



- Board of Directors  
*Water Planning and Stewardship Committee*

3/11/2014 Board Meeting

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**8-3**

## **Subject**

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Authorize entering into a Water Savings Incentive Program agreement with Altman Specialty Plants, Inc. to provide financial incentives for a water use efficiency project

## **Executive Summary**

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Authorization is requested to enter into an agreement with Altman Specialty Plants, Inc. to provide up to \$500,000 in incentives for the capture, treatment and reuse of nursery irrigation water to improve water use efficiency. The project would result in estimated water savings of about 3,420 acre-feet (AF) over a ten-year period. Metropolitan would then be reimbursed by Western Municipal Water District for up to \$100,000 of these incentives.

## **Details**

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The Water Savings Incentive Program provides financial incentives for commercial, industrial, institutional, agriculture and large landscape projects that improve water use efficiency, reduce water consumption, and increase regional water supply reliability within Metropolitan's entire service area. In September 2013, the Board authorized incentives for a regional pay-for-performance program administered by Metropolitan. Customized nonresidential projects throughout Metropolitan's service area are eligible. Incentives up to \$195 per AF of water saved are offered for up to ten years. The incentive may not exceed 50 percent of eligible project costs. Payment is made upon verification of project installation and operation, and completion of 12 months of water use monitoring to verify actual water savings and performance. These projects offer significant water savings with minimal administrative cost.

### **Altman Specialty Plants Project**

Altman Specialty Plants, Inc. (Altman) is requesting to participate in the Water Savings Incentive Program. Altman grows landscape plants on approximately 375 acres within Western Municipal Water District's service area. The project will capture irrigation runoff from the nursery, treat and reuse the water for additional irrigation. The project will include construction of a new storage impoundment facility, lining of an existing reservoir, installation of two pumping plants, and a treatment facility. The project is being implemented with technical and financial assistance from the U.S. Department of Agriculture Natural Resources Conservation Service. Altman estimates the proposed project will provide a 33 percent reduction in current water use.

With savings of approximately 3,420 AF over a ten-year period, the project would be eligible for an incentive of approximately \$500,000 from Metropolitan. Metropolitan would then be reimbursed by Western Municipal Water District for up to \$100,000 of these incentives. Subject to the Board's approval of the project, the two-year agreement would include key performance provisions including:

- Documentation of project capital costs and water use history;
- Metering plan to validate water savings for one year after startup;
- Partial payment upon installation and operation of equipment; and
- Final payment after the one-year monitoring period.

## Policy

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By Minute Item 49542, dated September 10, 2013, the Board authorized changes to Metropolitan's Water Conservation Program including incentives for pay-for-performance projects.

By Minute Item 48772, dated August 16, 2011, the Board adopted the Long-Term Conservation Plan and revisions to the water conservation policy principles.

## 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 installation of conservation measures at existing public or private facilities involving negligible or no expansion of use and no possibility of significantly impacting the physical environment, within the context of the existing water savings incentive program. Accordingly, the proposed action qualifies under a Class 1 Categorical Exemption (Section 15301 of the State CEQA Guidelines).

In addition, the fiscal aspects of the incentives are not subject to CEQA because they involve 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 (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies under a Categorical Exemption (Class 1, Section 15301 of the State CEQA Guidelines). In addition, the fiscal aspect of the financial incentives are not subject to CEQA (Section 15378(b)(4) of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

## Board Options

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### Option #1

Adopt the CEQA determination that the proposed action is categorically exempt and authorize entering into a Water Savings Incentive Program agreement with Altman Specialty Plants, Inc.

**Fiscal Impact:** \$400,000. The projected incentive of up to \$500,000 would be based on estimated water savings and costs. Water Savings Incentive Program expenditures would be managed within the board-approved budget for each fiscal year. Western Municipal Water District would then reimburse Metropolitan up to \$100,000.

**Business Analysis:** The proposed project would help achieve the water conservation goal in the Integrated Resources Plan (IRP).

### Option #2

Take no action.

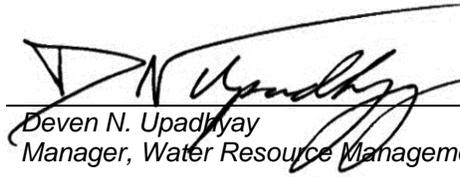
**Fiscal Impact:** None

**Business Analysis:** Metropolitan would pursue other projects, and it may take longer to meet the IRP water conservation goal.

**Staff Recommendation**

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Option #1

  
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Deven N. Upadhyay  
Manager, Water Resource Management

2/20/2014  
Date

  
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Jeffrey Kightlinger  
General Manager

2/24/2014  
Date

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