



- **Board of Directors**
Engineering, Operations, and Technology Committee

1/13/2026 Board Meeting

8-2

Subject

Approve guiding principles for Pure Water Southern California partnerships; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Over the past several years, Metropolitan has been meeting with its member agencies, Southern Nevada Water Authority (Southern Nevada), the Arizona Department of Water Resources and the Central Arizona Water Conservation District (collectively, the Arizona Parties), and San Gabriel Valley Municipal Water District (SGVMWD) to develop pathways that could advance partnerships for Pure Water Southern California (PWSC). Based on these meetings and input from the Board, a five-step plan is underway. In each step, a key document has or will be developed, including: Step 1 –Letter of Understandings (LOIs), Step 2 –guiding principles, Step 3–term sheets, Step 4 –Interim Agreements that would control during the permitting, design, and construction phases, and Step 5 –Long-term Agreements that would control during the period of operation.

Based on input provided by the Board in December 2025, the proposed guiding principles are presented herein. If the Board approves these guiding principles, they will frame the development of term sheets for Interim Agreements, the contemplated Step 3.

By approving the guiding principles now, a particular outcome for PWSC is not predetermined. The guiding principles would provide guidance to staff and others in further discussing future term sheets, as well as provide the Board (and its partners) with information on important aspects of the partnership at the time the Board considers actions to advance PWSC. The guiding principles are not intended to constrain the Board's discretion or usurp the CAMP4Water process. This action approves the proposed guiding principles for PWSC partnership agreements.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Approve guiding principles for Pure Water Southern California partnerships.

Fiscal Impact: None

Business Analysis: This option would define for the Board, its member agencies, and its partners key parameters important for PWSC partnerships and, if PWSC is approved, would guide development of agreements with member agencies, Southern Nevada, Arizona Parties, and SGVMWD. The timeline for execution of agreements would not be affected.

Option #2

Do not approve guiding principles for Pure Water Southern California partnerships.

Fiscal Impact: None

Business Analysis: Under this option, guiding information would not be approved by the Board at this time that would help frame the development of term sheets for Interim Agreements. This could potentially delay the execution of PWSC partnership agreements, which in turn could delay potential outside funding for the program and its future implementation. Without guiding principles for the agreements, commitments for the purchase and delivery of purified water may be affected as member agency partners consider alternative supplies.

Alternatives Considered

The original agreement approach proposed that the Board authorize staff to finalize the development of the term sheets for the member agency, Southern Nevada, Arizona Parties, and SGVMWD agreements without adopting policy principles. That approach may have saved some administrative time. However, under that approach, the Board would not have the opportunity to weigh in on policy issues prior to the action to approve term sheets, which would delay the approval of the ultimate agreements.

Applicable Policy

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

By Minute Item 50299, dated November 10, 2015, the Board authorized an agreement with County Sanitation District No. 2 of Los Angeles County for the development of a potential regional recycled water supply program and a demonstration project.

By Minute Item 52174, dated November 10, 2020, the Board authorized the preparation of environmental documentation and technical studies, and public outreach activities for the Regional Recycled Water Program.

By Minute Item 52210, dated December 8, 2020, the Board authorized an amendment to an existing agreement with County Sanitation District No. 2 of Los Angeles County and a new agreement with Southern Nevada Water Authority to support continued evaluation and development of the Regional Recycled Water Program.

By Minute Item 53052, dated December 13, 2022, the Board authorized the General Manager to use \$80 million in grant funding from the State Water Resources Control Board and to commence activities related to the initiation of the Pure Water Southern California Program.

By Minute Item 53792, dated September 10, 2024, the Board authorized an amended and restated agreement with County Sanitation District No. 2 of Los Angeles County for shared implementation of the advanced water purification facility for Pure Water Southern California.

Summary of Outreach Completed

Member Agency Managers Meeting, September 19, 2025

Engineering, Operations, and Technology Committee, October 13, 2025, Item 6b

Engineering, Operations, and Technology Committee, November 17, 2025

Engineering, Operations, and Technology Committee, December 8, 2025

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it will not result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines Section 15378(a)).

CEQA determination for Option #2:

None required

Details and Background

Background

PWSC is a proposed partnership between the Metropolitan Water District of Southern California (Metropolitan) and the Los Angeles County Sanitation Districts (Sanitation Districts) to beneficially reuse cleaned wastewater that is currently being discharged to the Pacific Ocean from the Sanitation Districts' A.K. Warren Water Resource Facility (Warren Facility) in the City of Carson. At full buildout, PWSC would purify up to 150 million gallons per day, making it one of the largest programs of its kind in the world. Implementation of PWSC would provide regional benefits to all Metropolitan member agencies by: (1) reducing reliance on imported water; (2) diversifying locally available supplies; (3) improving resilience to climate change and other stressors; and (4) enhancing operational reliability and flexibility.

Between 2019 and 2022, Metropolitan and its member agencies that expressed interest in directly using purified water from PWSC entered into LOIs. In the LOIs, Metropolitan and those member agencies express interest in collaborating to develop future agreements for the purchase and delivery of purified water when it becomes available as part of Metropolitan's water service.

In 2020, Metropolitan's partnerships for PWSC expanded outside of its service area to include an LOI with Southern Nevada. Soon after that, the Arizona Parties submitted a letter to Metropolitan. In the letters from Southern Nevada and the Arizona Parties, they expressed their interest in participating in PWSC and have since contributed funds to support Metropolitan's PWSC environmental planning.

In 2022, Metropolitan and the SGVMWD entered into an LOI, with SGVMWD also expressing interest in collaborating on PWSC.

Based on those expressions of interest, Metropolitan staff initiated discussions with Metropolitan's member agencies, Southern Nevada, the Arizona Parties, and SGVMWD. At its July 2025 workshop, the Board provided input on the process, and, in response, Metropolitan staff developed the following five-step plan to advance the partnerships in concert with board decisions and board-adopted schedules:

Step 1 – Obtain from potential partners a letter of intent to partner with Metropolitan on PWSC.

Step 2 – Develop guiding principles to frame the development of term sheets.

Step 3 – Develop term sheets that identify the most important rights and obligations of Metropolitan and the partner for use when preparing the Interim Agreements referenced in Step 4 below.

Step 4 – Develop Interim Agreements that would control during the remainder of planning, permitting, design, and construction phases (e.g., Interim Water Purchase and Delivery Agreements with member agencies, Participation Agreements with Southern Nevada, the Arizona Parties, and SGVMWD).

Step 5 – Develop Long-Term Agreements that would control during the period of operation (e.g., Long-Term Water Purchase and Delivery Agreements with member agencies, Participation Agreements with Southern Nevada, the Arizona Parties, and SGVMWD).

Development of the Metropolitan Member Agency PartnershipsGeneral Overview

Proposed guiding principles are provided in **Attachment 1**. As was the case with the presentation to the Board in December, the guiding principles are presented in three categories, reflective of the three areas of partnerships that were initiated by the LOIs discussed above:

1. Principles to Guide Metropolitan – Member Agency Partnerships
2. Principles to Guide Metropolitan – Southern Nevada/Arizona Parties Partnerships
3. Principles to Guide Metropolitan – Others within the Southern California Region: SGVMWD

December EOT Committee Input on Draft Guiding Principles

At the December meeting of the Engineering, Operations, and Technology (EOT) Committee, the Committee asked staff to ensure the guiding principles:

1. Allow for the agreements to be developed consistent with direction the Board may provide on phasing and staging of PWSC, if PWSC is approved, and
2. With respect to the Colorado River Partnerships, require the Colorado River Partners to pay costs towards PWSC (capital and O&M), not based on melded rates that account for other Metropolitan supplies or costs, but pay costs based on the full cost for PWSC.

No changes have been proposed to the guiding principles to address the first request. Staff prepared the guiding principles to preserve the Board's discretion on PWSC implementation (phasing/staging) decisions. The Board's adoption of the guiding principles would not compel staff to develop agreements with all partners. Instead, staff would utilize the guiding principles to support *only* those agreements that are needed to reflect the phase and/or stage of PWSC the Board authorizes to proceed. Finally, although the Board's adoption of the guiding principles is intended to provide a degree of certainty (direction to staff) for the development of subsequent agreements on the program, if, after the guiding principles are approved, the Board desires to amend or supplement its direction, the Board could do that, and the guiding principles would be adjusted appropriately.

As to the second request, staff have been clear with the Colorado River Partners that the Colorado River Partners cannot pay costs per acre foot, either associated with the capital facilities or for O&M, that is less than the costs incurred by Metropolitan. That point has been better captured in revisions to the "Equity" principle to emphasize this point, which would now require the agreement to: "[e]nsure the quantity of water available to Southern Nevada or Arizona Parties is aligned with and is proportional to their investment, and the amount paid by Southern Nevada or Arizona Parties will reflect the true cost for Metropolitan to produce purified water and thus for Metropolitan to have Colorado River water available for exchange."

In December, the EOT Committee also commented on the PWSC program in general and requested information on the integration of direct potable reuse into PWSC, the potential for groundwater exchanges, and approaches to address variable Member Agency demands. Several technical studies are underway, which will provide information on these subjects. It is anticipated that the full scope of staff-recommended studies, especially in the area of direct potable reuse, will take several years to implement. Staff will return to the Board as appropriate in the future to present the status, progress, and results on work in this area of the program.

Conclusion

By approving the guiding principles now, a particular outcome for PWSC would not be determined. As reflected above, the guiding principles would establish the direction for structuring partnerships, which would be used in moving forward with developing term sheets for Interim Agreements, the contemplated Step 4. Approval would provide staff and others with greater certainty in that process. Additionally, it would help inform staging decisions, CAMP4Water assessments, and provide the Board (and Metropolitan's partners) with greater certainty when making decisions regarding PWSC. And by approving the guiding principles now, the Board's discretion would not be constrained, nor would the implementation of CAMP4Water be usurped.

This proposed action is presented to enable the Board to consider approving guiding principles for PWSC partnership agreements. With that approval, staff would address contractual issues associated with evolving staging approaches with the development of term sheets. Staff will continue to work with its member agencies, the Colorado River parties, and SGVMWD to advance the partnerships.



1/6/2025

Mai M. Hattar
Chief Engineer
Engineering Services

Date

1/6/2025

Shivaji Deshmukh
General Manager

*Date***Attachment 1 – Proposed Guiding Principles**

Ref# es12711546

**Pure Water Southern California Partnership
Guiding Principles**

Proposed Principles to Guide Metropolitan –Member Agency Partnerships

New Regional Supply	Pure Water Southern California (PWSC) is a new regional supply for Metropolitan, available to supplement the supplies Metropolitan has available from the State Water Project and from the Colorado River.
Reliability	Maximize opportunities when member agency total demands for purified water align with water supplies produced by PWSC; thereby allowing Metropolitan to maximize production from PWSC to enhance the following regional benefits: resilience to drought and climate change, reduced chances of a Water Supply Allocation, and increased reliability following a seismic event.
Flexibility	Balance operational flexibility for Metropolitan and for the member agencies taking purified water while maximizing production from PWSC. Member agencies would enter into operational agreements with Metropolitan to purchase a quantity of water on an average basis.
Quality Water	Provide the member agencies with high-quality purified water, while avoiding or reducing regulatory compliance costs. Perform monitoring in a shared risk framework where Metropolitan can ensure regulatory compliance during startup and transfer responsibility to local agencies thereafter.
New Local Facilities	Develop equitable approach to the allocation of responsibilities and costs that balances the principle of member agencies being responsible for their facilities, with the flexibility to develop PWSC alignment and related infrastructure in a manner most effective for Metropolitan to deliver purified water.

**Proposed Principles to Guide the Metropolitan – Southern Nevada/
Arizona Parties Partnerships**

Equity	Ensure that the quantity of water Metropolitan makes available to Southern Nevada and/or the Arizona Parties aligns with and is proportional to their investments (in all forms) and the amount paid by Southern Nevada or Arizona Parties will reflect the true cost for Metropolitan to produce purified water and thus for Metropolitan to have Colorado River water available for exchange.
Flexibility	Provide flexibility for Metropolitan and its partners – afford: (a) Metropolitan the ability to develop and store water when “surplus” is available, and (b) its partner to take water for direct delivery, storage and use in a subsequent year, or subsequent exchange (e.g. transfer to others with Metropolitan having a first right to take back the water).
Adaptability	Reflect that the execution of the partnership(s) depends on the rules applicable to the Southern Nevada and/or Arizona Parties and therefore the partnership(s) must be supported by the rules and may need to change if/as the rules change.

**Proposed Principles to Guide Metropolitan—Others within the Southern California Region:
San Gabriel Valley Municipal Water District (SGVMWD)**

Exchange	Develop opportunities for Metropolitan to make water from PWSC available to SGVMWD in exchange for SGVMWD making State Water Project water available to Metropolitan.
Equity	Ensure that the quantity of purified water Metropolitan makes available to SGVMWD generally aligns with the benefits of potential exchanges and infrastructure sharing.
Flexibility	Provide operational flexibility for Metropolitan and for SGVMWD.
Shared Infrastructure	Give Metropolitan the ability to use the facilities of SGVMWD to maximize the regional benefits of PWSC by conveying purified water for downstream potable reuse.
Quality Water	Provide SGVMWD with high-quality purified water, suitable for groundwater replenishment.