



Adopt framework for amending Local Resources Program  
Agreements; and Authorize the General Manager to Reinstate and  
Amend the Existing Local Resource Program Agreement for the  
Beverly Hills Desalter Project

Water Planning and Stewardship Committee

Item 7-8

October 11, 2021

# Local Resource Program

- Provides incentives to help member agencies develop new local projects
- Helps to improve regional reliability
- Continuously refined to support development of new local projects
  - 2014 – New incentive structure
  - 2018 – Established interim LRP target yield
  - 2021 – Approved framework for extensions to project start of operation performance provision



Recycled  
Water  
(1982)



Groundwater  
Recovery  
(1991)



Seawater  
Desalination  
(2014)

# Need for Additional Framework

- Staff recognizes that projects face additional challenges
- Current LRP provisions do not provide extensions to contract term for projects facing unforeseen production issues
  - Resulting in project shut down or;
  - Significant loss of production and incentives
- The proposed framework provides flexibility and additional time to resolve operational challenges

# Proposed Framework for Amending LRP Agreements

- Proposed framework supports projects facing unforeseen production issues that are beyond an agency's control
  - Excludes projects performing poorly
- Amending LRP agreements would provide member agencies:
  - One time pause to contract term;
  - Extension of up to three years (to get project back online)

# Unforeseen Production Issues

- Defined for active projects already approved by the board:
  - Acts of God affecting production
    - Earthquakes, flood, lightening strike, etc.
  - Unforeseen changes in water quality that result in project failure
    - Plant shutdown due to water quality constituents not originally detected
  - Facility failure
    - Well collapse, membrane deficiency, etc.
  - Source water issues
    - Unavailability



# Approval of LRP Extension Requests

## Formal Extension Request by Project Sponsors

- Include project-specific circumstances
- Describe actions being taken to correct the issue



## Continuing Pursuance of Project by Parties

- Affirm that all parties to the agreement are still pursuing the project



## Project Schedule

- Provide a revised schedule



## (Re)Start of Operation

- Affirm that project will start operation within requested extension
- Contract extension may not exceed three fiscal years



- Upon Board approval, the agreement would terminate up to three years after the original termination date
- No changes in remaining contract terms
  - All performance provisions would remain in place
  - No increase to maximum financial obligations originally approved by the Board

# Beverly Hills Desalter Project

- Groundwater Recovery Program (GRP) Agreement executed in 1998 (2,600 AFY)
- Project commenced operation April 2003
- Agreement term – 2003 to 2023
- Plant shut down in 2015 due to unforeseen changes in water quality of the Hollywood Basin (beyond agency's control)
- Beverly Hills took significant action to bring project back on-line
- Agreement automatically terminated in July 2020 for 5 consecutive years of nonpayment from Metropolitan

# Requested Reinstatement & Amendment

- Reinstatement and amend the terminated Beverly Hills Desalter GRP agreement
- Extend termination date from April 30, 2023, to June 30, 2026
- No changes to remaining contractual terms:
  - Contractual capacity remains at 2,600 AFY
  - Sliding scale incentive remains at \$250/AF
- No increase to maximum financial obligations originally approved by the Board in 1998



# Summary

- Proposed framework provides projects more flexibility in facing unforeseen production issues:
  - Issues arise after start of operation
  - Agency requests pause and extension to term of agreement
- Considerations consistent with framework approved by the Board in June
- Reinstating and amending the Beverly Hills Desalter Project agreement, Metropolitan would support restarting the project
  - Significant component of agency's water supply portfolio
  - Within Metropolitan's maximum commitment

# Board Options

## Option #1:

- Review and consider the City of Beverly Hill's approved Final Mitigated Negative Declarations and Addendum and take related CEQA actions; and
- Authorize the General Manager to reinstate and amend the existing Groundwater Recovery Program Joint Participation Agreement for Recovery and Utilization of Degraded Groundwater for the Beverly Hills Desalter Project with the City of Beverly Hills for up to 2,600 AFY of advanced treated brackish groundwater under the terms included in this letter; and
- Approve the proposed framework and one time pause and extension of agreement terms.

## Option #2:

- Do not authorize the reinstatement or amendment to the original agreement for the Project.

# Staff Recommendation

## Option #1

