. Ed Weyrauch, Jacobs, will provide an overview of the first year of construction, touching on our successes and challenges along the way.

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Nacimiento Project Commission
February 26, 2009

Agenda Item VI.a – Revised Project Budget – Design and Construction Phases
(Commission Action – No Subsequent Board Action Required)

TO: Nacimiento Project Commission
FROM: John R. Hollenbeck, P.E., Nacimiento Project Manager
DATE: February 26, 2009

Recommendation

We recommend that your honorable Commission approve the revised Nacimiento Water Project Budget Report presented herein, which redistributes monies among those budget categories where improved knowledge of expenditure warrants such redistribution. The overall budget of the Project remains at about \$176 million.

Discussion

The Project Budget Report through January 31, 2009, is presented enclosed with this agenda item. On or about every year, a line item adjustment is proposed to your Commission for consideration.

Your Commission last approved a revised budget for the Design and Construction Phases of the Project in August 2007, following the opening of the construction bids for the five construction contracts. The proposed changes to the budget are described in Table VI-1.

Table VI-1. Proposed Line Item Adjustments to Nacimiento Water Project Budget Report

Line Item	Proposed New Budget Value	Discussion
DESIGN PHASE COSTS		
AD-15 Process	\$113,057	Increased \$20,057. Adjusted to reflect actual expenditures
Environmental	\$2,346,867	Increased \$931,867. Adjusted to conduct additional Phase I, II, and III archeological explorations on Camp Roberts and other locations along the alignment.
Right of Way Services	\$1,375,000	Increased \$187,000. Added \$50,000 to HJA's Scope of Work. Reduced \$8,000 in title reports retrieved. Reduced \$80,000 in appraisals. Added \$225,000 in special right of way counsel.
Property Acquisition	\$1,900,000	Reduced \$600,000. Reduced value in right of way acquisition, primarily due to Camp Roberts valuation.
Construction Management	\$669,109	Increased \$19,109. Reflects actual CM scope of work during the design phase.
CONSTRUCTION PHASE		
Project Management	\$4,167,218	Increased \$525,000. Reduction in District-furnished Builders Risk Insurance. Savings moved to Contingency.



Line Item	Proposed New Budget Value	Discussion
Construction Management	\$5,815,891	Reduced \$19,109. Reduction in CM scope of work due to extra budget used during Design Phase
Construction	\$126,409,749	Increased \$2,532,980. Change orders for added construction scope of work.
Contingency	\$9,667,602	Reduced \$2,007,980. Reduced to compensate change orders for construction. Increases transferred from Project Management.

Financial Considerations

The overall Project budget remains at about \$176 million. The proposed line item adjustments to the budget will allow for more accurate tracking of individual budget items.

Results

Approval of the proposed budget line items will provide the Project Team a more accurate tracking of actual expenditures, thus giving management the tools needed to successfully manage the District’s largest capital project.

* * *



**Nacimiento Water Project
Project Budget Reporting
Report Ending Period: 1/31/09**

	Revised Budget Approved AUGUST 2007	Cost to Date thru 1/31/09	Remaining Budget	Projected Total Cost as of 1/31/2009	Projected Variance (Budget Vs. Projected Cost)	Comments
Design Phase Costs						
Project Management	\$2,345,749	\$2,379,657	(\$33,908)	\$2,345,749	\$0	Includes County Project Manager, VE, support staff, TJCross support, finance team, legal fees, and County overhead allocation during Design Phase. Adjusted to better align with actual costs to date.
AD-15 Process (Preparation for Bidding)	\$93,000	\$113,057.01	(\$20,057)	\$113,057	(\$20,057)	Reproduction and mailing of Contract Docs, addenda, and other bid phase correspondence, utilizing ASAP Reprographics.
Environmental	\$1,415,000	\$1,809,330.02	(\$394,330)	\$2,346,867	(\$931,867)	ESA-Includes design assistance, permit applications, agency coordination. Amendments authorized for EIR Addendum and extended cultural resource efforts.
PG&E Service Extension	\$100,000	\$5,170.00	\$94,830	\$100,000	\$0	Estimate to extend power to proposed facilities. Load-shedding approach less capital costly.
Right of Way Consulting Services	\$1,375,000	\$1,270,016	\$104,984	\$1,562,000	(\$187,000)	Hamner-Jewell contract plus allowance for appraisal, title reports by others, and Special Counsel. Includes court hearings for orders of possession.
Property Acquisition	\$2,500,000	\$1,150,411.72	\$1,349,588	\$1,900,000	\$600,000	8/06-Revised acquisition budget.
Construction Mgt/Constructability Review	\$650,000	\$669,109.19	(\$19,109)	\$669,109	(\$19,109)	Initial CM services authorization est Nov 2006 @ \$735,000. Reduced to \$650,000 Aug 2008 as est of expenditures during the Design Phase
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.
				Total Variance=	(\$558,033)	
Design Phase Budget Reserve (NOTE 1)	\$1,382,451		\$1,382,451	\$824,418		
SUMMARY - DESIGN PHASE	\$18,900,000	\$16,766,865	\$2,133,135	\$18,900,000		
Construction Phase Costs						
Project Management	\$4,692,637	\$1,881,196.36	\$2,811,441	\$4,167,637	\$525,000	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
Environmental Mitigation	\$4,500,000	\$20,310.75	\$4,479,689	\$4,500,000	\$0	Estimated as \$100,000 per mile for pipeline realignments, special construction techniques, and other costs incurred due to unforeseen environmental issues.
Construction Management, including Materials Testing & Surveying	\$5,835,000	\$4,355,965.89	\$1,479,034	\$5,815,891	\$19,109	Based on Jacobs construction management services fees.
Post-Design Services by Designer	\$3,200,000	\$831,210.15	\$2,368,790	\$3,200,000	\$0	Black & Veatch's construction phase services.
Environmental Monitoring (this work is added into Jacob's CM Agreement)	\$2,400,000	-	\$2,400,000	\$2,400,000	\$0	Includes cost for cultural and biological monitors during construction including Jacobs' mgt fee. Value negotiated with ESA per revised memo from TJ Cross 8-16-07
Construction Contracts	\$123,876,769	\$74,820,934.77	\$103,573,797	\$126,409,749	(\$2,532,980)	BASED ON CONSTRUCTION BIDDING + CHANGE ORDERS
District Controlled Contingency Construction Phase Contingency and Reserve (NOTE 1)	\$11,675,582	\$0	\$11,675,582	\$9,667,602	\$2,007,980	Recommended contingency for construction change orders, prof service changes, and other Project reserve. Excludes the carryover of unused Design Phase reserves.
SUMMARY - CONST. PHASE	\$156,179,988	\$81,909,617.92	\$128,788,332	\$156,160,879	\$19,109	
Prior Expenses						
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.
			\$0	\$0	\$0	
TOTAL PROJECT	\$176,623,988	\$100,220,482	\$130,921,468	\$176,604,879	(\$538,924)	

Positive Projected Variance indicates costs are under the revised line item budget.
Recent Update: January 19, 2009

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