

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

October 17, 2000 Board Meeting

9-4

Subject

Authorize Project Negotiations under Metropolitan's California Aqueduct Dry-Year Transfer Program

Description

Approval is requested to authorize the General Manager to initiate negotiations on final agreement terms for projects selected through a Request for Proposal (RFP) process under Metropolitan's Dry-Year Transfer Program.

RFP Process

In December 1999, Metropolitan issued a RFP seeking potential contracts for 100,000 acre-feet per year (AFY) of dry-year transfers via the California Aqueduct on an option basis. Despite recent developments in the CALFED process, it remains important for Metropolitan to hedge against risks to water supply reliability by completing this RFP process. In addition, the RFP for dry-year transfers is a means of facilitating a competitive transfer market on an immediate basis and provides the opportunity to better understand the market potential and transactional requirements. To expedite the establishment of a competitive market, both private and public entities were invited to submit proposals. A review committee composed of Metropolitan staff evaluated the proposals using weighting criteria for a set of ranking factors established for the program and identified in the RFP.

The major milestones of the RFP process are summarized as follows:

December 16, 1999	Issued RFP
January 13, 2000	Conducted Public Pre-Submittal Workshop
February 29, 2000	Submittal of proposals
	In response to the RFP, 17 proposals were initially submitted by 15 public and private entities, identifying up to 380,000 AFY of potential dry-year transfers.
March – May 2000	Executed confidentiality agreements between Metropolitan and proponents, if desired. Several proponents requested these agreements prior to discussing detailed information regarding their proposals.
May – July 2000	Clarified proposals
	The 17 proposals were clarified with project proponents through meetings to ensure accuracy and completeness prior to evaluation. Following clarification, 10 proposals providing up to 327,500 AFY of dry-year transfers continued in the RFP process. One proposal was omitted for not meeting the minimum requirements of the RFP. Six proposals were voluntarily withdrawn from further consideration by project proponents.
August – September 2000	Completed evaluation of the remaining 10 proposals and developed shortlist according to proponent's capabilities, agreement and payment terms, technical objectives and implementation requirements.
October 17, 2000	Board consideration of the shortlisted proposals and action to negotiate final agreements and prepare the Initial Study phase of environmental review.

Following months Final agreements and environmental documentation would be submitted to the Board for approval on an individual project basis prior to project implementation.

Results

Three proposals have been selected for the shortlist of potential transactions that best meet the evaluation criteria and merit further consideration at this time. The three shortlisted proposals have been submitted by:

- Kern Delta Water District and Arvin-Edison Water Storage District
- Semitropic Water Storage District
- Azurix

Descriptions of the shortlisted proposals are summarized in [Attachment 1](#). These proposals offer a combined ultimate yield of 170,000 acre-feet to contend with drought conditions or regulatory restrictions. This yield is nearly double the amount Metropolitan sought under the RFP. On average, the selected projects scored about one and one-half times as high as projects not selected for the shortlist. The selected projects are located south of the Delta, minimize financial risk to Metropolitan, and provide the greatest flexibility in agreement and payment terms. In addition, two of the shortlisted proposals have sponsors with demonstrated experience in completing water transfers. The selection process is summarized in [Attachment 2](#).

It is recommended that staff proceed with negotiations on final agreement terms and preparation of the Initial Study of the environmental review, pending resolution of economic and water quality issues, for the shortlisted proposals submitted by Kern Delta/Arvin-Edison, Semitropic, and Azurix. Consideration of all three proposals would provide Metropolitan the opportunity to negotiate the most competitive and favorable terms for the final agreements. Proposals that reach successful negotiations will be presented to Metropolitan's Board for approval. Final agreement terms along with necessary environmental documentation would be submitted for the Board's approval on an individual project basis prior to agreement execution and project implementation.

Two proposals, submitted by Rosedale-Rio Bravo Water Storage District (Rosedale-Rio Bravo) and Westlands Water District (Westlands), are pending. Although these proposals have ranked high in the evaluation process, recent developments that could potentially change the feasibility of the programs have occurred. Rosedale-Rio Bravo has recently indicated that the source of supply in the proposal has changed. Assessment of this new source of supply is necessary. Westlands has filed litigation on the San Joaquin River diversions. This litigation poses potential adverse impacts to the other users of the Friant system and has generated local opposition to the proposal. The feasibility of implementing the Westlands proposal under these circumstances requires evaluation. As a result, proceeding with negotiations and environmental review on the pending proposals will be dependent on resolving these implementation issues.

Policy

The Board's water transfer policy as outlined in Metropolitan's Administrative Code Section 4203 indicating that Metropolitan will vigorously pursue the development of water transfers to meet its public water supply objectives in the future. The agreements also would implement one option that will help meet the future water quality needs of Metropolitan's service area as outlined in Metropolitan's March 1996 Integrated Resources Plan.

Board Options/Fiscal Impacts

Option #1

Authorize the General Manager to initiate negotiations on final agreement terms and proceed with the initial study phase of the environmental review process for three short-listed proposals identified under Metropolitan's Dry-Year Transfer Program.

Fiscal Impact: About \$100,000 to prepare the Initial Study phase of environmental review for the shortlisted proposals. These funds are included in the current O&M budget.

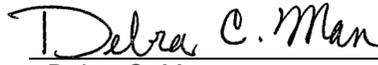
Option #2

Do not authorize the General Manager to initiate negotiations on final agreement terms for shortlisted projects identified under Metropolitan's Dry-Year Transfer Program.

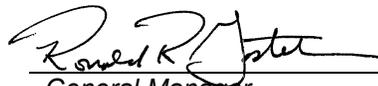
Fiscal Impact: Would avoid payments of about \$100,000 to prepare environmental review documents for the short-listed proposals.

Staff Recommendation

Option #1.



Debra C. Man 9/29/2000
Sr. Executive Assistant to the General Manager *Date*



Ronald R. Jester 10/4/2000
General Manager *Date*

Attachment 1

Attachment 2

BLA #325

**CALIFORNIA AQUEDUCT DRY YEAR TRANSFER
PROGRAM**

SHORTLIST OF SELECTED PROPOSALS

September 20, 2000

CALIFORNIA AQUEDUCT DRY YEAR TRANSFER PROGRAM

SHORTLIST OF SELECTED PROPOSALS

Executive Summary

In December 1999, Metropolitan issued a competitive Request for Proposals (RFP) to provide up to 100,000 acre-feet per year (afy) of dry-year water transfers via the California Aqueduct on an option basis. In response to the RFP, 17 proposals were initially submitted by 15 public and private entities and identified up to 380,000 afy of potential dry-year water transfers. The 17 proposals were clarified with project proponents through meetings to ensure accuracy and completeness prior to detailed evaluation.

Prior to detailed proposal evaluation by a review committee composed of Metropolitan staff, six proposals were voluntarily withdrawn from further consideration by project proponents. One proposal was omitted as a result of not meeting minimum RFP requirements. The selection process resulted in the identification of three projects at this time to initiate negotiations of final agreement terms and proceed with the Initial Study and environmental review process (Figure 1 and Table 1):

- Kern Delta Water District and Arvin-Edison Water Storage District
- Semitropic Water Storage District
- Azurix

These projects offered a combined ultimate yield of 170,000 acre-feet per year, which is nearly twice the amount Metropolitan sought under the RFP. On average, the shortlisted projects scored about one and one-half times as high as projects not selected for the shortlist. The selected projects are located south of the Delta, minimize financial risk to Metropolitan, and provide the greatest flexibility in agreement and payment terms. In addition, two of the proposals have sponsors with demonstrated experience in completing water transfers. The following is a brief description for each of the three shortlisted proposals.

Description

Kern Delta Water District and Arvin-Edison Water Storage District Proposal

The project proponents, Kern Delta and Arvin-Edison, are both public agencies located in Kern County. Kern Delta has pre-1914 water rights, under which it is entitled to annually divert up to 180,000 acre-feet of Kern River water. In addition, Kern Delta also contracts with the Kern County Water Agency and is entitled to 25,500 acre-feet of SWP supplies and has an agreement for water under the Friant-Kern system. Arvin-Edison has an agreement for 300,000 acre-feet of water under the Friant-Kern system.



Table 1

**CALIFORNIA AQUEDUCT DRY-YEAR TRANSFER PROGRAM
PROJECT SHORTLIST**

Project Proponent	Term (yrs)	Location*	Type of Transfer	Dry-Year Yield (afy)
Kern Delta Water District/ Arvin-Edison Water Storage District	25	SOD	Groundwater Banking/Exchange	50,000
Semitropic Water Storage District	35	SOD	Groundwater Banking	70,000
Azurix	5-20	SOD	Service Agreement	<u>50,000</u>
			Total:	170,000

* SOD-South of Delta

This proposal is a groundwater banking and exchange transaction for a proposed term of 25 years. Metropolitan would store its available State Water Project (SWP) in the groundwater basin underlying Kern Delta and Arvin-Edison. Metropolitan would have a maximum storage account of 250,000 acre-feet. During dry years, Kern Delta and Arvin-Edison would return the water in Metropolitan's storage account through an exchange. At Metropolitan's request, 50,000 acre-feet of Kern River water and Kern Delta SWP water allocation would be delivered to Metropolitan at the California Aqueduct through the distribution facilities of Kern Delta and Arvin-Edison in a given year. In exchange, Kern Delta and Arvin-Edison would pump an equivalent amount of water from the Metropolitan storage account in the groundwater basin to meet overlying demands.

The potential benefits of this proposal are:

- The source of supplies, Kern River water deliveries, is very reliable.
- This water can be delivered to Metropolitan during both hydrologic and regulatory droughts since the delivery point is south of the delta.
- A potential improvement in the quality of supplies delivered to Metropolitan could be gained as the Kern River water is of high quality.
- Metropolitan and Arvin-Edison have a long-standing working relationship and successfully partnered in another program.

Semitropic Water Storage District Proposal

Semitropic Water Storage District (Semitropic) is a public agency with the authority to manage the groundwater basin beneath its service area generally located north and northwest of the City of Bakersfield, California.

This proposal is an expansion of the existing Semitropic groundwater banking program. There are five banking partners in the existing program: Metropolitan, Santa Clara Water District, Alameda Water District, Zone 7, and Vidler Water Company. The existing program allows the banking partners to store water during wet periods and extract the stored water during dry periods. Currently, Metropolitan has stored 390,000 acre-feet in the Semitropic groundwater bank and has the capability to withdraw from its storage account in the amounts of 31,500 acre-feet per year by basin extraction and up to 46,500 acre-feet per year by entitlement exchange. The stored water is delivered to the California Aqueduct. This proposal increases the basin extraction capability of the existing Semitropic Groundwater Bank. Metropolitan's basin extraction capability would increase from its current 31,500 acre-feet to 101,500 acre-feet, a gain of 70,000.

The potential benefits of this proposal are:

- This water can be delivered to Metropolitan during both hydrologic and regulatory droughts since the delivery point is south of the delta.
- An EIR has been completed for this proposed program.
- Metropolitan and Semitropic have long-standing working relationships and successfully partnered in the existing banking program.

The primary concern in this proposal is the potential arsenic problem in the groundwater basin and the associated impacts on the quality of water in the California Aqueduct. Initial indications suggest that the proposed rule of arsenic could reduce the maximum contaminant level (MCL) to five parts per billion. The arsenic levels in the Semitropic groundwater bank would exceed the proposed MCL and must be addressed.

Azurix Proposal

Enron formed Azurix in 1998 to focus on water-related issues, such as providing water solutions to the industrial sector, supplying cities and municipalities with water, and providing water agencies with custom-made services and tools.

This proposal provides a service agreement, rather than a specific transaction, to secure dry year supplies over a term of 5 to 20 years. The service agreement would allow Metropolitan to buy dry-year supplies or sell its available resources through an online exchange, Water2Water. Under the “buy” option, Azurix would deliver up to 50,000 acre-feet of water supplies to Metropolitan according to agreed specifications. Azurix would take all responsibility for delivering the water to Metropolitan, including regulatory and environmental work. The specifications for delivery of dry year supplies would specify the point of delivery, source and quality requirements, and securities for performance.

The potential benefits of this proposal are:

- This proposal presents the opportunity to use a service agreement approach and market mechanisms to buy and sell water.
- Metropolitan is not responsible for implementing the specific transactions under a service agreement.

The primary concern in this proposal is that the service agreement approach is new and not been tested yet. The benefits and risks to this approach are relatively uncertain.

**CALIFORNIA AQUEDUCT DRY YEAR TRANSFER
PROGRAM**

SELECTION PROCESS

September 20, 2000

I. Executive Summary

In December 1999, Metropolitan issued a competitive Request for Proposals (RFP) to provide up to 100,000 acre-feet per year (afy) of dry-year water transfers via the California Aqueduct on an option basis. Despite recent developments in the CALFED process, it remains important for Metropolitan to hedge against risks to water supply reliability by completing this RFP process. In addition, the RFP for dry-year transfers is a means of facilitating a competitive transfer market on an immediate basis and provides the opportunity to better understand the market potential and transactional requirements.

In response to the RFP, a total of 17 proposals were initially submitted by 15 public and private entities and identified up to 380,000 afy of potential dry-year water transfers. A review committee composed of Metropolitan staff evaluated the proposals using weighting criteria for a set of ranking factors established for the program and identified in the RFP. The selection process resulted in the identification of three projects at this time to initiate negotiations of final agreement terms and proceed with the Initial Study and environmental review process. These projects offered a combined ultimate yield of 170,000 acre-feet per year, which is nearly twice the amount Metropolitan sought under the RFP.

II. Dry-Year Transfer Program Review Committee

Initially, it was envisioned that the review committee would be comprised of staff from both Metropolitan and its member agencies. However, because of potential conflicts of interest expressed by member agency staff identified to serve on the review committee, it was determined that proposal evaluation would be conducted by a committee made up of Metropolitan staff.

The committee included:

Debra Man (Office of the General Manager)
Jarlath Oley (Office of the General Counsel)
Peter Von Haam (Office of the General Counsel)
RG Fernando (Water System Operations)
Dirk Marks (Water Resource Management)
Andy Hui (Water Resource Management)

III. Selection Process and Rationale

A total of 17 proposals with an total yield up to 380,000 afy of potential dry-year water transfers were received before the February 29, 2000 deadline. The 17 proposals were clarified with project proponents through meetings to ensure accuracy and completeness prior to detailed evaluation. Table 1 presents a summary of project proponents that submitted proposals in response to the RFP.

The proposals consisted of transfers, water exchanges, and water banking and storage projects. The review committee evaluated the proposals on a consistent basis according to evaluation contained in the RFP. The maximum possible score for each proposal is 100 points.

<u>Criteria</u>	<u>Maximum Score</u>
1. Project Proponent Capabilities	25 points
2. Agreement and Payment Terms	25 points
3. Technical Objectives	25 points
4. Implementation/Legal Objectives	<u>25 points</u>
	Total: 100 points

Prior to detailed proposal evaluation by the review committee, six proposals were voluntarily withdrawn from further consideration by project proponents. One proposal was omitted as a result of not meeting minimum RFP requirements. Based on their knowledge of SWP operations, Metropolitan's needs, regulatory developments and regional water supply practices, review committee members independently evaluated the significant strengths and weaknesses of each of the 10 remaining proposed projects against a consensus-based definition for each of the scoring criteria prescribed under the RFP. Scoring was tailored to measure the differences in proposed project benefits and costs, recognizing that most projects met minimum requirements. Evaluation criteria for the program is summarized in Table 2.

Table 1

SUMMARY OF PROJECT PROPONENTS

Public Agencies	Private Entities	Public/Private Partnerships
Thermalito Irrigation District	Azurix and J. G. Boswell (J. G. Boswell withdrew)	Yuba County Water Agency/Vidler Water Co. (Withdrew)
Semitropic Water Storage District	Ronald McDevitt (Omitted – Did not meet minimum requirements)	Santa Margarita Water District/Vidler Water Co. (Withdrew for future consideration under rate restructuring)
Central Basin Municipal Water District	Cadiz (Withdrew)	
Westland Water District	California-American Water Company (Withdrew three proposals)	
Oroville-Wyandotte Irrigation District	Vidler Water Co.	
Rosedale-Rio Bravo Water Storage District (Two proposals)		
Arvin-Edison Water Storage District/Kern Delta Water District		

The proposed projects were ranked from the highest to the lowest average score. Out of a maximum score of 100 points, the highest ranked project received an average score of 68 points and the lowest ranked project received 22 points. On average, the shortlisted projects scored nearly one and one-half times as high as projects not selected for the shortlist. The selected projects are located south of the Delta, represent minimal financial risk to Metropolitan, and provide the greatest flexibility in agreement and payment terms. In addition, two of the proposals have sponsors with demonstrated experience in completing water transfers.

Based on the criteria outlined in the RFP, three proposals with a combined ultimate yield of 170,000 acre-feet per year were recommended by the review committee to initiate negotiations. The total yield represents nearly twice the amount Metropolitan sought under the RFP. Six of the proposed projects were not selected for negotiation at this time. One of the projects not selected for negotiation was submitted as two separate proposals with minor variations. The review committee chose to evaluate this project as a single proposal.

V. Description of Selection Criteria and Ranking of Proposals

Project Proponent Capabilities (25 maximum points). This criterion requires estimating the extent of the proposed project proponent's technical capabilities and financial commitment to the development and implementation of the proposed water transfer. To receive the maximum score for project proponent capabilities, the project sponsor must demonstrate sufficient financial resources and security; secured assets and resources; high technical ability; commitment to the project by all parties and experience in similar programs. No points for project proponent capabilities were given to project proposals lacking control over resources and assets or lacking technical capabilities and binding agreements among the proposal team.

The proposed projects selected for negotiation averaged 15.6 points out of a maximum of 25 points for this criterion. The capabilities of the shortlisted projects can be summarized as follows:

- One proposal would use existing facilities; two proposals involve construction of new facilities.
- Two proposals had control over necessary assets and resources; one proposal did not define its control over necessary assets and resources.
- Two proposals are sponsored by public water agencies; one proposal is sponsored by a private water company.

**Table 2
Evaluation Criteria for California Aqueduct Dry-Year Transfer Program**

Criteria	Target Values
Project Proponent Capabilities 0-25 points	
I. Financial sufficiency and surety relative to proposed obligations	Sufficient financial resources and security
II. Sufficiency of technical capabilities	High level of competency
Agreement and Payment Terms 0-25 points	
I. Financial sufficiency and surety relative to proposed obligations	Maximum 5 years – starting in 2003 or sooner
II. Sufficiency of technical capabilities	Least cost dry-year usable yield
III. Risk	Minimal financial risk to Metropolitan
Technical Objectives 0-25 points	
I. Responsiveness of Schedule	Operable by January 2003 with consideration given for earlier implementation
II. Capacity to produce/deliver transfer water	Minimum 5,000 afy into California Aqueduct. Consideration to projects with economy of scale
III. Capacity if storage is a project component	Minimum 5,000 AFY into California Aqueduct. Minimum 40 percent of annual production Minimum 3:1, Maximum 7:1
<ul style="list-style-type: none"> ▪ Annual production ▪ Annual recharge ▪ Ratio of aggregate storage capacity to annual production capacity 	
IV. Water quality considerations	No degradation of Metropolitan water supply. Meets DWR requirement. Consideration given for water quality enhancement
<ul style="list-style-type: none"> ▪ Quality of water delivered to California Aqueduct ▪ Potential for contamination of groundwater supply 	No known or potential sources of groundwater contamination
V. Reliability	Projects with sufficient resources and facilities to provide a high degree of reliability
Implementation / Legal Objectives 0-25 points	
I. Water rights:	
<ul style="list-style-type: none"> ▪ Sufficiency of legal rights of Project Proponent to deliver / export transfer water to Metropolitan ▪ Sufficiency of legal rights to store / withdraw Metropolitan water 	Absence of reasonable basis for dispute and no actual dispute Absence of reasonable basis for dispute and no actual dispute
II. Property entitlements	
<ul style="list-style-type: none"> ▪ Sufficiency of land ownership rights of Project Proponent for recharge / withdrawal facilities ▪ Ability of Project Proponent to obtain sufficient rights to land (easements) for conveyance facilities 	No basis for dispute Highly likely land acquisitions
III. Environmental review	Compliance with CEQA and/or NEPA requirements.
IV. Other approvals, as required	State, Federal and local approvals including local water agency as necessary. Include letters of support from pertinent third parties endorsing the proposal
V. Administration	Projects are simple and efficient to administer
VI. Local Factors	Projects support sound local water management and do not include adverse third party impacts

The proposed projects not selected for negotiations averaged 11.5 points out of a maximum of 25 points for this criterion. The capabilities of projects not selected for negotiations can be summarized as follows:

- One proposal requires construction of new facilities.
- Five proposals had control over necessary assets and resources; one proposal must execute an agreement in order to secure control over necessary assets and resources.
- Five proposals are sponsored by public water agencies; one proposal is sponsored by a private water company.

Agreement and Payment Terms (25 maximum points). This criterion requires estimating the financial risk to Metropolitan's participation and an assessment of the proposal's cost estimate over the agreement term. This criterion was evaluation as two parts.

Basis for Analytical Scoring

The first part, scored from 0 to 5 points involved a subjective analysis of the projects flexibility to renew or extend agreement terms and the financial risk to Metropolitan. To receive the maximum score for agreement and payment terms, the project sponsor must demonstrate minimal financial risk to Metropolitan and express a willingness and flexibility in renewing or extending agreement terms. Proposed projects demonstrating little flexibility and moderate levels of financial risk received less than half of the possible points under this criterion. No points for agreement and payment terms that did not demonstrate any flexibility in renewing or extending agreement terms and placed all financial risk to Metropolitan.

For the subjective part of this criterion, the proposed projects selected for negotiation averaged 3.4 points out of a maximum of 5 points. The payment and agreement terms of the shortlisted projects can be summarized as follows:

- All of the proposals meet or exceed minimum agreement term requirements.
- All of the proposals offered flexibility to renew or extend agreement terms.

For the subjective part of this criterion, the proposed projects not selected for negotiations averaged 2.3 points out of a maximum of 5 points. The payment and agreement terms of the projects not selected for negotiation can be summarized as follows:

- Five proposals meet or exceed minimum agreement term requirements; one proposal offered less than the minimum targeted 5-year agreement term.
- Two proposals offered flexibility to renew or extend agreement terms; three proposals offered fixed agreement terms; one proposal offered a 35-year term.

Basis for Economic Scoring

The second part, scored from 0-20 points, involved an analytical approach to score proposals based on their relative unit cost. More specifically, this part was assessed by evaluating the extent to which the proposed programs minimized the unit cost of dry-year yield to Metropolitan over the term of the agreement. Review committee member scored proposals after reviewing the financial analysis of costs for each program. The scores were then averaged to arrive at the final composite score.

The Relative Unit Value (RUV) methodology was used to evaluate proposal costs under 77 different hydrologic conditions. The RUV method takes into account the timing of payments and the increase in dry-year yield based on when water is needed. For example, an increase in dry-year yield during a proposal's early years was valued higher than water produced during later years. Additionally, the expected RUV for each program was divided into two components: expected fixed costs and expected variable costs. Low fixed costs occur when there are relatively low capital expenditures and/or low option fees, which translate to relatively lower risk when project water is not called. Variable costs are sensitive to the incremental option cost, how frequently water is called and its timing in the future.

For the analytical part of this criterion, the proposed projects selected for negotiation averaged 9.7 points out of a maximum of 20 points. The projects not selected for negotiation averaged 7.3 points out of a maximum of 20 points. In general, higher scores are given to projects with favorably lower expected RUVs and vice versa.

Technical Objectives (25 maximum points). This criterion requires evaluation of the proposed project's technical objectives with respect to the project's ability to significantly improve the water quality of Metropolitan's supply and risk involved in receiving called water. To receive the maximum score for project proponent capabilities, the project sponsor must demonstrate significant water quality improvement to Metropolitan's supply, eliminate risk in receiving called water and not expose Metropolitan's water supply to any known or potential risk of contamination. Proposed projects that are neutral in improving Metropolitan's water supply quality, pose some risk in receiving called water and have low risk potential of contamination received a majority of the possible points under this criterion. No points for project proponent capabilities were given to project proposals that result in water quality impact and degradation to Metropolitan's supply despite project mitigation, involve significant risk in receiving called water and have high risk potential for contamination.

The proposed projects selected for negotiation averaged 13.6 points out of a maximum of 25 points for this criterion. The capabilities of the shortlisted projects can be summarized as follows:

- All of the proposals are capable of delivering water before 2003.
- All of the proposals meet or exceed minimum yield requirements.
- All projects proposed water quality that exceeds or is consistent with current SWP supplies.

The proposed projects not selected for negotiations averaged 10.6 points out of a maximum of 25 points for this criterion. The capabilities of the projects not selected for negotiations can be summarized as follows:

- All of the proposals are capable of delivering water before 2003.
- Five proposals meet or exceed minimum yield requirements; one project proposed yield below minimum requirements.

Implementation/Legal Objectives (25 maximum points). This criterion requires evaluation of the proposed project's implementation/legal objectives. To receive the maximum score for implementation/legal objectives, the project sponsor must support sound water management with no third party impacts; provide a simple accounting methodology and project administration; demonstrated water rights and land acquisition; documented high level of local support; secured regulatory and third party approvals; and completed environmental documentation requirements and obtained permits. Proposed projects that commence environmental documentation, acquisition of land and water rights, regulatory and third party approvals, and environmental documentation received a majority of the possible points under this criterion. No points for implementation/legal objectives were given to project proposals that have not commenced work in key areas mentioned above, involve confusing or overly complex administration, and lack regulatory or local support for the project.

The proposed projects selected for negotiation averaged 12.8 points out of a maximum of 25 points for this criterion. The capabilities of the shortlisted projects can be summarized as follows:

- One proposal has fully complied with CEQA, and two proposals have yet to initiate CEQA compliance.
- Two proposals have sufficient legal rights to transfer water; one proposal does not have necessary agreements in place to transfer water.

The proposed projects not selected for negotiations averaged 8.8 points out of a maximum of 25 points for this criterion. The capabilities of the projects not selected for negotiations can be summarized as follows:

- Two proposals do not require CEQA documentation; four projects that have yet to initiate CEQA compliance placed CEQA responsibility on Metropolitan.
- Five proposals have demonstrated sufficient legal rights to transfer water; one proposal does not have the necessary agreements in place to transfer water.