



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

February 8, 2000 Board Meeting

9-1

Subject

Local Resources Program Agreement for the Capistrano Valley Non-Domestic Water System Expansion Project with the Municipal Water District of Orange County and Capistrano Valley 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 (**Attachment 1**). The 14 projects were selected following guidelines adopted by the Board in June 1998. This project is being presented because it has now completed all prerequisites for LRP eligibility and is ready to proceed into construction. Additionally, program guidelines require all LRP agreements to be executed by April 1, 2000.

A report summarizing the screening process was presented to the Board in December 1998. The final step in the process is Board authorization of the LRP agreement for the Project with an ultimate yield of 2,895 acre-feet per year. A copy of the negative declaration 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 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 of \$150 per acre-foot over 25 years.

Fiscal Impact: About \$9.6 million for approximately 64,000 acre-feet of water over 25 years.

Option #2


Defer entering a LRP agreement.

Fiscal Impact: Would avoid future payments totaling about \$9.6 million over 25 years.

Staff Recommendation

Option #1

 1/21/2000
 Stephen N. Arakawa Date
 Acting Manager, Water Resource Management

 1/24/2000
 Ronald R. Jester Date
 General Manager

Detailed Report

Local Resources Program Background

In June 1998, with endorsement of the member agencies, Metropolitan's Board of Directors 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 Figure 1).

Project implementation 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.

Project Features

The Capistrano Valley Non-Domestic Water System Expansion Project (Project) is one of the 14 selected projects. The Project involves construction of approximately 18 miles of distribution pipeline, pump stations and ancillary equipment to expand the existing non-domestic water system. This Project will reduce the demand for an equal amount of potable supplies from Metropolitan that Capistrano Valley Water District (Capistrano Valley) would have used to supply current and future customers. Capistrano Valley will construct and operate the Project. Figure 2 provides a description of the Project's features. The Project's capacity is 2,895 AFY.

The Project complies with LRP criteria adopted by the Board in June 1998. Subject to the Board's approval, the proposed Project would receive financial assistance of \$150 per acre-foot over 25 years as requested in Capistrano Valley's proposal. A corresponding annual contribution from the start of operation (2001-2002) through 2025-2026 will be included in future O&M budgets. Metropolitan will provide up to \$434,250 annually for a total contribution of about \$9.6 million for approximately 64,000 acre-feet over 25 years. Metropolitan's financial contribution to the Project would be provided to Capistrano Valley through the Municipal Water District of Orange County under a 25-year agreement term. Figure 3 is a schedule of Metropolitan's projected annual contribution to the Project.

Environmental Documentation

Pursuant to the California Environmental Quality Act (CEQA), Capistrano Valley, acting as the Lead Agency, has prepared and approved a Negative Declaration for 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. Copies of the Lead Agency's Negative Declaration 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.

Figure 1

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	x
Otay Recycled Distribution Expansion	8,515	160-200	21,637,465	24	125,880	x	x
Santa Margarita Non-Domestic System	2,772	79-214	6,538,416	25	65,951	x	
Moulton Niguel Phase 4 Expansion	1,276	154	3,821,356	20	24,814	x	
Harbor Water Recycling Project	5,000	86-139	13,595,000	24	120,000	x	
Capistrano Valley Non-Domestic System	2,895	150	9,591,300	25	63,942		
Juan Well Filter Facility	900	75	472,500	7	6,300		
Encina Water Reclamation Phase 2	2,950	100-210	7,975,685	25	62,750		
Rincon del Diablo Recycled Water Program	648	15-250	648,785	11	4,633		
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.

Capistrano Valley Non-Domestic Water System Expansion Project

Project Description

Overview:

The Capistrano Valley Non-Domestic Water System Expansion Project (Project) will deliver about 2,895 acre-feet per year (AFY) of non-domestic water to existing and future customers for landscape irrigation and municipal purposes.

Project Facilities:

The Project will involve construction of approximately 18 miles of distribution pipeline, pump stations, a storage reservoir and ancillary equipment to expand Capistrano Valley Water District's (Capistrano Valley) existing non-domestic water system (see Figure 2).

Source of Project Water

The Project will utilize recycled water from the proposed Southeast Regional Reclamation Authority Reclamation Plant (SRP) - Advanced Wastewater Treatment (AWT) facility and poor quality groundwater produced by Capistrano Valley from existing wells. The SRP-AWT, which would deliver recycled water to the Project via the proposed South Orange County Reclamation Authority (SOCRA) pipeline, is not expected to be operational until the year 2005. In the interim, Capistrano Valley would purchase recycled water from Moulton Nigel Municipal Water District (MNWD) or South Coast County Water District (SCCWD) via a connection to the supply source. Because both MNWD and SCCWD have existing recycled water incentive agreements with Metropolitan, steps will be taken to ensure that no redundant incentive payments are provided to either for Project deliveries by Capistrano Valley.

Existing Deliveries

Capistrano Valley currently serves about 565 AFY of non-domestic water to its customers. This quantity is ineligible for LRP Contributions under the proposed LRP agreement. The proposed agreement for the Project will require that Capistrano Valley maintain its existing groundwater production for delivery to non-domestic water customers as a prerequisite to receiving LRP Contributions for Project production.

Points of Connection

Project facilities begin at Capistrano Valley's non-domestic water system connections to Capistrano Valley's existing distribution system, connection to the proposed SOCRA pipeline, and proposed connections to MNWD's or SCCWD recycled water system terminating at the points of connection to Capistrano Valley's non-domestic water customers.

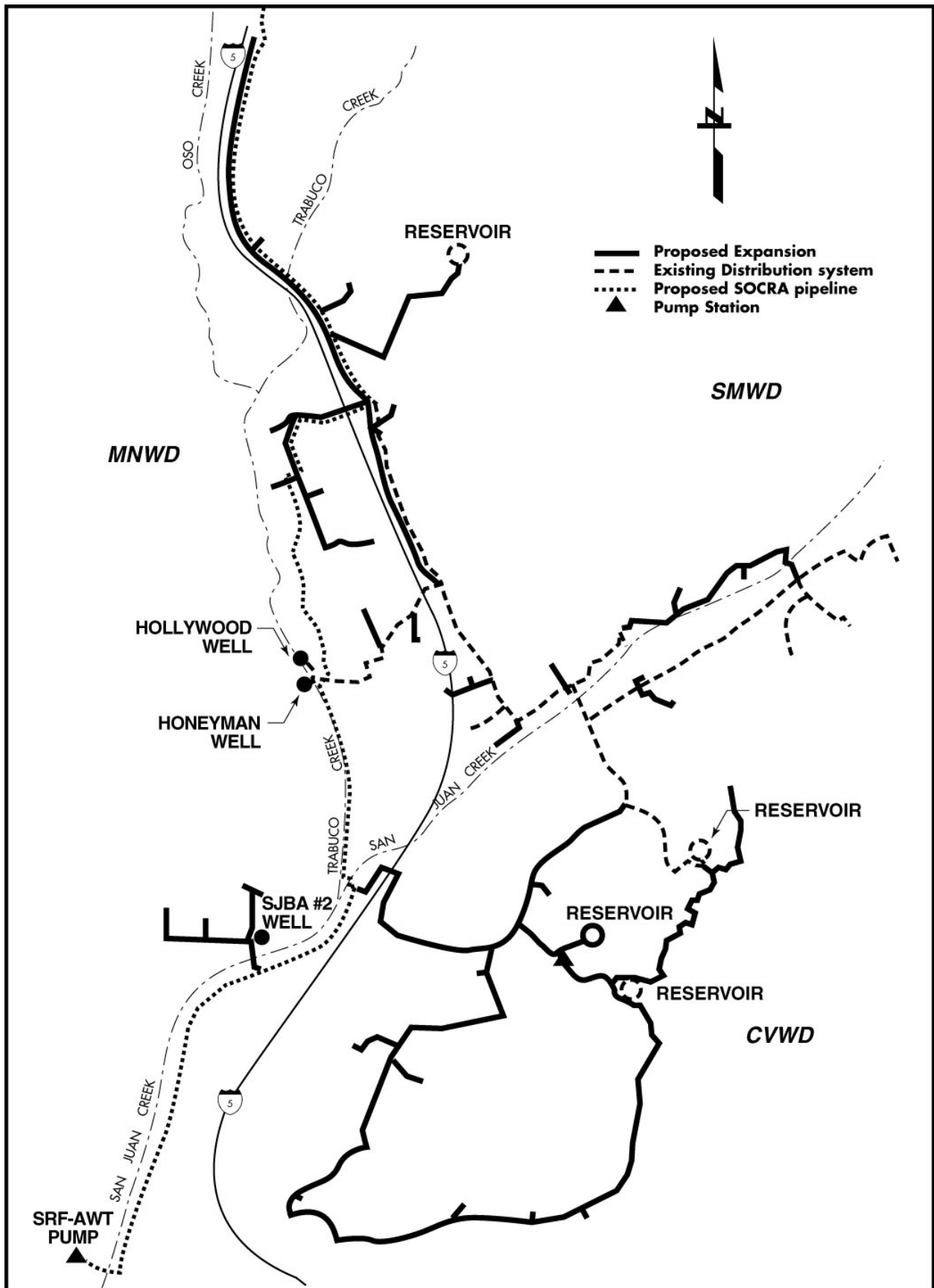


Figure 2
CAPISTRANO VALLEY NON-DOMESTIC
WATER SYSTEM EXPANSION

Figure 3

Metropolitan's Annual Contribution

<u>Fiscal Year</u>	<u>Incentive Rate (\$/AF)</u>	<u>Production (AF)</u>	<u>Annual Contribution (\$)</u>
2001-2002	150	531	79,650
2002-2003	150	1,062	159,300
2003-2004	150	1,593	238,900
2004-2005	150	1,846	276,900
2005-2006	150	2,099	314,850
2006-2007	150	2,351	352,650
2007-2008	150	2,532	379,800
2008-2009	150	2,713	406,950
2009-2010	150	2,895	434,250
2010-2011	150	2,895	434,250
2011-2012	150	2,895	434,250
2012-2013	150	2,895	434,250
2013-2014	150	2,895	434,250
2014-2015	150	2,895	434,250
2015-2016	150	2,895	434,250
2016-2017	150	2,895	434,250
2017-2018	150	2,895	434,250
2018-2019	150	2,895	434,250
2019-2020	150	2,895	434,250
2020-2021	150	2,895	434,250
2021-2022	150	2,895	434,250
2022-2023	150	2,895	434,250
2023-2024	150	2,895	434,250
2024-2025	150	2,895	434,250
2025-2026	150	2,895	434,250
Total		63,942	9,591,300