



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

ANSELMO G. COLLINS
Senior Assistant General Manager
Water System

MARTIN L. ADAMS
General Manager and Chief Engineer

DATE: April 6, 2022

SUBJECT: Agreement No. WR-20-1004 With Air Products and Chemicals, Inc.
Regarding Advanced Treated Recycled Water Service to the Air
Products Wilmington Plant Industrial Water System

SUMMARY

Agreement No. WR-20-1004 (Agreement) is an Advanced Treated Recycled Water (ATRW) service agreement with Air Products and Chemicals, Inc. (Air Products), which will offset approximately 3,000 acre-feet per year (AFY) of potable water demand at the Air Products Wilmington Plant Industrial Water System (Plant) for use in their cooling towers and boilers. The initial term of the Agreement is for 10 years with two increments of 10 additional years unless one party serves notice of termination to the other party one year prior to expiration of the Agreement. This Agreement also authorizes LADWP to reimburse Air Products up to \$2,850,000 (budgeted) for the capital costs of their on-site retrofits required to convert the Plant's cooling towers and boilers to utilize ATRW and in return, Air Products will pay full potable rates for the ATRW.

This Agreement helps achieve the recycled water goals outlined in LADWP's 2020 Urban Water Management Plan.

City Council approval is required under City Charter Section 373.

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners (Board) adopt the attached Resolution authorizing the execution of the Agreement.

ALTERNATIVES CONSIDERED

An alternative to this proposal is to have Air Products pay for their capital on-site retrofits required to convert the Plant to ATRW in exchange for a lower rate for the ATRW. However, reimbursing Air Product's on-site retrofits will incentivize Air Products to convert to use of ATRW at the Plant sooner than the alternative of Air Products paying for the retrofits. As LADWP is tasked with having contracts with enough customers to use all of the ATRW produced by the Terminal Island Water Reclamation Plant (TIWRP) by the end of 2024 for the City of Los Angeles (City) to comply with a regulatory requirement to cease discharge from TIWRP to the Los Angeles Harbor, the preferred alternative is for LADWP to reimburse Air Products for the on-site capital costs to convert the Plant to ATWR use and recover the costs through the sale of ATRW to Air Products.

FINANCIAL INFORMATION

The maximum reimbursable amount authorized under the proposed Agreement is \$2,850,000 (budgeted). In the event Air Products terminates operations of the Plant or discontinues the use of ATRW prior to the end of an initial three-year period, Air Products shall reimburse the amount paid by LADWP pro-rated over three years.

The up to \$2,850,000 LADWP is proposing to reimburse Air Products is in the current Water System budget and is estimated to be recouped within the initial 10-year term of the Agreement by the rate Air Products will pay for the ATRW, which is 100 percent of the all-in commodity rate for potable water. The all-in rate includes the Base Rate and General Provisions F, G, H, K, L, R, and S, which is currently \$6.858 per hundred cubic feet (HCF).

BACKGROUND

The City of Los Angeles Department of Public Works Bureau of Sanitation and Environment (LASAN) has a regulatory requirement to cease discharge from the TIWRP to the Los Angeles Harbor by end of 2024, with the exception of brine and incidental discharge. To comply with that regulation, LASAN expanded their Advanced Water Purification Facility (AWPF) at TIWRP to 12 million gallon per day (MGD). The average available ATRW from TIWRP is between 10 and 11 MGD. For the City to comply with the regulation, LADWP must execute ATRW service agreements with customers to use the average ATRW production from TIWRP.

LADWP has targeted three customers to use the 11 MGD ATRW from TIWRP: Water Replenishment District of Southern California (WRD), Ultramar (Valero), and Air Products. In December 2018, LADWP executed a 30-year ATRW service agreement with WRD to take between 7.5 and 9.5 MGD of ATRW and in February 2021, LADWP executed a 10-year ATRW service agreement with Valero to take 1.2 MGD of ATRW and convert their facilities to use ATRW.

LADWP also executed an earlier agreement with Air Products (WR-16-1071) on August 26, 2016 for \$200,000 to determine the feasibility of converting their facilities to use ATRW. The results of that effort confirmed the feasibility of converting the Plant to ATRW, and LADWP began negotiating the ATRW service agreement with Air Products.

The scope of work, cost estimate, and schedule developed under WR-16-1071 has been incorporated in the proposed Agreement. In addition to the terms of service described in the Financial Information section above, the Agreement identifies target ranges for key water quality parameters, which if the ATRW does not meet, Air Products may use their existing potable water service, instead of ATRW. Some of the target water quality ranges are more stringent than the permit limits for the ATRW produced by TIWRP. However, based on historical data of the ATRW water quality from TIWRP, the ATRW will meet the more stringent water quality target ranges over 90 percent of the time. In the case that ATRW from TIWRP does not meet these standards, a potable backup will supply customers with the high-quality water they require. The Agreement also requires continuous monitoring and quarterly reporting of data to Air Products for seven water quality parameters and notification to Air Products if any of the seven are outside of the specified limits.

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's Report (CAO) was approved on February 24, 2022.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15301. In accordance with this section, the agreement for the construction of advanced treated recycled water service at the Air Products Wilmington Plant Industrial Water System is categorically exempt pursuant to Class 1(b) as described in CEQA Guidelines Section 15301. This exemption applies to the minor alteration of existing facilities used to provide public utility services

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution and Agreement as to form and legality.

ATTACHMENTS

- Resolution
- Agreement
- CAO Report

