

- **Board of Directors**
Desalination and Reclamation Committee

November 8, 2005 Board Meeting

8-1

Subject

Approve Metropolitan facilitator role to address regional issues of the five respondent seawater desalination projects

Description

This letter proposes that Metropolitan carry out a facilitator role during the implementation phase for the five potential member agency seawater desalination projects. Areas of facilitation will include technical assistance, regulatory assistance, and regional coordination of a transparent process to review unsolicited proposals that may come from outside parties.

Background

In November 2001, Metropolitan issued a request for competitive proposals soliciting seawater desalination project proposals sponsored by member agencies. Metropolitan received five proposals that would result in a total of 142,000 acre-feet of ultimate annual production. This is consistent with the Integrated Resources Program goal of 150,000 acre-feet per year of seawater desalination by the year 2025.

In July 2005, in response to board direction, staff identified three options to guide Metropolitan's ongoing role in seawater desalination development, beyond providing financial incentives for the five proposed projects. The three options included (1) issuance of an open solicitation for additional seawater desalination, (2) development of a regional project through member agency partnerships, and (3) development of a regional project by Metropolitan. Common to all options was Metropolitan's continued support of the five member agency-proposed projects through incentive contracts and an enhanced regional facilitator role. All options are consistent with policy principles adopted by the Board.

In August and September, staff consulted with the member agencies for input on the three roles. At the September 2005 Desalination and Reclamation Committee, staff presented the three options, including the benefits, risks, and fiscal impacts to help describe the options. Based on the committee discussion and member agencies' comments, there was general consensus in three areas:

- Metropolitan should serve as a facilitator for relevant regional issues to assist the member agencies as they implement their seawater desalination projects to meet the IRP objective.
- Metropolitan should coordinate a review committee consisting of industry experts, member agency representatives and Metropolitan representatives to evaluate unsolicited proposals from third parties. Metropolitan would not proceed with a solicitation unless directed by the Board. The objectives of this open process are to ensure that unsolicited proposals would receive a thorough and fair review, ensure appropriate representation and understanding of the proposals, and ensure that unsolicited proposals would not impede progress on member agency projects.
- Metropolitan should not act as a lead on a regional project without a comprehensive review of the IRP, a detailed evaluation of the size, costs, benefits and risks of a regional desalination facility, and board approval.

Regional Facilitator Role

Based on the committee meeting feedback, staff recommends Metropolitan take a regional facilitator role to assist in the development of seawater desalination. In this capacity, Metropolitan staff would:

1. Assist member agencies in the resolution of technical issues through research and development. Metropolitan and member agencies would jointly determine and coordinate on the appropriate technical issues.
2. Support the member agencies in seeking regulatory clearance for the projects. Metropolitan and member agencies would jointly determine and coordinate on the appropriate regulatory issues.
3. Coordinate, through a transparent process, the review of unsolicited third party proposals for projects, with the expectation that the projects do no harm to the financial, regulatory, geographic, or other needs of the five-member agency seawater desalination projects.

Staff will come back to the Board with scope and procedure for assisting on technical and regulatory issues. Staff would follow the proposed Criteria and Process ([Attachment 1](#)) when evaluating unsolicited proposals.

Policy

By Minute Item 44356, dated Feb. 13, 2001, the Board adopted updated policy principles for brackish water and seawater desalination.

By Minute Item 44578, dated Aug. 20, 2001, the Board approved the Seawater Desalination Program and administrative guidelines.

By Minute Item 45115, dated Dec. 10, 2002, the Board authorized finalizing contract terms and principles for Seawater Desalination Program agreements.

By Minute Item 45828, dated July 12, 2004, the Board adopted the Integrated Water Resources Plan Update.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it 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 proposed action in question may have a significant effect on the environment, the proposed action 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 pursuant to Sections 15378(b)(2) and 15061(b)(3) of the State CEQA Guidelines.

CEQA determination for Options #2 and #3:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and the role of regional facilitator for seawater desalination projects consistent with the role described in this letter.

Fiscal Impact: Fiscal impacts are unknown at this time and will depend on the extent of roles identified by staff and the member agencies.

Option #2

Direct staff to re-evaluate Metropolitan’s role in the Desalination Program and continue support of incentive contracts for member agency projects.

Fiscal Impact: None

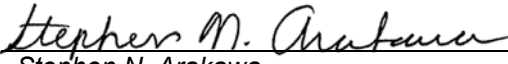
Option #3

Take no action

Fiscal Impact: None


Staff Recommendation

Option #1



Stephen N. Arakawa
Manager, Water Resource Management

10/19/2005
Date



Dennis B. Underwood
CEO/General Manager

10/19/2005
Date

Attachment 1 – Criteria and Process

BLA #4009

Criteria and Process For Evaluating Unsolicited Seawater Desalination Proposals

The following steps outline a process to evaluate unsolicited seawater desalination proposals. The criteria and process may be modified as experience and circumstances change.

Objective

The review of unsolicited proposals is designed to provide a fair evaluation of such proposals in an open manner.

Criteria

1. **Public disclosures on project:** All unsolicited proposals shall include the following information, which will be available for public disclosure through the Metropolitan Board process and discussions with the Technical Review Team:
 - a. Location of basic project elements;
 - b. Project yield;
 - c. General description of desalination technology;
 - d. Source of energy;
 - e. In-flow and outflow details;
 - f. Permitting issues;
 - g. Institutional arrangements including all project participants;
 - h. Expected total cost;
 - i. Financing plan; and
 - j. System integration & geographic area of service.
2. **Other disclosures on project:** All unsolicited proposals shall include the following information, which may be held as confidential by the Metropolitan Board and the Technical Review Team:
 - a. Specifics of desalination technology; and
 - b. Disclosures necessary to ensure that the project does no harm to the financial, regulatory, geographic, or other needs of member agency projects.

Process

Subsequent to receiving an unsolicited proposal, Metropolitan staff from the Water Resources Management Group shall proceed with the following process:

1. **Initial Screening:** Staff shall perform a preliminary evaluation of proposal for completeness based on the criteria above and inform the project proponent if the project needs further definition before further consideration can be made.
2. **Notifying the Board:** If the proposal passes the initial screening above, staff shall notify the Board that a complete unsolicited proposal has been received and that staff will be following the board-approved process for evaluation.
3. **Technical Evaluation:** Staff shall convene a Technical Review Team consisting of industry experts, member agency representatives, and Metropolitan representatives. The Technical Review Team shall evaluate the proposal based on the criteria listed above and make a recommendation to the Metropolitan Board based on the merits of the proposal.
4. **Report to Board:** Staff shall report back to the Board on the evaluation of the project, including all non-confidential disclosures, and propose board action if warranted.