

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

May 10, 2005 Board Meeting

7-7

Subject

Authorize entering into three Local Resources Program agreements with Three Valleys Municipal Water District and Upper San Gabriel Valley Municipal Water District for the City of Industry Regional Recycled Water Project

Description

Authorization is requested to enter into three separate Local Resources Program agreements for the proposed City of Industry Regional Recycled Water Project with Three Valleys Municipal Water District and Upper San Gabriel Valley Municipal Water District (Upper District) and their retail agencies. The 8,867 acre-feet per year project would increase regional water supply reliability by replacing demand for imported water supplies and increasing groundwater production in the Puente and Spadra groundwater basins. Benefits to Metropolitan include improved regional supply reliability and reduced regional costs for water importation.

This project is one of 13 projects ([Attachment 1](#)) selected last year under Metropolitan's competitive Local Resources Program solicitation intended to advance development of water recycling and groundwater recovery. The next step in the process is Board authorization to enter into three LRP agreements, which must be executed by Dec. 30, 2005.

The City of Industry's backbone recycled water pipeline serves as the primary conveyance facility to the three individual project elements. Each of the project participants expressed a desire to execute separate agreements to ensure equity among the parties. The three agreements would be between Metropolitan and:

1. Three Valleys MWD and Rowland Water District for up to 1,883 acre-feet per year;
2. Three Valleys MWD and Walnut Valley Water District for up to 2,584 acre-feet per year including non-potable groundwater production; and
3. Upper San Gabriel Valley MWD and Suburban Water System for up to 4,400 acre-feet per year.

The project, which is described in [Attachment 2](#), complies with Local Resources Program criteria adopted by the Board in June 1998. Local Resources Program agreements, subject to approval by the General Counsel, would include the following terms and provisions:

1. Pay for performance – LRP financial incentives would only be paid for water produced by the proposed project;
2. Methodology to distinguish project production from other water production;
3. Termination for non-performance if construction does not commence within two years of 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 assistance ranging from \$50 to \$200 per acre-foot over 25 years as requested in the original proposal. The agreements would include a fixed schedule to reduce these incentive amounts in the event future grants are received. Metropolitan's annual Local Resources Program contribution would range from \$81,000 to \$817,000 from fiscal year 2005/06 through 2029/30 and would be included in future operations and maintenance budgets. Metropolitan's maximum contribution to the projects would be about \$11.8 million over the 25-year period ([Attachment 3](#)).

[Attachment 4](#) summarizes Three Valleys' performance history under the LRP. Upper District recently entered into their first LRP agreement with Metropolitan in January 2005.

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 City of Industry, acting as the Lead Agency, prepared a Mitigated Negative Declaration (MND) for the Reclaimed Water Backbone Transmission Project (Project). The Lead Agency adopted the MND and the Mitigation Monitoring and Reporting Program (MMRP), along with approving the Project, on November 13, 2003. Subsequent to that time, Three Valleys and Upper District and their retail agencies commenced negotiations with Metropolitan as related to the LRP agreements. This new information constituted a minor modification to the originally approved Project. As the Lead Agency, the City of Industry prepared an Addendum to the MND (Addendum), adopted it and approved the proposed Project modification on October 14, 2004. Metropolitan, as a Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the MND, MMRP, and Addendum 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 MND, MMRP, and Addendum and adopt the Lead Agency's findings related to the proposed action.

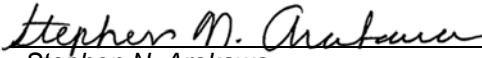
Staff Recommendation

Adopt the CEQA determination and authorize the Chief Executive Officer to enter into separate Local Resources Program agreements with:

1. Three Valleys MWD and Rowland Water District;
2. Three Valleys MWD and Walnut Valley Water District; and
3. Upper San Gabriel Valley MWD and Suburban Water System,

to provide financial incentives ranging from \$50 to \$200 per acre-foot over 25 years.

Fiscal Impact: Up to a maximum of \$11.8 million for 180,000 acre-feet of recycled water and non-potable groundwater 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 – City of Industry Regional Recycled Water Project Description

**Attachment 3 – City of Industry Regional Recycled Water Project Contribution Schedule
Metropolitan's Annual Contribution**

Attachment 4 – Three Valleys MWD Prior LRP Projects

BLA # 2963

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 / Upper San Gabriel Valley 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			

City of Industry Regional Recycled Water Project Description

Overview

The Project will allow Upper San Gabriel Valley Municipal Water District and Three Valleys Municipal Water District and their retail agencies: City of Industry, Rowland Water District, Suburban Water System, and Walnut Valley Water District to provide additional recycled water and increased non-potable groundwater to their customers. The original project proposal selected under the 2003 LRP competitive solicitation has been separated into three distinct project components and will be defined by separate agreements. The Project will allow each retail agency to connect to the City of Industry's backbone recycled water transmission pipeline that reaches into portions of all three retail agencies. The Project consists of new distribution systems and extensions to existing recycled water systems, expanding annual delivery capacity by 8,867 acre-feet.

Source of Project Water

The Project will deliver Title 22 recycled water produced from the San Jose Creek Water Reclamation Plant (WRP) and the Pomona WRP, both operated by the Los Angeles County Sanitation District. Additional sources of Project water are two existing non-potable wells (of which 675 AFY of existing production is ineligible) and four new non-potable wells producing high total dissolved solids water from the Puente and Spadra groundwater basins.

Project Facilities

The Project includes:

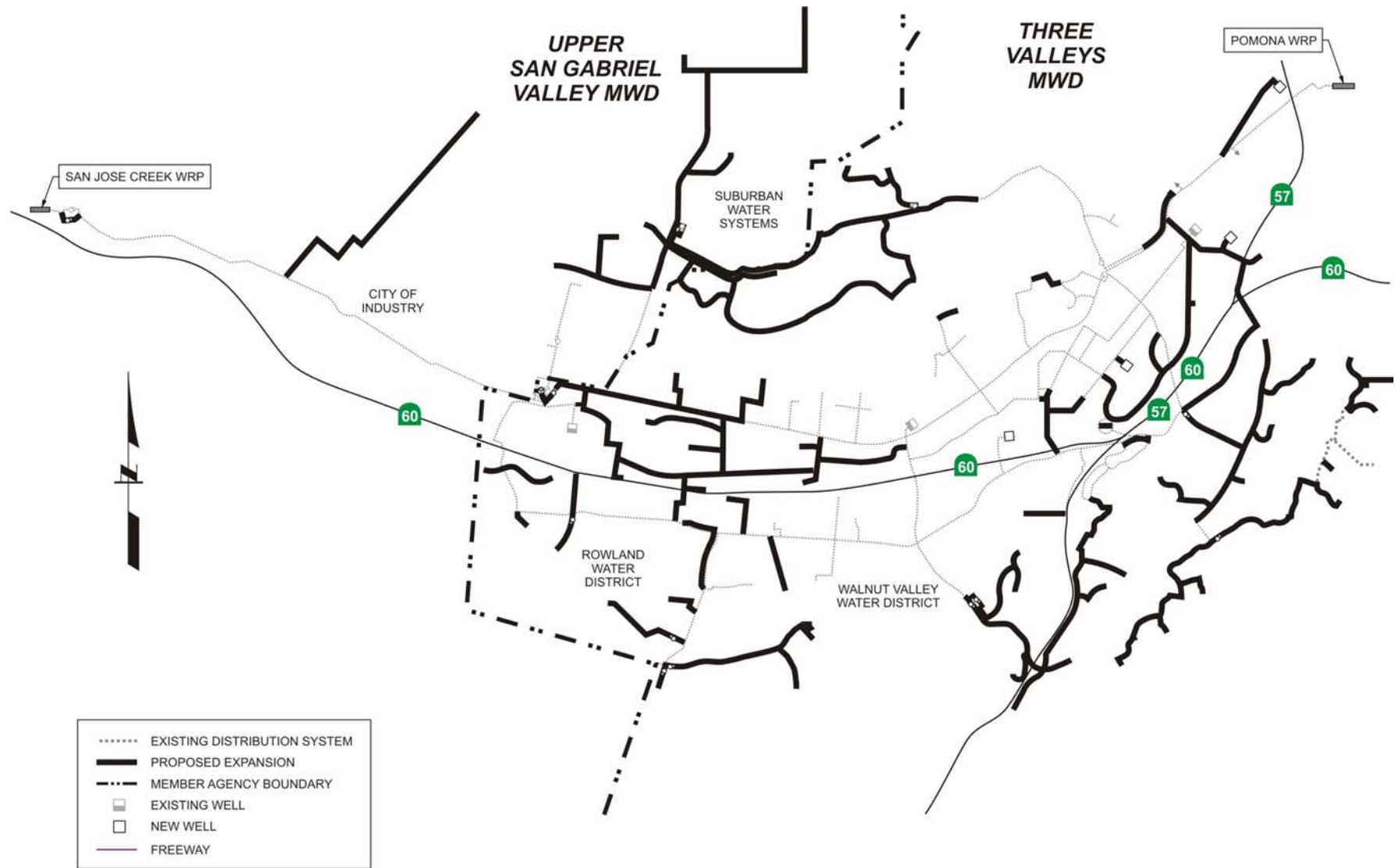
- 216,000 feet of pipeline ranging from 4- to 24-inch diameter
- 7 water reservoirs that range from one- to four-million gallons each
- 2 high pressure sustaining valves
- 2 existing non-potable wells and 4 new non-potable wells
- 10 recycled water pumping stations

Figure 1 shows the location of the Project facilities.

Point of Connections

Project facilities terminate at the point of connection to:

- Each new recycled water end user connected to the new system
- Any discharge points into the storm drain
- Pipelines conveying water to non-eligible facilities or users
- The existing distribution systems
- The four new wells
- Ineligible source wells



City of Industry Regional Recycled Water Project

**City of Industry Regional Recycled Water Project Contribution Schedule
Metropolitan's Annual Contribution**

Fiscal Year End	Fixed Incentive Rate (\$/AF)	Projected Production (AF)	Maximum Annual Contribution (\$)
2006	200	406	81,218
2007	200	812	162,436
2008	150	2,812	421,800
2009	125	4,006	500,797
2010	125	4,701	587,594
2011	100	5,395	539,513
2012	100	6,090	608,950
2013	100	6,784	678,388
2014	100	7,478	747,825
2015	100	8,173	817,263
2016	50	8,867	443,350
2017	50	8,867	443,350
2018	50	8,867	443,350
2019	50	8,867	443,350
2020	50	8,867	443,350
2021	50	8,867	443,350
2022	50	8,867	443,350
2023	50	8,867	443,350
2024	50	8,867	443,350
2025	50	8,867	443,350
2026	50	8,867	443,350
2027	50	8,867	443,350
2028	50	8,867	443,350
2029	50	8,867	443,350
2030	50	8,867	443,350
	Total	179,662	11,796,033

Three Valleys Municipal Water District Prior LRP Projects

Project	Sponsor Agency	Contract Yield (AFY)	Agreement Date	Start of Operation	FY 2003/04 Yield (AF)	Total thru 12/2004	
						Yield (AF)	Contribution (\$)
Walnut Valley Water Reclamation Expansion Project	Walnut Valley Water District	500	1991	1993	0 ¹	4,380	\$240,117
Rowland Desalter Project	Rowland Water District	516	1998	N/A	0 ²	0	0
TOTAL		1,016				4,380	\$240,117

1. Five-year agreement expired in 1998.
2. Twenty-year agreement terminated in 2004 for non-production of allowable yield within five years of contract execution.