



**Nacimiento Project Commission
Notice of Meeting and Agenda
Thursday, August 25, 2005 – 4:00 pm
Templeton Community Services District Board Room
420 Crocker Street, Templeton CA**

- I. Call to Order, Roll Call, 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 June 23, 2005
(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.
(none)
- VI. COMMISSION ACTION ITEMS
(Commission action only, no subsequent Board of Supervisors action required)
 - a. Letter of gratitude to Congressman Thomas
- VII. COMMISSION ACTION ITEMS
(Board of Supervisors action is subsequently required)
(none)
- VIII. FUTURE AGENDA ITEMS DESIRED BY COMMISSION

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

Next Commission Meeting

October 27, 2005 @ 4:00 p.m., Templeton CSD Board Room

Nacimiento Project Commission

August 25, 2005

Agenda Item III – Meeting Notes from June 23, 2005

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

4:00 pm – Commission Chair Ovitt called the meeting to order; all Commissioners present; flag salute and pledge of allegiance performed.

II. Public Comment

None

III. Meeting Notes from April 2005 Meeting

On motion of Commissioner Jones, seconded by Commissioner Brooks, the meeting notes of April 28, 2005 were approved on a 5-0 vote.

IV. Project Management, Schedule, and Budget Reports

John Hollenbeck described the design team selection process which began with a request for qualifications, short-listing to interview three qualified teams, further short-listing to two firms being invited to submit fee proposals, and negotiations with two top-ranked firms. The Black & Veatch team is proceeding into contract negotiations to provide full service design support for the Nacimiento Water Project for an estimated fee of \$7.85 million including contingencies. This recommendation for award of design contract will be forwarded to the Board of Supervisors in July. Steve Foellmi, Black & Veatch project manager, was introduced. Commissioner Mecham asked if the Commission would be consulted in the event that cost overruns occurred during design. John Hollenbeck replies that yes, the Commission would be consulted in that event and that budget status is reported routinely.

John Hollenbeck further reported on recent coordination meetings with Camp Roberts representatives and Commissioner Romero offered his assistance in making contact with base command.

V. Commission Information Items w/ Presentations

No presentations made.

VI. Commission Action Items

a. Request to designate Commissioners to meet with MCWRA

Regarding upcoming coordination with Monterey County Water Resources Agency, Harry Ovitt and Frank Mecham agreed to represent the Commission. Commissioner Romero expressed a willingness to participate, too.

b. Request for approval of modifying the Value Engineering process

John Hollenbeck reviewed the purpose of value engineering on a project of this scale as primarily being an overview of cost-saving approaches while fulfilling goals of the project. He reviewed the alternative approaches that could be followed to secure a value engineering review of the project and shared the Technical Support Group's recommendation to hire a set of individuals, through the issuance of purchase orders, to provide project review. Design manager Steve Foellmi expressed support for the approach along with Commissioner Romero. Commissioner Brooks moved to support staff's recommended approach to securing value engineering services; Commissioner Mecham seconded; passed unanimously.



VII. Commission Action Items

a. Request for direction on design phase debt financing through commercial paper

John Hollenbeck reported that at this point, Atascadero Mutual Water Company, City of el Paso de Robles, and Templeton Community Services District are likely to pay cash throughout the design phase. The City of San Luis Obispo is likely to finance through commercial paper. John compared commercial paper to bond anticipation notes, noting that the Finance Committee and Technical Support Group concur with commercial paper financing as needed. Commissioner Brooks asked if only one participant finances via commercial paper, would that participant alone pay finance fees? Paavo Ogren responded yes. Commissioner Mecham moved to accept staff's recommendation to proceed with commercial paper financing; Commissioner Romero seconded; passed unanimously.

VIII. Future Agenda Items Desired by Commission

Commissioner Jones noted that discussions regarding alternative forms of governance, in particular a joint powers authority, were not fully explored during contract negotiations and he requested that staff return with a report on possible joint powers authority governance. Commissioner Mecham also noted that Paso Robles could benefit from learning the pros and cons of various approaches and he, too, requested future Commission discussion on this topic. Noel King stated that a report would be presented at the Commission's October 2005 meeting.

Meeting adjourned at 5:10 pm.

Submitted by Christine Halley, TJCross Engineers



Nacimiento Project Commission
August 25, 2005
Agenda Item IV.a – Project Management Report
(Information Only – No Action Required)

PROJECT RESOURCES

The Board of Supervisors of the San Luis Obispo County Flood Control & Water Conservation District awarded the design contract to Black & Veatch Corporation at their July 19, 2005, meeting. Concurrently, the Board approved the Assignment Agreements of the survey and geotechnical contracts to Black & Veatch. With these actions, the project design team is now fully assembled. Staff will assemble the value engineering panel and solicit proposals for construction management services at a later date. An updated Project Team Organization Chart is presented on page IV-5.

PROJECT ISSUES

The purpose of this section of the project management report is to identify other areas that have received specific focus since the last Commission meeting.

Prospective NWP Participants

Staff has reinitiated dialogue with potential new project participants, some of which were addressed in the EIR and some not. A summary of contacts to-date include:

- Heritage Ranch CSD has requested cost information regarding an emergency turnout near their system.
- The cities of Arroyo Grande and Grover Beach have indicated an interest in participating in the Nacimiento Project and are currently addressing their overall water supply alternatives. Although the City of Pismo Beach is not actively pursuing a supplemental water supply, they are interested in participating in any informational meetings with Arroyo Grande and Grover Beach. Potential participation by Arroyo Grande and Grover Beach is not included in the existing certified EIR and additional EIR efforts would be needed.
- San Miguel CSD reported that the Project is still infeasible for their participation at this time, mainly because of the long conveyance that would connect the Project to their service area.
- CSA 10 (Cayucos) has been reviewing project participation details with community groups over the past year and obtained policy endorsements to participate. The specific quantity of water for CSA 10 is still under review. Nevertheless, an initial meeting with the City of San Luis Obispo to discuss terms and conditions of exchanging Whale Rock supplies with Nacimiento supplies has recently been scheduled. The Lewis Pollard Family Trust (also from Cayucos) has continued interest in securing an entitlement for their property in Cayucos and their request is anticipated to be included with the CSA 10 request in order to simplify the exchange agreement needed with the City of San Luis Obispo. Combining all



Cayucos requests will also allow a single Nacimiento contract for Cayucos as opposed to multiple Nacimiento contracts with the various Cayucos parties. All Cayucos needs were addressed in the existing certified EIR.

- Camp Roberts and Camp San Luis Obispo continue to study their intent to participate.
- Templeton CSD is evaluating possibly doubling their entitlement to 500 acre-feet/year.

District Staff lead a discussion at the August 11, 2005, Technical Support Group (TSG) meeting regarding the benefits and risks associated with issuing a Supplemental Environmental Impact Report (SEIR). The benefits include the addition of new and expanded participants while the risk of concern involves the potential for project delays. New participants, or increase in existing entitlement by existing Participants, would spread project costs among more entities and is likely to be viewed as favorable from an environmental impact standpoint. A SEIR is expected to also address design changes that are envisioned; however, an initial review of these changes indicates they may have a positive environmental impact and also have a low likelihood of being challenged and may allow the project to proceed on schedule. In order to coordinate design activities with new participant requests, we anticipate preparing agenda items for Commission discussions in October 2005, and subsequent meetings.

Status of Financial Issues

The first two quarterly payments by Paso Robles, Templeton CSD, and Atascadero MWC were made during July. The City of San Luis Obispo is participating in the commercial paper financing and will make their first payments once that mechanism has been finalized. The processing of the commercial paper financing is presently ongoing.

District staff submitted an application to the State Department of Water Resources (DWR) for \$26.4-million in Proposition 50 grant funding. The applications were submitted in mid-July, and it is anticipated that the DWR will make notification of their review of the applications by the first quarter in 2006.

It may be to our benefit to jointly pursue future grant funding requests with MCWRA. Staff is exploring the merits of this approach.

Congressman Bill Thomas was successful in including the NWP in 2005 Water Resources Development Act, H.R. 2864, which contained a \$25M “authorization” for the Project. Securing an authorization is only the first step on a long process to actually receiving federal monies. An appropriation is required to receive monies, but an appropriation cannot occur until an authorization has been given. **Agenda Item VI.a** presents a draft body of letter to Congressman Thomas on behalf of your Commission for your review and action.

Status of Project Delivery Team Activities

Right-of-Way. Overall, right-of-entry coordination is going well with only one refusal at the northernmost Salinas River crossing. Title reports are being prepared along the pipeline corridor to more firmly establish limits of easement recordation and to determine other property encumbrances.



Environmental Permitting. Biological field work was completed in early August, with the exception of vernal pool species surveys which will be accomplished during the wet season. Cultural surveys are on-going. Hazardous materials draft report will be submitted in late August. Agency coordination includes the Corps of Engineers, asking for the project to be assigned to the San Francisco District. The issue of “federalizing” the project is still unresolved. The team has had introductory meetings with National Marine Fisheries Service and U.S. Fish and Wildlife Service.

Design Engineering. The design team had the kickoff meeting over two days in early August. A preliminary project schedule was submitted on-time for review by the District. A series of progress meetings (held bi-monthly) and technical workshops will be coordinated with many team members. The Draft Preliminary Design Report is scheduled for submittal in November 2005.

Finance Team. The Finance team has been instructed to develop the commercial paper program for the City of San Luis Obispo for the short-term financing of the design effort.

Cost Allocation and Billing Model

The Technical Support Group reviewed a series of flowcharts illustrating the cost categories described in the entitlement contracts. Once approved, these will be useful in developing the billing model for the project and tracking costs-to-date in the appropriate categories. A future work task will be to propose a means of calculating the incremental cost of constructing the Reserved Capacity in the project. This, too, will be discussed at an upcoming TSG meeting.

Outside Agency Issues

Monterey County Water Resources Agency (MCWRA): District staff along with John Moss and Brad Hagemann met with MCWRA staff on July 22, 2005, in King City. A meeting of elected officials and staff from both agencies and the Commission is scheduled for August 19, 2005. As discussed at our June meeting, Commissioners Ovitt and Mecham will represent the Commission at the upcoming meeting. The agenda will consist of introductions, a discussion of each agency’s project, and open discussions.

Other Project Issues

PG&E Service Planning. PG&E responded to recent contacts and a planning meeting is scheduled for August 24, 2005.

Turnout Locations: The design team seeks direction on planned turnout locations for each participant. Participants will be asked to report on their planning to date. We seek direction on this by September 2005, so that design may proceed in an orderly fashion. In particular, proposals to introduce Nacimiento deliveries into the river underflow are of importance to both permitting tasks and right-of-way activities.

Confirmation of Delivery (Peaking Factors): In addition to confirmation of the turnout locations, participants are reminded that confirmation of requested peaking rates and entitlement amounts are needed to complete design. Black & Veatch recently presented their proposed approach for evaluating the peaking factors on the pipeline. Black & Veatch has submitted a questionnaire to each Participant will contact each of the Participants to discuss delivery confirmation before they assess surge and other hydraulic design issues. The Technical Support Group has been asked to

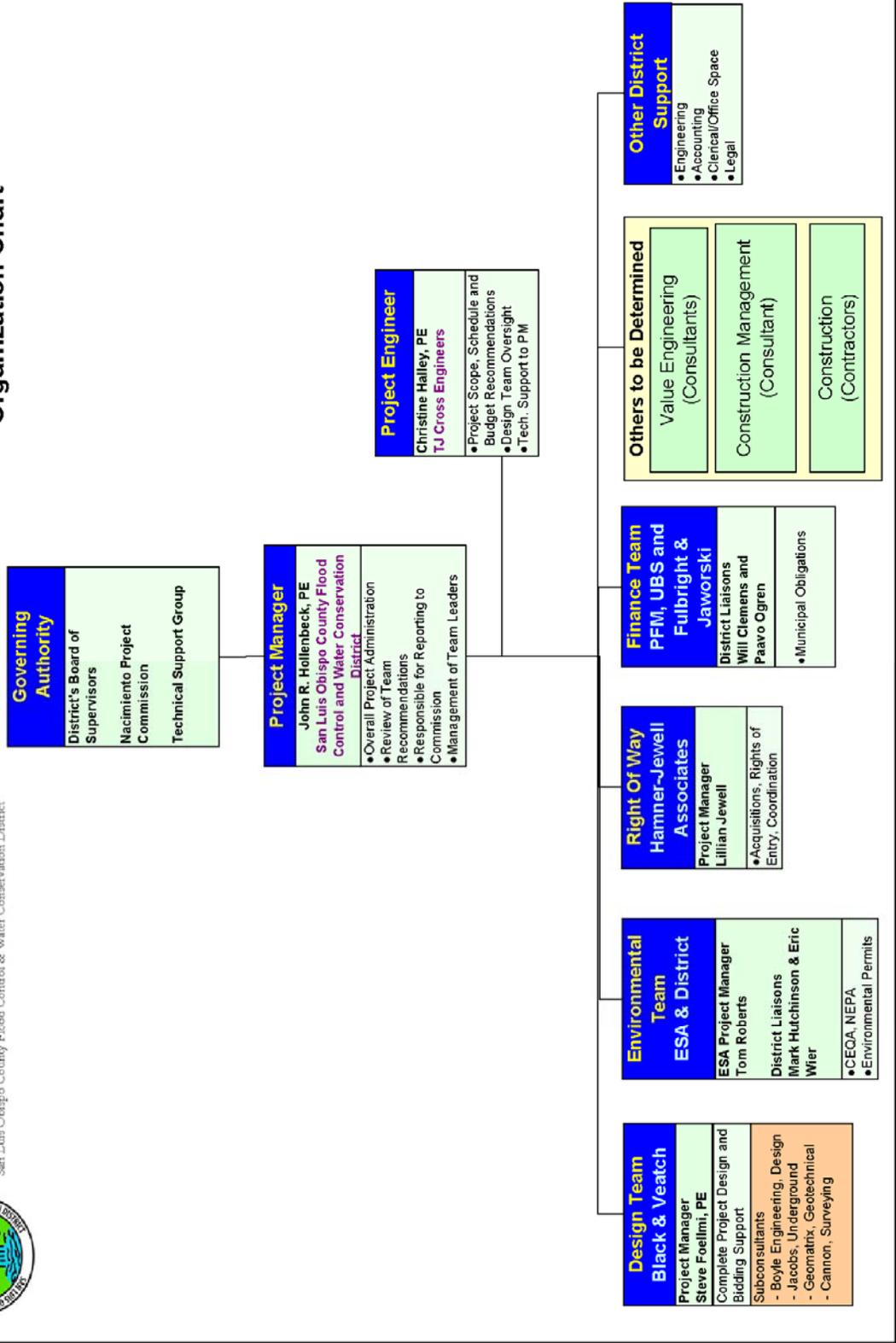


confirm your agency's delivery no later than August 26, 2005. Note that changes in peaking rates and entitlement amounts would also trigger an amendment to the entitlement contracts.

Report on Governance: At the June 2005 meeting, Commissioners requested a report on alternative forms of project governance. Staff will make their report at the October 2005 Commission meeting.



Project Team Organization Chart

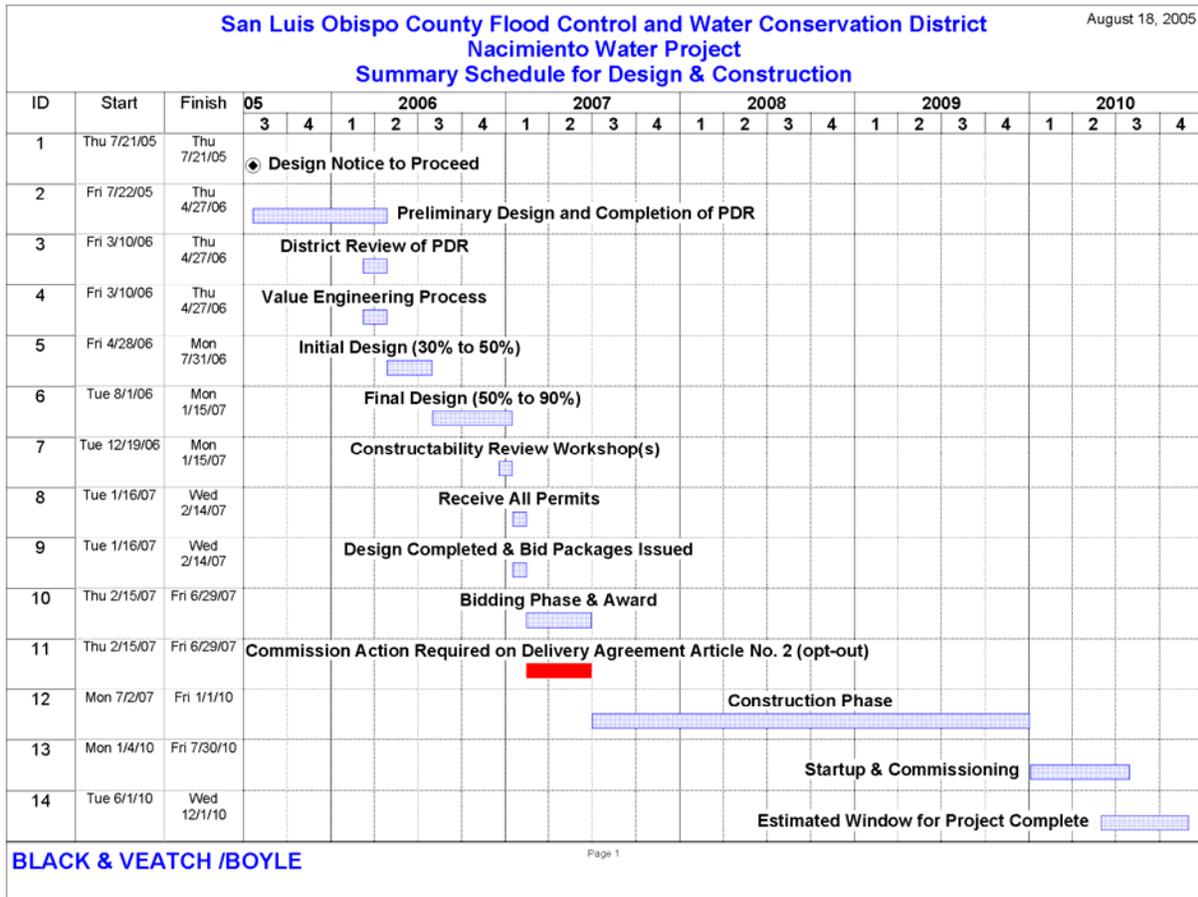


Nacimiento Project Commission

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Agenda Item IV.b – Project Schedule (Information Only – No Action Required)

The initial condensed version of the Project schedule prepared by Black & Veatch is presented below. Presently, the critical path of the project runs through the permitting endeavor. An estimate for receiving permits is the first quarter of 2007. If permits are received by then, then the Project's construction is estimated to finish near the end of 2009. Startup and commissioning of the entire facility would occur thereafter, and current estimates are for those activities to be complete during the third quarter 2010. The schedule illustrates an "estimated window for project completion" spanning from the second to the fourth quarter of 2010. At this point in the schedule, Staff believes the project is likely to be fully constructed and commissioned within that timeframe. As critical path milestones become more clearly defined, the "window" of completion will be shortened, and ultimately a specific milestone completion "date" will be projected; however, it will be several years before an actual projected completion date will be known. Staff will keep both the TSG and your Commission updated with projections of the schedule.



Nacimiento Project Commission

August 25, 2005

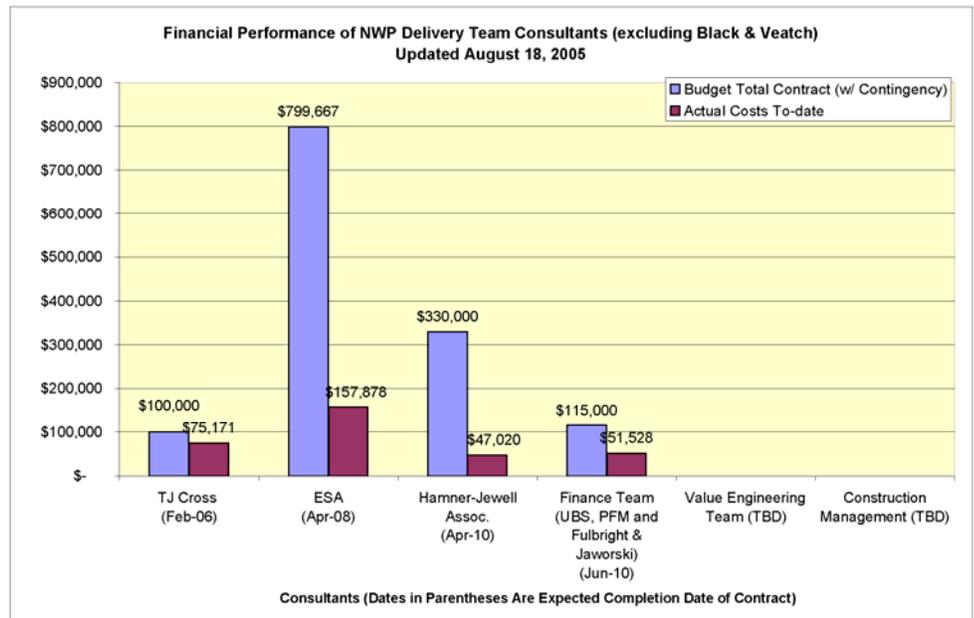
Agenda Item IV.c – Project Budget (Information Only – No Action Required)

Budget Status: The budget summary sheet (following page) has been updated to include the actual contract values for the delivery team consultants (see column “Projected Total Cost”). The Projected Variance” column indicates the variance between budget and projected costs, with a positive variance indicated the projected costs are below budget, and a negative value meaning projected costs are above the budget. The total variance for the design phase services is presented in the budget summary. Presently, the total variance for design phase services is \$561,533.

Following the “Total Variance” row is the “Design Phase Budget Reserve” row. At the June 2005, Commission Meeting, staff reported that variances would be add-to or subtracted-from the design phase reserve and reported in the budget summary sheet. Note that the Projected Total Cost for the Design Phase Budget Reserve is increased over the budget amount because there is a positive variance. The Projected Total Cost for Design Phase Budget Reserve is presently reported at \$1,496,533.

One change not yet made to the budget summary sheet is the combination of geotechnical and surveying services into the design engineering line item. This has been done to show the individual variance of each consulting agreement. The next update of the budget summary sheet will have these three consultants combined into one design engineering line item.

The following bar chart illustrates the current performance of each consulting firm (excluding Black & Veatch) relative to their budgets. The bar chart may not match the budget summary table because the chart is updated as each invoice is reviewed and approved. The firm of TJ Cross, with the Project Engineering support services of Mrs. Christine Halley, is the only consulting firm nearing their contract budget limit. Recent direction by the TSG to evaluate the potential of new project participants would add additional scope of work to Mrs. Halley. Mrs. Halley has been asked to prepare a letter proposal to support the District in this endeavor. An action item to your Commission at the October 2005, meeting is expected to address adding monies to the TJ Cross contract to provide additional support to the Project for assessment of new potential participation. Additionally, a review of the TJ Cross contract support for the following 12-months (through early winter 2006) will be prepared and likely will also be presented at the October 2005, meeting.



ATTACHMENT ()
Nacimiento Water Project
Project Budget Reporting
Report Ending Period: 7/31/05

| | Initial Budget | Revised Budget as Approved February 2005 | Cost to Date thru 7/31/05 | Remaining Budget | Projected Total Cost as of 7/19/05 | Projected Variance (Budget Vs. Cost) | Comments |
|---|----------------------|--|---------------------------|----------------------|------------------------------------|--------------------------------------|--|
| Design Phase Anticipated Costs | | | | | | | |
| Project Management | \$1,250,000 | \$1,875,000 | \$516,512 | \$1,358,488 | \$1,875,000 | \$0 | Includes County Project Manager, VE, support staff, consultant support, and legal fees. |
| Environmental | \$800,000 | \$800,000 | \$77,815 | \$722,185 | \$799,667 | \$333 | ESA-Includes design assistance, permit applications, agency coordination. |
| Survey and Base Mapping | \$150,000 | \$700,000 | | \$700,000 | \$689,000 | \$11,000 | Cannon Associates |
| Geotechnical Investigation | \$500,000 | \$550,000 | | \$550,000 | \$549,800 | \$200 | Geomatrix Consultants, Inc |
| PG&E Service Extension | \$1,100,000 | \$1,100,000 | \$5,170 | \$1,094,830 | \$1,100,000 | \$0 | Initial estimate to extend power to proposed facilities |
| Right of Way Consulting Services | \$500,000 | \$425,000 | \$64,154 | \$360,846 | \$425,000 | \$0 | Hamner-Jewell contract plus allowance for appraisal and title reports by others |
| Property Acquisition | \$2,000,000 | \$2,000,000 | | \$2,000,000 | \$2,000,000 | \$0 | |
| Construction Mgt/Constructability Review | \$2,000,000 | \$2,000,000 | | \$2,000,000 | \$2,000,000 | \$0 | Initial CM services authorization |
| Engineering Design | \$9,600,000 | \$8,400,000 | | \$8,400,000 | \$7,850,000 | \$550,000 | Black and Veatch Corporation |
| Finance | \$0 | \$115,000 | | \$115,000 | \$115,000 | \$0 | PFM, UBS, and Fulbright&Jaworski |
| | | | | | Total Variance= | \$561,533 | |
| Design Phase Budget Reserve | \$1,000,000 | \$935,000 | | \$935,000 | \$1,496,533 | | |
| SUMMARY - DESIGN PHASE | \$18,900,000 | \$18,900,000 | \$663,651 | \$18,236,349 | \$18,900,000 | | |
| Construction Phase Anticipated Costs | | | | | | | |
| Project Management | \$2,325,000 | \$2,712,500 | | \$2,712,500 | \$2,712,500 | \$0 | 2/05-extended +4 months |
| Environmental Mitigation | \$3,700,000 | \$3,720,000 | | \$3,720,000 | \$3,720,000 | \$0 | Contingency item (estimated as approximately 4% of construction cost) for pipeline realignment, special construction techniques, and other costs incurred due to unforeseen environmental issues |
| Materials Testing | \$300,000 | \$300,000 | | \$300,000 | \$300,000 | \$0 | |
| Construction Management | \$4,200,000 | \$4,185,000 | | \$4,185,000 | \$4,185,000 | \$0 | Est. at 4.5% of construction cost, inc design phase work |
| Environmental Monitoring | \$1,800,000 | \$1,800,000 | | \$1,800,000 | \$1,800,000 | \$0 | Includes cost for cultural and biological monitors during construction |
| Construction Contracts | \$93,000,000 | \$93,000,000 | | \$93,000,000 | \$93,000,000 | \$0 | |
| Construction Phase Contingency and Reserve | \$24,231,000 | \$23,838,500 | | \$23,838,500 | \$23,838,500 | \$0 | |
| SUMMARY - CONST. PHASE | \$129,556,000 | \$129,556,000 | \$0 | \$129,556,000 | \$129,556,000 | \$0 | |
| Prior Expenses | | | | | | | |
| Advance Expenditures | \$513,000 | \$513,000 | | \$513,000 | \$513,000 | \$0 | |
| Cuesta Tunnel | \$1,031,000 | \$1,031,000 | | \$1,031,000 | \$1,031,000 | \$0 | Includes construction of Nacimiento Water Project pipeline section through Cuesta Tunnel |
| | | | | \$0 | \$0 | \$0 | |
| TOTAL PROJECT* | \$150,000,000 | \$150,000,000 | \$663,651 | \$149,336,349 | \$150,000,000 | \$561,533 | |

* Rounded to \$100k

Memorandum(s):

Highlighted yellow fields indicate Updated information on Projected Total Costs since last issued report

Recent Update: 8/18/05

Nacimiento Project Commission
August 25, 2005
Agenda Item V – Presentations
(No Commission Action Required)

No presentations are scheduled for this Commission Meeting.



Nacimiento Project Commission
August 25, 2005
Agenda Item VI.a – Letter of Gratitude to Congressman Thomas
(Commission Action Required)

TO: Nacimiento Project Commission

FROM: John R. Hollenbeck, Nacimiento Project Manager

VIA: Noel King, Director, Department of Public Works

Date: July 28, 2005

Recommendations

That your honorable Commission approve sending the attached letter of thanks to Congressman Thomas for his support in seeking \$25 million authorization in Water Resources Development Act funds on behalf of the Nacimiento Water Project.

Discussion

In late 2004, inquiries from the City of el Paso de Robles and others identified a potential source of federal funding, i.e. the Water Resources Development Act funding. Representatives from Congressman Thomas' office sought project information and based on that, the Congressman included a \$25 million funding request on behalf of the Nacimiento Water Project. That authorization request remained in the House of Representative's bill, H. R. 2864, passed by the House on July 14, 2005. The bill next moves to the Senate for debate and action.

Additional steps lie ahead before appropriations are approved for the project, but this is an important first step. The Commission may want to consider sending a letter of gratitude to Congressman Thomas for his support in this area.

Other Agency Involvement

The City of el Paso Robles was pivotal in directing attention toward the Nacimiento Water Project along with other participants who are in regular contact with our federal legislators. Atascadero MWC announced at the August 11, 2005, TSG meeting that they had sent a letter of appreciation to the Congressman for his support of the Project.

Financial Considerations

The terms pertaining to Water Resources Development Act funds have yet to be determined. Early indications were that appropriations were made such that the Army Corps of Engineers would mobilize their technical or construction forces to design or build a portion of the project. This poses some question about timeliness of their process regarding the total Project timeline.

Results

Sending the letter of thanks acknowledges a positive step in securing federal funds for the project.





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

Congressman Bill Thomas
Member of Congress, 22nd District
5805 Capistrano Avenue
Atascadero, CA 93422

Subject: Nacimiento Water Project Funding Request

Congressman Thomas:

On behalf of the Nacimiento Water Project participating agencies, I extend our gratitude for your sponsorship of the Water Resources Development Act funding request. I understand that a \$25 million authorization (H.R. 2864) was passed by the House in July and will be forwarded to the Senate for consideration.

San Luis Obispo County residents strive to keep pace with increasing demands on infrastructure and more stringent regulations so the possibility of federal financial support is deeply appreciated. Moreover, your quick action on our behalf was refreshing and a reflection of the quality of representation that you demonstrate.

We will be working with you and your staff to learn what we can do to actively participate as the Project funding request progresses.

Gratefully,

Harry Ovitt
Nacimiento Project Commission Chair and
San Luis Obispo County Supervisor 1st District

c: Mike Whiteford, District Representative
Nacimiento Project Commissioners

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