



Update on Potential Refinements to the Performance Provisions within the Local Resources Program

Water Planning and Stewardship Committee

Item 6c

May 10, 2021

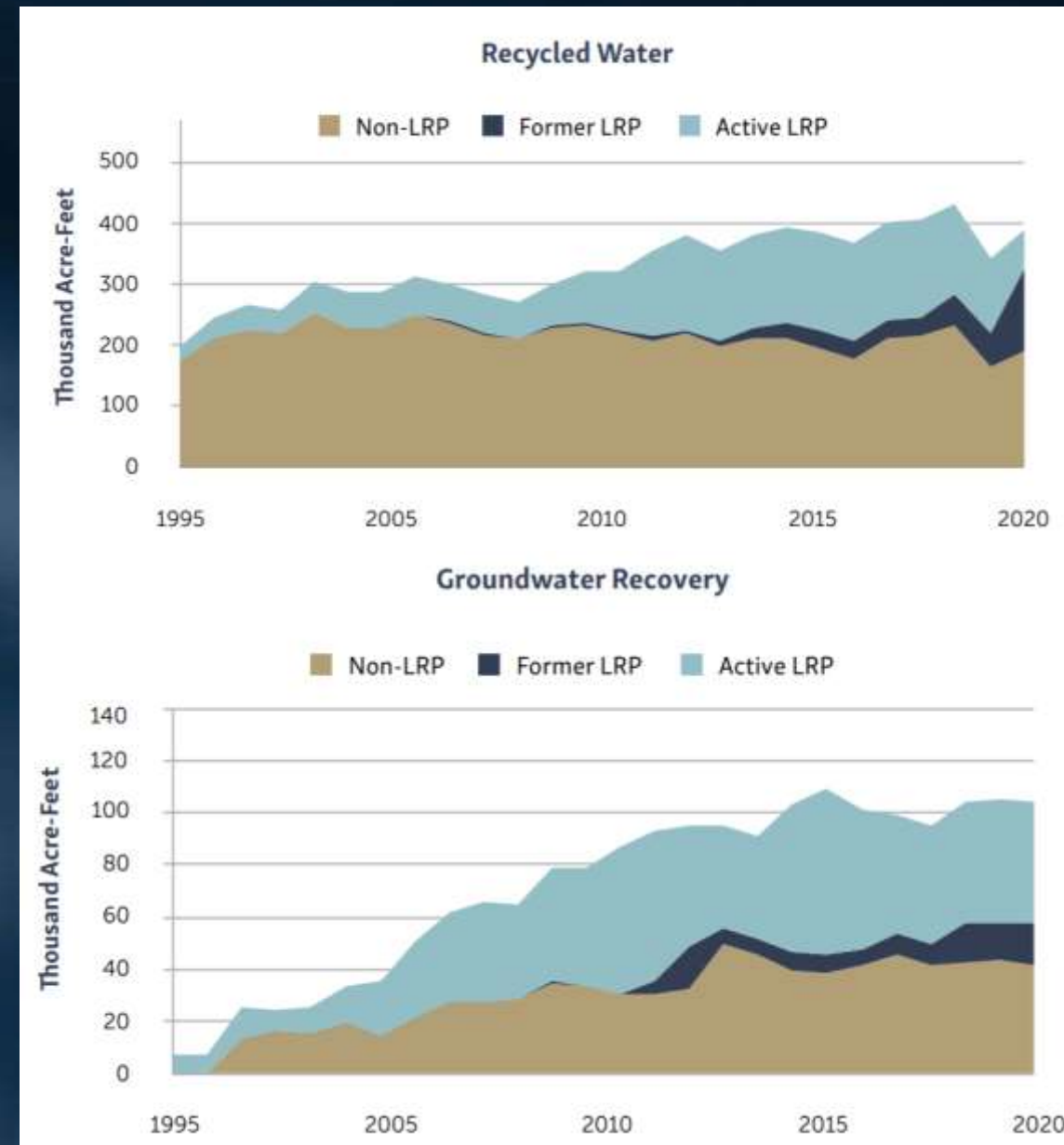
Outline

- Background on Current LRP Performance Provisions
- Potential Refinement to LRP Performance Provisions
- Next Steps

Background on Current LRP Performance Provisions

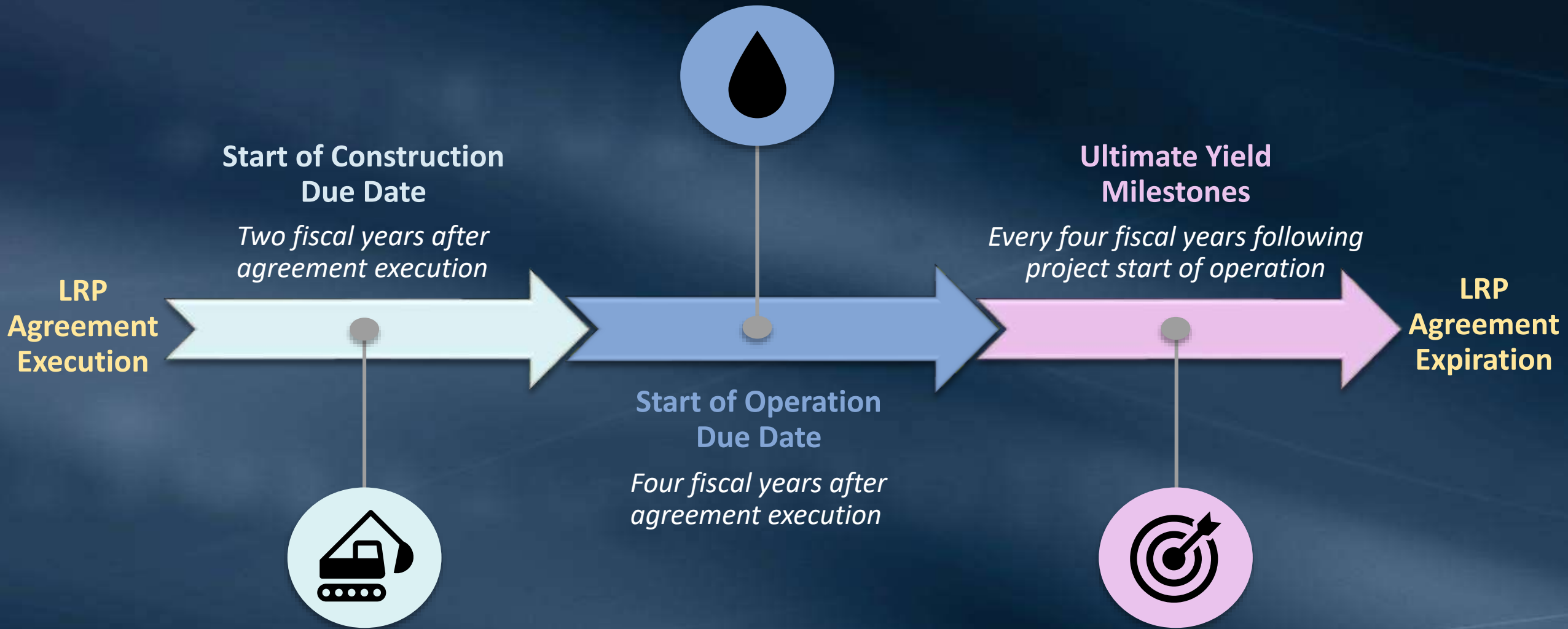
Background

- Local Resources Program (LRP) provides financial incentives for MWD's member agencies to help develop new local projects
- Helps improve regional reliability
- LRP continuously refined to support development of local projects
 - 2014 – Included new incentive structure
 - 2018 – Established interim LRP target yield

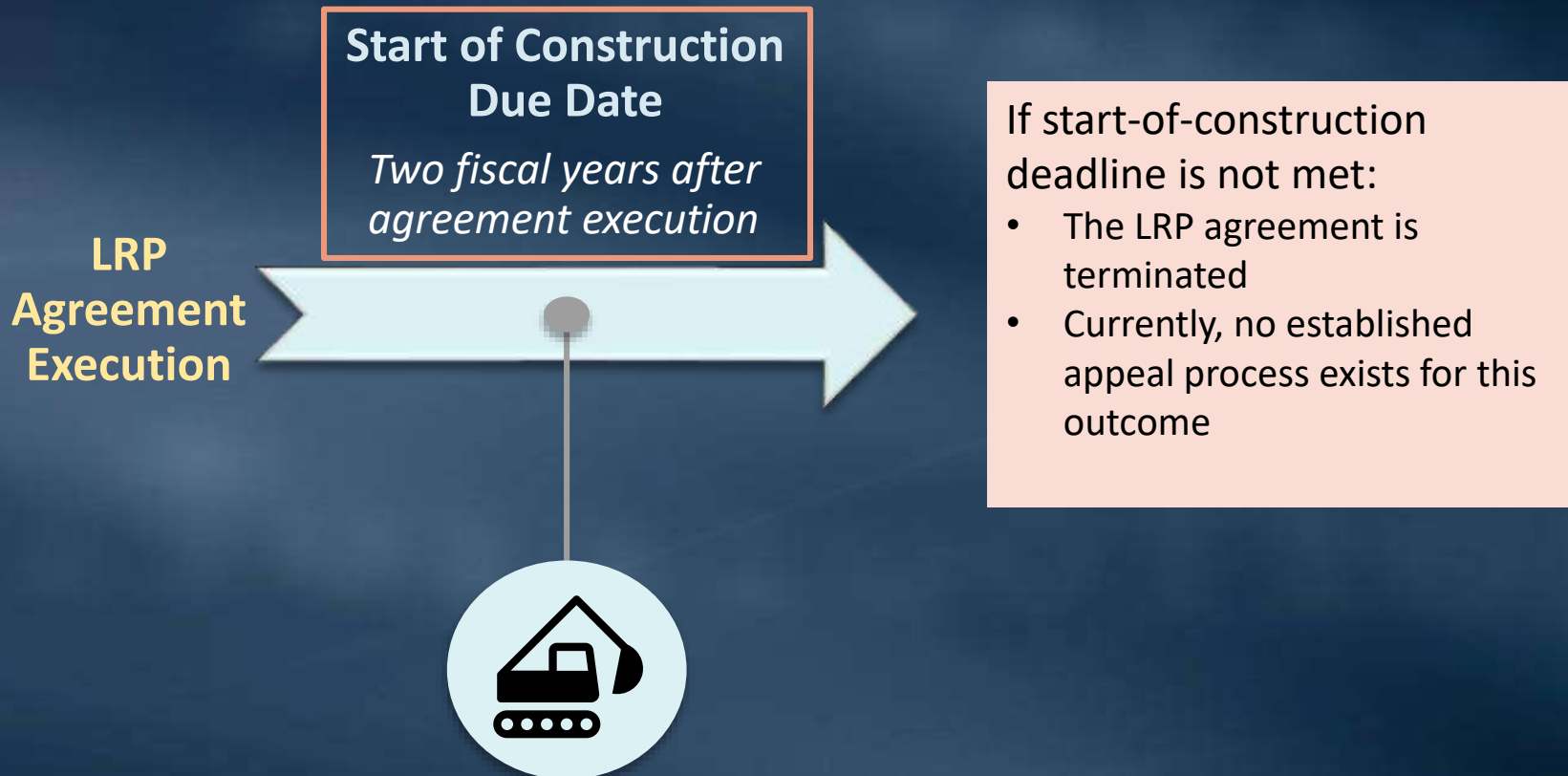


Source: "Achievements in Conservation, Recycling and Groundwater Recharge." February 2021.

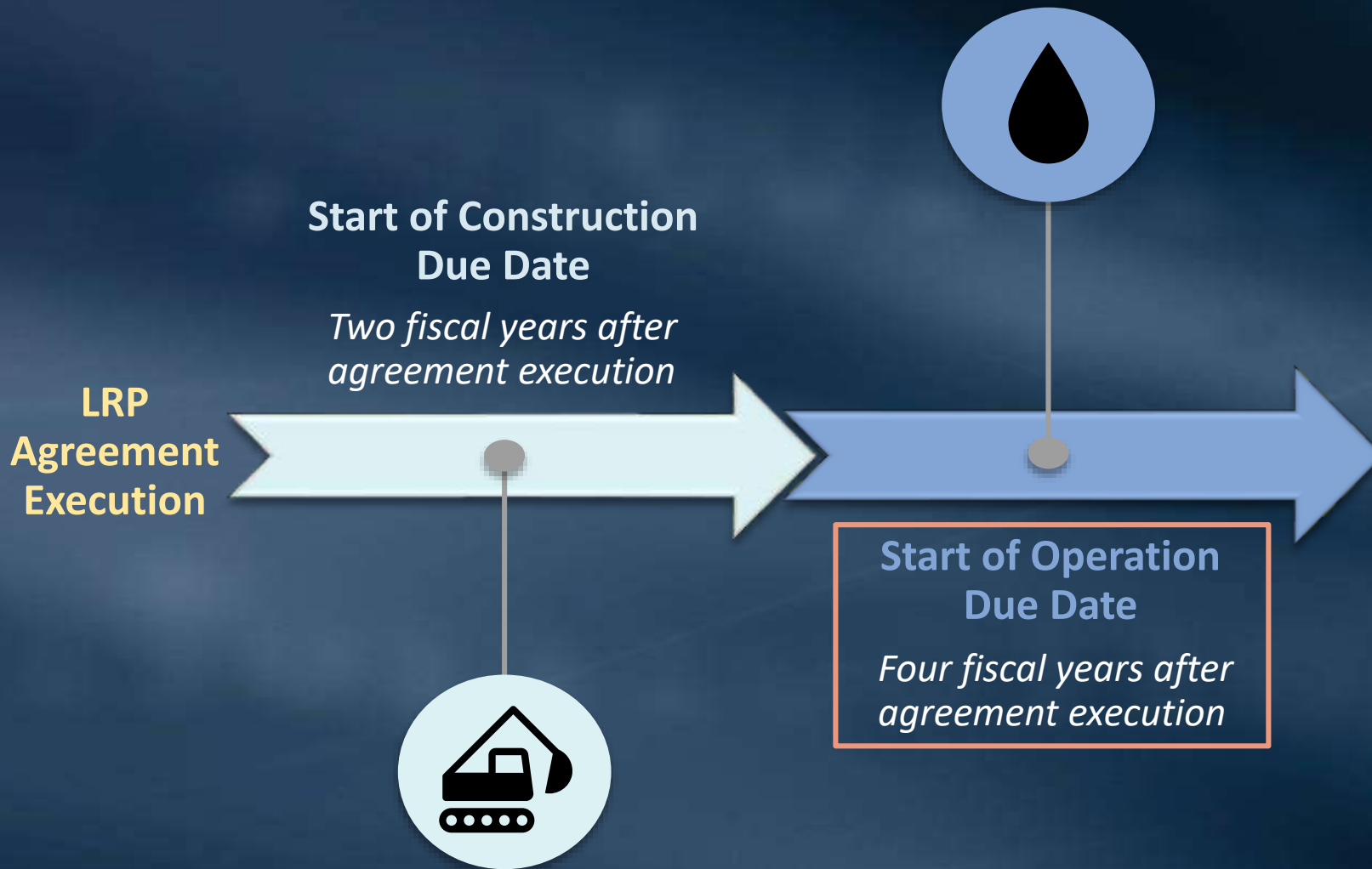
Current LRP Performance Provisions



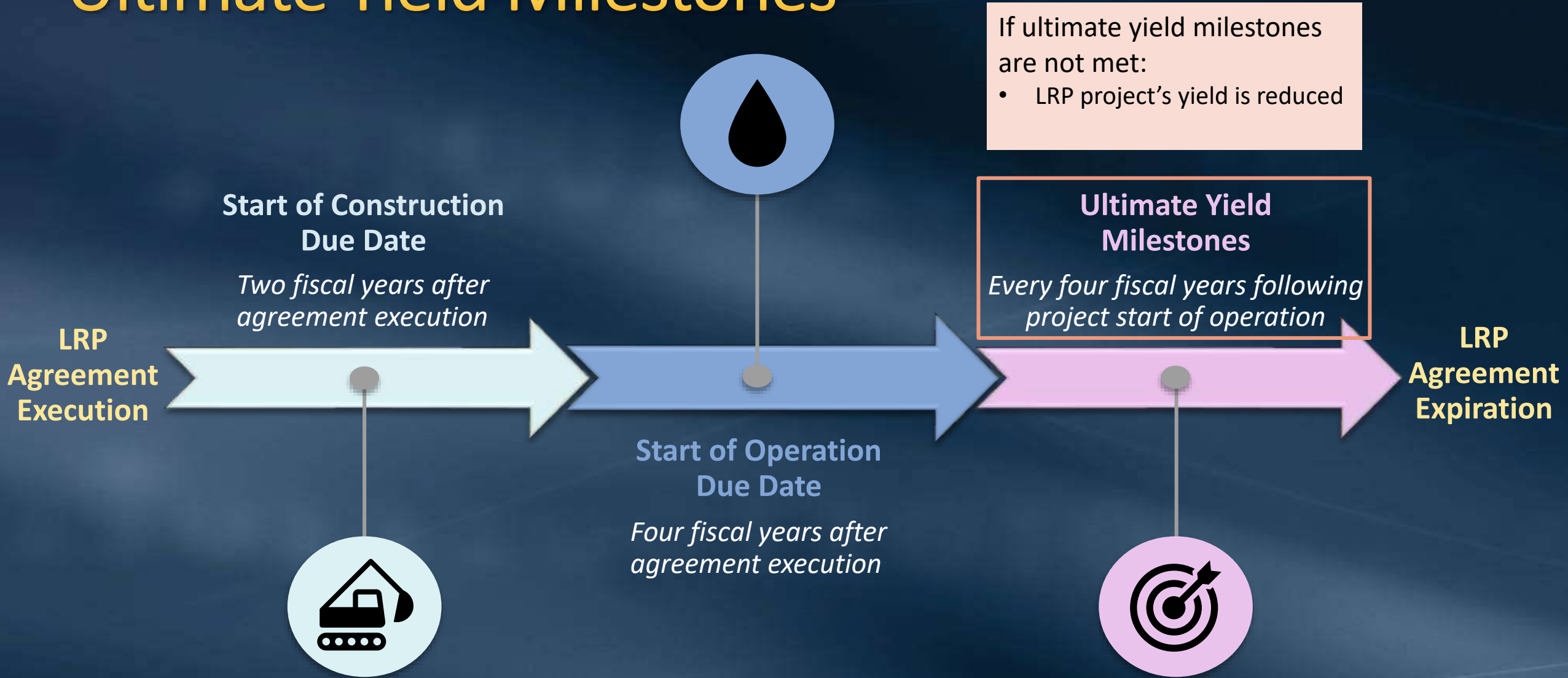
Start of Construction Due Date



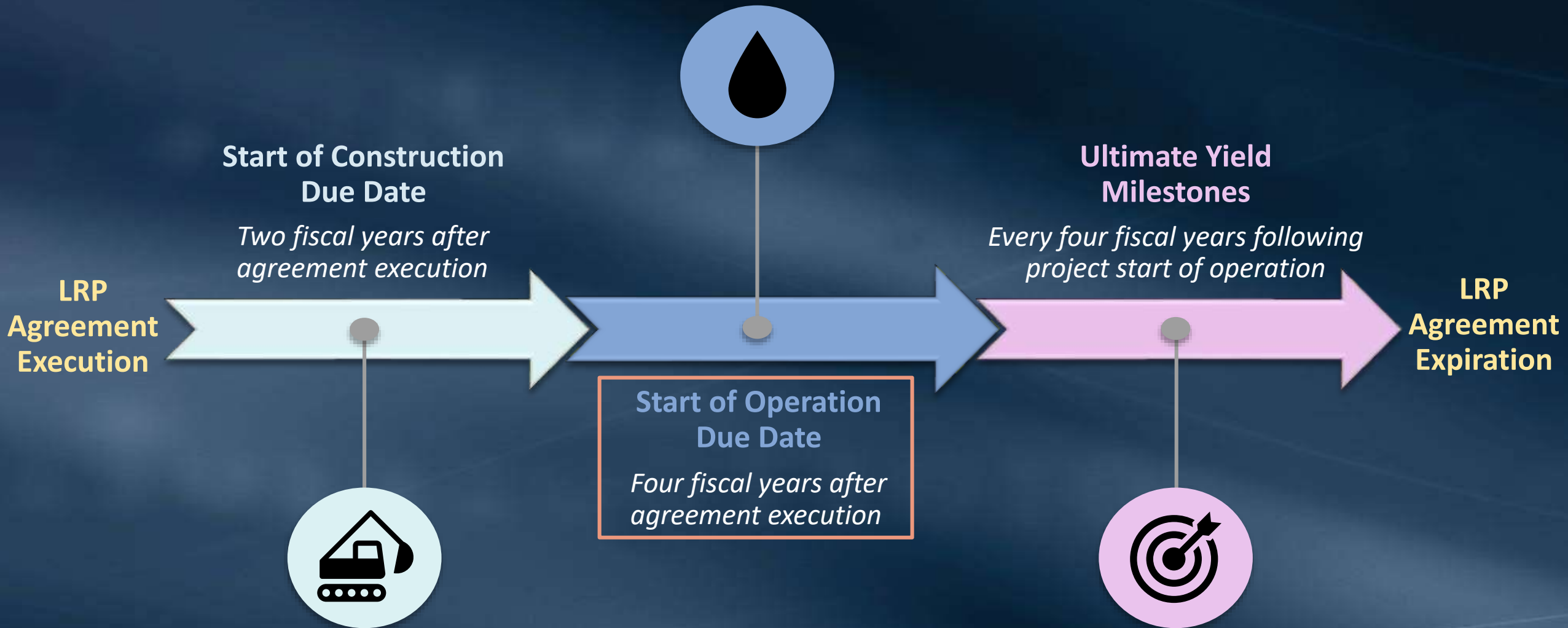
Start of Operation Due Date



Ultimate Yield Milestones

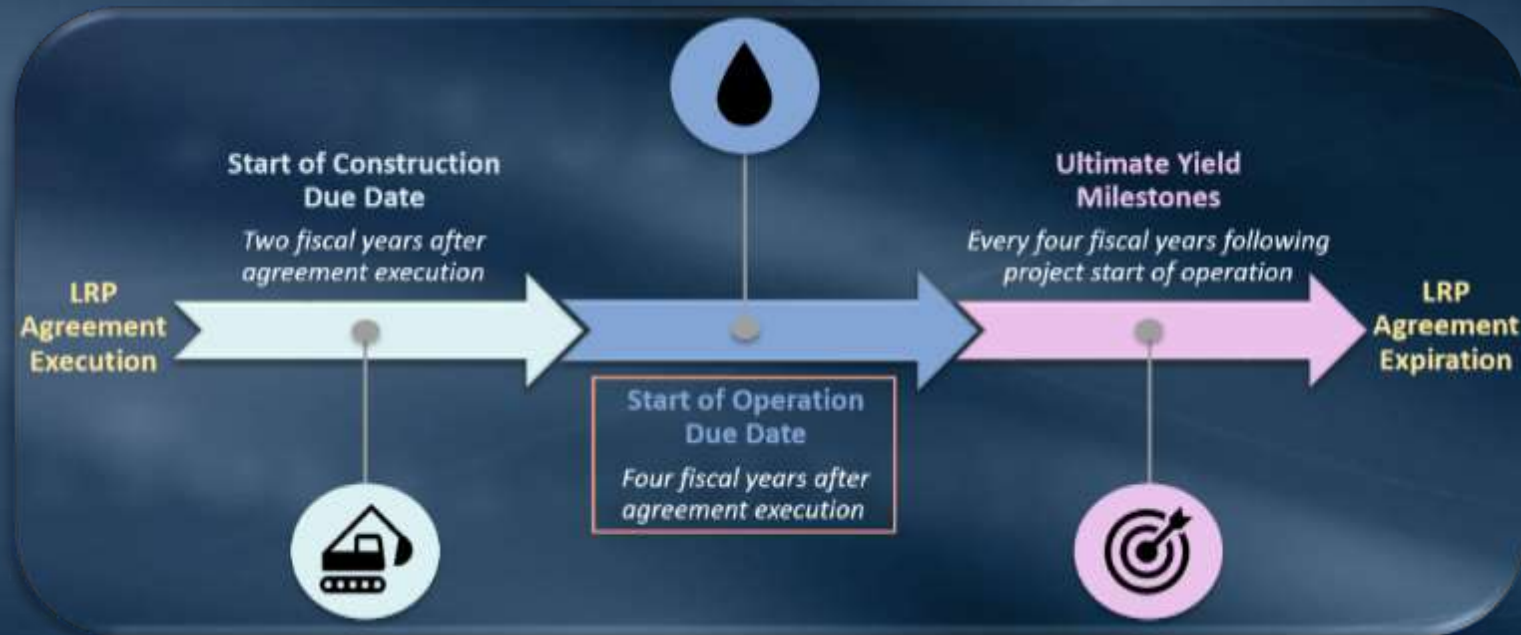


Current LRP Performance Provisions



Start of Operation Performance Provision

- Current LRP Start of Operation performance provision
 - LRP agreements terminate if projects do not start operation and deliver allowable yield within four fiscal years of agreement execution
 - Project sponsor(s) may appeal this decision to MWD's Board



Potential Refinement to LRP Performance Provision

Impacts to LRP Projects

- 11 LRP projects currently under construction
- Four projects required to commence operation by July 1, 2021
- Several LRP projects will likely not meet start-of-operation deadlines
- Projects experiencing delays due to various issues
 - COVID-19 pandemic
 - Customer-related delays
 - Other construction issues

COVID-19 Impacts to MWD Service Area

- In March 2021, MWD sent a survey to Member Agency Engineering Managers regarding their capital projects during the pandemic
 - Survey asked member agencies as to whether their agencies experienced impacts to their capital projects as a result of the pandemic
 - 12 Member Agencies responded to the survey
 - Eight stated yes, four stated no

Proposed Change to Performance Provision

- Proposal: Seek Board authority for extensions of on-line dates
 - Delegate authority to General Manager to extend start-of-operation date by up to three years for good cause shown
 - Applies to future and existing LRP projects

LRP Projects must be under Construction

- Agreement provision

Formal Appeal Letter by Project Sponsors

- Include Project-specific circumstances for extension request
- Specify amount of time needed

General Manager Consideration of Extension Request

- Extension would be granted under specific circumstances
- Types of acceptable circumstances described later

Start of Operation Extension

- Extension of up to three fiscal years

General Manager's Consideration of Request

- General Manager would grant extension request based on the following:
 - LRP project is currently under construction
 - Project sponsors will continue pursuing the project
 - Letter of commitment from agency or another signal needed
 - Length of extension request within three-year timeframe
 - New on-line date must be within three-year extension
 - Project must still meet all LRP guideline objectives, even with extension
- If request doesn't meet above criteria, the General Manager cannot grant an extension. The LRP project's sponsors may appeal to the MWD Board for consideration.

Benefits of Potential Refinement

More flexibility to LRP projects' contractual obligations

Support local resource development

Continue support for member agency project implementation

Next Steps

- Incorporate Committee Feedback
- Action Item to Board in June 2021



Recycled
Water



Groundwater
Recovery



Seawater
Desalination

