



● **Board of Directors**
Water Planning and Resources Committee

July 26, 1999

8-4

Subject

Local Resources Program Agreement for the Olivenhain Recycled Water Project-Southeast Quadrant with San Diego County Water Authority and Olivenhain Municipal Water District.

Description

The Project is one of 14 competitively selected projects under Metropolitan's Local Resources Program (LRP) that would collectively produce 51,500 acre-feet per year of new LRP production. The final step in the process is Board authorization of the LRP agreement for the 1,788 acre-feet per year project. A copy of the Negative Declaration and Notice of Determination is available for your review in the office of the Executive Secretary.

Policy

Prior Board direction provided by Board Letter 8-9 dated May 26, 1998.

Board Options/Fiscal Impacts

Option #1:

- A. Review and consider information provided in the Project's Negative Declaration and adopt Lead Agency's findings related to the Project; and
- B. Authorize the General Manager to execute an LRP agreement to provide incentive payments of \$150 per acre-foot over 20 years, subject to renegotiation in the event that the Strategic Plan either discontinues Metropolitan's participation in such programs or the rate structure resulting from the Strategic Plan does not provide adequate firm revenue to cover the fixed costs associated with these water management programs. Additionally, in the event that either legislation or the pending wheeling litigation results in an adverse determination regarding the recovery of fixed costs, this agreement would also be renegotiated.

Fiscal Impact: About \$4.1 million for approximately 27,000 acre-feet of water over 20 years.

Option #2:

Defer agreement until a decision is made on Metropolitan's Strategic Planning process.

Fiscal Impact: Would avoid future payments totaling about \$4.1 million for approximately 27,000 acre-feet of water over 20 years.

Detailed Report

In June 1998, with endorsement of the member agencies, Metropolitan established the Local Resources Program (LRP). Metropolitan issued a competitive Request for Proposals (RFP) for 53,000 acre-feet per year (AFY) of production. Twenty-eight proposals were received and in the ensuing two-month period reviewed by a committee made up of Metropolitan staff and water resource consultants using weighting criteria for ranking factors adopted by the Board. In December 1998, staff reported to the Board that the review committee identified 14 projects that best meet the selection criteria. Those 14 projects would collectively yield about 51,500 AFY (see **Table 1**).

Olivenhain Municipal Water District's (OMWD) Recycled Water Project - Southeast Quadrant is one of the 14 selected projects. The Project, to be located in the areas of 4S Ranch, Black Mountain Ranch and Santa Fe Valley in the county of San Diego, will increase regional water supply reliability by expanding OMWD's existing recycled water distribution system and serve recycled water for landscape irrigation purposes to additional users including golf courses, nurseries and green belts. **Attachment 2** provides a description of the Project's features. The Project's capacity is 1,788 AFY.

The Project complies with LRP criteria adopted by Metropolitan's Board in June 1998. Subject to the Board's approval, the proposed Project would receive financial assistance of \$150 per acre-foot over 20 years as requested in OMWD's proposal. A corresponding annual contribution from the start of operation (1999-2000) through 2018-2019 will be included in future O&M budgets. Metropolitan will provide up to \$268,000 annually for a total contribution of about \$4.1 million for approximately 27,000 acre-feet over 20 years. Metropolitan's financial contribution to the Project would be provided to OMWD through San Diego County Water Authority under a 20-year agreement term. **Attachment 3** is a schedule of Metropolitan's projected annual contribution to the Project. As discussed in Board Letter 6H, the Strategic Plan process is currently evaluating three alternative strategies for Metropolitan's role in the future. As a result of that process, it is recommended that this agreement be subject to renegotiation in the event that an approved Strategic Plan calls for either discontinuation of participation in water management programs or specifies a rate structure which does not provide adequate firm revenues to recover fixed costs associated with LRP programs. Additionally, it is suggested that the agreement be subject to renegotiation in the event that wheeling legislation or the resolution of the wheeling litigation results in an inability to recover fixed costs.

Project operation would help the region meet the year 2020 goal of 500,000 AFY for recovered groundwater and recycled water production. An estimated 125,000 AFY shortfall in meeting the goal was identified in the RFP. This locally developed water improves regional water supply reliability by displacing requirements for future Metropolitan capital improvements and water importation.

Pursuant to the California Environmental Quality Act (CEQA), OMWD, acting as the Lead Agency, prepared and approved a Negative Declaration for the Project. Metropolitan will not be responsible for implementing any of the mitigation measures associated with the Project. Metropolitan, as a Responsible Agency due to its financial participation in the Project, is required to review and consider the information provided in the Negative Declaration prior to reaching a decision on the Project. A copy of the Negative Declaration and Notice of Determination is available for your review in the office of the Executive Secretary. No further environmental documentation is necessary for you to act upon in this matter.

Olivenhain Recycled Water Project - Southeast Quadrant

Project Description

Overview

Olivenhain Municipal Water District's (OMWD) Recycled Project - Southeast Quadrant will deliver recycled water for landscape irrigation purposes. The Project will provide up to 1,788 acre-feet of recycled water to OMWD customers. The proposed Project, to be located in the areas of 4S Ranch, Black Mountain Ranch and Santa Fe Valley in the county of San Diego, will include construction of recycled water pipelines, storage facilities and ancillary equipment. The proposed Project facilities are shown in **Figure 1**.

Transmission/Distribution System

OMWD currently owns and operates a non-potable water distribution system which includes about seven miles of backbone transmission pipeline. The system distributes raw water from a connection to the San Diego County Water Authority's aqueduct to non-potable users in the southern portion of OMWD's service area. The Project will connect to this existing distribution system and extend the transmission/distribution about three miles to serve non-potable users in addition to connecting to the 4S and Santa Fe Valley treatment/storage facilities. System pressure will be maintained through a series of pumping stations and an above ground storage reservoir.

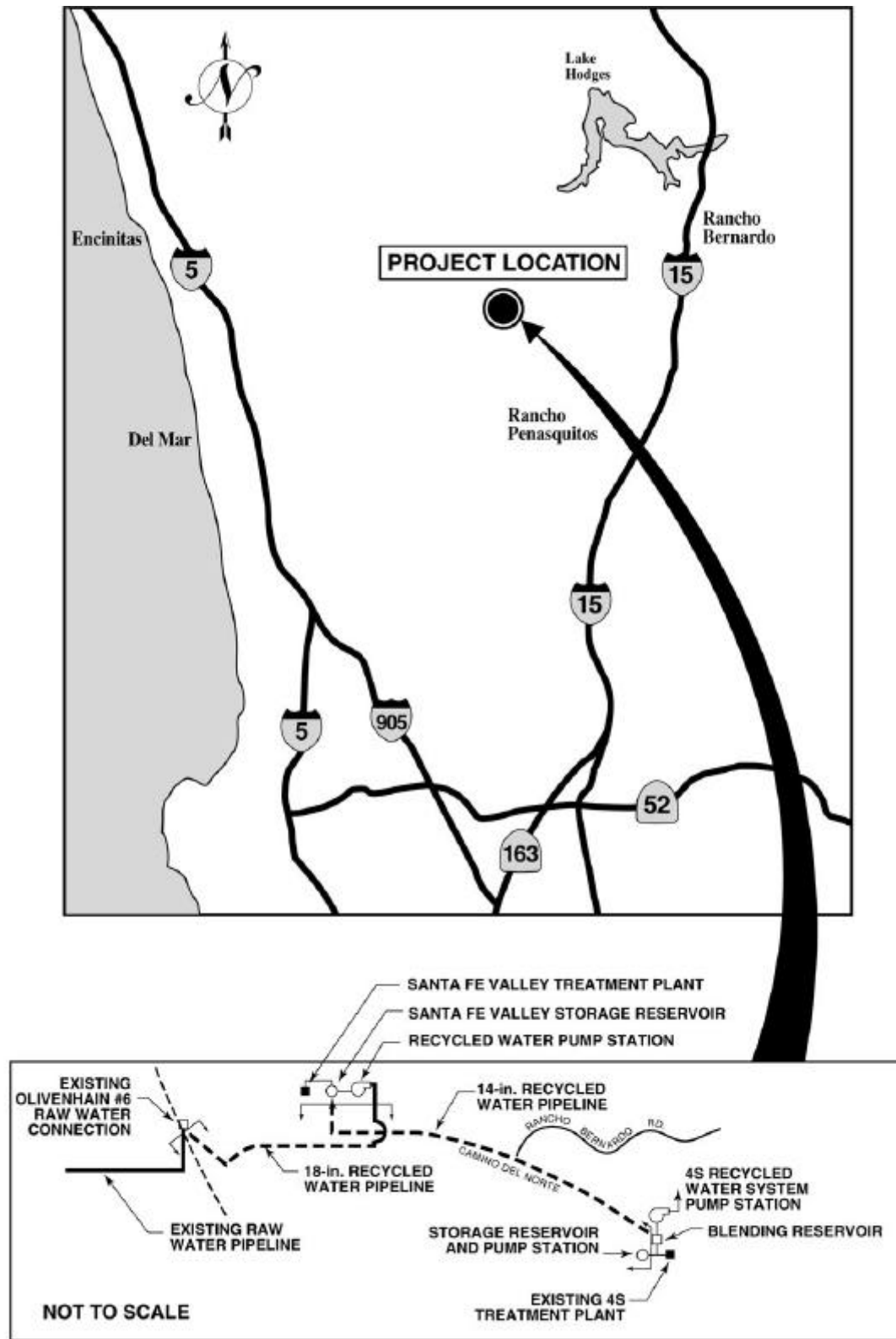


Figure 1
Olivenhain Recycled Project- Southeast Quadrant

Metropolitan's Annual Contribution

<u>Fiscal Year</u>	<u>Incentive Rate (\$/AF)</u>	<u>Production (AF)</u>	<u>Annual Contribution (\$)</u>
1999-2000	150	235	35,250
2000-2001	150	381	57,150
2001-2002	150	538	80,700
2002-2003	150	679	101,850
2003-2004	150	863	129,450
2004-2005	150	1,005	150,750
2005-2006	150	1,199	179,850
2006-2007	150	1,352	202,800
2007-2008	150	1,512	226,800
2008-2009	150	1,611	256,350
2009-2010	150	1,709	268,200
2010-2011	150	1,788	268,200
2011-2012	150	1,788	268,200
2012-2013	150	1,788	268,200
2013-2014	150	1,788	268,200
2014-2015	150	1,788	268,200
2015-2016	150	1,788	268,200
2016-2017	150	1,788	268,200
2017-2018	150	1,788	268,200
2018-2019	150	1,788	268,200
Total		27,176	4,076,400

LOCAL RESOURCES PROGRAM 14 Selected Projects

Selected Projects	Ultimate Yield (AFY)	Financial Incentive (\$/AF)	Total MWD Contribution (\$)	Agreement Term (yrs.)	Total Yield* (AF)	MWD Board Approval	Executed Agreement
Westlake Wells - Tapia WRF Intertie Project	150	130	78,000	4	600	X	X
Temescal Basin Desalting Facility	10,000	100	25,000,000	25	250,000	X	X
Dry Weather Runoff Reclamation Facility	280	150	1,050,000	25	7,000	X	X
Colored Water Treatment Facility	11,300	97-169	37,115,824	25	277,792	X	
Alamitos Barrier Reclaimed Water Project	3,024	151-209	13,636,728	25	74,088	X	
Rincon del Diablo Recycled Water Program	648	15-250	648,785	11	4,633		
Santa Margarita Non-Domestic System	2,772	79-214	6,538,416	25	65,951		
Juan Well Filter Facility	900	75	472,500	7	6,300		
Olivenhain Recycled Project - SE Quadrant	1,788	150	4,076,400	20	27,176		
Capistrano Valley Non-Domestic System	2,895	150	9,591,300	25	63,942		
Harbor Water Recycling Project	5,000	86-139	13,595,000	24	120,000		
Moulton Niguel Phase 4 Expansion	1,276	154	3,821,356	20	24,814		
Encina Water Reclamation Phase 2	2,950	100-210	7,975,685	25	62,750		
Otay Recycled Distribution Expansion	8,515	160-200	21,637,465	24	125,880		
Total	51,498		145,237,459		1,110,926		

* Total Yield is the sum of the project's annual yield over the requested term of financial assistance.