

**STAFF REPORT**

**TO: HONORABLE MAYOR AND CITY COUNCIL**  
**FROM: GREG RAY, PUBLIC WORKS DIRECTOR/CITY ENGINEER**   
**SUBJECT: REQUEST FOR CONFIRMATION OF INTEREST IN THE ZONE 3 EMERGENCY WATER SUPPLY PROJECT**

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**BACKGROUND**

On October 15, 2015, Wade Horton, the County of San Luis Obispo Director of Public Works sent a letter to the City of Grover Beach requesting a formal endorsement of interest in a Zone 3 Emergency Water Supply Project. The project involves using desalinated sea water from a treatment plant located at PG&E's Diablo Canyon power plant. The project has the potential to deliver between 500 and 1,000 acre-feet of water per year to the south county region.

**DISCUSSION**

As a result of long term drought the City's water supplies are at record low levels. Based on long term predictions it is unlikely the City's supplies will fully recover in the near future. Both of the City's supply sources rely on rainfall within the local watershed. If drought conditions continue or become the new norm, the City will need additional supplies in order to provide long term sustainability and in order to respond to short term supply emergencies.

Council has identified desalination, recycled water and water conservation as possible projects to provide additional supply. The County of San Luis Obispo is studying the feasibility of delivering desalinated seawater from the PG&E Diablo Canyon power plant to the south county region via the Zone 3 Lopez Water Pipeline Project. The project is currently being studied as a short term emergency supply and is anticipated to be able to deliver between 500 and 1,000 acre-feet of treated water directly to local agencies.

The County's proposed desalination project has the potential to provide an additional supply of water to offset the short term effects of drought on the City's water supply. The project could also provide a long term supply. It is uncertain at this time if the project is feasible and can provide water at a reasonable cost. It is likely that a long term supply project would be more cost effective as the initial capital costs could be spread over a longer period. As the study of this potential supply moves forward more information on the feasibility, cost, benefits to the City's water supply and effect on the Lopez Lake Zone 3 project will become available. Whether or not the City will ultimately participate will depend on the outcome of additional studies.

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**APPROVED FOR FORWARDING**

  
**ROBERT PERRAULT**  
**CITY MANAGER**

**Please Review for the Possibility of a Potential Conflict of Interest:**

- |  |                                  |
|--|----------------------------------|
| <input checked="" type="checkbox"/> None Identified by Staff | <input type="checkbox"/> Bright  |
| <input type="checkbox"/> Shoals                              | <input type="checkbox"/> Nicolls |
| <input type="checkbox"/> Lee                                 | <input type="checkbox"/> Shah    |

## **ALTERNATIVES**

The Council has the following alternatives to consider:

1. Provide direction to staff to develop a letter for the Mayor's signature to the County Board of Supervisors, with a copy to the County Department of Public Works, formally endorsing the City's interest in the Zone 3 Emergency Water Supply Project; or
2. Provide staff with additional direction.

## **RECOMMENDATION**

It is recommended that the Council provide direction to staff to develop a letter for the Mayor's signature to the County Board of Supervisors, with a copy to the County Department of Public Works, formally endorsing the City's interest in the Zone 3 Emergency Water Supply Project.

## **FISCAL IMPACT**

There are no immediate financial impacts associated with the recommended action. Currently there are insufficient funds available in the City's Water Enterprise Fund to allow significant participation in any of the regional water supply projects being studied. It is imperative that the City develop a source of funding in order to participate in any of the projects identified above. The City or all of the agencies included in the Northern Cities Management Area together may be eligible for grant funding to offset some of the costs of developing these projects but it is also likely the City will need to develop a significant capital reserve fund in the City's Water Enterprise Fund.

At present, the Water Fund reserves are dwindling as a result of increased costs for water conservation, reduced water sales and implementation of water system upgrades. Council has authorized staff to undertake a rate study to determine if water rates are appropriate for anticipated costs in the Water Fund. Staff is recommending the study include development of short and long term water supplies as well as anticipated effects of additional water conservation actions.

## **PUBLIC NOTIFICATION**

The agenda was posted in accordance with the Brown Act.

## **ATTACHMENTS**

1. Letter from the County of San Luis Obispo dated October 15, 2015.



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

Wade Horton, Director

County Government Center, Room 206 • San Luis Obispo CA 93408 • (805) 781-5252

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email address: pwd@co.slo.ca.us



October 15, 2015

City of Grover Beach Public Works

Gregory Ray

154 S. 8<sup>th</sup> Street

Grover Beach, CA 93433

[gray@grover.org](mailto:gray@grover.org)

Subject: Request for Confirmation of Interest in Zone 3 Emergency Water Supply Project

Dear Mr. Ray;

The San Luis Obispo County Flood Control and Water Conservation District (District) is evaluating the feasibility of developing an emergency water supply project to address drought impacts in the District Zone 3 service area. The project would deliver up to an estimated 1,000 acre-feet per year of desalinated sea water from PG&E's treatment facility, located next to the Diablo Canyon power plant, to the existing Zone 3 water distribution system in Port San Luis. Project financing and other factors, including the severity of the ongoing drought, must be considered prior to moving forward; therefore it is important to note that implementation of an emergency project is not certain at this time.

In late January 2016, District staff intends to present a project feasibility review, along with the latest drought projections, to the Board of Supervisors with recommendations on whether to proceed to the design phase of the emergency project. **A formal endorsement of interest in the emergency project from your governing body will be an important factor in the Board of Supervisors' decision making, and is requested by December 15, 2015.** Developing this emergency project will require a significant commitment of resources by the District and will ultimately require funding commitments by the Zone 3 agencies.

At this time, the District is in the early stages of evaluating the proposed project. Discussions with PG&E and other project partners, including the Zone 3 agencies, are in progress, and will help define the emergency project scope, schedule, and budget. Pending a decision to proceed with the design phase, project cost estimates and financing options will be further refined. It is anticipated that Zone 3 agencies will need to formally commit to project participation by mid-2016 in order for the bidding and construction process to be completed and emergency water deliveries to begin in late-2016.

I am looking forward working with your agency as it evaluates its level of interest in the project. If you have any questions, please contact our Project Manager, John Waddell at (805) 788-2713 or myself.

Sincerely,

A handwritten signature in black ink, appearing to read "Wade Horton".

WADE HORTON  
 Director of Public Works

File: WBS 300564

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