

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

December 13, 2005 Board Meeting

7-6

Subject

Authorize entering into a Local Resources Program Agreement with Los Angeles Department of Water and Power for the Sepulveda Basin Water Recycling Project Phase 4

Description

Authorization is requested to enter into a Local Resources Program (LRP) Agreement with Los Angeles Department of Water and Power (LADWP) to provide up to \$1.6 million of financial contributions for the proposed 546 acre-feet per year Sepulveda Basin Water Recycling Project Phase 4. The project would deliver recycled water for irrigation use and 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.

The proposed 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. Phase 4 is an extension of the existing Sepulveda Basin Water Reclamation Project approved by the Board in 1993 for participation in the Local Projects Program. Eligible yield for the existing project was recently adjusted from 1,900 to 1,500 acre-feet per year in response to updated production estimates. LADWP is presently finalizing permitting and operational requirements for the existing project.

LADWP has complied with California Environmental Quality Act requirements and approved draft agreement terms for the Project. The next step in the process is board authorization of the LRP agreement.

The proposed project, which is described in **Attachment 2**, complies with LRP criteria adopted by the Board in June 1998. The LRP agreement, subject to approval as to form 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; and
4. Reduction in Metropolitan's contract commitment if production is low, measured in four-year intervals during the agreement term.

Subject to the Board's approval, the project would receive financial incentives of \$125 per acre-foot over 25 years for up to 546 acre-feet per year of recycled water as requested in LADWP's proposal. Metropolitan's maximum annual LRP contribution would be \$68,250 and would be included in future operations and maintenance budgets (**Attachment 3**). Metropolitan's maximum contribution would be about \$1.6 million for the 25-year period. **Attachment 4** summarizes LADWP's performance history under the LRP.

Policy

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

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

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

California Environmental Quality Act (CEQA)

CEQA determination for Staff Recommendation:

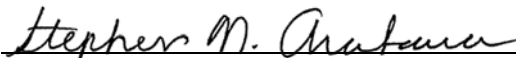
Pursuant to the provisions of CEQA and the State CEQA Guidelines, the Los Angeles Department of Water and Power, acting as the Lead Agency, prepared the Sepulveda Basin Water Recycling Project: Woodley/Burbank Mitigated Negative Declaration (MND). On March 2, 2004, the Board of Water and Power of the city of Los Angeles adopted the MND and approved its project. Subsequent to that time, the Los Angeles Department of Water and Power proposed to commence negotiations with Metropolitan as related to the LRP agreement. This new information constituted a minor modification to the originally approved project. As the Lead Agency, the Los Angeles Department of Water and Power prepared an Addendum to the MND (Addendum), adopted it and approved the proposed project modification on October 19, 2005. Metropolitan, as a Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the ND and Addendum 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 and 2005 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 an LRP agreement with Los Angeles Department of Water and Power to provide incentive payments of \$125 per acre-foot over 25 years.

Fiscal Impact: Projected \$1.6 million for up to 546 acre-feet per year of recycled water over 25 years

	11/10/2005
Stephen N. Arakawa Manager, Water Resource Management	Date

	11/14/2005
Debra C. Man Interim CEO/General Manager	Date

Attachment 1 – Selected Projects

Attachment 2 – Sepulveda Basin Water Recycling Project Phase 4, Project Description

Attachment 3 – Sepulveda Basin Water Recycling Project Phase 4, Metropolitan's Annual Contribution

Attachment 4 – Los Angeles Department of Water and Power Local Resources Program 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 4	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			

Exhibit A**Sepulveda Basin Water Recycling Project Phase 4****Project Description****Overview**

The Sepulveda Basin Water Recycling Project Phase 4 (Project) will deliver about 546 acre-feet per year (AFY) of Recycled Water to End Users in the San Fernando Valley, including the Wildlife Area, Burbank Boulevard landscaping, Hjelte Park, the South Valley Youth Baseball (Franklin Field), Sports Concession Area, Woodley Park, and other irrigation users.

Source of Project Water

The Project will be supplied with Recycled Water from the Donald C. Tillman Water Reclamation Plant, owned and operated by the City of Los Angeles, Bureau of Sanitation.

Project Facilities

The Project is an extension of the existing Sepulveda Basin Water Reclamation Project approved by Metropolitan's Board for participation in the Local Projects Program in 1993. Under the Phase 4 Project, LADWP will construct 14,650 linear feet of distribution system piping to serve additional users in the Sepulveda Basin. This extension will connect to the existing distribution system used to deliver recycled water in the area. The Balboa Pump Station will provide supply to this Project.

Figure 1 shows the Project facilities.

End Users

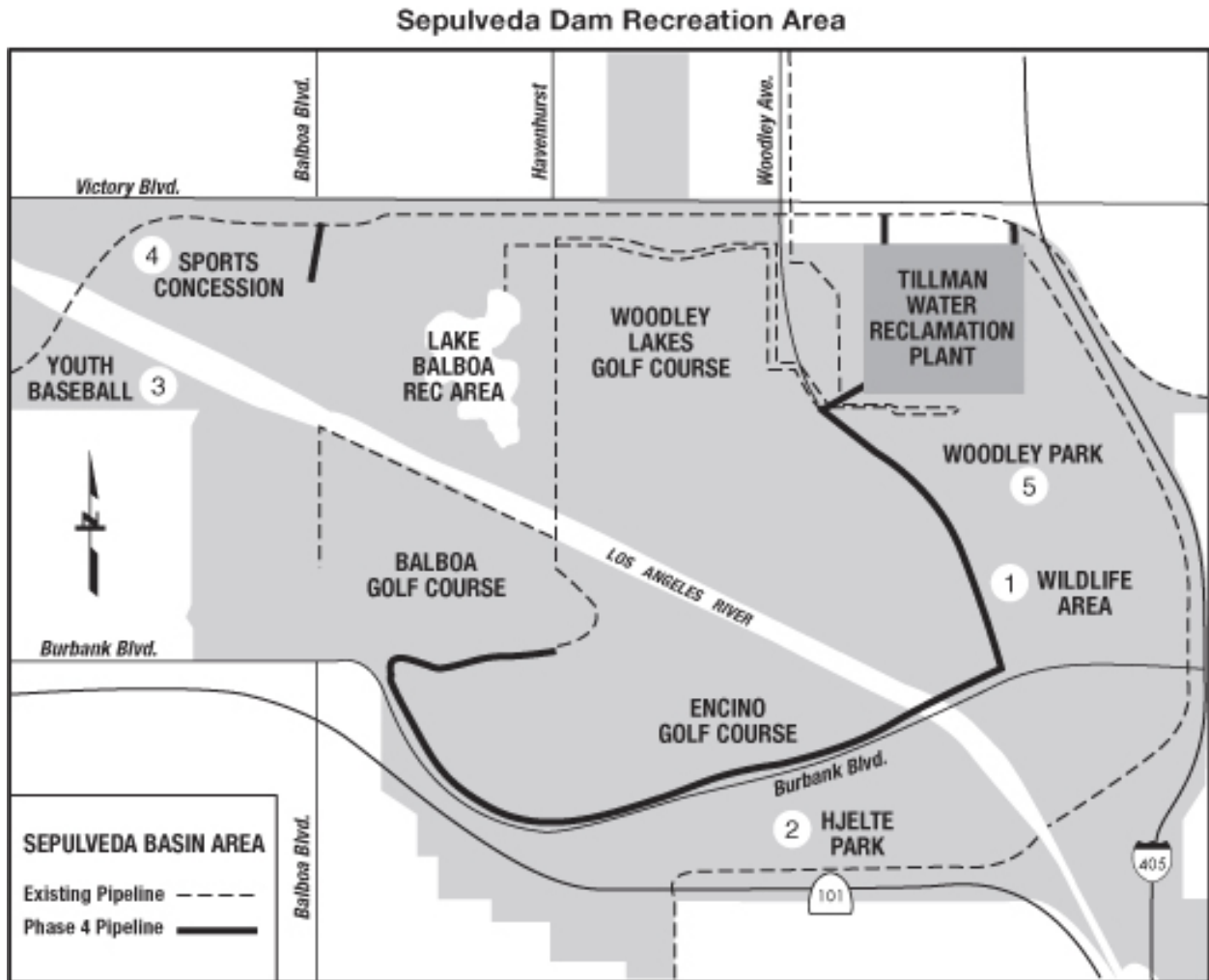
The Project water will be used for irrigation purposes at the Sepulveda Basin Recreation area.

Points of Connection

Project facilities begin at the connection to the existing LADWP Recycled Water pipeline and 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
- Connections to existing Project phases

Figure 1



Sepulveda Basin Water Recycling Project Phase 4

**Sepulveda Basin Water Recycling Project Phase 4
Metropolitan's Annual Contribution**

Fiscal Year End	LRP Contribution (\$/AF)	Scheduled Annual Production (AF)	Scheduled Annual Contribution (\$)
2005	125	167	20,875
2006	125	205	25,625
2007	125	226	28,250
2008	125	501	62,625
2009	125	546	68,250
2010	125	546	68,250
2011	125	546	68,250
2012	125	546	68,250
2013	125	546	68,250
2014	125	546	68,250
2015	125	546	68,250
2016	125	546	68,250
2017	125	546	68,250
2018	125	546	68,250
2019	125	546	68,250
2020	125	546	68,250
2021	125	546	68,250
2022	125	546	68,250
2023	125	546	68,250
2024	125	546	68,250
2025	125	546	68,250
2026	125	546	68,250
2027	125	546	68,250
2028	125	546	68,250
2029	125	546	68,250
		Total	\$1,570,625

Los Angeles Department of Water and Power Local Resources Program Projects

Project	Sponsor Agency	Contract Yield (AFY)	Agreement Date	Start of Operation	FY 04/05 Yield (AFY)	Total Thru June 2005	
						Yield (AF)	Contribution (\$)
Los Angeles Greenbelt	LADWP	1,610	1990	1993	574	8,727	1,344,004
Sepulveda Basin Water Reclamation	LADWP	1,500	1993	*	0	0	0
Harbor Water Recycling	LADWP	5,000	2000	*	0	0	0
Hansen Area Water Recycling Phase 1	LADWP	2,500	2005	*	0	0	0
TOTAL		10,610			574	8,727	1,344,004

* Not in operation