

December 21, 2020

Oceano Community Services District Board of Directors
1655 Front Street
Oceano, CA 93445

Via email December 21, 2020

RE: December 23, 2020 Agenda Item 6. A. Continuation of item 10C from the December 9, 2020 Regular Board Meeting-- Receive an update on the Central Coast Blue project and consider recommendations to participate in the Project.

Ladies and Gentlemen,

As you know, your Board will be considering participating in Pismo Beach's Central Coast Blue (CCB) project at your meeting on Wednesday. Unfortunately, it appears your General Manager has already decided to participate, based on his letter to the California Coastal Commission (CCC) dated December 17, 2020 relative to the appeal of the proposed CCB test injection well at the county-owned Coastal Dunes RV Park & Campground located at 1001 Pacific Blvd. in Oceano. Not only did Mr. Clemens write a letter opposing the appeal, but he contracted for an opinion letter from Cleath-Harris Geologists, Inc. Clearly, your Board did not direct him to hire a geologist and/or write a letter to the CCC. The hearing is not scheduled until January 13, 2021 which would have allowed ample time for him to follow up with correspondence as directed by your Board. The appearance is Mr. Clemens is working for the City of Pismo Beach and not in the best interest of the District. Attached please find the letters referenced above.

Oceano's Diversified Water Portfolio

The community of Oceano has a diversified water portfolio, including Lopez Lake, groundwater and State Water. It does not appear Oceano needs to consider buying or exchanging water with any other Northern Cities Management Area (NCMA) member for the foreseeable future. For context, the community of Oceano water demands on an annual basis are approximately 680 acre-feet (AF). The total Oceano water portfolio is approximately 2,000 AF. Please see Table 9 from the 2019 NCMA Annual Monitoring Report below for more precise numbers for the NCMA members regarding available urban water supplies.

Table 9. 2019 Available Urban Water Supply, (AF)

Agency	Lopez Lake Allocation	Lopez Lake Surplus	2019 SWP Allocation with Drought Buffer (at 70% Delivery)	2019 SWP Carryover	Ground-water Allotment	Ag Credit	Other Supplies	Total (2019)
Arroyo Grande	2,290	378	0	0	1,202	121	160	4,151
Grover Beach	800	132	0	0	1,198	209	0	2,339
Pismo Beach	892	147	1,638 ¹	1,860 ²	700	0	0	2,979 ¹
Oceano CSD	303	50	1,050 ¹	1,125 ²	900	0	0	2,003 ¹
Total	4,285	707	2,688	2,985	4,000	330	160	11,472

Notes:

¹ In any given year, Pismo Beach’s total SWP deliveries cannot exceed 1,240 AF and OCSD’s deliveries cannot exceed 750 AF. In years when the Table A SWP allocation, plus drought buffer, plus carryover exceed 1,240 AF for Pismo Beach and 750 AF for OCSD, the total available SWP supply is capped at 1,240 AF or 750 AF for Pismo Beach and OCSD, respectively.

² Based on personal communication with Jill Ogren, SLOFCWCD, on January 29, 2020.

AF = acre-feet, CSD = Community Services District, SWP = State Water Project

Not only does Oceano have a diversified water portfolio, but it has subscribed to State Water Project (SWP) drought buffer. The San Luis Obispo County, as a SWP contractor, maintains an entitlement of 25,000 AF per year in what is known as “Table A”. The large amount of unsubscribed Table A allocation provides a buffer, in addition to the agency’s drought buffer, so that contracted volumes to SWP subcontractors, such as the OCSD and Pismo Beach, still may be provided in full. OCSD and Pismo Beach both increased their SWP allocations by securing drought buffer to increase the availability of supply during periods of SWP shortfalls, making SWP deliveries extremely reliable.

This investment in drought buffer allows Oceano to receive two times (2X) the annual SWP deliveries not counting SWP carryover. For example, if SPW deliveries are set at 40% in a given year, Oceano would receive 80% of their Table A allocation. In this example, with drought buffer, Oceano could receive 600 AF. The drought buffer investment allows Oceano to hedge against drought conditions and concerns over SWP reliability.

Cost of Central Coast Blue versus State Water Project

Central Coast Blue will produce approximately 1,000 AF of recycled water. The capital costs for the project will be at least \$42,000,000. Assuming a 2% interest rate amortized over 40 years, the annual debt service is \$1,526,241 or \$1,526 per acre foot. The projected annual operating costs for CCB are \$2,500,000 or \$2,500 per AF for a combined total of \$4,026 per AF.

Presently, Oceano pays \$1,450 per AF for SWP. Based on the cost of CCB water is 2.78 times more costly than SWP. Coincidentally, in just 14 years, the Coastal Branch of the SWP will be paid off and a cost reduction of \$1,050 per AF for a total \$400 per AF. There will be an additional cost for the Delta Conveyance Project of approximately \$255 per AF, bringing the total to \$655 per AF. This would make CCB water over 6 times more expensive than SWP.

It is clear that the City of Pismo Beach wants the OCSD to be a contributing/participating member of the CCB project. The primary reasons Pismo wants Oceano involved are:

- 1) To continue qualifying for state and federal grants using Oceano's DAC status.
- 2) With Oceano included, Pismo Beach can more accurately represent CCB as "regional".
- 3) Allows the City of Pismo Beach and other members to manage the OCSD's 900AF groundwater entitlement. Please note: Groundwater is the least expensive source of water for Oceano.

It has become evident that the City of Pismo Beach and others may wish to sell their SWP entitlement and use the proceeds from the rent or sale of SWP to offset costs for CCB. This sell low, buy high strategy is not good for Oceano.

Deal Points for Oceano

As stated in our letter dated December 8, 2020, if Oceano choses to participate in CCB, the following deal points are recommended.

- 1) Oceano receive five percent (5%) entitlement in CCB as a signing bonus.
- 2) Pismo and/or CCB members pay Oceano \$1,000 per acre-foot, per year for groundwater NOT pumped in excess of the OCSD actual extraction. As an example: 900AF-147AF (2019)= 753AF x \$1,000 = \$753,000.
- 3) Pismo and/or CCB members pay the OCSD twenty-five percent (25%) of any and all grants received in cash.
- 4) Pismo and/or CCB members pay the legal expenses for OCSD to review all documents related to any participation agreement.
- 5) Pismo and/or CCB members pay for a Special Election if required pursuant to the voter initiative in 2012 known as Measure B.


If Pismo Beach really wants Oceano involved they will agree to the deal points outlined above. If they do not agree, then any involvement in CCB by OCSD is a bad deal for Oceano.

The community of Oceano has made significant investments in its existing water portfolio and the ratepayers have covered this cost. It appears any participation in CCB, short of receiving all the benefits outlined above, is simply a bad idea and should not be pursued. Rhetorically, can anyone name one thing the City of Pismo Beach has done for Oceano – ever?

Action Requested

Please direct staff to forgo any further interaction with Pismo Beach regarding the Central Coast Blue project unless Pismo Beach compensates Oceano on multiple levels, as outlined in the deal points above, including reimbursement for any OCSD staff or legal counsel time. Otherwise, you will be giving your ratepayers money away at a time of escalating water rates.

Please feel free to contact us with questions.

Jeff Edwards and Julie Tacker


Attachments:

- Will Clemens letter dated December 17, 2020
- Cleath-Harris Geologist, Inc. letter dated December 16, 2020



Oceano Community Services District

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December 17, 2020

California Coastal Commission

Attn: Brian O'Neill

725 Front St., #300

Santa Cruz, CA 95060

Via email: Brian.O'Neill@coastal.ca.gov

Subject: Comments on Appeal of DRC2020-00050 by San Luis Obispo County Board of Supervisors to the California Coastal Commission; Project Location – 1001 Pacific Blvd., Oceano, San Luis Obispo County, CA 93445

Dear Mr. O'Neill,

We are aware that the subject Test Injection Well Project approved by the San Luis Obispo County Board of Supervisors on October 20, 2020 was appealed to the Coastal Commission on December 1, 2020. We are providing comments below related to statements made by the appellant in Appeal Contention 4 as they relate to the Oceano Community Services District (OCSD).

The appellant states that "the OCSD has declared they are not participating in the project at all". This statement is untrue. On January 11, 2017 and again on February 13, 2019, the OCSD Board voted unanimously to support inter-agency regional project development efforts for Central Coast Blue with the South San Luis Obispo County Sanitation District and the cities of Arroyo Grande, Grover Beach and Pismo Beach. These project development efforts would naturally include the subject Test Injection Well Project. In addition, on December 9, 2020, the OCSD Board considered ways to participate in Central Coast Blue and direction to staff on drafting an operating agreement for future consideration. This discussion was continued to the December 23, 2020 meeting and any action taken should be known at the time for hearing this appeal.

The appellant further states, "The County-approved project included no analysis of the potential short or long-term impacts nor did it include any mitigation or compensation to the OCSD for potential impacts to Well No. 8 and/or their adjudicated groundwater entitlement". There is no impact to the OCSD



Oceano Community Services District

groundwater entitlement as any groundwater extractions related to the Test Injection Well Project would come from the groundwater entitlement of the City of Pismo Beach. The appellant also makes inaccurate statements relating to the magnitude of groundwater extractions and the potential impacts to OCSD Well 8 from the extractions. The attached letter from Cleath-Harris Geologists, Inc. addresses those statements in further detail.

Based on a review of the appeal and information provided by Cleath-Harris Geologists, Inc. as well as the City of Pismo Beach, the OCSD continues to have no operational concerns with the subject Test Injection Well Project. Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in blue ink that reads "Will Clemens". The signature is fluid and cursive, with a long horizontal stroke at the end.

Will Clemens
General Manager

Attachment: 121620 Letter from Cleath-Harris Geologists, Inc.

Cc: Matt Downing, AICP, Community Development Director, City of Pismo Beach

Cleath-Harris Geologists, Inc.

75 Zaca Lane, Suite 110
San Luis Obispo, CA 93401
(805) 543-1413



December 16, 2020

Will Clemens
General Manager
Oceano Community Service District
P. O. Box 599
Oceano, CA 93475

Subject: Response to Appeal Contention 4 related to the Coastal Development Permit for the Central Coast Blue Test Injection Well.

Dear Mr. Clemens,

As requested, Cleath-Harris Geologists (CHG) has prepared a response to portions of Appeal Contention 4 submitted by Mr. Jeff Edwards (Appellant) in regards to the Coastal Development Permit application for the Central Coast Blue Test Injection Well project. Our responses below follow excerpts from the Appeal.

Appeal Contention 4 – Magnitude of Groundwater Extractions

The Appellant has made several claims regarding the potential magnitude of groundwater extractions at injection well IW-4 during the project:

Based upon the project description in the Categorical Exemption, groundwater extractions are expected up to 1,500 gallons per minute. In just two-weeks, the project will have extracted and discharged to the ocean some 92.8 acre-feet. If the pumping continues for one-month, the total amount of groundwater wasted to the ocean will approach 185 acre-feet. For context, the entire community of Oceano, including approximately 7,600 residents uses about 55 acre-feet per month from all sources. Most recently, the OCSD pumped 147 acre feet in a one-year period, for comparison. Moreover, the Disadvantaged Community (DAC) of Oceano, possesses a 900 acre-foot groundwater entitlement (as adjudicated for the Santa Maria Groundwater Basin (SMGB), shown in Figure 4.8-3 attached). The Oceano Community Services District (OCSD) has reduced pumping to approximately sixteen percent (16%) or 147 acre-feet annually. Therefore, in just one-month, the proposed project may pump, with no beneficial use, over one hundred percent (100%+) of Oceano's most recent groundwater extractions indicated in the Northern Cities Management Area 2019 Annual Monitoring Report. (Appeal Contention 4)



Response – Magnitude of Groundwater Extractions:

The anticipated volume of groundwater to be extracted from injection well IW-4 during the project is not accurately represented in Appeal Contention 4. The following paragraphs from the Central Coast Blue Test Injection Well Project Environmental Impacts Analysis (Rincon Consultants, February 6, 2020) describe the anticipated extraction volumes:

Project construction would require groundwater pumping activities during well development at a rate of approximately 100 to 300 gallons per minute (gpm) for the monitoring well and 100 to 1,500 gpm for the groundwater well. Well development would produce approximately 300,000 gallons (0.9 acre-feet) of water from the monitoring well and approximately 3,500,000 gallons (10.8 acre-feet) of water from the groundwater well, which would be discharged to temporary on-site water tanks for storage prior to disposal. (Environmental Impacts Analysis, Page 6)

Upon completion of construction, a series of well pumping tests would occur at the groundwater well. Well pump tests would produce approximately 1,900,000 gallons (5.7 acre-feet) of groundwater, and pumped groundwater would be discharged to temporary storage tanks for release via the outfall connection point. (Environmental Impacts Analysis, Page 7)

The total volume of groundwater extractions for development and testing for the project is estimated to be less than 18 acre-feet. Pumping rates between 100 gpm and 1,500 gpm represent the overall range of capacities for the test pumps. The Appellant has taken the maximum capacity of the injection well test pump and assumed continuous operation for up to a month, resulting in an extraction volume that is an order of magnitude greater than estimated for the project. Actual pumping rates and durations will be much less than assumed by the Appellant, as indicated by the total estimated extraction volumes reported above.

Appeal Contention 4 – Potential Impacts to OCSD Well 8

The Appellant is concerned that the project may impact the groundwater production capacity of Oceano Community Services District (OCSD) Well 8:

The OCSD primary groundwater extraction well, Well No. 8, is located less than one-half mile from IW-4, the key component of the proposed project. The proposed project may impact OCSD's Well No. 8, given its close proximity. Well No. 8 was the OCSD's only groundwater well in production during the 2019 reporting period. (Appeal Contention 4)



Response – Potential Impacts to OCSD Well 8:

Well 8 is approximately 2,500 feet southeast of the proposed injection well IW-4, which is not in close proximity with respect to interference between pumping wells. Groundwater extractions during development and testing at injection well IW-4 will not significantly impact water levels at Well 8 or the ability of OCSD to provide municipal water deliveries.

Respectfully submitted,
CLEATH-HARRIS GEOLOGISTS

A handwritten signature in black ink that reads "Spencer J. Harris".

Spencer J. Harris, HG 633
Senior Hydrogeologist