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Appendix H

Paso Robles Subbasin Groundwater Sustainability Plan

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Revisions have been proposed to the Draft GSP Appendix H that was originally presented to the Cooperative Committee at the April 24, 2019 Regular Meeting. The Draft GSP Appendix H revision is available for public review and comment and will be brought back to the Committee at the May 22, 2019 Special Meeting.

This Draft document is posted at the GSAs' websites and at pasogcp.com for duration of public comment period. Comments from the public are being collected using a comment form at www.pasogcp.com. If you require a paper form to submit by postal mail, please contact your local Groundwater Sustainability Agency (GSA).

- [County of San Luis Obispo](#)
- [Shandon-San Juan Water District](#)
- [San Miguel CSD](#)
- [City of Paso Robles](#)

Pending the Cooperative Committee's recommendation on May 22, 2019, the Draft GSP Appendix H will be distributed to the four Paso Robles Subbasin GSAs to receive and file.

APPENDIX H – WATER SUPPLIES

1.1 Overview and Acquisition of Available Water Supplies

There are four types of surface waters available for use in the Paso Robles Subbasin for groundwater recharge or in-lieu use – State Water Project (SWP) water, Nacimiento Water Project (NWP) water, local recycled water, and flood flows from local rivers and streams. Below is a description of each supply, including a discussion of reliability and contracting issues.

1.1.1 State Water Project

The SWP is a water storage and delivery system of reservoirs, aqueducts, power plants, and pumping plants that extend from Northern to Southern California for over 600 miles. Its main purpose is to divert and store surplus water during wet periods and distribute it to 29 contractors in Northern California, the San Francisco Bay Area, the San Joaquin Valley, the Central Coast, and Southern California. The SWP is operated by the California Department of Water Resources (DWR).

The SWP's Coastal Branch passes through the southern portion of the Subbasin, through the Shandon and Creston regions. The Coastal Branch of this system extends from the California Aqueduct for 160 miles through the southern portion of Subbasin. Figure 1 shows the Coastal Branch and Polonio Pass Treatment Plant (PPWTP). Prior to treatment at PPWTP, water in the Coastal Branch is untreated. Water is treated at the PPWTP, and southeast of the PPWTP the water in the Coastal Branch pipeline is of potable water standards.

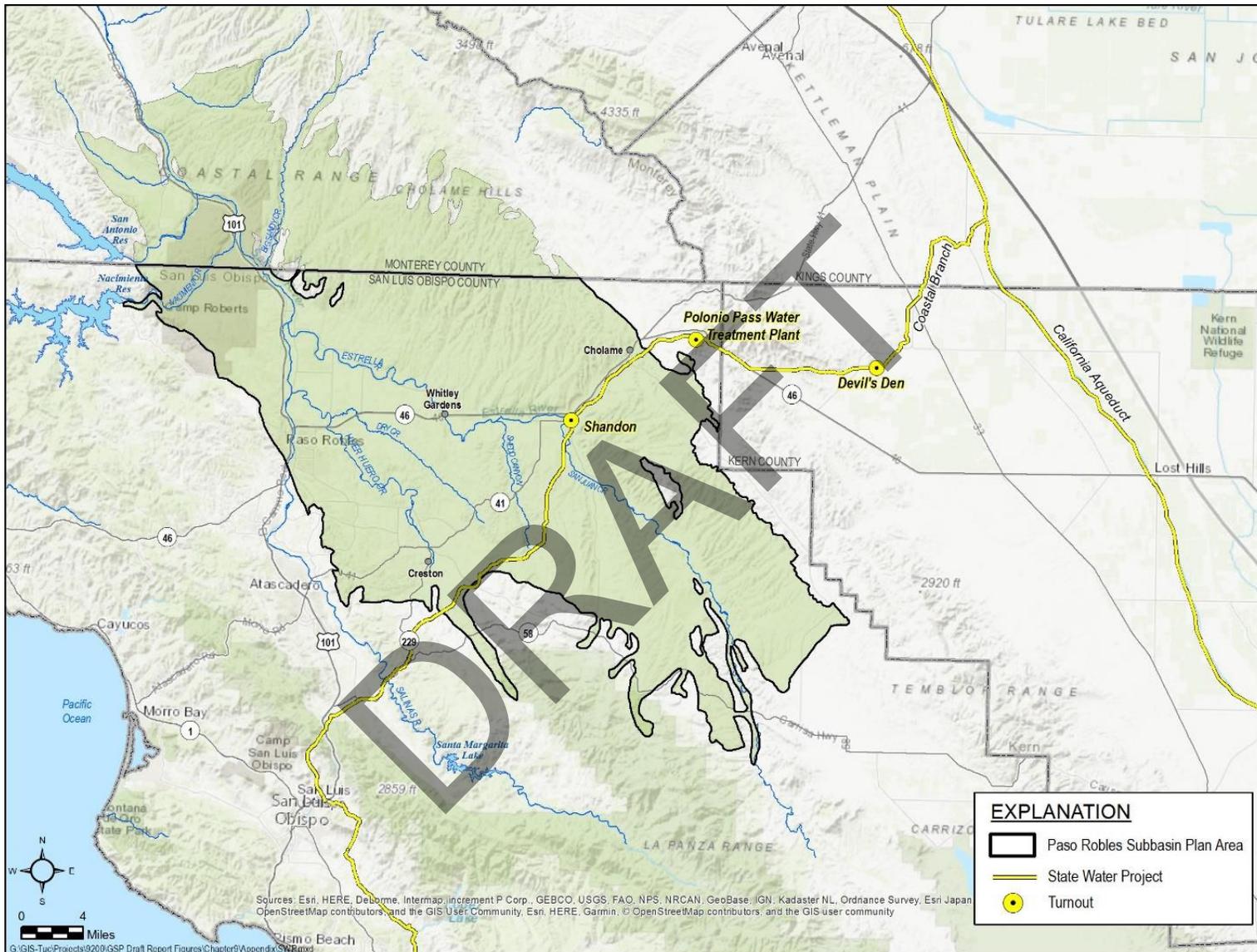


Figure 1: SWP Coastal Branch Infrastructure

The San Luis Obispo County Flood Control and Water Conservation District (SLOCFCWD) is one of DWR's 29 SWP contractors. DWR has contracts with both Santa Barbara County Flood Control and Water Conservation District (SBCFCWCD) and SLOCFCWD to deliver SWP water through the Coastal Branch. The Central Coast Water Authority (CCWA) owns, operates, and maintains the PPWTP and operates the portion of the Coastal Branch that is downstream of Polonio Pass.

SLOCFCWD currently has 25,000 AFY of Table A allocation contracted with DWR. Of this amount, 10,477 AFY is allocated to subcontractors through Water Supply Agreements. SLOCFCWD retains an excess allocation of 14,523 AFY; however, DWR estimates availability of SWP water to average around 58-62% of total allocations (DWR 2014, SWR 2015, DWR 2018). For SLOCFCWD's excess allocation of 14,523, 58-62% corresponds to between 8,400 and 9,000 AFY. For the purpose of the GSP, a value of 8,800 AFY has been assumed as the long-term average annual availability for SLOCFCWD's excess Table A allocation. The actual amount available for delivery by DWR would vary from year to year between zero and 14,523 AF.

1.1.1.1 Physical and Contractual Constraints

According to a study on the Coastal Branch (WSC 2011), enough hydraulic capacity exists to deliver water that exceeds SLOCFCWD's contracted capacity within the Coastal Branch pipeline; however, contractual capacity limits currently constrain the amount of excess allocation available to SLOCFCWD and would need to be renegotiated if SLOCFCWD were to take water at any location downstream of the PPWTP. In particular the Master Water Supply Agreement with DWR dictates:

- District's contractual capacity for Reach 1 is 7.17 cfs (5,191 AFY).
- District's contractual capacity for Reaches 2 through 4 is 7.17 cfs (5,191 AFY).

And the Master Water Treatment Agreement with CCWA dictates:

- District's contractual capacity in the PPWTP is 4,830 AFY

Additionally, existing District subcontractors can increase their SWP allocations. For example, the Oceano Community Services District recently contracted with SLOCFCWD for 750 AFY of additional drought buffer. These increases could limit the amount of excess allocation water available to the Subbasin.

Historical and anticipated future costs for existing subcontractors were analyzed in a supply options study by SLOCFCWD (Carollo, 2017). The analysis determined the range of costs for raw and treated water, shown in Table 1.

Table 1: SWP Estimated Costs Paid by Existing Subcontractors Based on Point of Delivery

Turnout Location	Water Quality	Estimated Unit Cost (\$/AF)
SWP & Coastal Branch Intersection	Raw	\$467
Devil's Den Pumping Station	Raw	\$1,793
PPWTP	Treated	\$2,292
Shandon Turnout	Treated	\$2,503

The unit costs shown in 1 were estimated average values that were developed to account for a capacity buy-in that includes back payment of capacity allocation and anticipated payment for 20 years. The back payments and future payments were summed and divided over a 20-year payback period. These costs also factor in the SWP system's anticipated future reliability of an average annual delivery of 59% of the total allocation, meaning they are intended to represent costs for actual delivered water.

Raw water is available only east of the PPWTP. To secure the lower raw water cost, new infrastructure would need to be constructed to bring water from upstream of PPWTP to the Subbasin. A previous analysis showed that the annualized cost of the new infrastructure plus the cost of the raw water equated to a similar unit cost as that of treated water. The new infrastructure would also greatly increase the total capital cost of a project. The SWP projects analyzed for the purposes of the GSP assumed the use of treated water; however, the planning and predesign stages of a future SWP project could include an analysis of using treated vs. raw water.

SWP water can be procured by GSAs in two ways: negotiating with a current District or CCWA subcontractor, or negotiating with SLOCFCWD to receive an annual allocation as a new subcontractor.

Under the first method, the purchaser would hold a sub-agreement with an existing subcontractor (that has excess allocation) and not have a direct relationship with SLOCFCWD. The second method would come with an annual buy-in cost and a unit cost of water. It would also, however, increase the potential volume and certainty of supply. Given the amount of water being considered for projects in this GSP, it is likely that being a new subcontractor would be the only feasible route.

Contractual and legal information as it applies to the SWP is described in further detail in Attachment 1 to this appendix.

1.1.1.2 Nacimiento Water Project

The Nacimiento Water Project (NWP) consists of 45 miles of pipeline that conveys raw water from Lake Nacimiento in the northern portion of San Luis Obispo County to communities within San Luis Obispo County. Figure 2 shows an overview of the NWP.

Monterey County Water Resource Agency (MCWRA) manages and operates Lake Nacimiento. SLOCFCWD has an entitlement of 17,500 AFY through a Master Water Agreement with MCWRA negotiated in 1959. Of this amount, 1,750 AFY is permanently allocated to lakeside customers, and the rest is allocated to seven participants. Any surplus NWP water must be obtained through the existing participants. Table 2 shows the allocations of each of the seven participants. These allocations established in 2016 and fully allocated SLOVCWD's entitlement.

Table 2: Nacimiento Water Project Participants and Allocations

Agency	New Allocation
City of Paso Robles	6,488
Templeton Community Services District (CSD)	406
Atascadero Mutual Water Company (MWC)	3,244
City of San Luis Obispo	5,482
County Service Area 10A (CSA 10A)	40
Bella Vista Mobile Home Park	10
Santa Margarita Ranch Mutual Water Company	80
Total	15,750

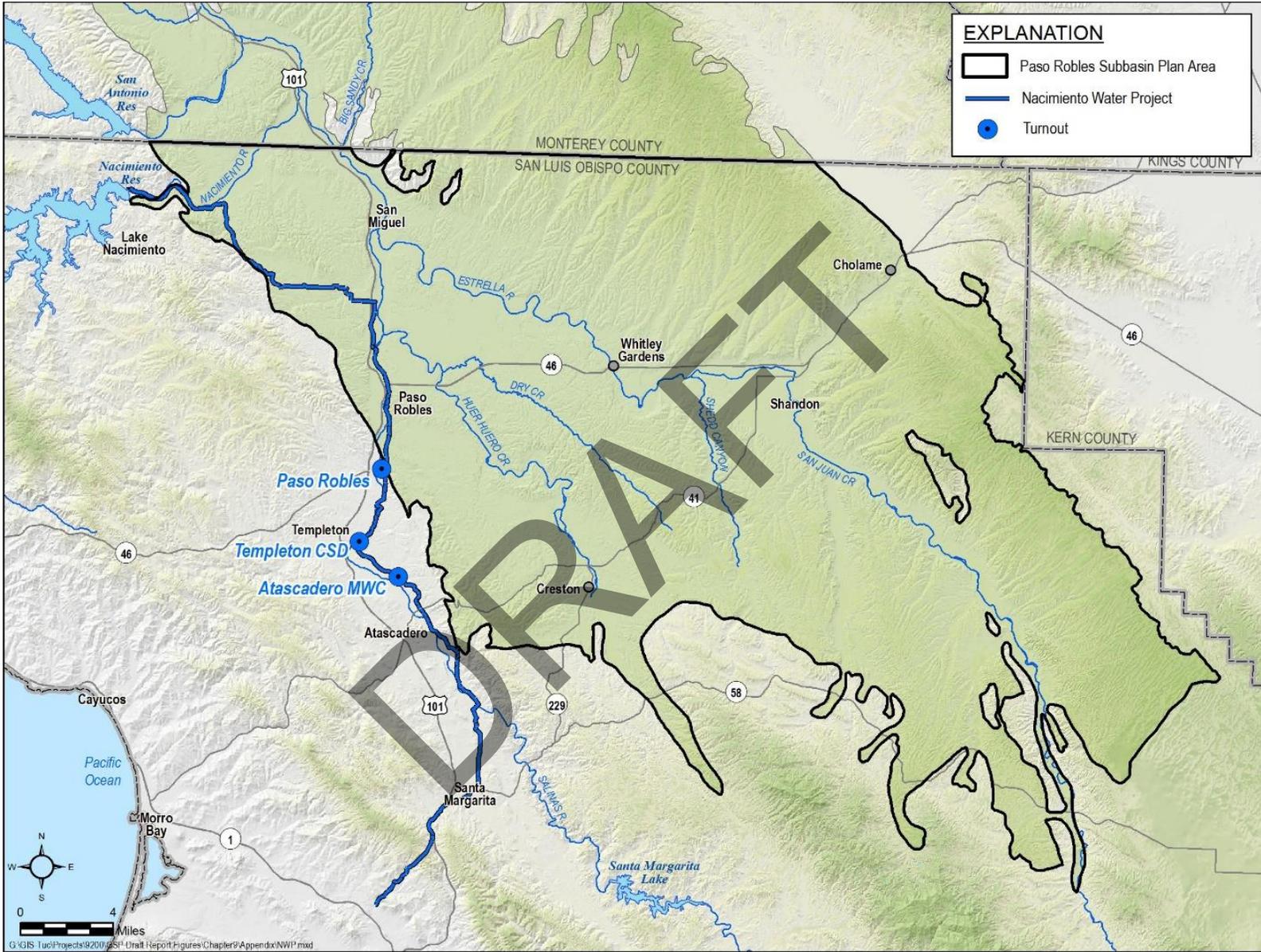


Figure 2: NWP Infrastructure

A previous study projected surplus NWP water based on participant’s projected use (Carollo, 2017). The projected surplus is shown in Table 3. NWP is a very reliable supply, since SLOCFCWD’s entitlement is for the lowest pool in the reservoir, and therefore is largely immune to level fluctuations. However, as seen in Table 3, NWP participants tend to use more during drought conditions, leaving less surplus water.

To determine how much NWP water might be available for purchase by the GSAs, the 2040 projected annual average surplus supply amounts were used. Dry years were assumed to occur one year out of every three years. A weighted average of the 2040 dry and wet year supplies was calculated as 5,800 AFY. While 5,800 AFY was assumed to be available to the Paso Robles GSAs, the actual amount would need to be negotiated with existing NWP project participants as there may be other entities interested in acquiring surplus NWP water.

Table 3: Nacimiento Water Project Projected Annual Surplus Supply

	Normal Year (AFY)	Dry Year (AFY)
2020	10,135	5,577
2030	8,473	4,045
2040	7,269	2,852

The NWP contract established the process for determining the cost per acre-foot of surplus water, which was applicable prior to full allocation of NWP water among the existing participants. According to the contract, the cost of surplus water to each NWP participant had two components:

1. Operations and maintenance costs per AF of surplus water for the prior year
2. Variable energy costs associated with delivering the surplus water.

For non-participants, a third component is added consisting of debt service costs for surplus water delivered for the current year. Table 4 shows the estimated costs for FY 2015/16, which was the last year when there was non-allocated NWP water available.

Table 4: Nacimiento Water Project Estimated Costs

Location	For Participants	For Non-Participants ⁽²⁾
City of Paso Robles	\$216/AF	\$1,299/AF
Templeton CSD	\$234/AF	\$1,967/AF
Atascadero MWC	\$235/AF	\$1,554/AF

Under full allocation, the NWP contract requires selling surplus water at a cost the market can bear but not less than costs participants pay for the delivery of the same unit or units of water. At

the time of this report, no surplus water sales have occurred after full allocation approval in April 2016. Thus, a range of purchase costs is possible.

The minimum cost of \$250/AF is based on FY 2015/16 costs for participants, representing the cost to convey the water to a turnout. The maximum cost of \$2,000/AF is assumed based on FY 2015/16 costs for non-participants, including the debt service cost. However, the actual cost must be negotiated between the purchaser and the NWP participants.

A non-participant may purchase NWP water from an NWP participant every year. However, the non-participant will not have permanent rights to the water unless a participant is willing to sell a portion of its NWP allotment. Thus, a multi-year purchase agreement from a non-participant is likely required to support capital investment in conveyance facilities.

1.1.1.3 Recycled Water

The Paso Subbasin contains two wastewater treatment plants (WWTPs): Paso Robles WWTP and San Miguel WWTP. Recycled water meeting high quality standards established by the State of California is available from these plants year-round. Most demand for recycled water is non-potable demand, such as irrigation. This demand is seasonal, with much greater demand in the summer.

Water quality is a potential issue for irrigation projects using recycled water. Because the water is high in salinity, only a portion of the total amount of water used for irrigation can be recycled water without damaging the crops. To mitigate this issue, recycled water projects in the Subbasin would either be blended with groundwater supplies or occasional flushing would be performed to prevent buildup of salts in the root zone.

The City of Paso Robles is in the process of planning and constructing a recycled water project which could provide up to 2,900-5,000 AFY of in-lieu and direct recharge by providing recycled water for use on golf courses, City parks, nearby vineyards, and recharge through discharge into Huer Huero Creek.

According to the Recycled Water Distribution System Final Design (Carollo, 2018), 1,320 AFY of recycled water will be available during Phase 1 of the project. Some of this water will be used for park irrigation and industrial use, offsetting the City of Paso Robles' potable water demand. Some of this water will be used to offset agricultural pumping. Excess water supply will be discharged to Huer Huero Creek as a recharge project. Phase 1 of the project is modeled in the modified baseline simulation of this GSP, beginning in 2025.

Phase 2 of the project is less well defined. Phase 2 is based on the assumption that as the City grows, the available wastewater for recycled water use will increase. In Phase 2, an assumed additional 902 AFY of recycled water will be available for use for both in-City and out of city

demands. Excess tertiary treated water will be discharged to Huer Huero creek. Phase 2 of the project is modeled in the modified baseline simulation of this GSP beginning in 2040.

Phase 1 of the recycled water project planned by the City of Paso Robles is shown in Figure 3. Private pipelines that will use recycled water for agricultural purposes are not shown in Figure 3; however, the in-lieu recharge has been modeled as part of the modified baseline simulation.

The City of San Miguel is also planning to reuse some or all of its centrally-treated wastewater which could amount to up to 200+ AFY. This additional recycled water is also available for irrigation or other non-potable projects that could offset groundwater pumping.

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1.1.1.4 Surface Water

Three large perennial streams flow through the Paso Robles Basin – the Salinas River, the Estrella River, and Huer Huero Creek, as shown in Figure 4. There are two ways to acquire rights to use surface water from these streams – a standard surface water diversion permit or a temporary flood flow permit, both discussed below.

Acquiring a standard diversion permit is a lengthy and complicated process. A standard permit is likely to be very difficult to acquire, since any downstream user can protest a permit application. Furthermore, the Salinas River between Salinas Dam and the inlet of the Nacimiento is fully allocated throughout the year, except between January and May 1. The acquisition of a standard water diversion permit was not explored further.

DWR has circulated a proposed approach to streamline applicants that seek to divert water only during high flow events (SWRCB 2018). Under the proposed administrative approach, applicants could apply for a temporary permit to divert flows that exceed the 90th percentile daily flow up to 10 or 20% of the total flow between December 1 and March 31.

For example, the 90th percentile flood flow of the Salinas River for January 26th is 1,250 cfs; however, the 90th percentile flood flow for January 27th is 876 cfs. If the river were to flow at 1,000 cfs for both days, water could only be captured during January 27th but not during January 26th. What this means is that flood flows could only be captured infrequently and the large scale infrastructure required to capture these flows could sit idle many years at a time.

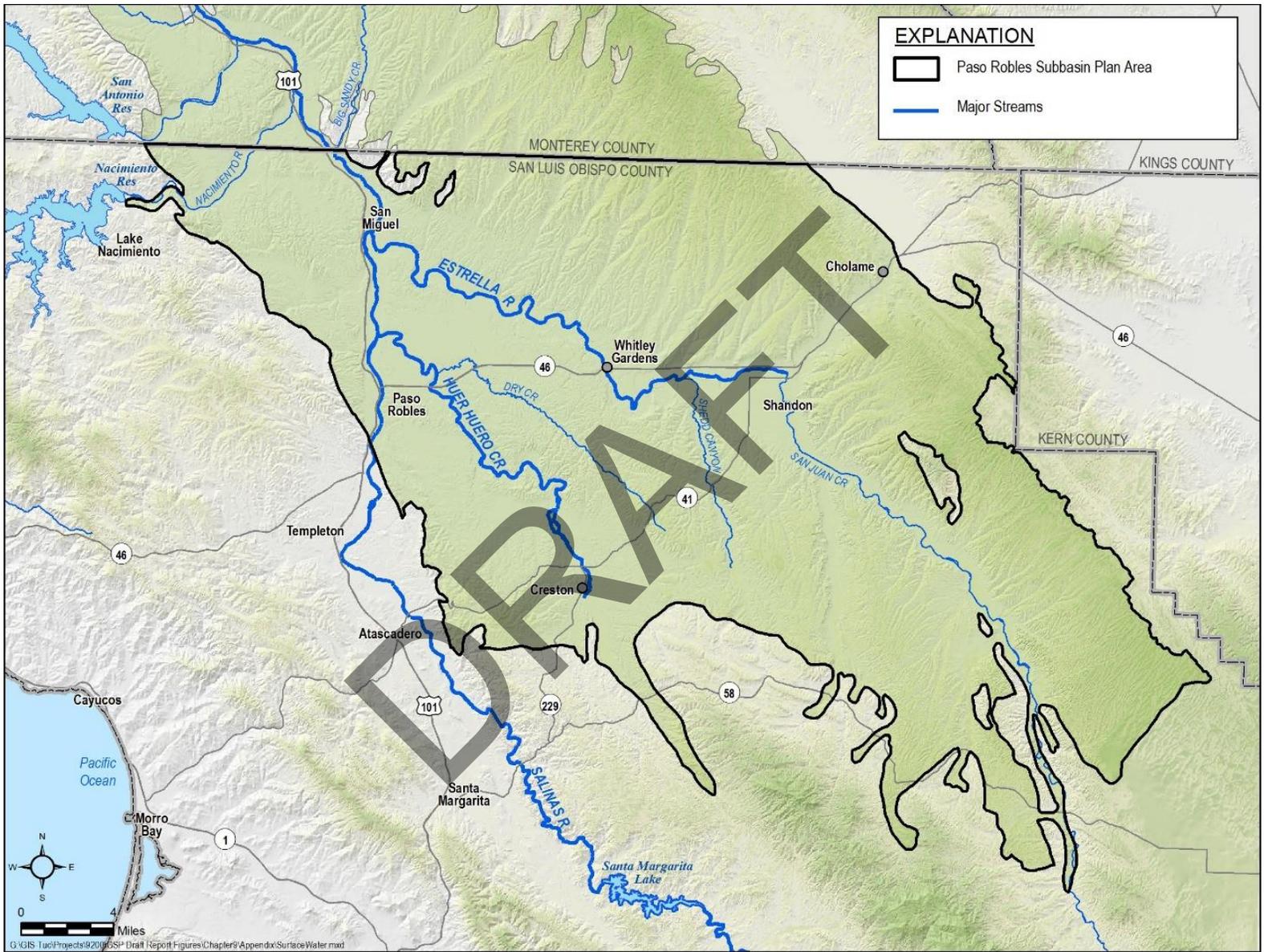


Figure 4: Major Streams in the Paso Robles Subbasin

REFERENCES

DWR 2014. The State Water Project Final Delivery Reliability Report 2013. December 2014.

DWR 2015. The State Water Project Final Delivery Capability Report 2015. July 2015.

DWR 2018. The State Water Project Capability Report and Studies 2017. March 30, 2018.

Carollo 2018. Recycled Water Distribution System Final Design. Technical Memorandum. Project confirmation. Final. December, 2018.

Carollo 2017. Paso Robles Groundwater Basin Supplemental Supply Options Feasibility Study. San Luis Obispo County Flood Control and Water Conservation District. January 2017.

SWRCB 2018. Streamlined Permitting Process for Diversions of High Flows to Underground Storage: Discussion Draft July 20, 2018. SWRCB Division of Water Rights. July 20, 2018.

WSC 2011. Capacity Assessment of the Coastal Branch, Chorro Valley & Lopez Pipelines. 2011.

WSC 2016. Paso Robles Groundwater Basin Supplemental Supply Options Study: Technical Memorandum No. 3. Potential Supply Options and Points of Delivery for State Water. San Luis Obispo County Flood Control and Water Conservation District. December 2016.

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**ATTACHMENT 1: MEMORANDUM REGARDING STATE WATER PROJECT
EXCESS ALLOCATION**

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MEMORANDUM

To: HydroMetrics – Paso Robles GSP
From: OLP
Issue: San Luis Obispo County Flood Control and Water Conservation District’s State Water Project “Excess Allocation”
Date: June 6, 2018
Client No.: 1902

San Luis Obispo County’s State Water Project (“SWP”) contract is between the San Luis Obispo Flood Control and Water Conservation District (“District”) and the Department of Water Resources (“DWR”). (District SWP Water Supply Contract, at 1.) This Water Supply Contract gives the District the right to 25,000 acre-feet of SWP water each year. (District SWP Water Supply Contract, at 78.) The District then subcontracts its SWP allocation to ten subcontractors.

The SWP water is delivered to the District via the Coastal Branch of the California Aqueduct. Although the District is entitled to 25,000 acre-feet of SWP water each year, contractual provisions from agreements entered during the Coastal Branch’s construction substantially limit the District’s Coastal Branch conveyance capacity. Consequently, the District possesses an “Excess Allocation,” which represents the difference between the District’s annual allocation and the water reserved and delivered to its subcontractors. The following discussion begins with a primer on the District’s involvement with the SWP. It then addresses the District’s Excess Allocation and concludes by discussing factors influencing how much Excess Allocation water is currently available.

I. State Water Project: Coastal Branch – Background.

The SWP is a water storage and delivery system of reservoirs, aqueducts, power plants, and pumping plants extending for more than 600 miles from northern to southern California. ((SLO Technical Memorandum #3, at 3-6) (“Tech. Memo 3”).) The California Aqueduct (“Aqueduct”) is one of the key features of the SWP by conveying water from the Delta to central and southern California. (*Id.*) Of relevance here, the Coastal Branch of the SWP connects to the Aqueduct approximately 11 miles south of Kettleman City. (*Id.*) The Coastal Branch extends for approximately 160 miles through Kings, Kern, San Luis Obispo, and Santa Barbara Counties and terminates in Northern Santa Barbara County. (*Id.*)

DWR delivers SWP water through the Coastal Branch to two SWP contractors: (1) the District; and (2) the Santa Barbara County Flood Control and Water Conservation District (“SBCFCWCD”), via the Central Coast Water Authority (“CCWA”), a joint powers authority. Both the District and CCWA then subcontract out their SWP entitlements via “Water Supply Agreements” with individual subcontractors. (*Id.*)

The Coastal Branch was constructed in two phases – “Phase I” and “Phase II.” (*Id.*) Phase I was completed in 1968 and includes 15 miles of aqueduct and two pumping stations (Las Perillas and Badger Hill). Although Phase I was completed in 1968, SWP water was not



delivered to SBFCWCD or the District until Phase II was completed, because the facilities did not reach the District or SBFCWCD end users. (Department of Water Resources Bulletin 132-98, at xxviii.)

Phase II consists of 101 miles of pipeline and extends from the terminus of Phase I to Tank 5, located in Northern Santa Barbara County. (Tech. Memo 3, at 3-9.) Included within Phase II are three pumping stations (Devils Den, Bluestone, and Polonio Pass) as well as the Polonio Pass Water Treatment Plant ("PPWTP"). (*Id.*) After Phase II was completed in August 1997, SWP water was finally delivered to the District and SBCFCWCD. (*Id.*)

The ownership and operation of the Phase II facilities is divided amongst/between DWR, CCWA, and the District. DWR was responsible for the design and construction of all Phase II facilities. (CCWA Urban Water Management Plan 2010, at 3.) Following construction, DWR has retained ownership of Phase II facilities. (*Id.*) In addition, DWR maintains and operates the "raw water portion" of Phase II, which is located "upstream" of the PPWTP. (San Luis Obispo Regional Integrated Water Management Proposal, Attachment 13, at 1-2.)

However, CCWA and the District financed the costs for Phase II's design and construction and continue to finance the operation of Phase II. (*Id.*) CCWA operates the "treated portion" of Phase II, which runs from the PPWTP and encompasses all conveyance facilities from the PPWTP to the end of Phase II in Santa Barbara. (Central Coast Water Authority, 2017-18 Fiscal Budget, at 298.)

The District's delivery of water through Phase II facilities is controlled by the Master Water Treatment Agreement between the District and CCWA. This Agreement provides that CCWA is responsible for treating the District's SWP water at the PPWTP and conveying the treated water through Phase II facilities to District subcontractors. (Tech. Memo 3, at 3-11.) The District only funded its portion of Phase II, which would support the delivery of 4,830 acre-feet per year. Because of the District's decision to fund the Phase II only up to its existing demand, the Water Treatment Agreement limits the delivery of District water to 4,830 acre feet of PPWTP treated water through the Phase II conveyance facilities per year. (*Id.*; Master Water Treatment Agreement 1992 and 1995.)

II. Quantifying the District's Excess Allocation

The District's Excess Allocation represents the difference between its SWP entitlement of 25,000 acre-feet per year and the amount of water reserved by its subcontractors. (Tech Memo 3, at 3-10.) As noted above, subcontractor demand is 4,830 acre-feet per year. (*Id.*, at 3-10 to 3-11.) This leaves 20,170 acre feet of excess allocation.

However, the SWP often is not able to deliver 100 percent of contract water to the SWP contractors. Because the SWP allocations are often reduced to below 100 percent delivery, the District also provides its subcontractors the opportunity acquire "drought buffer" deliveries. The



purpose of the drought buffer is to maintain full water deliveries to District subcontractors even when SWP allocations are reduced.

The District provides up to 5,747 acre feet of drought buffer allocation per year, as shown in the chart below. The drought buffer works as follows: Envision a subcontractor with a contract for 100 acre-feet of water per year (Water Service Amount) and 100 acre-feet “drought buffer.” In a year where SWP allocation are reduced to 50 percent of the contract amount, this subcontractor would still get 100 acre-feet of water because they would get 50 percent of their water service amount (50 acre-feet) and 50 percent of their drought buffer (50 acre-feet).

Subcontractor	Water Service Amount	Drought Buffer	Total Reserved
<i>Chorro Valley Turnout</i> ~\$1,100 per AF			
City of Morro Bay	1,313	2,290	3,603
CA Men's Colony	400	400	800
County OP Center	425	425	850
Cuesta College	200	200	400
<i>Lopez Turnout</i> ~\$1,000 per AF			
City of Pismo Beach	1,240	1,240	2,480
Oceano CSD	750	750	1,500
San Miguelito MWC	275	275	550
Avila Beach CSD	100	100	200
Avila Valley MWC	20	60	80
San Luis Coastal USD	7	7	14
Shandon	100	0	100
TOTAL	4,830	5,747	10,577

As displayed above, the District’s current subcontractors have purchased various quantities of drought buffer rights. In years where SWP allocations are reduced to greater than 50 percent, the District will need to demand almost the entire 10,577 acre feet to serve its subcontractors. This reduces the excess allocation of the District to 14,423 acre-feet per year. ((San Luis Obispo County Water Resources, Division of Public Works: State Water Project, available at:

<https://www.slocountywater.org/site/Major%20Projects/State%20Water%20Project/>) (Accessed May 14, 2018).)

III. How Much of The District’s Excess Allocation is Actually Available?

On paper, the District has 14,423 acre-feet in Excess Allocation. However, there are several factors that may make it difficult to access and put the Excess Allocation to beneficial use. Those factors are summarized below.



1. SWP Rarely Delivers 100 Percent of Contractor Allocation

Although the District is entitled to 25,000 acre-feet per year, the actual amount of water delivered to SWP contractors can vary substantially each year. For example, in 2006, the District received 100 percent of its annual allocation. (Tech. Memo 3, at 3-17.) Conversely, in 2014, the District received only 5 percent of its annual allocation. (*Id.*) Carollo Engineers developed a Technical Memorandum on behalf of the District addressing supplemental supply options in the Paso Robles basin.

The Technical Memorandum estimated that future long-term average annual allocation would likely be around 58 percent. (Tech. Memo 3, at 3-30.) In other words, for planning purposes, future SWP deliveries to the District will likely average around 58 percent of the District's 25,000 SWP contract entitlement. (*Id.*) Applying this figure to the District's current Excess Allocation, this means (all other constraints aside) the District could expect to have access to approximately 8,365 acre-feet of excess allocation per year in an average year – rather than 14,432 acre-feet. (14,432 acre-feet x .58 = 8,365.34).

2. Capacity Constraints

As discussed above, the District's Master Water Treatment Agreement limits the District's Phase II capacity to 4,830 acre-feet per year. Thus, even if the District could obtain excess allocation from the SWP, the current Agreement with CCWA limits capacity to 4,830 acre feet per year.

The Technical Memorandum concluded that there is "significant unused capacity" within the SWP Coastal Branch facilities that could be used to deliver additional District SWP water. (Tech. Memo 3, at 3-3.) If there is physical capacity available, it is possible the District and CCWA could negotiate an amendment to the Master Water Treatment Agreement to allow the District to access additional capacity in Phase II facilities. The Master Water Treatment agreement has been amended before (in 1995 to reflect the District's current 4,830 acre-feet limitation). However, that amendment occurred before Phase II was completed in 1997. While the Master Water Treatment has an amendment provision, it does not appear that the agreement has been amended since Phase II came online in August of 1997.

Other than amendment of the Master Water Treatment Agreement between the District and CCWA, there are capacity limitations for the Coastal Branch facilities reaches 1-6 included in the DWR contract for SWP water with SBCFCWCD. (Table B of the SWP/SBCFCWCD Contract.) To the extent these limitations control CCWA, they may restrict CCWA from allocating the District additional capacity in Phase II facilities.

The Master Water Treatment Agreement between CCWA and the District limits the District's capacity on the "treated" portion of Phase II. However, the Master Water Treatment Agreement does not limit the District's capacity to convey water through the "untreated portion" of Phase II (Reach 1) which consists of approximately 16.2 miles of pipeline and three pumping



plants (Devils Den, Bluestone, and Polonio Pass). (Tech. Memo 3, at A-3 (Need to review Exhibit E of the Master Water Treatment Agreement to confirm this finding.)) Similarly, the Master Water Service Agreement does not limit District delivery of water through Phase I (completed in 1968). Therefore, if the conveyance capacity challenges above cannot be overcome, there may be an option to access the excess SWP allocation by building a new pipeline or other delivery conveyance structure that separately conveys the excess allocation prior to the “treated” portion of Phase II facilities.

3. Potential Rights of Existing Subcontractors

The District currently has 10 subcontractors. The subcontractors may have certain rights of first refusal on the District’s Excess Allocation. Specifically, this right derives from the District’s “Excess Entitlement Policy” and may be further included in each subcontractor’s Local Water Supply Contract with the District.

In 2003, the District developed a series of Excess Entitlement policies. (Tech. Memo 3, at 3-10 to 3-11 (San Luis Obispo Board of Supervisors, *Policy on Excess State Water Supply*, January 2003).) In relevant part, these policies provide that prior to transferring the District’s Excess Allocation for “any other use,” subcontractors of the District’s SWP water with capacity in Phase II must have the “first right” to utilize the Excess Allocation for “drought buffer” purposes. (San Luis Obispo Board of Supervisors, *Policy on Excess Water State Water Supply*, at 1.) The process by which subcontractors acquire excess allocation is unclear as are any potential limitations on acquisition of future drought buffer quantities from the District.

5. The District’s Current Excess Allocation Activities

In recent years, the District has leveraged its Excess Allocation via DWR sanctioned water sales, stored the water for future use, and (potentially) engaged in an exchange program with CCWA. For example, in 2013 the District participated in a DWR sanctioned “Multiyear Water Pool” program whereby it sold 19,404 acre-feet of water to other SWP contractors. (DWR Bulletin 132-14, at 169.)

Additionally, the District has also stored portions of its Excess Allocation for use in the following year. An example of this is the SWP’s “carryover water” program. This program permits SWP contractors to carryover a portion of its allocated water approved for delivery in the current year for delivery during the following year. (Tech. Memo 3, at 3-14.) In 2014, when the SWP delivered only 5 percent of contractors’ entitlements, the District delivered 2,693 acre-feet of carryover water. (DWR Bulletin 132-15, at Table 9-8.)

In addition to water sales and carryover storage, in 2016, the District attempted to implement an “exchange program” with CCWA. In this program, the District proposed to exchange some of its “wet water” in storage for pipeline and treatment capacity above its current 4,830 acre-feet limitation. (SLO Department of Public Works, Report of J. Ogren, at 3 (December 13, 2016).) The proposed exchange was structured as a 2 for 1 program whereby for every two acre-feet of water the District provided to CCWA in excess of the District’s annual



4,830 acre-feet limitation, CCWA would get to keep one acre-foot and CCWA would treat and then convey the other acre-foot to the District's subcontractors. (*Id.* (emphasis added).) It is unclear if this proposed program was implemented. However, the fact that the District proposed this program suggests the District is making efforts to utilize its Excess Allocation.

4. Acquisition of the District's Excess Allocation.

All other limitations aside, the GSA should consider if there were Excess Allocation available, how it would acquire this water from the District. This consideration should include (1) the relationship between the District and the County and whether the District would allow the County to use the Excess Allocation; (2) whether the GSA could become a District subcontractor; (3) whether any other entity could become a District subcontractor; (4) negotiations of which entities would pay for the Excess Allocation and/or increased capacity

IV. Outstanding Questions.

The following are outstanding questions at this time:

1. What is the extent of the the subcontractor right of first refusal to Excess Allocation? Is it limited to drought buffer rights? Or do subcontractors have right to refuse all excess allocation?
2. Is it possible to negotiate increased capacity in Phase II facilities with CCWA?
3. What are the estimated costs for conveyance facilities to divert water above the PPWTP and deliver to the GSA service area?

V. Conclusion and Next Steps.

The major limiting factors in accessing Excess Allocation include: (1) SWP delivery shortages; (2) limited capacity in Phase II facilities; and (3) the (potentially) superior rights of existing subcontractors.
