



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

7/9/2013 Board Meeting

7-1

Subject

Authorize entering into a Local Resources Program agreement with city of Anaheim for the Anaheim Water Recycling Demonstration Project

Executive Summary

Authorization is requested to enter into a Local Resources Program (LRP) agreement with the city of Anaheim (Anaheim) for the Anaheim Water Recycling Demonstration Project (Project). The Project would provide up to 110 acre-feet per year (AFY) of recycled water for toilet flushing at Anaheim's Civic Center West Tower and landscape irrigation within Anaheim's service area. This project would contribute towards Metropolitan's LRP goal of 174,000 acre-feet (AF) of new supply by 2025.

Details

Authorization is requested to enter into a LRP agreement with the city of Anaheim for the subject project. The Project is a phased 110 AFY water recycling facility and includes a recycled water distribution system. The city of Anaheim would own and operate the Project. The Project is expected to begin deliveries in 2013.

The Project, described in [Attachment 1](#), complies with LRP criteria adopted by the Board. Key terms of 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 Project for beneficial use;
2. Sliding scale incentives up to \$250 per AF, calculated annually, based on actual project unit cost above Metropolitan's prevailing water rate;
3. Termination for nonperformance if construction does not commence within two years of agreement execution or recovered groundwater deliveries are not realized within five years of agreement execution;
4. Reduction in Metropolitan's contract commitment if project falls short of production targets measured in four-year intervals throughout the agreement term; and
5. Rate structure integrity language.

In 2007, the Board established a goal of 174,000 AFY of new LRP yield. Since then, the Board has approved 21 projects with a potential yield of 104,770 AFY. Since inception of its regional local resources and groundwater recovery programs in 1982, Metropolitan has provided financial assistance for production of over 2.4 million AF of recycled water and recovered groundwater. The board-approved policy goals of these programs, which benefit all member agencies regardless of individual project location, target increased regional water supply reliability and reduced demands for new sources of imported water supplies. LRP projects produced about 212,000 acre-feet in fiscal year 2011/12.

Policy

By Minute Item 47049, dated April 10, 2007, the Board adopted LRP revisions including a goal of 174,000 AFY of new production.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action involves entering into a Local Resources Program (LRP) agreement with the city of Anaheim to provide financial incentives for the Project. Pursuant to the provisions of CEQA and the State CEQA Guidelines, the city of Anaheim, acting as the Lead Agency, adopted a Mitigated Negative Declaration (MND) pursuant to Section 21080.21 of the State CEQA Guidelines, on January 26, 2010, for the Anaheim Water Recycling Demonstration Project. Subsequent to that time, the city of Anaheim proposed to commence negotiations with Metropolitan as related to the LRP agreement. This new information constituted a minor modification to the originally approved project. The city of Anaheim subsequently prepared an Addendum to the MND (Addendum) in its capacity as the Lead Agency, adopted it and approved the project modification on May 28, 2013. This project consists of construction of a 2,000-square-foot water recycling facility, pump station, and recycled water distribution piping. The Project would produce up to 110 AF of recycled water per year primarily for use in toilet flushing and landscape irrigation. Metropolitan, as a Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the MND and Addendum and adopt the Lead Agency's findings prior to approval of the formal terms and conditions for the proposed agreement. The environmental documentation is available through the Board Executive Secretary's Office for review.

The CEQA determination is: Review and consider information provided in the adopted 2010 Mitigated Negative Declaration and 2013 Addendum and adopt the Lead Agency's findings related to the proposed agreement.

CEQA determination for Option #2:

None required

Board Options

Option #1

Review and consider information in the Mitigated Negative Declaration and Addendum prepared by the city of Anaheim as Lead Agency, adopt the Lead Agency's findings, and authorize the General Manager to enter into a Local Resources Program agreement for the Anaheim Water Recycling Demonstration Project with the city of Anaheim for up to 110 AF per year of recycled water under terms included in this letter.

Fiscal Impact: \$650,000 over 25 years based on project yield projections and estimated 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 could total up to \$690,000 over 25 years.

Business Analysis: The project would contribute towards Metropolitan's local resources goal of developing 174,000 AF per year of new supply by year 2025.

Option #2

Do not authorize execution of an agreement for the project.

Fiscal Impact: None

Business Analysis: Metropolitan would pursue other projects and it may take longer to meet the LRP goal of 174,000 acre-feet per year.

Staff Recommendation

Option #1


Deven N. Upadhyay
Manager, Water Resource Management

6/19/2013
Date


Jeffrey Knightlinger
General Manager

6/24/2013
Date

Attachment 1 – Anaheim Water Recycling Demonstration Project – Project Description

Ref# wrm1222928

ANAHEIM WATER RECYCLING DEMONSTRATION PROJECT

Project Description

Overview

The Project consists of a phased 110 acre-feet per year (AFY) water recycling facility (WRF) and a recycled water distribution system. Phase I of the Project will produce up to 55 AFY of recycled water that will be used for irrigation and toilet flushing. A second phase of the project will increase production by the remaining 55 AFY. Project will be owned and operated by Anaheim. The WRF will serve as a small scale demonstration facility which will serve as an educational showpiece increasing public awareness and support for development of local drought-proof supplies.

Project Facilities

The Project (as shown in Figure 1) involves the installation/construction of a satellite membrane bioreactor (MBR) treatment facility and will be completed in two phases:

The first phase includes a 2,000-square-foot water recycling facility, wastewater diversion structure, 25,000-gallon storage tank, approximately 1,000 feet of forced sewer main, 1,500 feet of recycled water piping, and retrofitting of the dual plumbed Anaheim West Tower and landscape irrigation systems around City Hall.

Second phase will consist of installing additional equipment (ultra-filtration membrane modules), 9,000 feet of recycled water distribution pipeline, constructing a 50,000-gallon storage tank, retrofitting of landscape irrigation systems, and retrofitting of cooling tower and industrial water systems.

Source of Water

Source water for the Project will be raw wastewater diverted from Anaheim's Lemon Street Trunk Sewer.

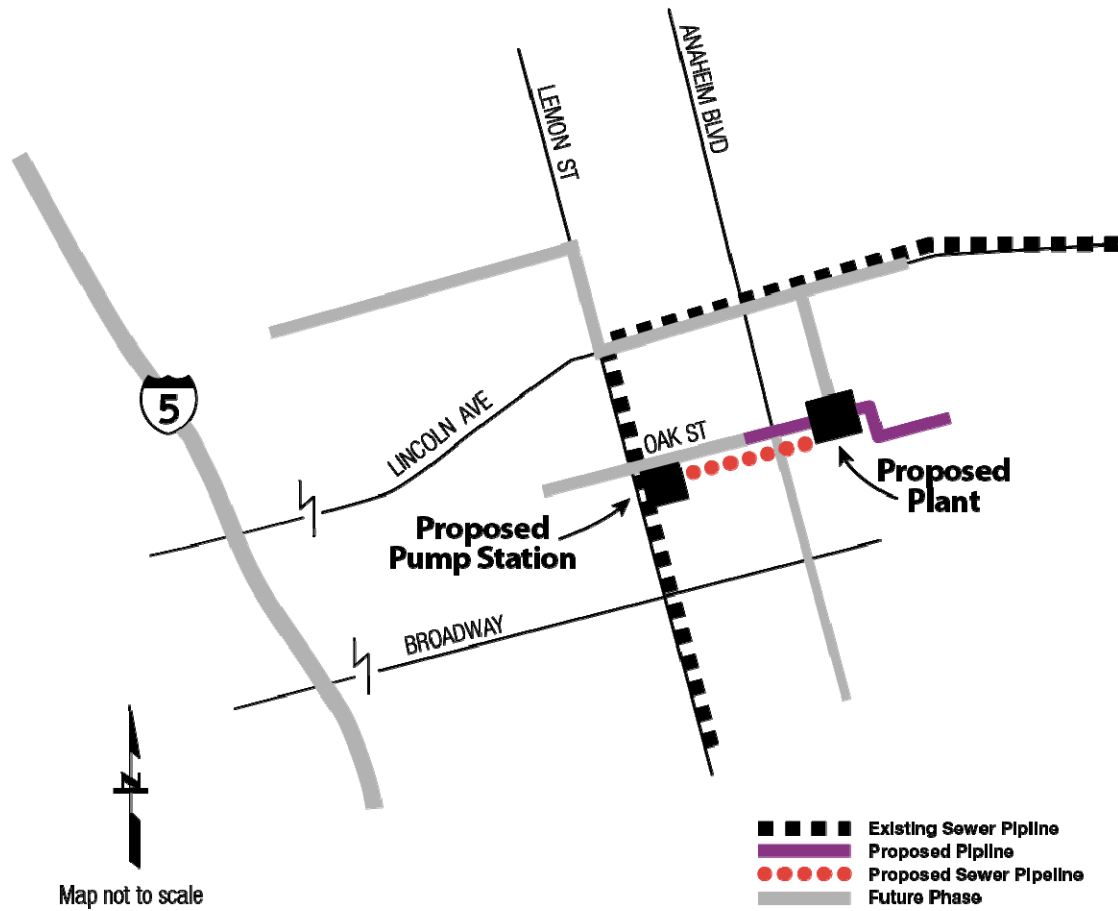
End Users

The Project will serve recycled water to Anaheim's Civic Center West Tower for toilet flushing and for irrigation purposes to customers in the Anaheim area.

Points of Connection

Project facilities begin at the connection to Anaheim's Lemon Street Trunk Sewer near the intersection of Oak Street and Lemon Street, and end at the following points of connection:

- Each end-user
- Sewer, storm drain, channels and potable system interties



ANAHEIM WATER RECYCLING DEMONSTRATION PROJECT