

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

December 13, 2005 Board Meeting

REVISED 8-1

Subject

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

Description

As discussed at the Desalination and Reclamation Committee over the past few months, this letter describes a regional facilitator role that Metropolitan would carry out 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 for seawater desalination and other local resource projects.

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 in addition to 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 the three options was Metropolitan's continued support of the five member agency-proposed projects through incentive contracts and an enhanced regional facilitator role. All three options are consistent with policy principles adopted by the Board.

In August, September, and November, staff consulted with the member agencies for input on the three roles. At the September and October 2005 Desalination and Reclamation Committee, staff described the three options, including the benefits, risks, and fiscal impacts. 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.
- Metropolitan should coordinate a process to evaluate unsolicited proposals from third parties for seawater desalination and other local resource projects. Metropolitan would not proceed with a solicitation for seawater desalination projects 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 a scope and procedure for assisting on technical and regulatory issues.

Staff would follow the proposed Process ([Attachment 1](#)) when evaluating unsolicited proposals. Staff will work with the member agencies on an agreed upon schedule to develop appropriate criteria for evaluating any unsolicited local project proposals, including seawater desalination.

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 determinations for Options #2 and #3:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and approve Metropolitan's role of regional facilitator to address seawater desalination and other local projects. ~~described in this letter for seawater desalination.~~

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 seawater desalination and other local projects 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

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Stephen N. Arakawa
Manager, Water Resource Management

11/30/2005

Debra C. Man
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Interim CEO/General Manager

11/30/2005

Attachment 1 – Process for Evaluating Unsolicited Proposals for Seawater Desalination and Other Local Projects

BLA #4123

Process for Evaluating Unsolicited Proposals for Seawater Desalination and Other Local Projects

Objective

The review of unsolicited local project proposals is designed to provide a fair evaluation in an open manner that is consistent with the Integrated Resources Plan (IRP), recognizing member agency conditions.

Process

Upon receiving an unsolicited proposal, Metropolitan staff shall proceed with the following process, which may be modified by the Board as experience and circumstances change.

1. **Initial Screening:** Staff shall perform a preliminary evaluation of the proposal for completeness, including evaluating whether the proposal satisfies an unfulfilled IRP target and has sponsorship from member agencies where the project would be located or where project water would be served.
2. **Notifying the Board:** If the proposal passes the initial screening, staff shall notify the Board that an unsolicited proposal for a local project has been received. The Board shall direct staff on whether to proceed with a full proposal evaluation.
3. **Technical Evaluation:** If directed, 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 a set of criteria, developed in cooperation with the member agencies, including whether the project would pose an impact to the financial, regulatory, geographic, or other needs of member agency projects.
4. **Report to Board:** Staff shall report back to the Board on the evaluation of the project.