



## AGENDA STAFF REPORT

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**Agenda Number: A**  
**File ID: 0000**

**Section Name: Administration**  
**Project ID:**

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**MEETING DATE:** July 11, 2023

**SUBJECT:** Authorize submittal of Component 2 proposals for voluntary participation in the U.S. Bureau of Reclamation Lower Colorado River Basin Conservation and Efficiency Program

**TO:** BOARD OF DIRECTORS

**FROM:** ADMIN-WATER, ROBERT CHENG

### **GENERAL MANAGER RECOMMENDATION:**

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#### **RECOMMENDATION:**

It is recommended that CVWD's Board of Directors (Board) authorize staff to submit the following proposals in response to the U.S. Bureau of Reclamation's (Reclamation) call for proposals for Component 2 of the Lower Colorado River Basin Conservation and Efficiency Program (LC Conservation Program):

- Water Reclamation Plant 4 Recycled Water Expansion Project (WRP4 Expansion Project, 30-year term)
- Golf Course Conservation Program (10-year term)

#### **BUDGET IMPACT:**

The actions are expected to be financially neutral or beneficial to CVWD.

1. WRP 4 Expansion Project - requested funding will provide cost offset
2. Golf Course Conservation Program - a portion of the requested funding will help offset revenue cost impacts from reduced water sales and program administrative costs

#### **PROCUREMENT METHOD:**

☒ N/A

If other, please explain: .

#### **BACKGROUND**

In response to the prolonged drought conditions on the Colorado River (River), Reclamation is leveraging two tools to ensure that elevations in Lake Powell and Lake Mead remain above critical operating levels through 2026 to satisfy delivery obligations and power generation needs. Reclamation is seeking to change their

authority under the 2007 Interim Guidelines by formally opening the Supplemental Environmental Impact Statement (SEIS) to make increase flexibility in the rules for system operations. Concurrently, Reclamation is also funding the LC Conservation Program to promote voluntary compensated efforts to increase the conserved water volume in Lake Mead. The LC Conservation Program consists of three components:

- Component 1.a. (fixed price, up to \$400/af) - funds short-term voluntary water conservation efforts (e.g. following).
- Component 1.b. (request for proposal [RFP]) - funds short-term system voluntary water conservation efforts which do not fall within Component 1.a.
- Component 2 (RFP) - funds long-term system efficiency improvements that would result in multi-year system conservation.

CVWD has taken a proactive approach in its response, with actions including:

- 1) actively engaging in the SEIS discussions
- 2) responding with two applications to the Component 1.a. of the LC Conservation Program (conserved volumes of up to 45,000 af/yr (45 taf/yr)), and
- 3) analyzing projects for submittal for the Component 2 application by the deadline date of July 19, 2023.

Because the LC Conservation Program provides an unique opportunity for funding long-term projects that would otherwise be financially infeasible, staff is proposing two types of projects for Component 2 application, 1) WRP4 Expansion Project for increased recycled water production, and 2) Golf Course Conservation Program (turf removal, irrigation system upgrades). These projects include the following common elements as part of the Reclamation submittal:

- plan description
- annual volume of Colorado River water conserved
- estimated project cost/requested funding
- project schedule
- duration of agreement
- unit cost for conserved water
- agreement to reduce conserved volume through the annual Reclamation water order process

Short descriptions of the projects are provided below.

#### **WRP 4 Expansion Project (Exhibit 2)**

The 1 million gallon/day (mgd) WRP 4 Expansion Project is estimated to produce up to 1,120 af/yr. of recycled water at a total cost of \$39 M. Due to rate pressures and other more immediate capital funding needs, this project has not been included in Engineering's 5-year capital improvement budget. If the application is successful, this project would have the dual benefits of increasing supplies from recycled water, which would somewhat ease the pressure on imported water, and help to relieve the uncertainty associated with the increasingly stringent future water quality regulations, which could limit or even prevent current discharge practices to the environment.

Exhibit 2 provides details responsive to Reclamation's request for proposals, which estimates that water will have a cost of approximately \$1,161/af (based on a 30-year project life and 1,120 af/yr.). If this proposal is accepted, CVWD will be required to execute a system conservation agreement with Reclamation, which will require subsequent Board approval.

#### **Golf Courses Conservation Program (Exhibit 3)**

Golf course conservation remains one of the last sectors within CVWD's service area to demonstrate significant progress and as such, has been the target of frequent media attention. In discussions with golf industry operators, the primary reason provided for the delay in implementation of conservation projects is the substantial project costs (typically in the millions of dollars), and the long payback period for project cost recovery when measured against the financial savings from water saved. Without external funding (CVWD is unable to use rate-based funds rates for incentives), it is likely that substantive progress in this area will be limited.

Staff has communicated frequently with the golf community to gather information and gauge interest in the program. Based on the input and in alignment with current turf rebate program in the Coachella Valley, It is recommended that the requested golf course rebate from Reclamation be set at \$2.30/ft<sup>2</sup> (up to \$2.00/ft<sup>2</sup> rebated to golf courses with itemized receipts upon successful completion of the project, and \$0.30/ ft<sup>2</sup> reimbursed to CVWD to cover lost revenues and administrative costs over the term of the agreement).

Exhibit 3 was generated after consultation with the golf course industry and shows estimated water savings and other key data requested in the RFP. There are several variables that are used in the calculation of the value of conserved water including estimated water savings and the contract duration. It appears that the water savings from various projects may differ significantly, but using turf removal as a common conservation program, a conservative value of 50% for water savings (before and after project implementation) was used. Although there is no standardized term for the project duration, it was decided that 10 years would provide a reasonable project term for the various parties. Using these assumptions, the unit cost for conserved water was calculated at \$2,863/af.

Assuming the funding application is successful, numerous other issues need to be considered and resolved prior to executing agreements with the participants. These issues include, but are not limited to:

- 1) an understanding and concurrence from the participants that water use for the property would not increase, including the use from other available water sources (e.g. groundwater),
- 2) schedule for payments, and
- 3) what actions would be taken if the conservation targets were not met

Due to the constraint before the application is due, these questions will most likely not be answered as part of this submittal but will have to be discussed as part of future negotiations with the golf course participants and subsequent CVWD Board actions. Although it was difficult to gauge the specific commitment from golf courses, an initial survey that there may be as much as 300 af/yr of participation interest. Using the above calculated unit cost and adding in an additional 5% contingency, a total of \$9 million (M) is being requested through Reclamation funding.

If this proposal is accepted, CVWD will be required to execute a system conservation agreement with Reclamation, which will require subsequent Board approval. CVWD staff will act as Reclamation's agent with the project participants by administering the program and working with the participants throughout the process. Each participant would be required to submit a golf course irrigation and landscape turf reduction plan, estimated water savings and estimated itemized project cost for review and approval (by CVWD and Reclamation) prior to starting a project.

Based on the information presented, staff recommends that the Board authorize the General Manager to submit the proposals presented in Exhibit 2 and Exhibit 3 to Reclamation to start the process for CVWD to fund long-term projects to help stem the declining reservoir storage in the Colorado River Basin.

#### **PRIOR BOARD ACTION:**

- June 2022 - approved Colorado River Water Conservation Program
- November 2022 - authorized Agreement No. 23-XX-30-W0749 with Reclamation for conservation of 9,083 af of water from the Thomas E. Levy Facility in calendar year (CY) 2022.
- November 2022 - authorized the submittal of two proposals to Reclamation in response to the LC Conservation Program
  1. Colorado River Water Conservation Program
  2. Replenishment Facilities Curtailment
- June 2023 - authorized Agreement No. 23-XX-30-W0764 with Reclamation for conservation of Colorado River water in CY 2023 - 25 through replenishment curtailment (total volume of up to 105 taf for three years).

#### **DISTRICT STRATEGIC PLAN GOAL(S)/OBJECTIVES(S):**

N/A

**ENVIRONMENTAL IMPACT:**

This is not a project as defined by CEQA; therefore, approval does not require any CEQA action.

**PUBLIC NOTICE REQUIRED**

N/A

**LEGAL REVIEW**

Reviewed and approved by Redwine & Sherrill

**ATTACHMENTS**

Attachment 1 - PowerPoint Presentation "LC\_Conservation\_Program\_Comp2\_Proposals"

Attachment 2

Exhibit 1 - Letter from Reclamation "Funding Opportunity for Voluntary Participation in the Lower Colorado River Basin Conservation and Efficiency Program "

Exhibit 2 - WRP4 Expansion Project

Exhibit 3 - Golf Course Conservation Program