



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

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November 17, 2014

VIA FEDERAL EXPRESS OVERNIGHT

Teichert Construction  
ATTN: Chad Fischer  
4401 Duluth Ave  
Rocklin, CA 95765

Safeco Insurance Company of America  
Safeco Plaza  
1001 4<sup>th</sup> Ave., Suite 1300  
Seattle, WA 98154

**SUBJECT:** Nacimiento Water Project (Pipeline North) Contract No. 300187.08.03; Safeco Insurance Company of America Performance Bond No. 6518653; Pipeline Leaks between Approximate Stations 97+00 and 115+00

Dear Mr. Fischer:

Teichert has been aware for many months that numerous leaks have been discovered in the stretch of the pipeline installed by horizontal directional drilling (HDD) near the Nacimiento River. These failures demonstrate that the pipeline is structurally deficient and that its service life is also deficient.

These failures have caused the entire pipeline for the Nacimiento Water Project to be shutdown for over five months. The District has informed Teichert in our previous correspondence (the most recent being our letter dated October 8, 2014) that the need to restore water delivery to the participating agencies is extremely urgent. Accordingly, the District's goal is to restore water delivery to the participating agencies no later than April 2015. The District installed an internal seal (WEKO-Seal) on the first discovered leak back in July. As has been previously discussed with you, this internal seal was not effective, and did not fix the leak. The seal was subsequently removed and we are not aware of any other internal seal that would serve as an appropriate patch repair for the leaks in the pipeline.

Welding internal seals or patches over the leaks is not considered a feasible option for numerous reasons, including but not limited to the following. The structural integrity of the pipeline is already compromised, not only as evidenced by the leaks but also by the fact that they all appear to be located within the manufactured seam weld. Welding on the pipe in the area of the leaks would increase the likelihood of additional structural damage to the pipe. Furthermore, based on the leaks discovered to date, there is an appreciable risk that other leaks may be discovered in the future. The shutdowns, costs and delays associated with locating and addressing any such future leaks make this a significant risk.

When we have discussed welding on more than one occasion since July, we both acknowledged that welding would also further damage the protective coating and lining, thereby exposing the pipe to corrosion potential. You suggested that the interior lining could be repaired after the welding was completed, but we both acknowledged that there would be no reasonable means of adequately repairing the external coating in a manner that would allow the District to visually verify that the external coating had been completely repaired.

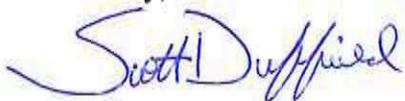
In summary, the District is not aware of any method of patch repair that would adequately address the failures in the pipeline. For all of the reasons referenced above, including but not limited to the structural deficiencies and decreased serviceability demonstrated by the existing leaks, it is our position to not recommend a patch repair approach. Instead, the District is preparing construction contract documents for the slip lining of a smaller diameter pipe within the existing pipe. Given the urgent need to restore water delivery to the participating agencies, the District is scheduling to have a slip liner installed before April 2015.

The District has not precluded Teichert from performing or witnessing any investigation or testing of the affected HDD pipe. The District has put Teichert on notice, not only in this letter but in numerous communications, that the District's need to restore water delivery to the participating agencies is extremely urgent. Teichert is again placed on notice that the window of opportunity to perform any investigation is closing quickly.

The District is expecting that Teichert will make the District whole for costs and damages incurred by the District relating to the leaks, including any and all costs associated with forensic investigation, interim repair, and permanent repair work efforts, including but not limited to replacing and restoring any lost pipeline capacity experienced by the District. The District will be submitting bills to Teichert seeking reimbursement for all such costs and damages.

Please contact me at (805) 788-2316, or via email at [sduffield@co.slo.ca.us](mailto:sduffield@co.slo.ca.us) if you have any questions or would like to discuss further.

Sincerely,



SCOTT DUFFIELD, P. E.  
Project Manager

- c: Dave Flynn, District
- Dean Benedix, District
- Dave Swartz, Teichert (via email)
- Neil Swope, The HDD Co. (via email)

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