AGENDA NO. ___

WEST BASIN MUNICIPAL WATER DISTRICT

JULY 9, 2003 - Water Resources
McDonald, Kwan
JULY 28, 2003 - Board Meeting
Prepared by: Wyatt Won
Submitted by: Paul E. Shoenberger
Approved by: Darryl G. Miller

ACTION CALENDAR

C. MARVIN BREWER DESALTER OPTIONS

SUMMARY:

West Basin started operating the Desalter in July of 1993. To date West Basin has spent $2.3 million in capital improvements for the Desalter. The U. S. Bureau of Reclamation contributed $1 million of the $2.3 million spent on capital improvements. In addition, West Basin has paid almost $0.9 million to the County Sanitation Districts of Los Angeles County (CSDLAC) for connection to the sewer for brine disposal.

West Basin contracts with California Water Service Company (CWSC) - Dominguez Division (CWSC) to operate and maintain the Desalter. West Basin sells the water produced by the Desalter to CWCS at 95% of Metropolitan Water District (MWD) wholesale rate. West Basin also receives a rebate of up to $250 per acre-foot from MWD through their Groundwater Recovery Program. Under the terms of the program, MWD pays West Basin for costs to produce the desalinated water that are above the MWD wholesale rate. The agreement with MWD expires in June 2013. The Desalter is located on a site owned by CWSC. West Basin pays a nominal rent of $1,000 per month. The two existing Wells are owned by California Water Service. A summary of historical annual expenditures and revenues for the Desalter is shown in Exhibit “A”.

As reported previously, the casing on one of the existing Wells is cracked and essentially cannot be repaired. The Desalter is currently offline because it cannot run with just one Well operating. Staff looked at several options with regard to moving forward with the C. Marvin Brewer Desalter. The alternatives are discussed below.

Alternative 1- Abandon the Project

Abandoning the Project would include abandoning the Wells per Department of Helalth Services (DHS) requirements and removing the Desalter facilities from the site per the agreement with CWSC.

Estimated costs:

- Abandon two Wells : $50,000; and
- Remove Desalter facilities: $150,00.

Alternative 2 - Construct a new Well and continue current operations

This option would include constructing a new Well of sufficient capacity to provide brackish water to produce 1,200 to 1,300 acre-feet per year of desalinated water. West

Basin would pay for construction of the Well. After construction, operations would continue as before with CWSC providing the O&M services to West Basin. The product water would continue to be served to CWSC. Projected revenues and expenses for this alternative are shown in Exhibit “B”. Expenses are estimated to exceed revenues by about $30,000 per year.

Estimated costs:
- Construct new Well: $600,000; and
- Abandon two Wells: $50,000.

<u>Alternative 3 - Construct a new Well and renegotiate the price of desalinated water to CWSC to the MWD non-interruptible rate</u>

This option would include constructing a new Well as in Alternative 2. West Basin would pay for construction of the Well. The agreement with CWSC would be amended so that CWSC would pay the MWD wholesale rate for water produced by the Desalter. After construction, operations would continue as before with CWSC providing the O&M services to West Basin. The product water would continue to be served to CWSC. Projected revenues and expenses for this alternative are shown in Exhibit “C”. West Basin would essentially break even under this scenario because expenses are about equal to revenues.

Estimated costs:
- Construct new Well: $600,000; and
- Abandon two Wells: $50,000.

<u>Alternative 4 - Sell the Desalter to Water Replenishment District (WRD)</u>

Under this option, West Basin would sell the Desalter to WRD. The details as to how the purchases of water would be handled would have to be worked out. WRD would be responsible for all O&M costs. West Basin would transfer capacity in CSDLAC’s sewer, seek to transfer the pumping exemption, and pass through the MWD GRP rebate.

Estimated costs: None

<u>Recommended Alternative</u>

Staff recommends proceeding with Alternative 3 - construct a new Well and negotiate an increase in the price of desalinated water to the MWD rate for non-interruptible water. Staff believes that construction of a new Well would enhance the value of the Project and that it would need to be constructed prior to selling the Desalter in any case. Staff’s analysis also shows that the District could break even if the price charged to CWSC can be raised to the MWD rate for non-interruptible water. Staff would proceed with negotiations with CWSC to increase the price of desalinated water to the MWD non-interruptible rate. Well construction would not proceed until an agreement is reached. If an agreement cannot be reached on the price, West Basin could abandon the Project.

Continuing to produce water from the desalter makes sense from a water resource management perspective. With the uncertainties facing the region on the Colorado River and the need for more local supplies, it makes water resource management sense to produce as much local resources as economically feasible.

FISCAL IMPACTS:

Unknown at this time.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Water Resources Committee on July 9, 2003, there was no recommendation. The Committee requested that staff narrow down alternatives to the best four and bring this item to the July 28, 2003 Board meeting for consideration. Director McDonald suggested that the District sell the Desalter to WRD. Director Kwan was in favor of alternative 3.

RECOMMENDED MOTION:

Authorize the General Manager to proceed with negotiations with CWSC to increase the price of desalinated water.

LIST OF EXHIBITS:

Exhibit “A” - Brewer Desalter Historical Revenues and Expenses
Exhibit “B” - Alternative 2 Projected Revenues and Expenses
Exhibit “C” - Alternative 3 Projected Revenues and Expenses

G:\directors\wbmwd\03july015REV2