



CITY OF EL PASO DE ROBLES
"The Pass of the Oaks"

May 19, 2015

Paso Basin Advisory Committee
c/o Wade Horton, Public Works Director
County of San Luis Obispo
County Government Center
San Luis Obispo, CA 93408

SUBJECT: May 21st Committee Agenda Item No. 4
Nacimiento Water Project – Full Subscription

Dear Committee Members:

I am writing to express the City's concern regarding a proposed action to "*consider advising the Board of Supervisors to be actively involved in preserving all unallocated Nacimiento water for all appropriate users and that Nacimiento water not be fully subscribed without considering the need to sustainably manage the Paso Robles Groundwater Basin.*"

Unfortunately, the wording of this proposed action suggests that 6,095 AFY of Reserve Water be held without financial participation for an undetermined future use. The Initial Project Participants are paying for this Reserve Water, and thus the Participants are exploring "full subscription" of Nacimiento water to reflect their interests and investment in the project. Specifically, it costs approximately \$15.5 million to build Reserve Capacity into the Nacimiento Water Project at an estimated annual debt service and operation & maintenance cost totaling \$6.7 million.¹ Of that amount, the County Flood Control & Water Conservation District contributes approximately \$1.1 million each year toward the Reserve Capacity Construction Cost Component; the Initial Participants pay the rest:

Agency	Est. Share in Reserve Capacity Construction Cost Component
City of El Paso de Robles	\$2.3 million
City of San Luis Obispo	\$2.0 million
Atascadero MWC	\$1.2 million
Templeton CSD	\$0.1 million
SLO County Flood Control & Water Conservation District	\$1.1 million
TOTAL =	\$6.7 million/year

¹ Source: "Cost Summary Report" dated August 17, 2007, by Black & Veatch. Carrying cost of Reserve Water based on FY 15/16 total budget (i.e. \$1,092/AFY gross).

The Reserve Water can be used in three ways. First, the Initial Participants could convert their share of Reserve Capacity into Delivery Entitlement – a step known as “fully subscribing.” – and as noted above the Participants are actively considering this step in furtherance of their financial and contractual interests in the project and to advance the beneficial use of project supplies in North County. Second, Reserve Water could be purchased by New Participants at an estimated buy-in cost of \$90 million for the remaining 6,095 AFY.² Third, it could be purchased by an existing Participant by proportionally buying out another Participant(s).

However, in no case can Reserve Water be encumbered for a potential future use *without payment*. (See, e.g., Article 29 of the 2004 Delivery Entitlement Contracts.) Accordingly, the City of Paso Robles strongly disagrees with any proposed set-aside of Nacimiento Water without payment. Instead the City encourages beneficial uses of Nacimiento water that can be implemented immediately and in the near term, such as:

1. Supporting “full subscription” by the Participants, thereby securing 1,294 AFY for the Flood Control District along with an additional 3,108 AFY to Participants in North County.
2. Establishing procedures for routine sale of Surplus Water to Reserve Water Customers as intended by the Delivery Entitlement Contracts Article 29(D).
3. Using existing turnouts in the North County to release Surplus Water into the Salinas River for the benefit of the Paso Robles Groundwater Basin.

In summary, fully subscribing the Nacimiento Water Project will secure more than 3,100 AFY for the North County and align entitlement with the communities that are actually paying for the water. Full subscription will also provide an additional 1,294 AFY to the Flood Control District for potential future use in the Paso Robles Groundwater Basin. Set-aside of Reserve Water for unspecified future uses without payment is not an option.

Sincerely,



James L. App
City Manager

Copy: Paso Robles City Council
San Luis Obispo County Board of Supervisors
Nacimiento Project Commission

Dan Buckshi, SLO County Administrative Officer
Bob Brown, PRAAGS
Sue Luft, Chair Paso Basin Advisory Committee

² Estimated buy-in cost of \$15,000/AF as stated by Flood Control District in 2009.