

## **DESALINATION ENERGY ASSISTANCE PROGRAM CONCEPT PAPER**

**PURPOSE:** To establish a new, competitive, performance based program to provide financial assistance in the form of Energy Assistance Payments to entities that develop demonstration projects designed to treat seawater and brackish water and deliver that water for municipal and industrial use.

**CONCEPT:** The legislation would authorize the establishment within Office of the Office of Energy Efficiency and Renewable Energy of the Department of Energy a program to provide Energy Assistance Payments to qualified entities. The Secretary would be authorized and directed to establish a competitive process to select a minimum of 15 desalination projects that would be eligible to receive Energy Assistance Payments of \$0.62 per thousand gallons (\$200 per acre foot) upon certified deliveries of project water. The Energy Assistance Payments would be limited to no more than 50 MGD per year of certified deliveries per project for a period of ten (10) years from the date of completion of the project. At the end of ten years the Secretary would evaluate the cost of producing desalinated water in comparison to other supplies and determine if, and in what amount, further assistance for an additional ten years should be provided.

**ELIGIBILITY:** The program would be open to public and private water entities for projects throughout the United States to desalinate both seawater and brackish water. Project partnerships and/or joint ventures would also be eligible.

**FUNDING:** Funding for the program would come from DOE's renewable energy program. \$150 million a year for ten years would be authorized.

**SELECTION PROCESS:** The Secretary would establish a Review Committee to objectively evaluate detailed project proposals on a consistent basis according to evaluation criteria established in the legislation. Once the program is established, the Secretary would issue a "Request for Proposals" (RFP) that contains information concerning project requirements, eligibility, funding limits, proposal review process, selection criteria, draft agreement terms, and confidentiality. Statements of Interest by project sponsors would be due 90 days after the publication of the RFP. Project sponsors that are determined by the Review Committee to be most responsive to the RFP will be invited to submit detailed proposals. Project proposals would be evaluated by the Review Committee taking into account such things as the sponsors' capability to develop the project, the operational reliability of the project, the project's financial and technical feasibility, and the cost to the Federal government with priority given to projects that:

- Utilize innovative technologies that reduce the energy demand of the project and/or utilize renewable energy supplies in the desalination process;
- Provide regional water supply benefits;
- Provide a secure source of new water supplies for national defense activities;
- Reduce the threat of a water supply disruption as a result of a natural disaster or acts of terrorism; or,
- Provide significant water quality benefits.

The Review Committee would then make a recommendation to the Secretary of the projects selected. If approved by the Secretary, and upon completion of environmental documentation, the selected project sponsors would be invited to negotiate "Letters of Intent" (LOI) with the Secretary.

**LETTERS OF INTENT:** The Secretary would be authorized to issue an LOI to the selected project sponsors. The LOI will state the intention of the Department to provide the financial incentives authorized by the Act subject to the availability of funds to carry out the Desalination Energy Assistance Program and the terms and conditions contained in the LOI including performance targets. Such targets will allow DOE to adjust or withdraw financial commitments to projects that fail to meet development and production commitments made in project proposals. Failure to meet LOI performance provisions could result in adjustments to the financial incentives received by the project or, in extreme cases, withdrawal of DOE's commitment to the project. An LOI would not be considered an obligation of the United States. Rather, it would be regarded as an intention to obligate from future budget authority as such funds become available.

**LIMITATION:** No more than sixty percent of the funds made available through the Desalination Energy Assistance Program in any year could go to support seawater desalination projects.