

- **Board of Directors**
Water Planning and Resources

September 14, 1999 Board Meeting

8-3

Subject

Local Resources Program Agreement for the Otay Recycled Distribution Expansion Project with San Diego County Water Authority and Otay 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 (see [Attachment 1](#)). The final step in the process is Board authorization of the LRP agreement for the project with an ultimate yield of 8,515 acre-feet per year. A copy of the Environmental Impact Report 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 Environmental Impact Report and adopt the Lead Agency's findings related to the Project; and
- B. Authorize the General Manager to execute a LRP agreement for this expansion project to provide incentive payments over 24 years that begin at \$200 per acre-foot and are incrementally reduced each year. The payment in year 24 would be \$160 per acre-foot.

Fiscal Impact: About \$21.6 million for approximately 126,000 acre-feet of water over 24 years.

Option #2:

Defer entering a LRP agreement.

Fiscal Impact: Would avoid future payments totaling about \$21.6 million over 24 years.

Staff Recommendation

Option #1

Stephen N. Arakawa, Acting Manager Date
Water Resource Management Group

General Manager Date

Attachment 1

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 Attachment 2).

The Otay Recycled Distribution Expansion Project (Project) is one of the 14 selected projects. The Project involves expansion of the existing recycled water distribution system to utilize recycled water produced at the City of San Diego's South Bay Water Reclamation Plant. This Project will reduce the demand for an equal amount of potable supplies from Metropolitan that Otay Water District (OWD) would have used to supply current and future customers throughout the central and Otay Mesa portions of their service area. OWD will construct and operate the Project. Attachment 3 provides a description of the Project's features. The Project's capacity is 8,515 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 which varies from \$200 down to \$160 per acre-foot over 24 years as requested in OWD's proposal. A corresponding annual contribution from the start of operation (1999-2000) through 2022-2023 will be included in future O&M budgets. Metropolitan will provide up to \$1.4 million annually for a total contribution of about \$21.6 million for approximately 126,000 acre-feet over 24 years. Metropolitan's financial contribution to the Project would be provided to OWD through San Diego County Water Authority (SDCWA) under a 24-year agreement term. Attachment 4 is a schedule of Metropolitan's projected annual contribution to the Project.

Metropolitan, SDCWA and OWD have entered into a previous agreement dated July 1, 1999 for the Otay Water Reclamation Project Phase 1 (Phase 1). The agreement for this proposed Project will be the second LRP agreement executed with SDCWA and OWD, and will contain provisions that distinguish costs and recycled water production between the Recycled Distribution Expansion Project and Phase 1.

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), OWD, acting as the Lead Agency, has prepared and certified an Environmental Impact Report (EIR) 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 EIR prior to reaching a decision on the Project. Copies of the Lead Agency's EIR, findings, mitigation monitoring program and Notice of Determination are 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.

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	x
Alamitos Barrier Reclaimed Water Project	3,024	151-209	13,636,728	25	74,088	x	
Olivenhain Recycled Project - SE Quadrant	1,788	150	4,076,400	20	27,176	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		
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.

Otay Recycled Distribution Expansion Project

Project Description

Overview

Otay Water District's (OWD) Recycled Distribution Expansion Project will deliver recycled water for landscape irrigation purposes. The project will provide up to 8,515 acre-feet per year (AFY) of recycled water to current and future customers throughout the central and Otay Mesa portions of OWD's service area. The proposed project will involve extending the existing recycled water distribution system and includes the construction of pipelines, storage facilities, and ancillary equipment. The proposed Project facilities are shown in Figure 1.

Existing LRP Agreement

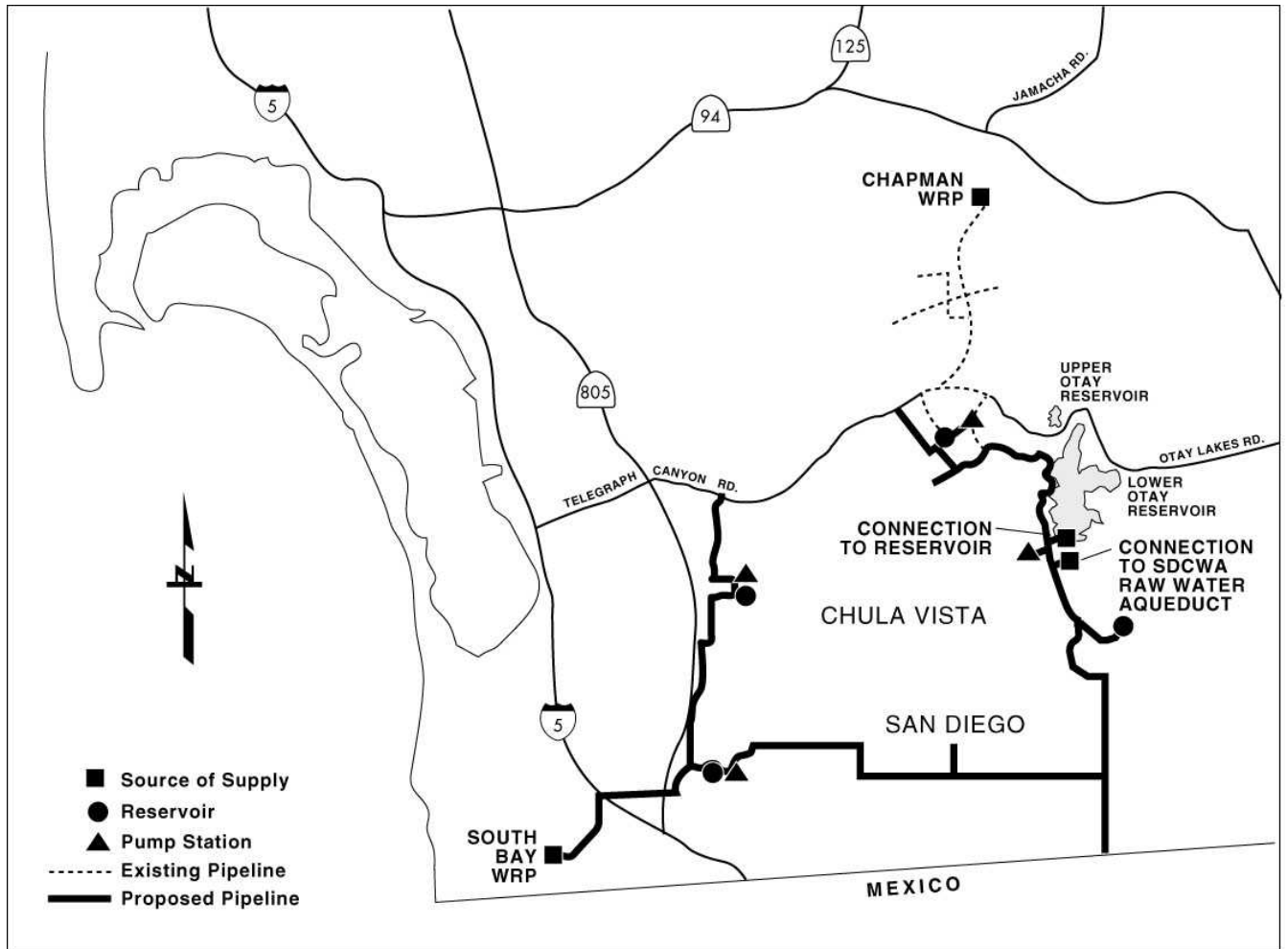
OWD's existing Ralph W. Chapman Water Reclamation Plant (Chapman WRP), a 1.3 million gallons per day (MGD) treatment facility without seasonal storage, serves recycled water to the Eastlake Greens Development and golf course. The Chapman WRP will ultimately serve 1,456 AFY. Metropolitan has entered into a Local Resources Program agreement to achieve this production.

Source of Supply

The Recycled Distribution Expansion Project will be primarily supplied by the existing South Bay Water Reclamation Plant (South Bay WRP). Other non-potable water supply sources to increase system reliability will also be available from the City of San Diego's Lower Otay Reservoir, the San Diego County Water Authority raw water aqueduct (for blending if necessary), and a connection to OWD's existing distribution system from the Chapman WRP. These additional sources are not eligible for LRP Contributions. OWD has a firm commitment to purchase up to six MGD of effluent from the South Bay WRP with a first right of refusal. Additional recycled water will be available when the plant is expanded from 6 MGD to 12 MGD.

Transmission/Distribution System

OWD currently owns and operates a recycled water distribution system which includes about seven miles of backbone transmission pipeline from the Chapman WRP. The Recycled Distribution Expansion Project will connect to this existing distribution system and extend the transmission/distribution system about 28 miles to serve current and future OWD customers off the central and Otay Mesa systems.



**FIGURE 1
OTAY RECYCLED DISTRIBUTION PROJECT**

Metropolitan's Annual Contribution

<u>Fiscal Year</u>	<u>Incentive Rate (\$/AF)</u>	<u>Production (AF)</u>	<u>Annual Contribution (\$)</u>
1999-2000	200	403	80,600
2000-2001	200	403	80,600
2001-2002	200	1,557	311,400
2002-2003	200	1,579	315,800
2003-2004	200	1,602	320,400
2004-2005	190	1,624	308,560
2005-2006	190	3,658	695,020
2006-2007	190	3,680	699,200
2007-2008	190	3,692	701,480
2008-2009	190	3,770	716,300
2009-2010	180	5,826	1,048,680
2010-2011	180	5,893	1,060,740
2011-2012	180	5,949	1,070,820
2012-2013	180	6,028	1,085,040
2013-2014	170	7,594	1,290,980
2014-2015	170	7,673	1,304,410
2015-2016	170	7,740	1,315,800
2016-2017	170	7,818	1,329,060
2017-2018	160	7,938	1,270,080
2018-2019	160	8,058	1,289,280
2019-2020	160	8,179	1,308,640
2020-2021	160	8,299	1,327,840
2021-2022	160	8,401	1,344,160
2022-2023	160	8,515	1,362,400
Total		125,879	21,637,290