



- Board of Directors
Water Planning and Stewardship Committee

3/13/2012 Board Meeting

8-6

Subject

Authorize entering into a Local Resources Program agreement with Los Angeles Department of Water and Power for the Harbor Industrial Recycled Water Project

Description

Authorization is requested to enter into a Local Resources Program (LRP) agreement with Los Angeles Department of Water and Power (LADWP) to provide financial incentives for the subject recycled water project. The project would provide up to 9,300 acre-feet per year of recycled water for industrial and landscape irrigation within LADWP's service area. LADWP would own and operate the conveyance components of the project, which is expected to begin deliveries in 2015. The project would strengthen regional water supply reliability. The project, described in [Attachment 1](#), complies with LRP criteria adopted by the Board.

The project includes expansion of nitrification facilities at the Carson Regional Water Recycling Plant (CRWRP) and construction of about 11 miles of pipeline to deliver recycled water to various industrial and irrigation customers in the Los Angeles Harbor area. CRWRP is owned and operated by West Basin Municipal Water District (West Basin). LADWP will have capacity entitlement in West Basin's recycled water facilities and will purchase recycled water from West Basin for this project. West Basin will not receive any LRP incentives for recycled water deliveries for this project.

Key terms that would be incorporated into the proposed 25-year agreement include the following:

1. Pay for performance. LRP financial incentives would only be paid for recycled water delivered by the proposed project for beneficial uses;
2. Sliding Scale incentives up to \$250 per acre-foot will be calculated annually and paid based on actual project unit cost above Metropolitan's prevailing water rate;
3. Termination for nonperformance. The agreement would be terminated if construction does not commence within two years of agreement execution, or if project does not commence operation within five years of the agreement's execution date; and
4. Reduction of contractual yield. Metropolitan would reduce its contractual commitment if the project falls short of production targets specified in the contract.

In April 2007, the Board established a goal of 174,000 acre-feet per year of new LRP yield. Since then, the Board has approved ten projects with a total potential yield of 74,570 acre-feet per year of production. Since inception of the LRP, Metropolitan has provided financial assistance for production of over 2.1 million acre-feet of recycled water and recovered groundwater. LRP projects produced about 206,000 acre-feet last year.

Policy

By Minute Item 47049 dated April 10, 2007, the Board authorized updated policies and procedures for the Local Resources Program.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

Pursuant to the provisions of CEQA and the State CEQA Guidelines, the Los Angeles Department of Water and Power (LADWP), acting as Lead Agency, prepared and processed the Harbor Refineries Recycled Water Pipeline Project EIR (EIR). The EIR was certified and the project was approved by the Lead Agency on October 20, 2009. The Lead Agency also approved the Findings of Fact (findings), the Statement of Overriding Considerations (SOC), and the Mitigation Monitoring and Reporting Program (MMRP). Subsequent to that time, a minor modification was made to the originally approved project. As the Lead Agency, LADWP prepared an Addendum to the EIR (Addendum) and approved the proposed project modification on January 27, 2012. Metropolitan, as a Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the certified EIR and Addendum and adopt the Lead Agency's findings, SOC, and MMRP prior to approval of the terms and conditions for the proposed agreement. The environmental documentation is available in the Board Executive Secretary's Office for review.

The CEQA determination is: Review and consider information provided in the certified 2009 EIR and 2012 Addendum and adopt the Lead Agency's findings, SOC, and MMRP related to the proposed action.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and authorize the General Manager to enter into a Local Resources Program agreement for the Harbor Industrial Recycled Water Project with Los Angeles Department of Water and Power for up to 9,300 acre-feet per year of recycled water under the terms included in this letter.

Fiscal Impact: Projected incentive payments would total \$45.1 million over 21 years based on estimated project yield and costs. These incentive payments are factored into Metropolitan's rate projections and would be included in future budgets. However, should project yield and costs be greater than anticipated, Metropolitan's maximum financial obligation would total about \$54.5 million over 25 years.

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

Option #2

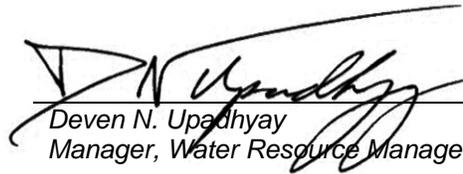
Do not authorize execution of an agreement for the proposed project.

Fiscal Impact: None

Business Analysis: Metropolitan would pursue other projects and it may take longer to meet the LRP goal of 174,000 AFY of new water.

Staff Recommendation

Option #1



Deven N. Upadhyay
Manager, Water Resource Management

2/23/2012
Date



Jeffrey Kightlinger
General Manager

2/28/2012
Date

Attachment 1 – Harbor Refineries Recycled Water Project – Project description

Ref# wrm12616439

HARBOR REFINERIES RECYCLED WATER PROJECT

Project Description

Overview

The Harbor Refineries Recycled Water Project (Project) will be owned and operated by the City of Los Angeles Department of Water and Power (LADWP) to convey about 9,300 acre-feet per year of recycled water to customers in Los Angeles. The Project is comprised of two recycled water components: Pipelines to be constructed, owned, and operated by LADWP to convey recycled water from the West Basin Municipal Water District (WBMWD) Carson Regional Water Recycling Plant (CRWRP) to various industrial and irrigation customers in the Los Angeles Harbor Area; and expansion of the nitrification facilities of the CRWRP, owned and operated by WBMWD and located in the city of Carson. LADWP will purchase nitrified tertiary treated Recycled Water from WBMWD in a separate transaction..

Project Facilities

The Project (Shown in Figure 1) includes approximately 60,000 feet of 30-inch or smaller pipelines to deliver up to 9,300 acre-feet per year of recycled water to industrial and irrigation customers in the Los Angeles Harbor area. Customers include the Conoco-Philips Wilmington, Tesoro, and Valero refineries, Air Products and Chemicals, Los Angeles Harbor College, and the Los Angeles Department of Recreation and Parks. The expansion of the CRWRP includes new nitrification treatment equipment capable of treating 12 million gallons per day (mgd), a 1 million gallon storage tank, a 12-mgd pump station, onsite piping and waste equalization tank, to be owned and operated by WBMWD as an expansion of the CRWRP.

Source of Water

Source water for the Project will be nitrified tertiary treated recycled water treated by the CRWRP, owned and operated by the West Basin Municipal Water District.

End Users

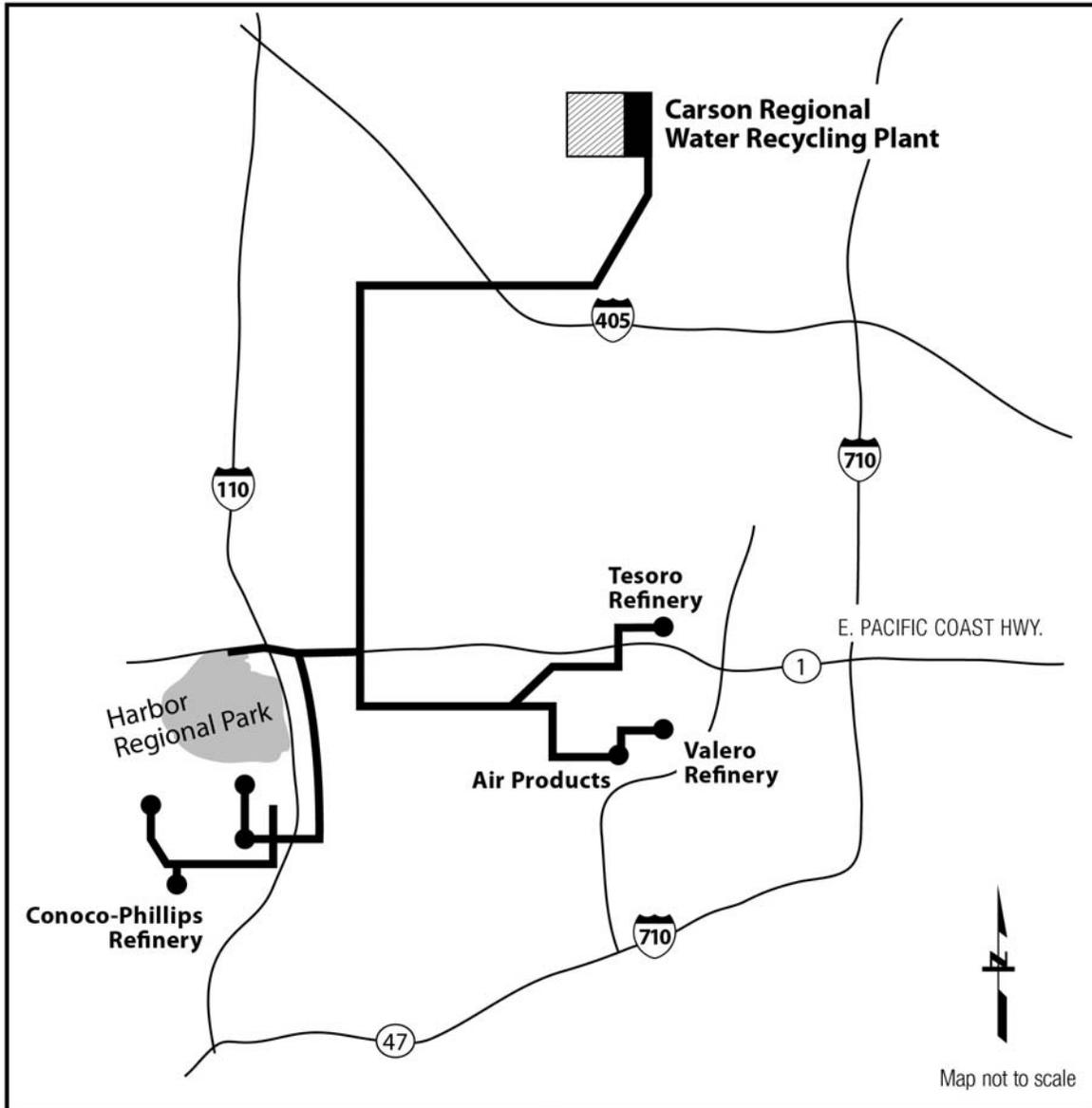
The Project will serve recycled water to the Conoco-Philips Wilmington, Tesoro, and Valero refineries, Air Products and Chemicals Company, Los Angeles Harbor College, and the Los Angeles Department of Recreation and Parks, among others.

Points of Connection

Project facilities begin at the connection to the CRWRP and end at the following points of connection:

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

Figure 1



HARBOR REFINERIES RECYCLED WATER PROJECT