

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

May 10, 2005 Board Meeting

7-6

Subject

Authorize entering into a Local Resources Program Agreement with Los Angeles Department of Water and Power for the Hansen Area Water Recycling Phase I Project

Description

Authorization is requested to enter into a Local Resources Program agreement with Los Angeles Department of Water and Power to provide financial incentives for the proposed Hansen Area Water Recycling Phase I Project. The project would increase regional water supply reliability by replacing demand for imported water supplies within LADWP's service area. LRP project benefits include strengthened regional supply reliability, and reduced regional costs for water importation.

LADWP's proposed 3,665 acre-feet per year project was one of 13 projects ([Attachment 1](#)) selected last year under Metropolitan's competitive LRP solicitation intended to advance development of water recycling and groundwater recovery. Subsequently, LADWP divided the project into two phases (Phase I with a capacity of 2,500 AFY and Phase II with a capacity of 1,165 AFY) to expedite construction. LADWP has complied with California Environmental Quality Act (CEQA) requirements and approved draft agreement terms for Phase I. The next step in the process is board authorization of the Phase I agreement. Phase II may be presented separately to the Board later in the year for authorization after LADWP completes CEQA requirements.

The proposed Phase I project, which is 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 – LRP financial incentives would only be paid for water produced by the project;
2. Methodology to distinguish project production from other production;
3. Termination for non-performance if construction does not commence within two years of the agreement execution, or production is not realized within five years of agreement execution;
4. Reduction in Metropolitan's contract commitment if production is low, measured in four-year intervals during the agreement term; and
5. Rate structure integrity provisions adopted by the Board in December 2004.

Subject to the Board's approval, the project would receive financial incentives ranging from \$12 to \$250 per acre-foot over 25 years for up to 2,500 acre-feet per year of recycled water as requested in LADWP's proposal. Metropolitan's annual LRP contribution would range from \$30,000 to \$625,000 from fiscal year 2004/05 through 2028/29, and would be included in future operations and maintenance budgets ([Attachment 3](#)). Metropolitan's maximum contribution would be about \$5.1 million for the 25-year period.

[Attachment 4](#) summarizes LADWP's performance history under the LRP.

Board Policy

By Minute Item 41734, dated January 9, 1996, board adoption of the Integrated Resources Plan

By Minute Item 43021, dated June 9, 1998, board adoption of the Local Resources Program

By Minute Item 45828, dated July 12, 2004, board adoption of the Integrated Water Resources Plan Update

By Minute Item 46045, dated December 14, 2004, board adoption of rate structure integrity language

California Environmental Quality Act (CEQA)

CEQA determination for Staff Recommendation:

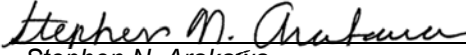

Pursuant to the provisions of CEQA and the State CEQA Guidelines, the Los Angeles Department of Water and Power, acting as the Lead Agency, prepared an Environmental Impact Report (EIR) for the East Valley Water Reclamation Project adopted by the Board of Water and Power Commissioners of the city of Los Angeles on August 20, 1991. Subsequent to that time, the Los Angeles Department of Water and Power commenced negotiations with Metropolitan as related to LRP agreements. Metropolitan, as a Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the Draft EIR, Final EIR, the findings of fact, and the mitigation monitoring and reporting plan and adopt the Lead Agency’s findings prior to approval of the formal terms and conditions for the proposed agreements. The environmental documents are available for review in the Executive Secretary's Office.

The CEQA determination is: Review and consider information provided in the adopted Draft EIR, Final EIR, the findings of fact, and the mitigation monitoring and reporting plan and adopt the Lead Agency’s findings related to the proposed action.

Staff Recommendation

Adopt the CEQA determination and authorize the Chief Executive Officer to enter into an LRP agreement with Los Angeles Department of Water and Power for the Hansen Area Water Recycling Phase I Project to provide incentive payments ranging from \$12 to \$250 per acre-foot over 25 years.

Fiscal Impact: Up to a maximum of \$5.1 million for 62,500 acre-feet of recycled water over 25 years

 Stephen N. Arakawa Manager, Water Resource Management	4/14/2005 Date
 Dennis B. Underwood CEO/General Manager	4/19/2005 Date

Attachment 1 – Selected Projects

Attachment 2 – Hansen Area Water Recycling Phase I Project Description

Attachment 3 – Metropolitan’s Annual Contribution

Attachment 4 – Los Angeles Department of Water and Power Projects

Selected Projects

Project Title	Member Agency	Project Type	Ultimate Yield (AFY)
Tapo Canyon WTP	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
IRWD 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– NF 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			

Hansen Area Water Recycling Phase I Project Description

Overview

Los Angeles Department of Water and Power's proposed 3,665 acre-feet per year project was one of the 13 projects selected last year under Metropolitan's competitive LRP solicitation. Subsequently, LADWP divided the project into two phases (Phase I with capacity of 2,500 acre-feet per year and Phase II with a capacity of 1,165 acre-feet per year) to expedite construction.

The Hansen Area Water Recycling Project Phase I (Project) will deliver recycled water to the Valley Generating Station, which will use the recycled water for cooling purposes. The Project may also deliver recycled water to future customers developed along the Project's proposed pipeline.

Source of Project Water

The Project will increase recycled water deliveries from the Donald C. Tillman Water Reclamation Plant, which is owned and operated by the city of Los Angeles, Bureau of Sanitation. The Tillman Plant is located in Van Nuys. Tertiary treated effluent will be delivered to the Project via the existing Balboa Pump Station, which is located adjacent to the Tillman Plant. Total lift is roughly 250 feet at a distance of about 10 miles.

Project Facilities

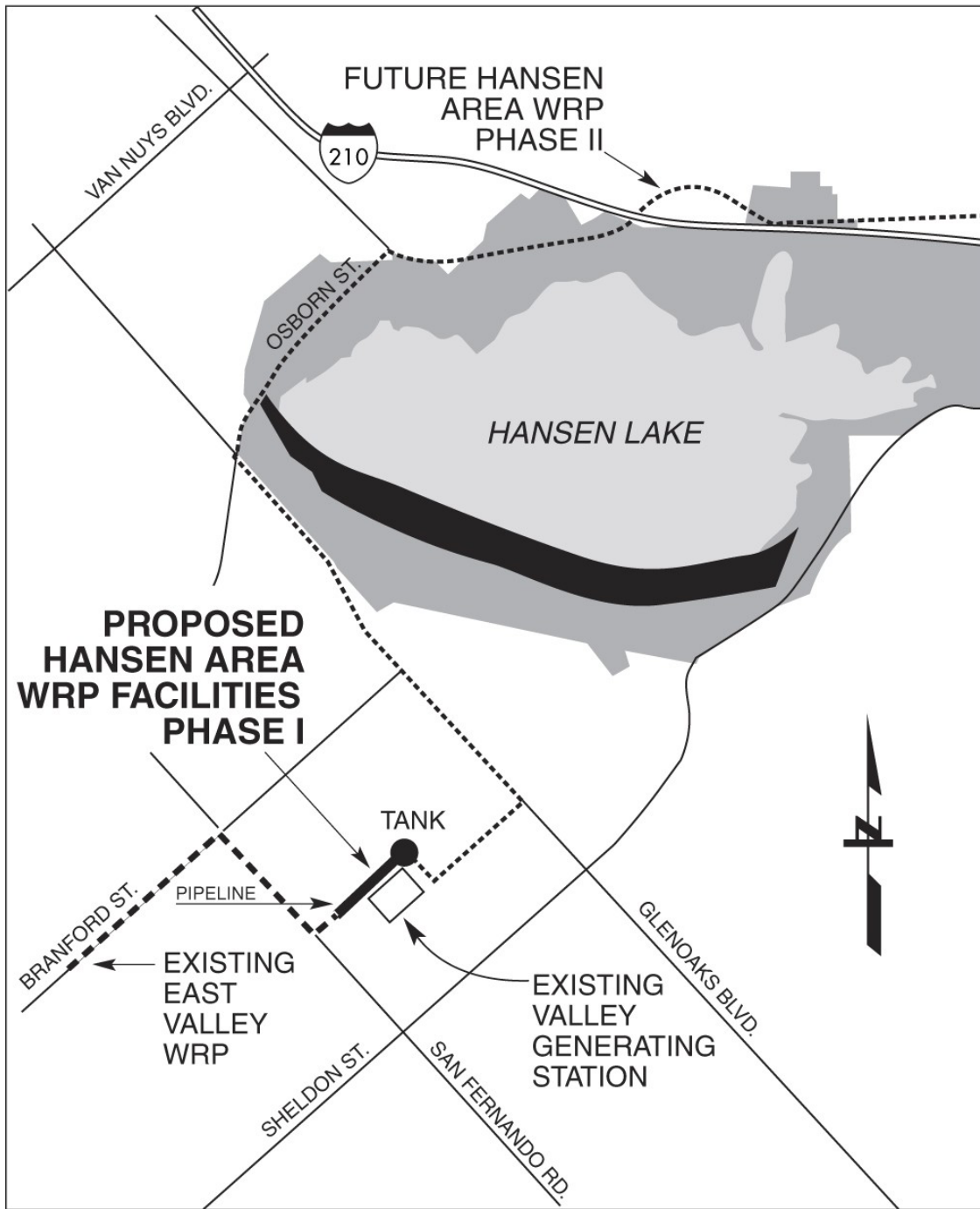
The Phase I Project includes installation of about 2,000 feet of 30-inch diameter pipeline and a new seven-million-gallon storage tank that connects to the existing East Valley Project pipeline. The new tank will be built on the site of an old existing oil fuel tank that will be demolished. The Balboa Pump Station, the existing pipelines, and future Phase II facilities are not part of the Phase I Project. Figure 1 shows the Phase I Project facilities.

Points of Connection

Project facilities terminate at the point of connection to:

- Each end user and existing pipelines
- Any discharge points into the storm drain
- Pipelines conveying water to groundwater recharge basins
- Existing LADWP recycled water pipeline

FIGURE 1



HANSEN AREA WATER RECYCLING PROJECT - PHASE I

Metropolitan's Annual Contribution

Fiscal Year End	LRP Contribution (\$/AF)	Scheduled Annual Production (AF)	Scheduled Annual Contribution (\$)
2005	250	2,500	625,000
2006	127	2,500	317,500
2007	28	2,500	70,000
2008	12	2,500	30,000
2009	16	2,500	40,000
2010	21	2,500	52,500
2011	26	2,500	65,000
2012	31	2,500	77,500
2013	36	2,500	90,000
2014	42	2,500	105,000
2015	48	2,500	120,000
2016	54	2,500	135,000
2017	60	2,500	150,000
2018	66	2,500	165,000
2019	73	2,500	182,500
2020	80	2,500	200,000
2021	88	2,500	220,000
2022	95	2,500	237,500
2023	103	2,500	257,500
2024	111	2,500	277,500
2025	120	2,500	300,000
2026	129	2,500	322,500
2027	138	2,500	345,000
2028	148	2,500	370,000
2029	158	2,500	395,000
		Total	5,150,000

Los Angeles Department of Water and Power Projects

Project	Sponsor Agency	Contract Yield (AFY)	Agreement Date	Start of Operation	FY 03/04 Yield (AFY)	Total Thru Dec. 2004	
						Yield (AF)	Contribution (\$)
Los Angeles Greenbelt	LADWP	1,610	1990	1993	894	8,579	1,321,212
Sepulveda Basin Water Reclamation	LADWP	1,900	1993		0		0
Harbor Water Recycling	LADWP	5,000	2000		0	0	0
TOTAL		8,510			894	8,579	1,321,212