

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

September 14, 2004 Board Meeting

8-9

Subject

Authorize entering into a Local Resources Program Agreement with Upper San Gabriel Valley Municipal Water District for the Direct Reuse Project Phase IIA

Description

Authorization is requested to enter into a Local Resources Program (LRP) agreement with Upper San Gabriel Valley Municipal Water District to provide financial incentives for the Direct Reuse Project Phase IIA. The proposed 2,258 acre-foot per year project would increase regional water supply reliability by replacing demand for imported water supplies within USGVMWD's service area. Benefits to Metropolitan include strengthened regional supply reliability, reduced regional costs for water importation, and deferred capital improvements.

USGVMWD's proposed project is one of 13 projects (**Attachment 1**) selected earlier this year under Metropolitan's competitive LRP. The selection committee consisted of two independent water resource consultants and three Metropolitan staff members. The next step in the process is board authorization of the LRP agreement.

The proposed project described in **Attachment 2** complies with LRP criteria adopted by the Board in June 1998. The LRP agreement, subject to approval by the General Counsel, would include the following terms and principles:

1. Pay for performance – Financial incentives would only be paid for water produced by the proposed project;
2. Inclusion of methodology to clearly distinguish proposed project production from any other production;
3. Termination for non-performance if proposed project construction does not commence within two years of agreement execution, or production is not realized within five years of agreement execution; and
4. Reduction in Metropolitan's contract commitment if low yield is experienced, as measured in four-year intervals during the agreement term.

Subject to the Board's approval, the proposed project would receive financial incentives over 25 years that begin at \$200 and decrease to \$65 per acre-foot in subsequent years, as requested in applicant's proposal. The projected annual expenditure would range from \$110,000 to \$220,000 and would be included in future operation and maintenance budgets (**Attachment 3**). The agreement term would run from fiscal year 2005/06 through 2029/30.

Policy

By Minute Item 43021, dated June 9, 1998, the Board adopted the Local Resources Program.

California Environmental Quality Act (CEQA)

CEQA determination for Staff Recommendation:

Pursuant to the provisions of CEQA and the State CEQA Guidelines, USGVMWD acting as the Lead Agency, adopted a Mitigated Negative Declaration (MND) on August 10, 2004 for the proposed project and agreement. The environmental document was also jointly prepared as an Environmental Assessment (EA) by the U.S. Bureau of Reclamation to comply with the National Environmental Policy Act. Metropolitan, as Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the MND/EA and the

mitigation monitoring and reporting program (MMRP), and adopt the Lead Agency's findings prior to approval of the formal terms and conditions for the proposed agreement. The environmental documentation is available in the Executive Secretary's Office for review.

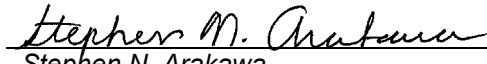
The CEQA determination is: Review and consider information provided in the adopted 2004 MND/EA and its MMRP and adopt the Lead Agency's findings and MMRP related to the proposed action.

Staff Recommendation

Adopt the CEQA determination and authorize the Chief Executive Officer to enter into a LRP agreement with Upper San Gabriel Valley Municipal Water District for the Direct Reuse Project Phase IIA to provide incentive payments over 25 years at up to \$200 per acre-foot under the terms included in this letter, subject to:

- Successful negotiation of contract language related to rate structure integrity; or
- Reconsideration by the Board if negotiations are not successful.

Fiscal Impact: \$3.8 million for approximately 52,135 acre-feet of recycled water over 25 years.



Stephen N. Arakawa
Manager, Water Resource Management

8/23/2004

Date



Ronald R. Gastelum
Chief Executive Officer

8/25/2004

Date

Attachment 1 – Selected Projects

Attachment 2 – Direct Reuse Phase IIA Project Description

Attachment 3 – Metropolitan's Annual Contribution

BLA #2976

Selected Projects

Project Title	Member Agency	Project Type	Ultimate Yield (AFY)
Tapo Canyon Water Treatment Plant	Calleguas MWD	GW	1,445
RW Pipeline Reach 16	Eastern MWD	RW	820
RW Distribution Line Extension	Las Virgenes MWD	RW	225
RW Distribution Line Extension – Malibu Golf Course	Las Virgenes MWD / Calleguas MWD	RW	300
Hansen Area Water Recycling Project	Los Angeles Department of Water and Power	RW	3,665
South Valley Water Recycling Project	Los Angeles Department of Water and Power	RW	1,000
Sepulveda Basin Water Recycling Project Phase IV	Los Angeles Department of Water and Power	RW	546
Irvine Ranch Water District Recycled Water System Upgrade	Municipal Water District of Orange County	RW	8,500
Groundwater Replenishment System	Municipal Water District of Orange County	RW	31,000
Pomona Well # 37	Three Valleys MWD	GW	1,100
City of Industry Regional Recycled Water Project	Three Valleys MWD	RW	8,867
Wells #7&8– Nanofiltration Water Treatment Facility	Torrance	GW	5,189
Direct Reuse Phase IIA	Upper San Gabriel Valley MWD	RW	2,258
		Total	64,915
RW: Recycled Water GW: Groundwater Recovery MWD: Municipal Water District AFY: Acre-feet per year			

Direct Reuse Phase IIA

Project Description

Overview

The Project will allow Upper San Gabriel Valley Municipal Water District to provide recycled water to several customers in the South El Monte area. The Project will replace demand for imported supplies used primarily for landscape irrigation. The Project will yield up to 2,258 AF of recycled water per year.

Source of Project Water

Project water will deliver Title 22 recycled water produced from the Whittier Narrows Wastewater Treatment Plant (WNWTP) of the Los Angeles County Sanitation District.

Project Facilities

The Project includes:

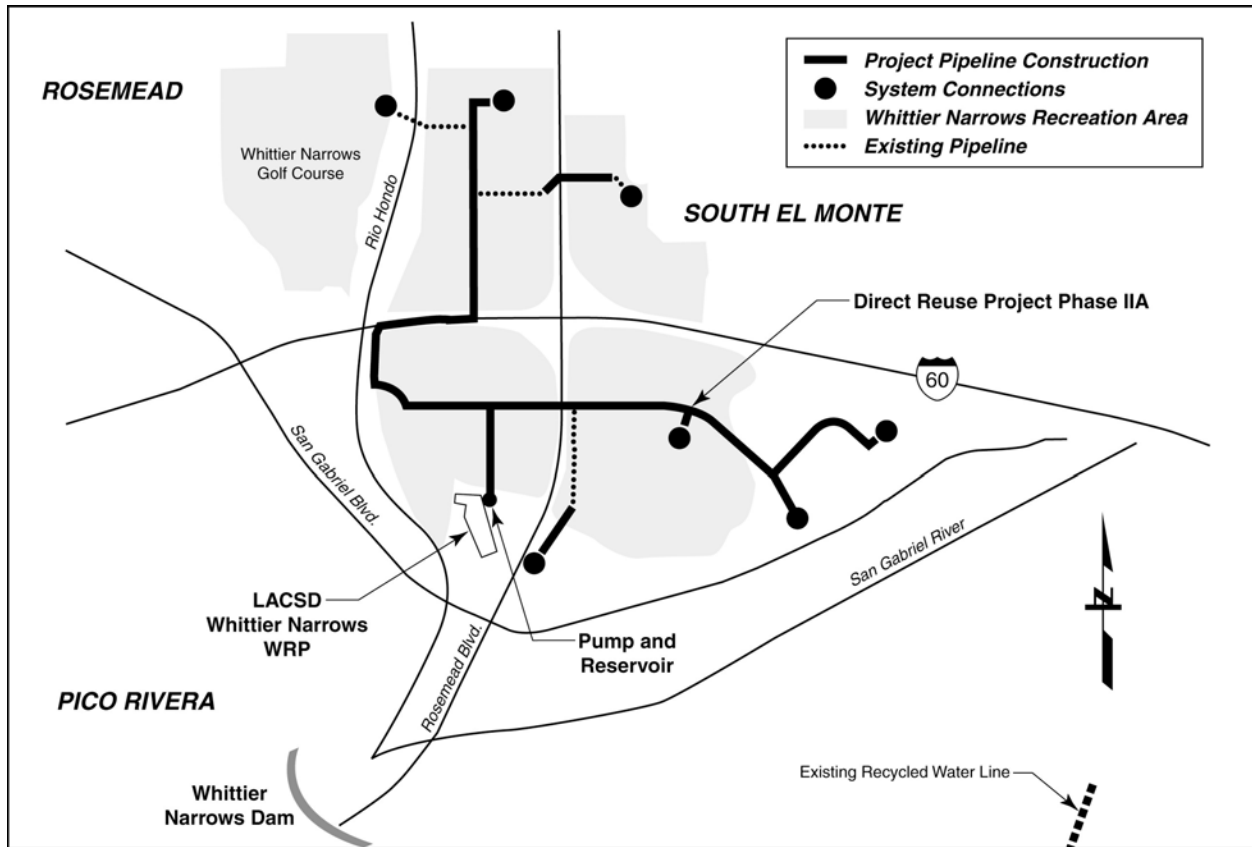
- 17,000 feet of distribution pipelines ranging from 8-inch to 24-inch diameter
- A pump station and reservoir located next to the WNWTP

Figure 1 shows the location of the Project facilities.

Points of Connection

Project facilities begin at the WNWTP and terminate at the point of connection to:

- Each new recycled water connection to an existing local distribution system;
- Any discharge points into the storm drain; and
- Pipelines conveying water to non-eligible facilities or users.



UPPER SAN GABRIEL VALLEY MWD DIRECT REUSE PROJECT - PHASE IIA

Metropolitan's Annual Contribution

Fiscal Year End	Fixed Incentive Rate (\$/AF)	Projected Production (AF)	Maximum Annual Contribution (\$)
2006	200	550	110,000
2007	200	1100	220,000
2008	80	1670	133,600
2009	80	1797	143,760
2010	80	1858	148,640
2011	70	2258	158,060
2012	70	2258	158,060
2013	70	2258	158,060
2014	70	2258	158,060
2015	70	2258	158,060
2016	70	2258	158,060
2017	70	2258	158,060
2018	70	2258	158,060
2019	70	2258	158,060
2020	70	2258	158,060
2021	70	2258	158,060
2022	70	2258	158,060
2023	65	2258	146,770
2024	65	2258	146,770
2025	65	2258	146,770
2026	65	2258	146,770
2027	65	2258	146,770
2028	65	2258	146,770
2029	65	2258	146,770
2030	65	2258	146,770
	Total	52,135	3,826,880