



- Board of Directors
Water Planning and Stewardship Committee

3/13/2012 Board Meeting

8-10

Subject

Authorize entering into a Local Resources Program agreement with West Basin Municipal Water District for the West Basin Water Recycling Program Phase V Project

Description

Authorization is requested to enter into a Local Resources Program (LRP) agreement with the West Basin Municipal Water District (WBMWD) to provide financial assistance for the proposed recycled water project. The project would provide up to 8,000 acre-feet per year of recycled water for seawater barrier, industrial, and landscape irrigation within WBMWD's service area. WBMWD would own and operate the project, which is expected to begin deliveries in 2013. The project would strengthen regional water supply reliability.

The project, described in [Attachment 1](#), complies with LRP criteria adopted by the Board. The proposed project consists of the expansion of the Edward C. Little Water Recycling Facility (ECLWRF) and the effluent pump station, and the construction of additional recycled water pipelines to expand WBMWD's existing recycled water system. ECLWRF expansion involves installations of additional microfiltration, reverse osmosis, ultraviolet – advance oxidation, and ozone pretreatment processes. Approximately 7,100 acre-feet per year (AFY) of advanced treated recycled water would be delivered to the West Coast Seawater Intrusion Barrier. Another 900 AFY of recycled water would be delivered to NRG Energy's El Segundo Power Plant and four new irrigation customers.

WBMWD owns and operates the West Basin Water Recycling Program Phases I-IV (Existing Project), for which there is an existing LRP agreement for 66,055 AFY. That agreement expires in March 2020. The Existing Project produced a maximum yield of 32,200 acre-feet in 2007/08. WBMWD is constructing additional facilities and implementing operational improvements that would increase deliveries up to 38,200 AFY under the Existing Project. Staff plans to truncate the current agreement to a reduced maximum yield of 38,200 AFY for the remaining term of the agreement.

Staff recommends executing a new LRP agreement for Phase V of the project for up to an additional 8,000 AFY of yield associated with the new facilities and customers.

Key terms that would be incorporated into the 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 will be terminated if construction does not commence within two years of agreement execution, or if project does not commence operation within five years of agreement's execution date; and
4. Reduction of contractual yield. Metropolitan will 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 approximately 206,000 acre-feet of yield 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:

The environmental effects from the design, construction, and operation of the Edward C. Little Water Recycling Facility Phase V Expansion (Expansion Project) were evaluated by the West Basin MWD in an Initial Study and Mitigated Negative Declaration (MND, SCH #2011041011). The MND and Mitigation Monitoring and Reporting Program (MMRP) were adopted by the West Basin MWD board of directors on May 23, 2011. The current proposed action would not result in any new significant environmental impacts, nor result in substantial changes to the approved Expansion Project. Hence, the previously adopted environmental documentation, in conjunction with the current proposed action by Metropolitan as a Responsible Agency, fully complies with CEQA and the State CEQA Guidelines. Accordingly, no further environmental documentation is necessary for Metropolitan's Board to act on with respect to the proposed action. The Lead Agency's environmental documentation is available for review in the Board Executive Secretary's Office. Furthermore, the proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making, and involves other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Review and consider information provided in the adopted 2011 MND and MMRP, and determine that the proposed action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) 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 a Local Resources program agreement for the West Basin Water Recycling Program Phase V Project with West Basin Municipal Water District for up to 8,000 acre-feet per year or recycled water under the terms included in this letter.

Fiscal Impact: Projected incentive payments would total \$7 million over ten years based on estimated project yield and costs. However, should project yield and costs be greater than anticipated, Metropolitan’s maximum financial obligation would total about \$50 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 2025.

Option #2

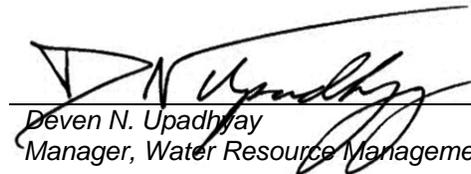
Do not authorize execution of an agreement for the proposed project.

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
2/24/2012
Date


Jeffrey Kightlinger
General Manager
2/29/2012
Date

Attachment 1 – West Basin Water Recycling Program Phase V Project – Project Description

Ref# wrm12613205

WEST BASIN WATER RECYCLING PROGRAM PHASE V

Project Description

Overview

The West Basin Water Recycling Program Phase V Project (Project) will be owned and operated by the West Basin Municipal Water District (WBMWD). The Project would convey about 8,000 acre-feet per year (AFY) of recycled water for seawater barrier, industrial, and irrigation uses to customers within WBMWD's service area. The Project consists of the Phase V expansion of the Edward C. Little Water Recycling Facility (ECLWRF) and the construction of additional recycled water pipelines to expand WBMWD's recycled water system.

Existing Project

West Basin currently owns and operates the West Basin Water Reclamation Program (Existing Project), which consists of the first four phases of the Edward C. Little Water Recycling Facilities, and existing distribution system to deliver up to 38,200 acre-feet per year (AFY) of recycled water for groundwater injection at the West Coast Basin Barrier Project and other beneficial uses in the cities of Los Angeles, El Segundo, Manhattan Beach, Hermosa Beach, Torrance, Lawndale, Hawthorne, Culver City and Inglewood. WBMWD is also upgrading the Existing Project to deliver recycled water to the city of Los Angeles Harbor Industrial Recycled Water Project (Harbor Project). The Existing Project and any improvement or deliveries to the Harbor Project are not part of this Project.

Project Facilities

The Project involves the expansion of the barrier water treatment system consisting of additional installations of the microfiltration reverse osmosis (RO), ultraviolet/advance oxidation process, and ozone pretreatment system to allow for the production and delivery of additional 7,100 AFY of recycled water for seawater barrier and groundwater replenishment. In addition, variable frequency drives will be installed for the 700-hp pumps to efficiently accommodate additional demands. The Project also includes the expansion of the Chevron low-pressure boiler feed-water system and ancillary facilities to produce additional 500 AFY of single-pass RO for NRG Energy's El Segundo Power Plant. Approximately 2.5 miles of pipeline would be built to deliver additional 400 AFY of recycled water for irrigation to new customers.

Source of Water

Source water for the Project will be secondary treated recycled water supplied by the city of Los Angeles Hyperion Treatment Plant. The ECLWRF will treat the water to the tertiary and advanced treatment levels.

End Users

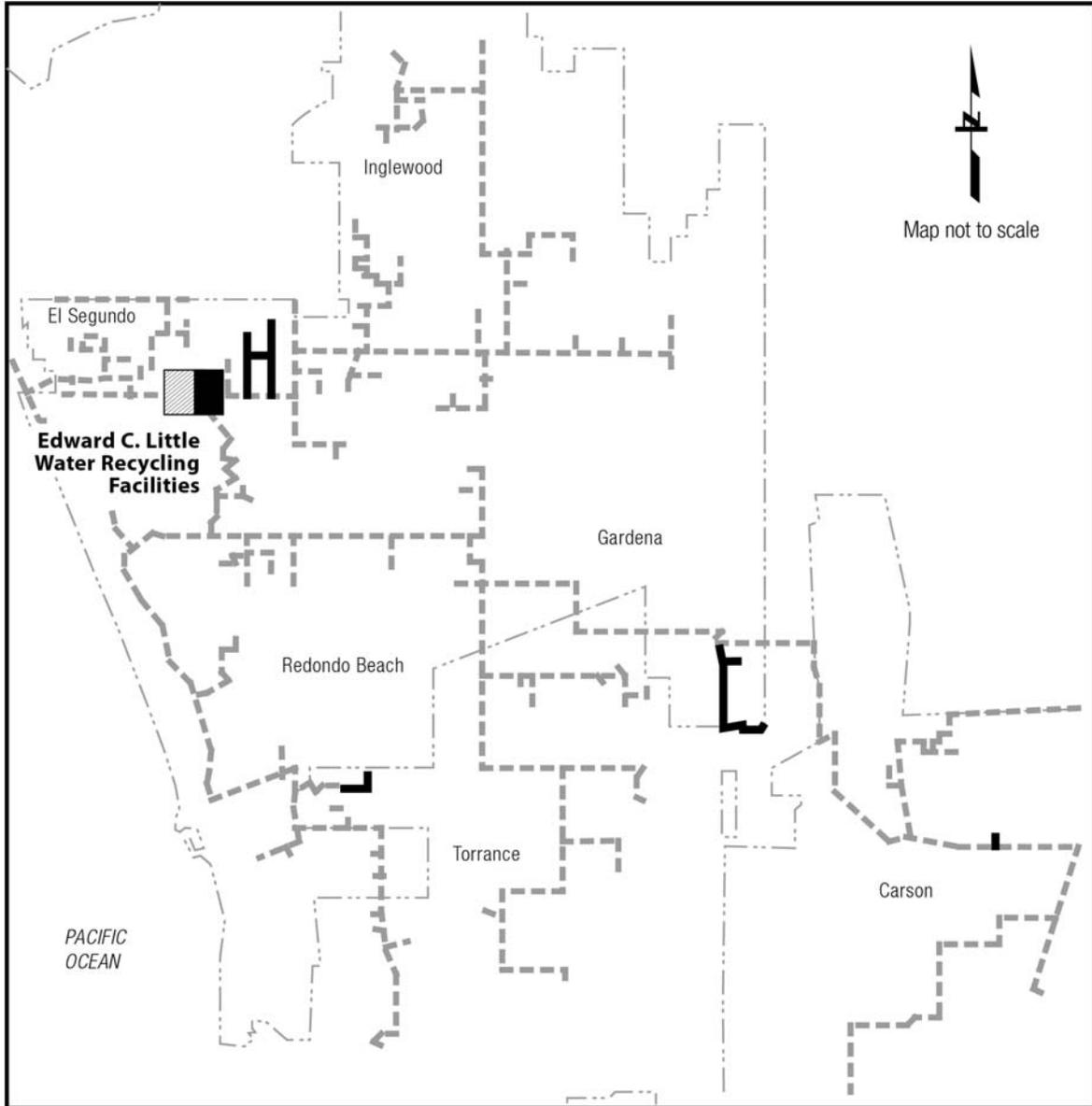
The Project will serve recycled water to potential customers in the West Basin MWD's service area.

Points of Connection

Project facilities and distribution lines will begin at the connection to West Basin's Existing Project and end at the following points of connection:

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

Figure 1



WEST BASIN WATER RECYCLING PROGRAM

Phase V Project

- Proposed Project
- - - -** Existing Project