



● **Board of Directors**  
***Water Planning and Stewardship Committee***

9/14/2010 Board Meeting

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**8-3**

**Subject**

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Authorize entering into a Local Resources Program agreement with Los Angeles Department of Water and Power for the Van Nuys Area Water Recycling Project

**Description**

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Authorization is requested to enter into a Local Resources Program (LRP) agreement with Los Angeles Department of Water and Power (Los Angeles) to provide financial incentives for the proposed recycled water distribution project. The project would provide up to 150 acre-feet per year of new recycled water for landscape irrigation and industrial use in the Van Nuys area of the city of Los Angeles. Los Angeles will own and operate the project, which is expected to start operation in October 2010. Metropolitan would benefit from strengthened regional water supply reliability.

The project, described in [Attachment 1](#), complies with LRP eligibility criteria adopted by the Board. The LRP contribution is projected to be for 14 years and vary from \$250 per acre-foot in the first year down to about \$31 per acre-foot. Agreement terms would be for 25 years. Key terms that would be incorporated into the proposed agreement, subject to approval in form by the General Counsel, include the following:

1. Pay for performance – LRP financial incentives would only be paid for recycled water delivered by the proposed project for beneficial use;
2. Sliding scale incentives up to \$250 per acre-foot, calculated annually, based on actual project unit cost above Metropolitan's prevailing water rate;
3. Termination for non-performance if construction does not commence within two years of agreement execution or recycled water deliveries are not realized within five years of agreement execution; and
4. Reduction in Metropolitan's contract commitment if project falls short of production targets measured in four-year intervals throughout the agreement term.

In 2007, the Board established a goal of 174,000 acre-feet per year of new LRP yield. Since then, the Board has approved seven projects totaling 57,450 acre-feet per year.

[Attachment 2](#) summarizes Los Angeles' performance history under the LRP.

**Policy**

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By Minute Item 47049, dated April 10, 2007, the Board adopted Local Resources Program revisions including a goal of 174,000 acre-feet per year of new production.

## California Environmental Quality Act (CEQA)

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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 and minor alterations of existing private or public facilities, along with minor modifications in the condition of land, water, and/or vegetation which do not involve removal of healthy, mature, scenic trees. These activities would result in negligible or no expansion of use and no possibility of significantly impacting the physical environment. Accordingly, the proposed action qualifies under both Class 1 and Class 4 Categorical Exemptions (Sections 15301 and 15304 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 4, Section 15304 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

## Board Options

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### Option #1

Adopt the CEQA determination and authorize the General Manager to enter into a Local Resources Program agreement with Los Angeles Department of Water and Power for 150 acre-feet per year of recycled water under terms included in this letter.

**Fiscal Impact:** Projected incentive payments would be \$0.5 million over 14 years based on project yield projections and estimated unit costs. However, should project cost be greater than anticipated, Metropolitan's maximum financial obligation would be \$0.9 million over 25 years. These incentive payments are factored into Metropolitan's rate projections and would be included in future budgets.

**Business Analysis:** The project would help achieve Metropolitan's local resources goal of developing 174,000 acre-feet per year of new supply by year 2025.

### Option #2

Do not authorize execution of an LRP agreement for the proposed project.

**Fiscal Impact:** None

**Business Analysis:** Metropolitan would consider other projects to meet its local resource program goal of 174,000 AFY of new water.

**Staff Recommendation**

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Option #1

  
Deven N. Upadhyay  
Manager, Water Resource Management

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8/23/2010  
Date

  
Jeffrey Lightlinger  
General Manager

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8/30/2010  
Date

**Attachment 1 – Los Angeles Department of Water and Power Van Nuys Area Water Recycling Project - Project Description**

**Attachment 2 – Los Angeles Department of Water and Power LRP Performance History**

Ref# wrm12605034

**Figure 1****LOS ANGELES DEPARTMENT OF WATER AND POWER  
VAN NUYS AREA WATER RECYCLING PROJECT****Project Description****Overview**

The proposed Van Nuys Area Water Recycling Project (Project) will be owned and operated by the city of Los Angeles Department of Water and Power (Los Angeles). The Project will expand the existing recycled water distribution system in Van Nuys to convey about 150 acre-feet per year of recycled water for landscape and industrial use.

**Project Facilities**

The proposed Project consists on construction of 10,000 feet of 6-inch to 16-inch-diameter pipelines and connects to an existing 16-inch-diameter pipeline, which is not part of this Project.

**Source of Water**

Recycled water would be supplied by the city of Los Angeles' Donald C. Tillman Water Reclamation Plant, which is located in Van Nuys and discharges significant amounts of recycled water to the ocean via the Los Angeles River. The Project would make use of tertiary-treated recycled water that would otherwise be wasted.

**End Users**

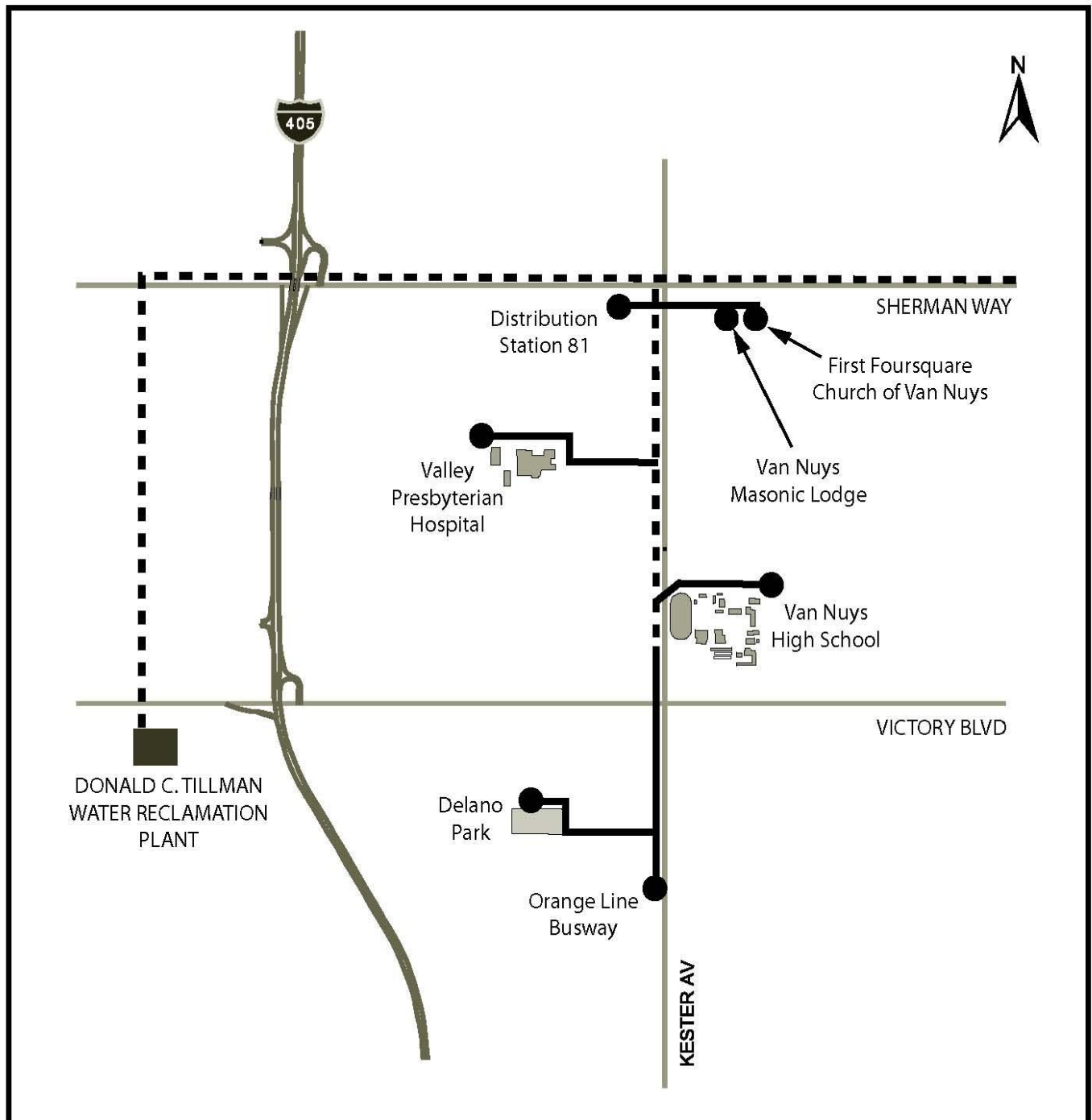
Recycled water from the Project will be delivered to end users located in the Van Nuys area of the city of Los Angeles.

**Points of Connection**

Project facilities begin at the connection to Los Angeles' existing recycled water distribution system pipeline and end at the following points of connection:

- Each end-user site
- Sewer, storm drain, channel and potable system interties
- Existing 16-inch recycled water pipeline

# Figure 1 VAN NUYS AREA WATER RECYCLING PROJECT



- Proposed Recycled Water Pipeline
- - - Existing Recycled Water Pipeline
- Potential Customers

**Los Angeles Department of Water and Power LRP Performance History**

Project	Contract Yield (AFY)	Agreement Date	Start of Operation	FY 08/09 Production	Total through May 2010	
					Yield (AF)	Contribution (\$)
Los Angeles Greenbelt*	900	1990	1993	900	12,618	\$1,650,000
Sepulveda Basin WRP	1,500	1993	2007	417	1,627	250,481
Harbor WRP	5,000	2000	2006	2,259	8,354	827,096
Hansen Area WRP – Phase I	2,500	2005	2007	1,490	2,330	40,081
Sepulveda Basin WRP – Phase IV	546	2005	-	-	-	-
Los Angeles Taylor Yard Park	150	2009	2009	26	33	8,350
<b>Total</b>	<b>10,596</b>			<b>5,092</b>	<b>24,963</b>	<b>\$2,776,008</b>

\* LRP agreement expired in April 2008.