

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

August 20, 2001 Board Meeting

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9-6

**Subject**

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Approve Seawater Desalination Program and Administrative Guidelines

**Description**

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In February 2001, the Board approved policy principles which define a strategy for the development of brackish and seawater desalination. In May 2001, the Board approved the Seawater Desalination Action Plan that authorized the Chief Executive Officer to commence a process to secure supply resources through seawater desalination in Metropolitan's service area. The action plan and policy principles have served as tenets for defining administrative guidelines for the development of cost-effective seawater desalination in a manner consistent with the region's overall water supply reliability needs.

In June 2001, the Water Planning, Quality and Resources Committee directed staff to report back with additional information regarding resource targets and an outline for development of a new program. Staff has identified a preliminary seawater desalination target for a competitive solicitation process. Program implementation, subject to Board approval, would initially pursue up to 50,000 acre-feet per year of sustained production and count towards a future seawater desalination target to be established as part of the Integrated Resources Plan Update.

It is anticipated that Metropolitan would issue a Request for Proposals (RFP) for seawater desalination development in November 2001. Respondents will be required to submit statements of interest within three months following the November 2001 issuance of the RFP. Specific respondents that are most responsive to the RFP in their statements of interest will then be invited to submit detailed proposals. Proposals would be due at the end of the fiscal year. Statements of interest and proposals will be evaluated by a review committee to identify a project or mix of projects that best meets the region's needs and provides the best return on investment. Staff would report the committee's findings by September 2002 and seek Board approval to proceed with the shortlisted projects under the RFP and finalize agreement terms. Projects would then be submitted to the Board for approval on an individual project basis upon completion of environmental documentation. It is estimated that proposal review and agreement negotiations would take about a year to complete followed by up to three years of detailed design and construction. Based on this preliminary schedule, project production could occur by 2007.

Additionally, staff has been working on administrative guidelines for Board approval of a selection process as outlined in **Attachment 1**. The administrative guidelines would be applied to all applications received from public or private water entities under the seawater desalination program. Key elements include:

- Financial assistance of up to \$250 per acre-foot of production, consistent with financial incentives for water recycling and groundwater recovery projects;
- Agreements coordinated through sponsoring member agencies for terms up to 25 years;
- Support of seawater desalination production needed to meet regional water supply reliability goals; and
- Competitive solicitation of proposals ranked by a review committee.

## CEQA

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The proposed action is not defined as a project under the California Environmental Quality Act (CEQA), because the proposed action involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to CEQA per Sections 15378(b)(2) and 15061(b)(3) of the State CEQA Guidelines.

## Policy

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Board Letter 9-12, dated February 13, 2001, adopting policy principles for brackish and seawater desalination and Board Letter 9-8, dated May 15, 2001, approving the Seawater Desalination Action Plan.

## Board Options/Fiscal Impacts

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### Option #1

Adopt the CEQA determination and approve implementation of the Seawater Desalination Program and Administrative Guidelines.

**Fiscal Impact:** Fiscal impact to be determined on an individual project basis.

### Option #2

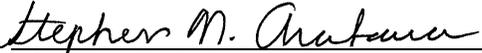
Do not approve the Seawater Desalination Program and Administrative Guidelines as outlined in [Attachment 1](#).

**Fiscal Impact:** \$0

## Staff Recommendation

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Option #1

	8/1/2001
Stephen N. Arakawa Manager, Water Resource Management	Date
	8/2/2001
Ronald R. Gastelum Chief Executive Officer	Date

## [Attachment 1 - Seawater Desalination Program Administrative Guidelines](#)

BLA #1199

**SEAWATER DESALINATION PROGRAM  
ADMINISTRATIVE GUIDELINES**

- A. Policy Principles and Action Plan
- B. Integrated Resources Plan Targets
- C. Request for Proposals
- D. Evaluation and Selection Process
- E. Criteria for Review Committee Evaluation
- F. Performance Provisions
- G. California Environmental Quality Act
- H. Metropolitan Board Approval
- I. Reporting Requirements

## **SEAWATER DESALINATION PROGRAM**

### **ADMINISTRATIVE GUIDELINES**

#### **A. Policy Principles and Action Plan**

In February 2001, Metropolitan's Board of Directors (Board) adopted policy principles which define a strategy for the development of brackish and seawater desalination. Subsequently, staff developed an action plan in May 2001 for development of seawater desalination in Metropolitan's service area. The policy principles and action plan have served as tenets for defining administrative guidelines for the development of cost-effective seawater desalination in a manner consistent with the region's overall water supply reliability needs. Key goals are:

- Assist local projects that improve regional water supply reliability and avoid or defer MWD capital expenditures;
- Emphasize cost-efficient participation in projects;
- Financial assistance to sponsoring member agencies of up to \$250 per acre-foot based on project production for agreement terms up to 25 years; and
- Schedule project production according to regional need.

Participation in specific projects would be recommended by a review committee based on its assessment of project attributes under a competitive solicitation process. The commitment to participate in each project will be subject to Board approval. Agreements will include performance provisions to emphasize cost-efficiency and reliable production.

#### **B. Integrated Resources Plan Targets**

Metropolitan's Integrated Resource Plan (IRP) identified goals for a diverse mix of six local and imported water resource elements optimized to meet future supply reliability in a cost-effective manner. The IRP sets initial targets for resource development that the region must achieve for water supply reliability through the year 2020.

Staff has identified a preliminary seawater desalination target for a competitive solicitation process. Program implementation, subject to Board approval, would initially pursue up to 50,000 acre-feet per year of sustained production and count towards a future seawater desalination target to be established as part of the IRP update.

#### **C. Request for Proposals**

Metropolitan would invite participation in the seawater desalination program through a competitive solicitation process. The program would be open to public and private water entities. Proposals for consideration must be made through and supported by a Metropolitan member agency.

It is anticipated that Metropolitan would issue a Request for Proposals (RFP) for seawater desalination development in November 2001 with proposals due at the end of the fiscal year. Respondents will be required to submit statements of interest within three months following the November 2001 issuance of the RFP. The RFP will include a summary of draft agreement terms that will serve as the basis for entering into a joint participation agreement. Specific respondents that are most responsive to the RFP in their statements of interest will then be invited to submit detailed proposals. Proposals would be due at the end of the fiscal year.

#### **D. Evaluation and Selection Process**

Statements of interest and proposals will be objectively evaluated by a review committee to identify a project or mix of projects that best meets the region's needs and provides the best return on investment consistent with the RFP. The committee would have the discretion to recommend a project mix that meets more or less than the targeted production amounts.

#### **E. Criteria for Review Committee Evaluation**

Project sponsors will be invited to submit proposals for evaluation by the review committee using criteria that may include but is not limited to the following:

- Regional water supply benefits
- Regional MWD facility benefits
- Cost to Metropolitan
- Operational reliability
- Project feasibility

Weighting for each ranking factor will be developed and provided in the RFP based on current water resource planning objectives. The review committee may apply its judgment in recommending a project or mix of projects that best serve the region. For each specified criterion, comment and scoring guidelines would be provided to the review committee to assist in evaluating project proposals and preparing written comments.

#### **F. Performance Provisions**

Performance provisions will be incorporated into all seawater desalination agreements. These provisions would allow Metropolitan to adjust or withdraw financial commitments to projects that fail to meet development and production targets. Key milestones include start of construction, start of production and minimum production targets at specified periods throughout the term of the agreement. Failure to meet the performance provisions would result in adjustments to the amount of production Metropolitan would support and in extreme cases, withdrawal of Metropolitan's financial commitment to the project.

#### **G. California Environmental Quality Act**

Project sponsors would be responsible for developing environmental documentation, in compliance with the California Environmental Quality Act (CEQA), associated with their proposed projects. Metropolitan would function as a Responsible Agency, as defined by CEQA,

for such projects due to its financial contribution to proposed seawater desalination projects. Metropolitan's Board would be required to review and consider information contained in each prospective project's environmental documentation prior to approving Metropolitan's participation in that project.

#### **H. Metropolitan Board Approval**

Staff would report the review committee's findings by September 2002 and seek Board approval to proceed with the shortlisted projects under the RFP and finalize agreement terms. Projects would then be submitted to the Board for approval on an individual project basis upon completion of environmental documentation. It is estimated that proposal review and agreement negotiations would take about a year to complete followed by up to three years of detailed design and construction. Based on this preliminary schedule, project production could occur by 2007. A deadline date for executing agreements will be established after which project proponents would have to resubmit their project proposals to subsequent RFPs in order to be considered for participation.

#### **I. Reporting Requirements**

To help streamline the Board's agenda, quarterly progress reports and updates will be made to the Board's Water Planning, Quality and Resources Committee.