

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

November 14, 2006 Board Meeting

7-5

Subject

Authorize entering into a conservation agreement with Proctor & Gamble Paper Products for an Industrial Process Improvement Program project

Description

Authorization is requested to enter into an agreement with Proctor & Gamble Paper Products to retrofit current industrial processes and improve water efficiency at their Oxnard facility. Metropolitan would provide financial incentives of up to \$1,072,500 for water savings of about 5,500 acre-feet (AF) achieved over five years. Incentives would be paid using budgeted conservation credits program funding. This 1,100-AF-per-year (AFY) project would benefit Metropolitan with strengthened regional supply reliability, reduced regional costs for water importation and deferred capital improvements.

This project would become the sixth to be implemented under Metropolitan's revised Industrial Process Improvement Program, which was originally established in 1997, and upgraded in 2004. This project is another step towards meeting the 2025 conservation target of 1.1 million AFY outlined in Metropolitan's Integrated Water Resources Plan.

Oxnard Project

Proctor & Gamble manufactures family, personal, and household care products including bath tissue and paper towels at its Oxnard facility. This facility would install a new treatment system consisting of desalination and dissolved air flotation technology to restore and reuse water discharged from its manufacturing process. The treated water would be reused in the paper manufacturing process and replace about 1,100 AF of potable water demand. Savings would amount to a 44 percent reduction in current water use of about 2,500 AF per year. In addition to reduced water supply costs, benefits to Proctor & Gamble include operation and maintenance savings, reduced wastewater discharge and lower sewer fees.

With the Board's approval of this project, an agreement would be executed with the following key performance provisions:

- Documentation of project capital costs and annual cost savings for water service and wastewater discharge fees;
- Metering plan to validate water savings after project startup;
- Partial payment upon equipment installation and operation; and
- Final payment after a specified monitoring period.

Metropolitan anticipates providing an incentive payment based on project water savings not to exceed \$1,072,500, which would be the total expenditures based on Metropolitan's incentive rate of \$195/AF. Actual Proctor & Gamble costs, avoided utility costs and water savings following installation and operation will determine Metropolitan's final contribution.

Policy

By Minute Item 46486, dated Dec. 13, 2005, the Board authorized conservation incentive level updates and program refinements from Metropolitan's Five-Year Conservation Strategy Plan.

By Minute Item 45784, dated June 8, 2004, the Board authorized upgrades to the Industrial Process Improvement Program and required individual board approvals for projects that would receive more than \$250,000.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed action involves the funding, design, and installation of equipment within existing private facilities along with the construction of minor appurtenant structures with negligible or no expansion of use and no possibility of significantly impacting the physical environment. Accordingly, the proposed action qualifies under Class 1 and Class 3 Categorical Exemptions (Sections 15301 and 15303 of the State CEQA Guidelines).

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies under two Categorical Exemptions (Class 1, Section 15301 and Class 3, Section 15303 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and authorize the General Manager to enter into an Industrial Process Improvement Program agreement with Proctor & Gamble to provide financial incentives up to a maximum of \$1,072,500 for implementing a water conservation project.

Fiscal Impact: A maximum of \$1,072,500 incentive payment for 5,500 AF of water savings. Payment would be made using budgeted conservation credits funds for FY 06/07 and 07/08.

Business Analysis: Water savings would contribute toward meeting the conservation targets in the Integrated Water Resources Plan.

Option #2

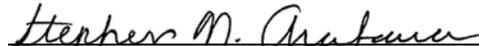
Do not authorize the General Manager to enter into an Industrial Process Improvement Program agreement with Proctor & Gamble.

Fiscal Impact: None

Business Analysis: An opportunity to conserve water that would contribute toward meeting conservation targets in the Integrated Water Resources Plan would be foregone.

Staff Recommendation

Option #1



Stephen N. Arakawa
Manager, Water Resource Management

10/26/2006
Date



Jeffrey Kightlinger
General Manager

10/26/2006
Date