

2014 Local Resources Program

WateReuse San Diego Chapter February 28, 2018

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Outline

- LRP Background
- 2014 Refinements
- Criteria and application process
- Agreement administration
- Production assessment and cost reconciliation
- 🖌 Audit

LRP Background

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LRP Background

1982 - Local Projects Program
 Recycled water

1991 – Groundwater Recovery Program

Recovered groundwater

 1998 – Local Resources Program
 Incentives paid for water produced



LOCAL RESOURCES PROGRAM Recycled Water and Groundwater Recovery Projects

Request for Proposals June 1998



METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Local Resources Program Incentives

LRP Evolution Over Time

Capital Funding

• **1982 LPP** MWD sells the water

Pay for performance incentives

- **1986 LPP** Variable (\$75-\$113/AF)
- **1990 LPP** Fixed (\$154/AF)
- **1991 GRP** Sliding scale up to \$250/AF
- **1995 LRP Conversions** Sliding scale up to \$250/AF
- **1998 Competitive LRP** RFP bids (avg. \$115/AF)
- 2007 LRP Sliding scale up to \$250/AF
- 2014 LRP Three payment options

Metropolitan Water District of Southern California

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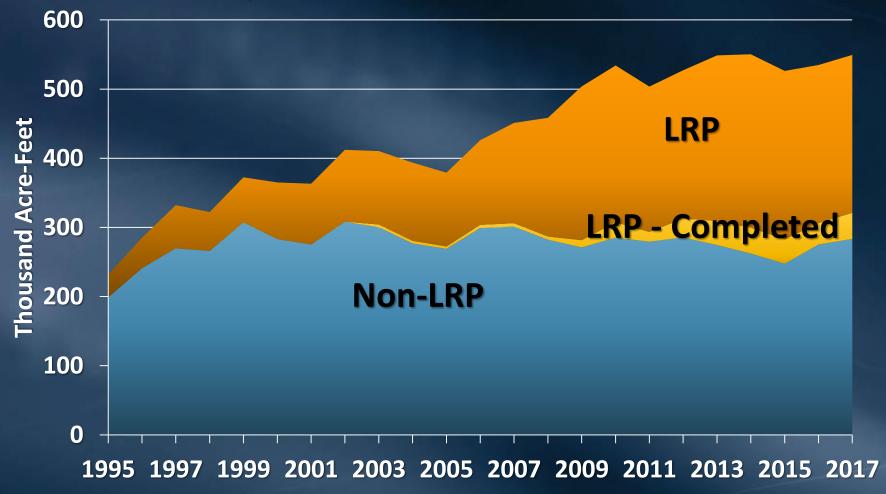
Local Resources Program

	Program	Number of Projects	Contract Yield (AFY)	Deliveries to Date (AF)	Incentives to Date (\$M)
•	Recycling	82	322,000	2,673,000	461
	Groundwater Recovery	25	118,000	905,000	153
	Total	107	440,000	3,578,000	614

Metropolitan paid \$36 million for 228,000 AF in fiscal year 2016/17.

LRP Doubled Local Production

Recycled Water and Recovered Groundwater Production



*Based on best available data

2014 LRP Refinements

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2014 LRP Refinements

Increase maximum incentive amount

Three payment structure options

Include on-site retrofit costs

Include seawater desalination

Provide reimbursable services

2014 LRP Payment Options

Payment Structure Options	Maximum * Incentive Amount	Payment Period
1 – Sliding Scale	\$340/AF	25 years
2 – Sliding Scale **	\$475/AF	15 years
3 – Fixed Incentive Rate	\$305/AF	25 years

* Pay for project water used
 ** Project must produce
 for 25 years



Option 1

- Incentives up to \$340/AF, calculated annually
- Agreement will start on the date signed and will terminate 25 years after project starts operation
- Payments for up to 25 years
- Pay for project water used
- Performance provisions in the agreement





Option 2

- Incentives up to \$475/AF
- Payments for up to 15 years (zero thereafter)
- Pay for project water used
- Performance provisions in the agreement
- Project must continue a minimum production (baseline) in years 16-25
 - Baseline = average of production in years 1-15
- Agency will reimburse Metropolitan if the baseline is not met in any years 16-25
 - Production Shortfall = annual production baseline
 - Reimbursement = production shortfall x \$135/AF
- Pay for project water used
- Performance provisions in the agreement

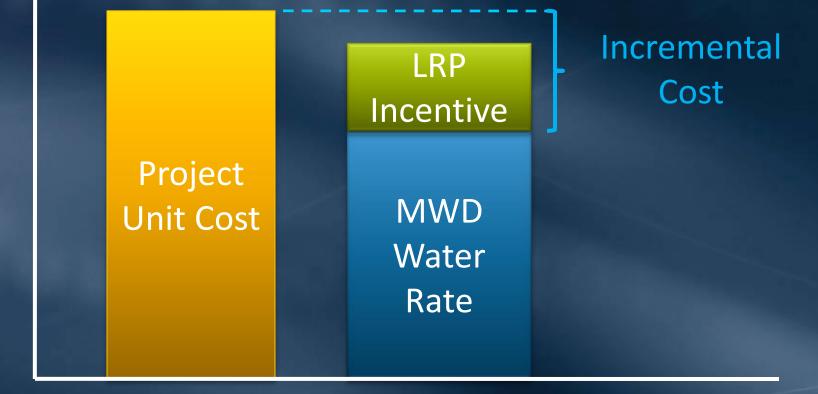
Option 3

- Fixed incentive rate up to \$305/AF, calculated based on estimated payments under Option 1
- No annual cost reconciliations
- Pay for project water used
- Performance provisions in the agreement



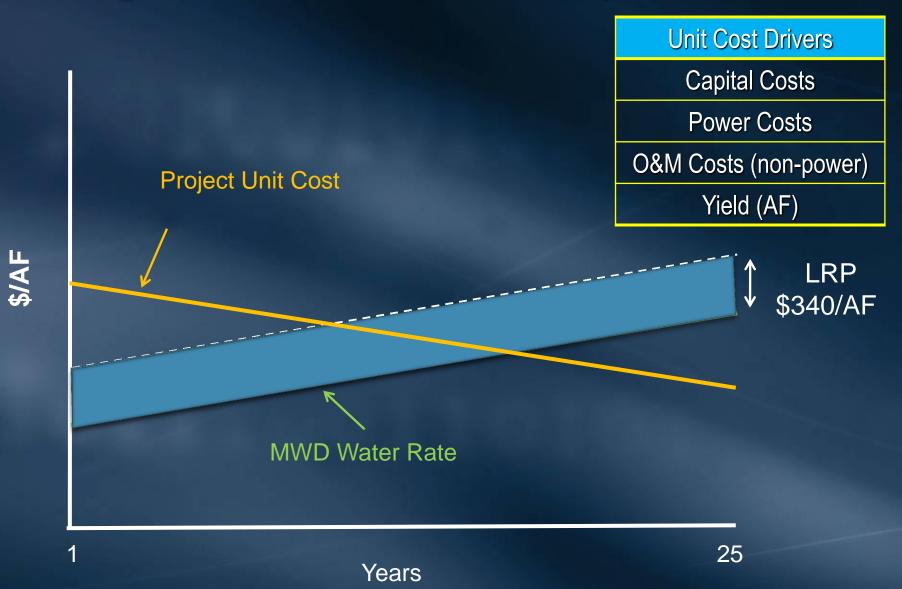
Sliding Scale LRP Incentive Calculation

\$/AF



Incentive Calculation Examples Scenario #1: \$1,150/AF Project unit cost - <u>\$950/AF</u> MWD water rate \$200/AF Difference LRP contribution = \$200/AF Scenario #2: \$1,400/AF Project unit cost - \$950/AF **MWD** water rate \$450/AF Difference LRP contribution = \$340/AF

Sliding Scale Incentive Projections



Criteria and Application Process

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Application Submittal



Application is online

www.mwdh2o.com/AboutYourWater/Pla nning/Funding-Programs/Local-Resource-Program-Funding



2014 Local Resources Program Application Guidelines

INFORMATION FOR RESPONDENTS

The Merupolian Water Domics of Southers California (Merupolian) juries applications for development of water recycling, groundwater recovery, or sensetie dealaution percent us the Local Resources Program (LRP). This package activity opers of this application perceive process. Additional posses of the application perceives process. Additional posses of the application perceives are applications for the application perceives are applications and the application perceives are applications and the application perceives are applications and the applications are application perceives are applications and the application perceives are applications and the application perceives and applications are applications and the application perceives and applications are applications are applications are applications and the applications are applications and the applications are applications are applications and the applications are applications and the applications are applications are applications and the applications are ap

Objective The LRP provides finaling for the development of water recycling, groundwater recovery, and service devaluation supplies that replace an ensing demand or prevent a new domaid on Metropolina's supported water deformers either florough direct replacement of potable water or successed regional groundwater production.

Application Submittal: Project applications will be accepted on an open and continuous basis until the target yield of 63.000 accelerate per year is fully subscribed. For further coerdination or questions, contact Mr. Ray Moldman at (215) 217-6142 or via email at modificacijinwella?n com

st appectation to: The Metropolitan Water District of Southern Calden P.O. Box 54153 1 ~ Anareles, California 90054-0153

Attention: Ray Moldman, US 9-223

Who Can Apply The LEP is once to mild

In LRF in open to public and provide water agencies within Metropolitan's service area, optications must be made futurable that applicant's respective Metropolitan member agency, optications are strongly encouraged to unstate early coordination with Metropolitan regarding opposed projects. Submithal of a LRP application does not signify or guarantee funding provid by Metropolitan.

sprane Tunding ere are three LRP incentive payment structure options to choose from: shifting scale incentive to 5340 AP over 25 years, shifting scale anomnives up to 5475 AP over 15 years, or fined retaive up to 5300 AP over 25 years. One option must be chosen at the time of application, eshipations of options will not be permitted. Incentive commitments the contingent upon

One application per project

Member agency must submit LRP application

- Must submit application before start of construction (award of bids)
- First come first served application is not a reservation of funds

Project Eligibility Criteria

Must be supported by a Metropolitan member agency



Must replace demand on Metropolitan's imported water

Must not be existing or under construction



Project Eligibility Criteria

Must include construction of new treatment or distribution facilities

Must comply with CEQA and/or NEPA

Must have obtained all required permits

Must have interagency agreements, if applicable







How LRP Works

Retail agency prepares application Member agency submits application to Metropolitan

Metropolitan reviews application

Parties meet to discuss the project and agreement specifics

Metropolitan drafts agreement Retail and member agencies' boards approve agreement in concept

Metropolitan board approve the project for LRP incentive

Parties execute LRP agreement

Agreement Administration

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Agreement Administration

- Invoicing process
- Performance provisions
- Production Assessment and Cost Reconciliation
- Data submittal
- Record keeping
- Audit



Invoicing Process

30-day startup notice Meet and review contract Monthly invoices Online certifications 3rd business day 6-month rule (no pay) Payments subject to annual production assessment and cost reconciliation

Performance Provisions

Agreement terminates if:

- No construction within 2 years of agreement execution
- No production within 4 years of agreement execution
- Minimum production of contract yield
 - 50% within seven years
 - 75% within 11 years
 - 75% every four years thereafter



Annual Production Assessment and Cost Reconciliation

Purpose

Production assessment Reconcile the difference between invoiced yield and allowable yield (eligible for funding) Cost reconciliation Reconcile the difference between estimated costs and actual eligible costs Adjust contribution if necessary Financial adjustments are made in the agency's water service invoice

Data Submittal for Reconciliation

- Metered flow data
 - Source of water
 - Total sales to project customers
 - Total deliveries through project facilities
 - Disposal (waste or brine to outfall)
 - Other sources specified in agreement
- Eligible costs outlined in the LRP agreement
 - Capital costs and financing terms
 - O&M costs
 - Grants



Data Submittal Deadlines

December 31 Submit cost and production data for previous fiscal year Failure to comply December 31: \$2,500 fine April 1: incentive suspended*

Following December 31: agreement terminates

*Incentive resumes after reconciliation

1 2 3 4 3 6 7 8 9 10 11 12 13 14 15 16 17 18 1 20 21 22 27 28 29

Record Keeping

Costs, grants, flow data
10 years before any audit
Three years after any audit

Three years after agreement termination (unaudited records)



Audit Process

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Purpose

Verify compliance with agreement terms
 Verify project production
 Verify project unit cost

 Capital costs
 Grants
 Annual operating expenses

Audit Review Process

Review based on upon agreed procedures
Types of audit

Metropolitan Audit Department
Independent CPA firm

Audit report
Adjustments

Project Selection for Audit

- Budget availability
- Changes in the reported costs
 - Unusual
 - Large year to year variations
- Production reporting errors
- Time elapsed

Contact Information

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Coordinate with your Member Agency

