

NIPOMO COMMUNITY SERVICES DISTRICT

DECEMBER 7, 2012

1:00 P.M.

MEETING MINUTES

SUPPLEMENTAL WATER ALTERNATIVES EVALUATION COMMITTEE

APPOINTED COMMITTEE MEMBERS

MICHAEL K. NUNLEY, CHAIRMAN (NON-VOTING)
PETER V. SEVCIK, VICE CHAIRMAN (NON-VOTING)
DAN GARSON (VOTING)
DENNIS GRAUE (VOTING)
KATHIE MATSUYAMA (VOTING)
ROBERT MILLER (VOTING)
DAVE WATSON (VOTING)
DAN WOODSON (VOTING)

PRINCIPAL STAFF

MICHAEL S. LEBRUN, GENERAL MANAGER
LISA BOGNUDA, ASST GM/FINANCE DIRECTOR

MEETING LOCATION - District Board Room
148 S. Wilson Street, Nipomo, California

1. CALL TO ORDER, FLAG SALUTE AND ROLL CALL

Chairman Nunley called the Special meeting of December 7, 2012, to order at 1:02 PM. and led the flag salute. At roll call, all Committee members were present except Member Matsuyama.

2. GENERAL MANAGER'S REPORT

General Manager Michael LeBrun provided an update to the Committee on items relevant to their work. In the District election on November 6, two new Directors were selected – Bob Blair and Craig Armstrong, and both took office today.

On December 4, Committee members Miller and Graue attended a meeting/conference call with the San Luis Obispo County Director of Public Works, Paavo Ogren, and Senior Utilities Engineer, Courtney Howard. Chairman Nunley, Vice Chair Sevcik, and Mr. LeBrun also attended. Mr. Ogren noted that the County was anxiously awaiting an update from the District regarding their plans to move forward with the Supplemental Water Project, since the District had been awarded a \$2.3M grant specifically for that project through the state's Integrated Water Resources Management Plan program nearly one year ago. The grant amount had been reduced to \$2.2M as a result of the Board seeking funding for a phased version of that project. The County will send a letter to the District Board requesting an update of project status. The Board is planning to release the phased project for bidding in early February but will not move forward with selecting a contractor and/or issuing a Notice of Award until the Committee completes its work.

Mr. LeBrun noted that he had conveyed the importance of the Committee's work to Mr. Ogren, and further noted that the Committee's completion of the evaluation in February is critical to keeping that grant if the Board reviews the Committee's ranking and elects to move forward with the phased Supplemental Water Project. Under the current schedule, the Board could be able to deliver water to customers via the phased project by June of 2014.

SUPPLEMENTAL WATER ALTERNATIVES EVALUATION COMMITTEE

There was no public comment.

3. REVIEW DRAFT MINUTES FROM NOVEMBER 15, 2012, COMMITTEE MEETING

Chairman Nunley introduced the item.

Member Garson requested a change:

P. 5, last paragraph – revise to: Member Garson mentioned a cost projection of \$5000/AF for a golf course at a Pebble Beach location to purchase recycled water.

The Committee voted to revise the draft notes as requested.

4. DISCUSS NOMINATION OF COMMITTEE MEMBER

Chairman Nunley presented this item. Member Garson asked why a second round of votes may be required, as mentioned by the Chairman during his presentation of the item. The Chairman replied that a second round may not be applied. Member Miller clarified that the Committee would not be appointing a member, only recommending a potential nominee to the Board for ratification.

Public Comment:

Bill Petrick, Nipomo Resident, asked if the open seat was for a person with a finance background since Mr. Armstrong was initially appointed as the Finance seat. Mr. Nunley responded there was no requirement in the Bylaws in that regard.

The Committee members each wrote their name, the name of their top selection, and the name of an alternate on a slip of paper and provided the paper to the Chairman. The votes were read by Chairman Nunley and recorded by Vice Chair Sevcik:

Committee Member	First Selection	Alternate Selection
Miller	Saltoun	Petrick
Garson	Saltoun	Petrick
Graue	Petrick	Saltoun
Watson	McCarthy	Petrick
Woodson	Saltoun	Dubois

The Committee voted unanimously to recommend Sam Saltoun as a Committee member for consideration by the Board with Bill Petrick as the alternate.

5. DISCUSS SUBCOMMITTEE PROGRESS

Chairman Nunley introduced the item.

State Water: Member Miller summarized the December 4 meeting with Paavo Ogren and Courtney Howard. He noted that Mr. Ogren was knowledgeable about State Water and had been involved during its planning and implementation in San Luis Obispo County in the early '90s. Member Miller discussed Mr. Ogren's responses to the following list of questions posed by the Committee:

1. Do any of the SLO agencies using SWP water have efforts in progress to acquire a larger share of SWP water (Table A or other) delivered by SLOCFC& WCD? *The County provided a table summarizing interest and/or efforts by State Water contractors to get additional supplies, including efforts noted by non-contractors such as Nipomo who had expressed interest. Member Miller suggested this list be included in*

SUPPLEMENTAL WATER ALTERNATIVES EVALUATION COMMITTEE

subsequent updates. Mr. Ogren noted that the Board of Supervisors had directed to staff to begin considering how entities could acquire more State Water or could become customers if not already, in order to be prepared in case a party or parties came forward that were willing to invest resources in pursuing this option.

2. Is SLOCFC&WCD open to NCSD (1) acquiring unused or excess Table A amounts, (2) purchasing Table A amounts from SWP participants, or (3) directly participating in SWP? *Mr. Ogren noted only (1) and (2) were available for new entities to participate; he briefly discussed the process for either option. He first discussed the public process focused on CEQA (and reopening of that environmental process pursued in the early 90's). Mr. Miller noted that several votes to pursue State Water in Nipomo were unsuccessful and Mr. Ogren advised the Committee not to assume this would be an easy process. Mr. Ogren also discussed the different entities currently involved in State Water who would need to approve (or not disapprove) Nipomo becoming a customer. It would require formal transfer between the Santa Barbara and San Luis Obispo flood control districts if the "seller" was in Santa Barbara County.*
3. How long and what process would be involved with an NCSD request for Table A allocations?
4. What time-lines is the SLOCFC&WCD working under to evaluate and make a decision on existing contractor requests for additional Table A allocations? *Mr. Ogren responded to both questions 3 and 4 that the County would need to be in a lead role for the CEQA process and the County would expect to be reimbursed for staff time. There is no clear way to establish the timeline since it requires multi-party negotiation. Member Graue mentioned that the CEQA process had been described as the most important, but is only one of a number of important processes (including contract negotiation and others). A sequential process is not desirable - multiple, parallel processes would be necessary. Mr. Ogren noted the County was not working under a timeline for helping agencies acquire new or more State Water; the staff time and resources required for the County to initiate the CEQA process would require significant investment and financial risk by the entity expressing interest. The pursuit would require a multi-year investment.*
5. Does the County have an interest in the conservation and prudent management of the water resources in the Santa Maria Valley aquifer under the south SLO County? *Mr. Ogren had noted that the County does not usually step in to guide issues under the management of local agencies, with the exception of the Los Osos wastewater issues that required development of special legislation and other efforts lead by the County. Member Graue noted there had been a history of local agencies guiding these efforts and the County tends to wait until they are asked or invited to get involved. The County has a budget focused in certain areas but does not have a revenue stream to manage all of the water resource issues in the County that are under local control.*
6. Does the County have an interest in a state-of-the-art technical study to evaluate the management options of that aquifer? *Mr. Ogren had noted the County had been involved in supporting a grant request to study nutrient and salt issues in the Basin. The County had supported groundwater studies in the past, and noted it would be important to focus groundwater studies on specific objectives or goals.*
7. Does the County have any authority over the conservation and prudent management of that aquifer?

SUPPLEMENTAL WATER ALTERNATIVES EVALUATION COMMITTEE

8. How do the authorities of the County over land use and aquifer management agree or differ? *Mr. Ogren responded to questions 7 and 8 together. In his mind, the County would retain land use authority and can pass and enforce ordinances related to water management but the County can only exercise jurisdiction over a groundwater basin if it is not adjudicated. The court has jurisdiction over the Nipomo Mesa Management Area (NMMA).*
9. The Committee is analyzing the cost of a direct connection to the State Water pipeline. Based on our research, the potential capital cost appears to depend on negotiated transactions within a likely range of \$50M to \$100M. Does the County have any feedback on the range of potential cost? *Mr. Ogren had noted agencies interested in selling may or may not want to be reimbursed for their past investments, and he did not expect that anyone could define the "cost estimate" since it would depend on multiple negotiations.*

In summary, Member Miller relayed that State Water participation is a very complicated process with significant uncertainty and would require significant investment by an interested party. A fatal flaw in contract negotiation or CEQA process could arise. Member Graue noted that acquiring water from SLO County State Water customers would require existing customers to allow that transfer to take place; acquiring water from Santa Barbara County would require similar considerations among State Water customers there.

Member Miller emphasized the importance of the February grant deadline expressed by the County, and discussed the potential for other projects (including Los Osos Wastewater) to receive the District's grant if the District does not move forward.

Member Matsuyama arrived to the meeting during discussion of this item. She asked if other agencies had been identified that would receive the District's grant if the District does not move forward. General Manager LeBrun emphasized that the County is developing a "plan B" for administering the District's grant if the District is not prepared to move forward with the project in February.

Member Graue thought Mr. Ogren felt the challenges with State Water participation would relate more to contractual and legal issues than technical constraints.

Conservation/Graywater: Member Graue presented updated slides.

Santa Maria Waterline Intertie Project: Member Miller noted that staff had performed some initial modeling to determine if delivery could be varied during the day in order to provide more water to the District under implementation of the phased project. A delivery scenario had been provided to Santa Maria to request their input.

Member Garson asked what the downside would be for the City of Santa Maria to vary deliveries throughout the day. Member Miller noted the City was charging a wholesale rate which assumed constant flows to maintain consistent operations, and the City was also concerned about impacts to their storage facilities. Members Garson and Miller clarified that the City would not want to compromise their reliability by varying flow rates to the District.

Chairman Nunley asked if the Committee would be comfortable with him updating the status reports with notes from Committee discussions. Member Miller expressed support.

Seawater: Member Graue presented updated slides. Chairman Nunley noted he had a list of agencies to be contacted to discuss seawater desalination, including San Diego County

SUPPLEMENTAL WATER ALTERNATIVES EVALUATION COMMITTEE

Water Agency (customer of the Carlsbad desalination facility), and Metropolitan Water District of Orange County (planning a desalination facility at Dana Point). He thought MWDOC could describe the process an agency must follow to implement a desalination project. Member Graue was interested in finding out how the Carlsbad participants pulled together parties to implement the project, since Coastal Commission would encourage development of a regional facility over development of a single-agency or smaller plant.

Member Graue describe a summary table he prepared that organized various desalination projects by planned date for implementation. Member Miller asked if the column that shows "\$/AFY" includes debt service. Member Graue was not sure, but wanted to talk to Carlsbad to determine if it was included. Chairman Nunley asked if the \$/AFY referred to production capacity, and Member Graue stated that was his understanding but reiterated that he needed to find out what was included from the agencies. Chairman Nunley noted that the answers could vary for each project and each cost estimate.

Member Graue expressed he had more confidence in the reports produced by Separation Processes, Inc., for the Monterey area projects since the reports were current and clearly defined the components of their cost opinions. Chairman Nunley noted these projects would have similar permitting issues to any that would be considered in the Nipomo area.

Public Comment:

Bill Petrick, Nipomo Resident, said he had looked at connecting to State Water years ago and had talked with Paavo Ogren and others, but asked if a connection to a San Luis Obispo County State Water participant (such as Oceano) would be less expensive than the connection to Santa Maria. In particular, consider whether Nipomo could acquire water during drought years when State Water deliveries are reduced.

Member Miller said the Committee was looking at options for northern interties and felt regional interties were a good water management tool. Member Watson noted that recycled water could be an opportunity for collaboration to address salt water intrusion as well as local groundwater depressions, and expects the Committee to have a series of recommendations that are both long-term and short-term.

Member Garson noted that Oceano CSD constituents were not offering long-term contracts to ensure reliability for a potential buyer or customer. Member Miller noted that recycled water had higher reliability and an adequate quantity to help meet the District's long-term demands.

Members Matsuyama and Watson noted a vote in Oceano would be required to transfer their State Water, and this would affect viability of this option.

6. DEVELOP RANKING CRITERIA

Chairman Nunley presented the item. Each Committee member was asked to present their lists of criteria, which they were directed to develop at the last Committee meeting.

Member Garson: Reliability and implementation speed.

Member Graue: Discussed probability of permitting "on time" and noted the Board needs to establish the schedule for compliance with the adjudication. He noted there may be interim goals for quantities that should be evaluated (short-term, intermediate-term, and long-term supply goals). He described cost and use of approved technologies as another

SUPPLEMENTAL WATER ALTERNATIVES EVALUATION COMMITTEE

consideration. He said cost may not be as important as he initially thought, since the lowest cost project may not acquire permits in a reasonable amount of time.

Member Matsuyama: Ease of permitting and public acceptance or likelihood of public support

Member Miller: Prefers applying a weighting factor to each criterion and felt most considerations were included in the seven criteria listed as examples in the Staff Report. Discussed schedule (high weighting factor); reliability (high weighting – similar to schedule) including compliance with adjudication and ability to deliver required quantity of water each year; phasing (lower ranking but still important); cost (high weighting, possibly higher than schedule or reliability); water quality (lower weighting – similar to phasing); feasibility/permits (one of highest weighted criteria); and power/sustainability (similar weighting to other criteria, maybe not the highest). Member Matsuyama expressed support for a public opinion criterion.

Member Watson: Preferred an operations & maintenance criterion instead of power. He felt the most reasonable candidates would rise to the top and was not ready to discuss weighting in detail yet.

Member Woodson: Noted that feasibility, reliability, and lifecycle cost were the key criteria and all other criteria were elements of or related to these.

Chairman Nunley noted the Committee could provide the ranking matrix without assigning weighting factors, if desired, in order to allow the Board to determine what was important to them. Various members discussed this concept.

Member Miller discussed advantages of the Committee weighting and totalizing the ranking as opposed to readers of the report doing this on their own in order to make sure the readers understand what criteria the Committee felt were most important. Chairman Nunley noted that showing the “math” behind the ranking would allow the Board and others to understand the results. Member Garson supported weighting the ranking criteria.

Members Garson and Miller discussed whether power and operation/maintenance costs should be considered separate criteria. Power is related to sustainability or environmental concerns whereas the operation/maintenance costs could be incorporated in a \$/AFY “lifecycle cost”.

Public Comment:

San Saltoun, Nipomo resident, suggested that two cost columns (capital cost and operating cost for the water) could be considered as two separate criteria given the long-term nature of water commitments. He thanked the Committee for nominating him for the Committee and noted that all the applicants had something they could bring to the Committee.

The Committee voted unanimously to establish the draft ranking criteria of schedule, reliability, phasing, capital cost, operation & maintenance cost, water quality, feasibility /permits, sustainability, and public opinion. Member Graue said he would like to include sensitivity to cost changes (such as energy) in operating costs or to describe a range of operating costs. Member Garson clarified that he understood sustainability would include considerations under the “power” category discussed earlier and Member Miller agreed.

SUPPLEMENTAL WATER ALTERNATIVES EVALUATION COMMITTEE

Public Comment:

George Dubois, Nipomo resident, said he serves on a committee that awards grants and that his committee refines the scale for their selection criteria after they have reviewed the applicants.

The Committee voted unanimously to weight the ranking criteria. Various members discussed whether to further define the weighting criteria but agreed to refine weighting as the evaluation moves forward. Member Watson would like to have a discussion about all the scenarios the Committee is evaluating within the context of the ranking criteria, but will support the motion. Member Matsuyama noted that the motion may be premature but she would support the motion.

7. DISCUSS NEED FOR SPOKESPERSON TO PROVIDE UPDATE TO THE BOARD

Chairman Nunley presented the item.

The Committee voted unanimously to send Dave Watson as their representative to the next Board meeting on December 12 to present the Committee's recommendation for a new member, Sam Saltoun, and the alternate, Bill Petrick.

8. PRESENT REFERENCE DOCUMENTS FOR REVIEW AND ACCEPTANCE

Chairman Nunley presented this item.

Member Matsuyama asked about the schedule to invite Brad Newton and Jacqueline Frederick to speak to the Committee.

Public Comment:

Jim Harrison, Board President and Nipomo Resident, recommended the Committee add the appellate court ruling to the list of references.

The Committee voted unanimously to add the appellate court ruling to the list of references.

9. SET NEXT COMMITTEE MEETING DATE AND TIME

The Committee voted to schedule the next meeting for December 19 at 1:00 PM.

There was no public comment.

10. ADJOURN

Chairman Nunley adjourned the meeting at 3:02 PM.