

Recycled Water Policy Memorandum



WESTERN RIVERSIDE COUNTY
REGIONAL WASTEWATER AUTHORITY

PREPARED FOR:

Western Riverside County Regional Wastewater
Authority

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Table of Contents

Executive Summary	2-1
1.1 Approach.....	2-1
1.2 Organization of this Document and Content Summary.....	2-5
Section-1 WRCRWA Recycled Water Program Policy Principles	2-1
Section-2 Definitions	2-1
Section-3 Infrastructure Ownership and Capacity	1
3.1 Recycled Water System Ownership	1
3.1.1 On-site Reservoir.....	1
3.1.2 Recycled Water Pump Station	1
3.1.3 Recycled Water Transmission Pipelines and Facilities.....	2
3.2 Capacity Ownership Options.....	2
3.3 Capacity Ownership Metrics	3
Section-4 Recycled Water Program Cost Allocations	4-1
4.1 Recycled Water System Cost Allocation Methodology.....	4-1
4.1.1 Capital Costs.....	4-1
4.1.2 Replacement and Refurbishment Costs.....	4-1
4.1.3 Fixed Operating Costs	4-1
4.1.4 Variable Operating Costs	4-1
4.1.5 Existing On-site Reservoir Cost Allocation	4-1
4.2 Cost Accounting and Budget Administration.....	4-1
4.2.1 WRCRWA Recycled Water Program Cost Center.....	4-1
4.2.2 Recycled Water Transmission Facility Budget Administration	4-2
Section-5 Internal Transfers, Outside Sales, and External Exchanges of Recycled Water	5-1
5.1 Internal Transfers Available to All WRCRWA Member Agencies.....	5-1
5.1.1 Price and terms	5-1
5.1.2 Structure of Transaction and Contracting.....	5-1
5.1.3 Reporting.....	5-1
5.2 Internal Transfers with Unique Provisions.....	5-1
5.3 Recycled Water Outside Sales	5-2
5.3.1 Establishing Outside Sales Pool.....	5-2
5.3.2 Negotiation of Outside Sales.....	5-2
5.3.3 Member Agency Participation	5-2
5.3.4 Approval Process.....	5-2
5.4 Recycled Water External Exchange.....	5-3
5.4.1 External Exchange Transactions.....	5-3

5.4.2 Structure of Transaction and Contracting.....	5-3
5.4.3 Reporting.....	5-3
Section-6 Provisions for Updating Policies and Procedures	6-1

List of Figures

Figure 1. Study Area Overview.....	ES-2
---	-------------

List of Tables

Table 1. Current Member Agency Dedicated Capacity in On-Site Reservoir.....	3-1
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Appendices

Appendix A. Technical Memorandum No. 1 - Overview of WRCRWA Member Agency Interviews Regarding Recycled Water Program Development, August 17, 2022

Appendix B. Technical Memorandum No. 2 - Summary of Workshop #1 - Program Goals, Planning Assumptions and Conceptual Infrastructure Review, September 30, 2022

Appendix C. Technical Memorandum No. 3 - Summary Results of Workshop #2 – Proposed Program Ownership Model and Capital and Operating Cost Allocations, November 15, 2022

Executive Summary

The Executive Summary provides an overview of the process undertaken by the Western Riverside County Wastewater Authority (WRCRWA) to develop a policy framework and procedures for implementing a recycled water program.

As background, WRCRWA is a joint powers wastewater authority consisting of the cities of Norco and Corona, the Jurupa Community Services District (JCSD), the Home Gardens Sanitary District (Home Gardens) and the Western Municipal Water District (WMWD). The principal purpose of WRCRWA is to provide transmission, treatment, and disposal of up to 14 million gallons per day (MGD) of wastewater from its tertiary treatment plant, which is located immediately north of the Santa Ana River on River Road in the City of Corona. The WRCRWA sewer service area is bounded on the north by the JCSD service area in the City of Eastvale; on the west by JCSD, the City of Norco and the central portion of the City of Corona; on the east by JCSD, the cities of Norco and Corona, Home Gardens, and the western portion of WMWD; and on the south by the City of Corona. WMWD is the current administrator of WRCRWA. An overview of the WRCRWA service area and member agency boundaries is shown in Figure 1.

The WRCRWA wastewater treatment plant currently discharges tertiary treated effluent into the Santa Ana River. It is the desire of the members to develop a policy framework for business planning purposes to support the future beneficial use of recycled water. A Change of Use Order (WW0067) issued by the State Water Resources Control Board (SWRCB) in February 2018 allows WRCRWA to divert discharges from the Santa Ana River to the extent that there are no significant impacts on riparian habitat. Several members, including JCSD and cities of Corona and Norco have expressed interest and are in various stages of developing recycled water programs using effluent from the WRCRWA plant. Similarly, Inland Empire Utilities Agency (IEUA) has also expressed interest in the acquisition of recycled water from WRCRWA to support the implementation of its Chino Basin Program (CBP).

To accommodate these future needs, the WRCRWA member agencies needed to resolve several key issues relating to future planning assumptions for recycled water use among the member agencies, reconciliation of available recycled water for internal transfers and external sales, a recycled water pumping and transmission system ownership model, sizing of recycled water facilities owned by WRCRWA, an equitable cost allocation model, and development of policies, terms and a process for considering internal transfers and external sales of recycled water to outside agencies.

1.1 Approach

To assist WRCRWA with the development of recycled water policies and procedures, Dopudja & Wells worked with the WRCRWA staff and member agencies to execute several important tasks. These included:

Task 1: Data Request, Review, and Reconciliation - This task centered around developing key baseline information for WRCRWA and its member agencies regarding existing and proposed Year 2032 and Ultimate uses for recycled water, including potential demands for outside sales. This also included gaining an understanding of WRCRWA's treatment facilities, current recycled water production, operating practices and applicable ordinances, resolutions, and policies.

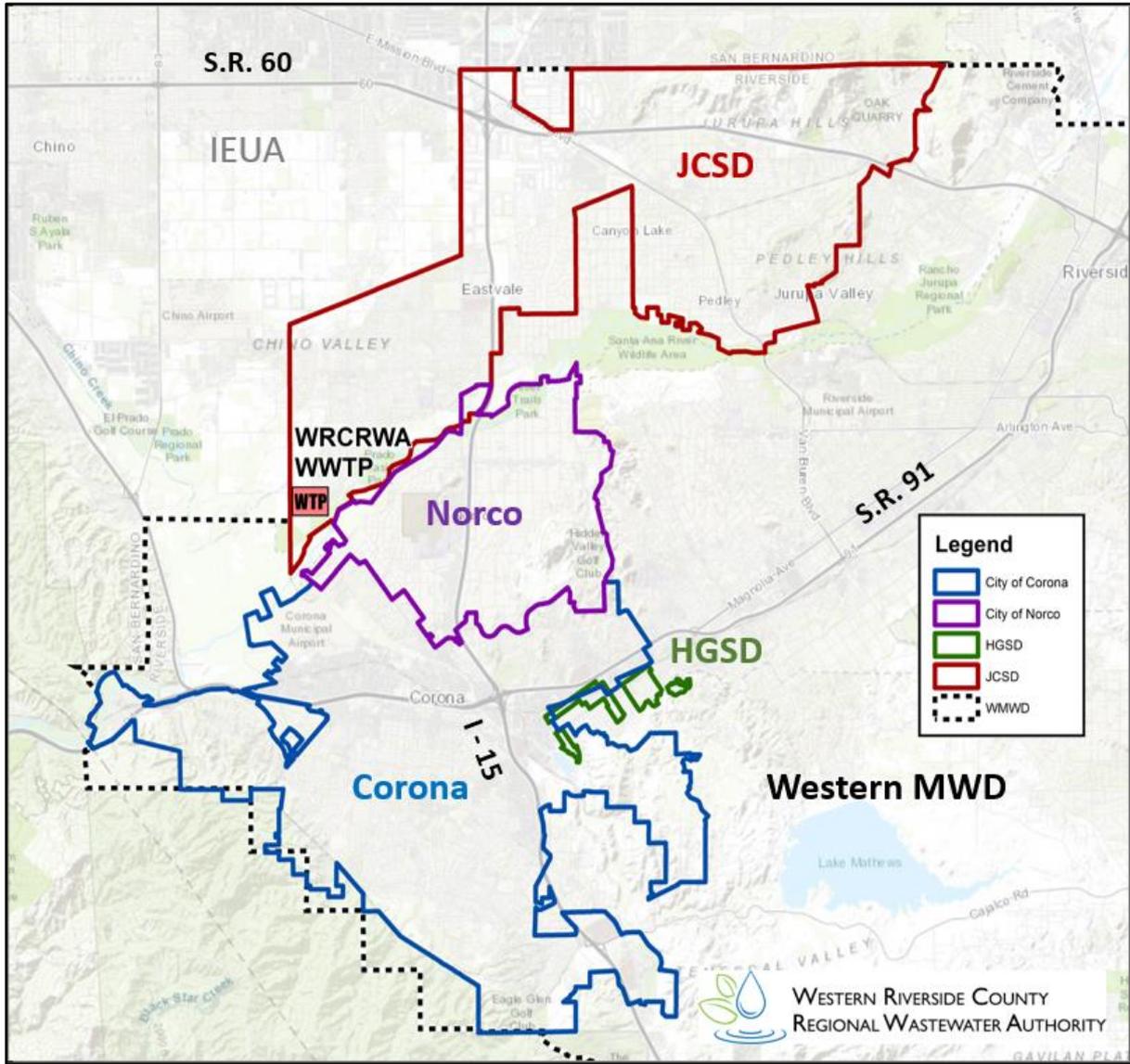


Figure 1 – Study Area Overview

Task 2: Interviews with Member Agencies and WRCRWA Management - An important aspect of policy development, particularly in a Joint Powers Authority (JPA) such as WRCRWA, is clearly understanding the individual member agencies' issues, concerns and needs. At the outset of the engagement, Dopudja & Wells consulted with WRCRWA's management team and reviewed meeting minutes to develop a preliminary list of issues and concerns that have previously impeded the development of WRCRWA's recycled water program. This list of issues was then verified through interviews with each of WRCRWA's member agencies that were conducted on July 11, 2022, and August 3, 2022.

To facilitate the interviews, a presentation was prepared and distributed to the agencies in advance. This presentation included the preliminary list of items requiring resolution to move WRCRWA's recycled water program forward. For discussion purposes, the issues were posed as questions in the presentation and organized in the following categories: Planning, Cost Allocation (operating and infrastructure capital), Cost Recovery (external transfers and external sales), and External Sales (process and procedures). Additionally, various general questions were asked on each topic area as well as specific questions related to JCSD's recycled water program, which is expected to advance rapidly.

The primary purpose of the interviews was to:

- Verify the preliminary WRCRWA Issues List with the member agencies and identify any missing issues or new issues the WRCRWA member agencies may have.
- Hear from the member agencies any perspectives, ideas, or proposals they may have on resolving the issues.

The member agencies were engaged in the interviews and provided candid and constructive feedback. Areas of general agreement and areas of differences of opinion requiring resolution were identified and documented. The results of the interviews were documented in a Technical Memorandum dated August 17, 2022, entitled: "Overview of WRCRWA Member Agency Interviews Regarding Recycled Water Program Development." This memorandum was subsequently distributed to the member agencies and WRCRWA for review to ensure all issues and perspectives were captured, with the results of the Technical Memorandum discussed in the workshops described below. This Technical Memorandum is included in full in Appendix A.

Task 3: Evaluation of Recycled Water Availability and Conceptual Infrastructure Requirements - Using the data provided from the previous tasks, Dopudja & Wells developed reconciled recycled water projections for WRCRWA and its member agencies. The projections included near-term (next five years), Year 2032, and ultimate values. Because recycled water availability may be constrained by either annual supply available or peak supply available during summer months, both annual and peak day projections were developed and analyzed. From this analysis, capacity and sizing of the proposed Recycled Water Pump Station, the proposed Northerly Pipeline serving JCSD's recycled water system and potential exchanges and outside sales, and the Southerly Pipeline serving the recycled water system of the City of Corona, were reviewed and verified. In addition, an analysis of the sufficiency of WRCRWA's on-site tertiary storage facilities (On-site Reservoir) was also conducted based upon the peaking characteristics of WRCRWA's member agencies and a potential outside sale to IEUA.

Task 4: Facilitated Workshops with WRCRWA's Executive Committee and Staff - From work conducted in the previous tasks described above, three sequential workshops were held with the WRCRWA Executive Committee, WRCRWA management and staff, and other member agency representatives. The workshops were conducted in-person and facilitated by Dopudja & Wells. Each workshop had a structured agenda provided to the participants in advance that identified desired outcomes for each

session. Workshops were conducted on a consensus basis whereby the participating Executive Committee members came to agreement on advancing key items and decisions that were subsequently documented and verified.

The dates and agenda items covered in each of the three workshops are as follows:

Workshop #1 – September 8, 2022:

- Review and verify WRCRWA member agency interviews including areas of agreement and issues requiring resolution.
- Develop consensus on proposed WRCRWA recycled water program goals (or Policy Principles).
- Evaluate and agree upon planning assumptions, usage projections and related data.
- Validate conceptual infrastructure and sizing criteria.

After the conclusion of Workshop #1, a second Technical Memorandum was published, entitled: “Summary of Workshop #1 - Program Goals, Planning Assumptions and Conceptual Infrastructure Review,” dated September 30, 2022. This Technical Memorandum documents critical consensus items reached in the workshop, as well as technical data presented with revisions agreed to by the Executive Committee and WRCRWA staff. This Technical Memorandum is included in full in Appendix B.

Workshop #2 – October 10, 2022:

- Provide recap of items and consensus reached from Workshop #1.
- Present limits and ownership model for WRCRWA’s and member agencies’ portions of the recycled water system.
- Present recycled water system capital and operating cost allocation.

Subsequent to Workshop #2, a third and final Technical Memorandum was published, entitled: “Summary Results of Workshop #2 – Proposed Program Ownership Model and Capital and Operating Cost Allocations,” dated November 15, 2022. This final Technical Memorandum focused on both verifying the consensus items from Workshop #2, and the critical question of the ownership of the recycled water system and identifying a proposed methodology to fairly and equitably allocate costs among the participating member agencies. This Technical Memorandum is included in full in Appendix C.

Workshop #3 – November 22, 2022:

- Provide recap of items and consensus reached from Workshop #2.
- Present proposed policies and procedures for internal transfers of allocated recycled water among WRCRWA members.
- Present a recommended policy and procedure for external sales of recycled water.

This final Workshop covered the remaining items on the list of issues to be resolved for the development of WRCRWA’s recycled water policy framework, namely internal transfers of recycled water among the WRCRWA member agencies and the sale of recycled water by WRCRWA’s members to external third parties. The consensus items from this final workshop are summarized and included in the policy recommendations contained in Section 5 of this memorandum.

The culmination of the tasks completed to date are documented in this policy memorandum, which is intended to provide the basis and framework for WRCRWA and its member agencies to develop and implement the recycled water program. As the program is implemented, operational experience will

be gained by WRCRWA and its member agencies and it is recommended that the proposed policies and procedures contained in this document be periodically reviewed and updated, as needed.

1.2 Organization of this Document and Content Summary

This Recycled Water Policy Memorandum is organized into six sections to facilitate ease of use. The order of the sections follows the sequence of issues addressed through the facilitated process and are grouped by major subject areas, such as foundational policy principles, infrastructure, cost allocation and end uses of recycled water. To provide clarity and consistency, terms used throughout the memorandum are defined in a separate section for ease of reference.

The sections included as part of this memorandum and a summary of the content in each of these sections is as follows:

Section 1 - Recycled Water Program Policy Principles

- Develops recycled water program foundational principles that provide a consistent basis for evaluating issues, making decisions, and setting policy.
- Policy principles are intended to be used by WRCRWA's management team and governing body as the basis for considering future policy changes or proposing modifications to financial, operational, or administrative elements of the recycled water program.
- The principles include key policy considerations such as maximizing beneficial uses of recycled water, protecting WRCRWA agencies' recycled water allocations, providing program flexibility, efficient operations and administration, a logical ownership model, and equitable cost allocation and financial practices.

Section 2 - Definitions

- Provides clear and concise definitions of commonly used terms and nomenclature included in the proposed WRCRWA recycled water policies contained in this memorandum.

Section 3 - Infrastructure Ownership and Capacity

- Presents a proposed capacity and asset ownership structure for the key components of the recycled water system as defined, including the Recycled Water Pump Station, the On-Site Reservoir, the Northerly Pipeline, and the Southerly Pipeline.
- Defines roles and responsibilities of the infrastructure asset owners for the design, construction, operations, and financial management of the facilities.
- Addresses processes and procedures for future capacity expansion, and capacity ownership metrics.
- Includes member agencies options for acquisition and disposition of recycled water system capacity.

Section 4 - Recycled Water Program Cost Allocations

- Includes the proposed methodology for allocating recycled water system costs, including capital, replacement and refurbishment, and both fixed and variable operating costs.
- Provides policies and provisions for cost accounting and budget administration.
- Includes procedures for both the recycled water system components that are owned and operated by WRCRWA, and those with shared capacity that are owned and operated by the particular member agencies.

Section 5 - Internal Transfers, External Exchanges, and External Sales of Recycled Water

- Provides policies and procedures for three distinct types of recycled water transactions: internal transfers among WRCRWA members, external sales or exchanges of recycled water among a WRCRWA member and an outside agency or entity, and external sales to outside agencies or entities involving WRCRWA member agencies wishing to participate on a pooled basis with WRCRWA managing the transaction.
- Includes recognition and provides procedures for internal transfers or external sales or exchanges in which not all WRCRWA member agencies can participate because of unique conditions.
- Provides recommended policies for contracting and reporting of transactions and the parties to be included.
- Includes the negotiation and approval processes for pooled external sales managed by WRCRWA on behalf of participating member agencies with outside agencies or entities.

Section 6 - Provisions for Updating Policies and Procedures

- Provides recommended procedures for amending, clarifying and/or modifying the recycled water program policies and procedures contained in the memorandum on an as-needed basis.

Section-1 WRCRWA Recycled Water Program Policy Principles

An important element of establishing WRCRWA's recycled water program and policy framework is to have clearly defined goals or policy principles that provide a consistent basis for evaluating issues, making decisions, and setting policy. Once established, these principles can be used by WRCRWA's management team and governing body as the basis for considering future policy changes or proposing modifications to financial, operational, or administrative elements of the recycled water program. As a consensus product of WRCRWA's member agencies, the principles provide an important foundation for WRCRWA's recycled water future.

As an initial part of this process, a set of goals were drafted and reviewed with the Executive Committee in Workshop #1, and consensus was reached by the committee members. In subsequent workshops, the goals were revisited and refined into policy principles as the Executive Committee discussed, debated, and came to agreement on specific elements of the recycled water program. This iterative refinement of the principles ensured that all of WRCRWA's member agencies were providing important input to the policy foundation for the recycled water program, particularly as additional issues were identified and discussed among the committee members during the process.

The WRCRWA recycled water Policy Principles recommended for adoption are as follows:

Maximize Beneficial Uses – Provide maximum beneficial use opportunities for recycled water from WRCRWA and minimize discharges to the Santa Ana River as needed to meet WRCRWA regulatory requirements.

Provide Flexibility – Ensure a flexible program structure that recognizes and supports member agencies' diverse needs and beneficial uses of recycled water including direct use, environmental or water supply exchanges with outside agencies, transfers among the WRCRWA members, and outside sales.

Protect Recycled Water Allocations – Work as a WRCRWA cooperative to advance the recycled water program while ensuring individual member agency's rights to beneficially use their allocations of recycled water are protected.

Efficient WRCRWA Processes – Provide policies, processes and procedures that facilitate WRCRWA decision making and support the timely implementation of WRCRWA member agencies' individual recycled water projects, programs, or usage opportunities.

Aligned Operating Structure – Implement a recycled water system operating structure that is efficient, reliable, and cost effective, and aligns with both WRCRWA's role and expertise in operating facilities at the treatment plant, and the member agencies' role and expertise in operating retail water and wastewater systems.

Logical Recycled System Ownership Model – Create a recycled water system ownership model that is consistent with WRCRWA's scope as a wastewater Joint Powers Authority that produces recycled water for its member agencies' beneficial end uses.

Outside Sales Opportunities – Structure outside recycled water sales to provide all agencies the option to equitably participate and benefit based upon their ownership or access to capacity in the recycled water system.

Fair Allocation of Costs – Ensure the costs for the recycled water system capital improvements, and fixed and variable operating costs, are commensurate with agencies’ recycled water system capacity ownership and peak period uses of the system.

Financial Integration – Implement an integrated financial structure for the operational and capital needs of the recycled water system that is transparent and aligns with WRCRWA’s existing funding and budgeting policies.

Section-2 Definitions

The following are definitions of commonly used terms and nomenclature included in the proposed WRCRWA recycled water policies contained in this memorandum:

Average Annual Use – The average demands for recycled water over a 12-month period expressed in acre-feet per year (AF/yr.).

Beneficial Use Categories

The following categories describe potential beneficial uses of recycled water by the WRCRWA member agencies:

Direct Use - Uses of recycled water by a member agency in its system (purple pipe irrigation, potable reuse, etc.).

Internal Transfer – The transfer of a member agency's allocation of recycled water to another member agency or member agencies through a sale or lease.

External Exchange – An external sale or exchange of a member agency's allocated recycled water to an outside entity for a water supply, environmental or other benefit that can only be realized by the member agency engaged in the transaction.

Beneficial Discharge – The voluntarily discharge of a member agency's recycled water to the Santa Ana River to meet non-WRCRWA flow or environmental obligations, or for effectuating a downstream External Exchange.

Outside Sale – A commodity sale of recycled water to an Outside Entity for its beneficial use in which all WRCRWA Members can benefit and participate.

Budget Administration/Cost Center – An accounting practice by WRCRWA for categorizing, budgeting, and tracking all costs associated with the recycled water program operations, maintenance, and capital infrastructure for allocation among member agencies with capacity in the recycled water system. Similar accounting practices shall be implemented by member agencies that own and operate portions of the recycled water transmission pipeline system in which other member agencies have capacity ownership rights.

Capacity Lease – Temporary acquisition of recycled water infrastructure capacity by a member agency from another member agency through a lease transaction among the member agencies.

Capacity Purchase – Permanent acquisition of recycled water infrastructure capacity by a member agency from another member agency through a purchase transaction.

Capital Costs – Costs incurred in connection with new capital facility design, construction, capacity expansion, or facility betterments. Examples include new pump stations, pipelines, reservoirs, and other major infrastructure.

Financial Integration – Implementation of an integrated financial structure for the operations and capital needs of the recycled water system that is transparent and aligns with WRCRWA's existing accounting, financial reporting, funding and budgeting practices and policies.

Fixed Operating Costs - Operations and maintenance costs that are fixed regardless of the amount of usage of a facility. Examples include utility fixed charges, administrative costs, and insurance.

In-Plant Usage – Quantity of treated wastewater utilized within the treatment plant for process and operational related purposes. The quantity of in-plant usage is approximately 8.9% of the influent wastewater flow to the WRCRWA Treatment Plant.

Northerly Pipeline – The currently proposed 24-inch pipeline being designed, constructed, owned, and operated by the Jurupa Community Services District to convey recycled water to its service area, and to potentially convey recycled water into the Inland Empire Utility District's service area and the Chino Basin for future external sale and exchange.

On-site Reservoir – The 1.5 million gallon finished water reservoir located on the site of the WRCRWA Treatment Plant.

Operational Impairment – When a WRCRWA member agency utilizes capacity in the recycled water system above its capacity ownership and impairs another member agency's ability to utilize its capacity to take deliveries of recycled water for beneficial uses, resulting in operational and/or financial impacts.

Outside Entity – Any person or entity that desires to acquire the right to use recycled water produced from the WRCRWA Treatment Plant that is not a member agency of WRCRWA.

Outside Sales – See definition under Beneficial Use Categories, above.

Outside Sales Pool – Recycled water that WRCRWA member agencies voluntarily commit for recycled water commodity Outside Sales. Water in the sales pool shall be administered by WRCRWA with all sales subject to approval of the participating member agencies. A WRCRWA member agency's participation in such Outside Sales made from the sales pool shall be proportionate to the amount of recycled water dedicated by that member agency to the outside sales pool.

Peak Day Demand – The highest daily demand for recycled water over a one-year period expressed in million gallons per day (MGD).

Peak Hour Demand – The highest hourly instantaneous demands for recycled water expressed in gallons per minute (GPM).

Recycled Water Allocation – The amount of recycled water produced at the WRCRWA Treatment Plant that is available for each WRCRWA member agency's beneficial uses, as set forth in WRCRWA Resolution 97-38 and WRCRWA Ordinance 2019-OR9. The amount of recycled water available to each member agency equates to each agency's wastewater influent flow to the WRCRWA Treatment Plant less in-plant uses and any required discharge to the Santa Ana River to meet conditions of Change of Use Order (WW0067) issued by the State Water Resources Control Board in February 2018.

Recycled Water Pump Station – The currently proposed 5,000 GPM pump station located on the WRCRWA Treatment Plant site being designed by Jurupa Community Services District in coordination with WRCRWA to convey recycled water to member agencies for direct beneficial uses, including future external sales and exchanges.

Replacement and Refurbishment Costs – Costs incurred in connection to capital expenditures for infrastructure and equipment replacement or refurbishment to extend the useful life of the facilities. Examples include pipeline replacements, major pump components, valve replacements, and building reconstruction.

Required Discharge – A required discharge of a member agency’s recycled water to the Santa Ana River to meet a WRCRWA flow or environmental obligations associated with Change of Use Order (WW0067) or future amendments thereto.

Southerly Pipeline – The currently proposed 20-inch pipeline being designed, constructed, owned, and operated by the City of Corona to convey recycled water from the Recycled Water Pump Station to the City of Corona portions of WRCRWA’s service area.

Time of Use – The time period of delivery and use of recycled water to a WRCRWA member agency during a 24-hour period.

Variable Operating Costs - Operations and maintenance costs that vary with the usage of facilities. Examples include utility commodity rates, chemicals, and minor repair items.

Wheeling – A compensated usage arrangement between a member agency that owns capacity in the recycled water transmission pipeline system and a member agency wanting to transport recycled water through that system.

WRCRWA Treatment Plant – The wastewater tertiary treatment facility located at 14634 River Road, Corona, CA., that is owned and operated by the WRCRWA Joint Powers Authority and is currently rated to treat up to 14 million gallons per day (MGD) of wastewater to California Health and Safety Code and Title 22 standards.

Section-3 Infrastructure Ownership and Capacity

Recycled water infrastructure is required to convey and deliver the WRCRWA recycled water for beneficial use. Recycled water infrastructure capacity requirements and ownership scenarios are described in the following section.

3.1 Recycled Water System Ownership

Member agencies will have designated capacity ownership in the On-site Reservoir, Pump Station and Recycled Water Transmission Pipelines and appurtenant facilities as described herein.

3.1.1 On-site Reservoir

The existing On-site Reservoir shall be owned and operated by WRCRWA. The 1.5 MG of storage capacity in the On-site reservoir shall be allocated to each member agency based upon its current capacity ownership in the WRCRWA Treatment Plant, as follows:

Member Agency	Treatment Plant Capacity, MGD	Percent Capacity, %	Dedicated capacity in On-site Reservoir, MGD
City of Norco	2.70	19.3	0.29
City of Corona	2.62	18.7	0.28
Home Gardens Sanitary District	0.75	5.4	0.08
Western Municipal Water District	1.93	13.8	0.21
Jurupa Community Services District	6.00	42.8	0.64
Total	14.00	100.0	1.50

WRCRWA shall monitor the utilization of the On-site Reservoir and coordinate with the member agencies to optimize the existing reservoir capacity based upon management of Peak Day Demand, Peak Hour Demand and Time of Use. A member agency may use other member agencies' capacity in the On-site Reservoir to the extent such use results in no Operational Impairment or financial impact to other agencies. WRCRWA shall use best practices to monitor reservoir capacity to aid system operations and define thresholds for when operational impairments or financial impacts may occur.

At such time WRCRWA determines that the On-site Reservoir requires expansion, or that additional recycled water on-site storage is required, it shall inform the member agencies and prepare for approval a proposed recycled water storage capacity augmentation capital improvement project. Each member agency shall determine the amount of additional recycled water storage capacity it wishes to acquire in the capacity augmentation project. New capacity shall be acquired by the member agencies in proportion to each participating agency's financial contribution to the storage capacity augmentation project. New recycled water storage capacity shall be additive to each participating agency's current dedicated capacity in the On-site Reservoir shown in Table 1.

3.1.2 Recycled Water Pump Station

The Recycled Water Pump Station shall be owned and operated by WRCRWA with member agencies having dedicated capacity ownership rights based upon proportionate financial contributions to the

construction of the facility. WRCRWA shall coordinate with the member agencies on the delivery of recycled water and shall make best efforts to meet member agencies' demands considering Peak Day Demand, Peak Hour Demand and Time of Use. WRCRWA shall also be responsible for operationally coordinating deliveries of recycled water for Outside Sales.

Any future capacity expansion of the Recycled Water Pump Station shall be at the request of one or more of the member agencies needing additional capacity. Additional capacity shall be acquired by the participating member agencies and based on each agency's financial contribution to the pump station capacity expansion project.

3.1.3 Recycled Water Transmission Pipelines and Facilities

The recycled water pipelines and facilities connected to the pump station discharge shall be owned and operated by the member agencies, as follows:

- Northerly Pipeline – Jurupa Community Services District
- Southerly Pipeline – City of Corona
- Norco Pump Station and Pipeline – City of Norco

For each facility, a Point of Connection (POC) shall be established by mutual agreement of the member agency owners and WRCRWA. Pipelines and facilities downstream of the POC shall be the responsibility of the individual member agency owners. WRCRWA shall provide access and maintenance rights and construction easements to the owners and operators of these facilities downstream of the POC.

Other member agencies may wish to acquire dedicated capacity in these facilities from the member agency owners to support beneficial uses of recycled water including External Exchanges and Outside Sales. Capacity acquisition and ownership in these facilities shall be subject to agreement(s) among the participating member agencies and the facility owners.

3.2 Capacity Ownership Options

Member agencies may buy, sell, or lease capacity rights in the Recycled Water On-site Reservoir and the Recycled Water Pump Station to other WRCRWA member agencies. Under such circumstances, the amount of capacity being transferred through sale or lease shall be reported to WRCRWA in writing for operational purposes and financial accounting.

Member agencies may also buy or lease capacity rights in the Recycled Water Transmission Pipelines from the member agency owners of the respective facilities. In addition, member agencies may enter into temporary or long-term Wheeling Arrangements with transmission facility owners to transport water for various beneficial uses. Any such sale, lease or wheeling transaction related to the recycled water transmission facilities shall be among the participating member agencies and reported to WRCRWA for coordinating operations.

3.3 Capacity Ownership Metrics

Capacity ownership metrics for all facilities shall be based upon daily demand expressed in million gallons (MG). Member agencies wishing to acquire capacity in components of the recycled water system shall provide WRCRWA and/or the member owners constructing the recycled water infrastructure the following information: Peak Day Demand, Peak Hour Demand and Time of Use information. Such data shall be used by WRCRWA, and the individual recycled water infrastructure member owners to support facility design and coordinated operations. This information shall be updated by the member agencies as individual member agency's demands on the recycled water system materially change.

Section-4 Recycled Water Program Cost Allocations

The cost allocation methodology for the recycled water infrastructure is described in the following section.

4.1 Recycled Water System Cost Allocation Methodology

The proposed cost allocation structure for the Recycled Water Pump Station, Northerly Pipeline, Southerly Pipeline, and existing On-site Reservoir, as well as any future capacity expansion of these facilities, shall be as follows:

4.1.1 Capital Costs

The member agencies' obligations for capital costs associated with the construction or expansion of the recycled water facilities shall be based upon each member agency's proportionate capacity ownership in the facilities.

4.1.2 Replacement and Refurbishment Costs

The member agencies' obligations for costs associated with the replacement and refurbishment of facilities shall be proportionate to each member agency's capacity ownership in the facilities.

4.1.3 Fixed Operating Costs

The member agencies' obligation for fixed recycled water system operating costs shall be proportionate to each member agency's capacity ownership in the facilities.

4.1.4 Variable Operating Costs

The member agencies' obligations for variable operating costs shall be based upon metered deliveries of recycled water to the member agencies' recycled water systems for Direct Use, or to points of delivery for other beneficial uses designated by the member agencies including External Exchanges or Recycled Water External Sales.

4.1.5 Existing On-site Reservoir Cost Allocation

The allocation of costs for the operations, maintenance, and replacement and refurbishment of the existing On-site Reservoir shall be based upon each member agency's WRCRWA Treatment Plant Capacity as shown in Table 1.

Any future expansion of the On-site Reservoir or construction of a new on-site recycled water storage facility will change the member agencies' amount of dedicated recycled water storage capacity at the WRCRWA Treatment Plant. New capacity shall be acquired by the member agencies in proportion to each participating agency's financial contribution to the storage capacity augmentation projects. New capacity shall be added to each participating agency's current storage capacity shown in Table 1 and shall be the basis for the future allocation of costs.

4.2 Cost Accounting and Budget Administration

The administrative requirements for cost accounting and budget administration are described below.

4.2.1 WRCRWA Recycled Water Program Cost Center

A "cost center" for the recycled water system shall be established by WRCRWA in its annual Operating Budget and Capital Improvement Program to identify specific recycled water program costs and specific recycled water system operating assets for which WRCRWA is responsible. Cost information shall include the categories described in this Section, with costs in these categories clearly allocated among the participating member agencies. This cost information shall be used by WRCRWA to allocate

capital and operating expenses to the member agencies for their respective portions of the recycled water system.

4.2.2 Recycled Water Transmission Facility Budget Administration

Member agency owners of recycled water transmission pipelines and facilities not owned and operated by WRCRWA that have shared capacity among the member agencies shall implement cost accounting and budget administration practices similar to those described in Section 4.2.1. Budget administration and cost accounting practices for the recycled water transmission facilities shall be set forth in the applicable inter-agency agreements for those projects.

Section-5 Internal Transfers, Outside Sales, and External Exchanges of Recycled Water

WRCRWA member agencies not fully utilizing their Recycled Water Allocations may wish to transfer recycled water to other member agencies or participate in transactions with external agencies or entities to sell or exchange recycled water. The policies and procedures for internal transfers, outside sales, and external exchanges of recycled water are described below. These transactions are defined above in Section 2.

5.1 Internal Transfers Available to All WRCRWA Member Agencies

Internal transfers described in this category are for recycled water that WRCRWA member agencies wish to make available to all other member agencies.

5.1.1 Price and terms

A member agency wanting to offer all or a portion of its Recycled Water Allocation for transfer to one or more member agencies shall establish the proposed price, term of transfer, amount of water available to transfer and other terms and conditions and inform WRCRWA and the remaining member agencies of all of such terms and conditions.

Each remaining member agency shall have the opportunity to acquire the recycled water being offered for transfer under the proposed terms in an amount proportionate to its Recycled Water Allocation relative to the total Recycled Water Allocations of all member agencies wishing to acquire the transferred recycled water. If only one member agency wishes to acquire the recycled water being offered for transfer, that agency may acquire up to the total amount available.

5.1.2 Structure of Transaction and Contracting

Transfers of Recycled Water Allocation among members may be through a sale or lease, at the discretion of the participating member agencies. Contracts for the transfer of Recycled Water Allocations shall be among the participating member agencies. WRCRWA shall neither be party to nor have approval authority over such contracts.

5.1.3 Reporting

Transfer contracts executed among the member agencies shall be reported to WRCRWA for purposes of operational coordination of deliveries, financial accounting, and Recycled Water Allocation accounting.

5.2 Internal Transfers with Unique Provisions

A WRCRWA member agency may wish to enter into a Recycled Water Allocation transfer transaction with another member agency based upon terms, conditions and considerations that are unique or germane to only those member agencies wishing to participate in the transfer. Such circumstances may include, but are not limited to, considerations for shared infrastructure usage or ownership in the agencies' service areas, out of service area deliveries to recycled water customers of member agencies, water supply exchanges, offsetting financial considerations unrelated to the recycled water system, or a variety of other similar conditions.

Under such circumstances, a member agency may enter into a direct transfer arrangement with another member agency without the recycled water being offered for transfer to the remaining member agencies in the manner required under Section 5.1.1. Under this type of transfer arrangement, Sections 5.1.2 and 5.1.3 shall continue to apply.

5.3 Recycled Water Outside Sales

The WRCRWA member agencies may voluntarily participate in a Recycled Water Outside Sale administered through WRCRWA on behalf of the member agencies. The process and procedures for implementing Outside Sales are described in this section.

5.3.1 Establishing Outside Sales Pool

WRCRWA member agencies interested in participating in Outside Sales may notify WRCRWA of the portion of their Recycled Water Allocation that would be eligible for an Outside Sales transaction. The aggregate of the portion of the member agencies' Recycled Water Allocation designated for Outside Sales shall constitute the Outside Sales Pool. Such designation shall be made at the beginning of each calendar year, and member agencies may remove recycled water from the Outside Sales Pool at any time upon written notice to WRCRWA.

5.3.2 Negotiation of Outside Sales

Upon receiving a request from an outside agency or entity wishing to purchase recycled water from WRCRWA (hereinafter referred to as "buyer"), the WRCRWA Administrator shall inform the Executive Committee. The Executive Committee shall review proposed terms and conditions for the Outside Sale and/or develop alternative terms and conditions for consideration by the buyer. Under the guidance of the Executive Committee, the WRCRWA Administrator shall complete the negotiation of terms and conditions with the buyer for the purchase of recycled water.

5.3.3 Member Agency Participation

Upon completion of negotiations with the buyer for the purchase of recycled water from the Outside Sales Pool, the WRCRWA member agencies with recycled water designated in the Outside Sales Pool shall decide if they wish to participate in the transaction, and the amount of recycled water they wish to designate for the transaction. A WRCRWA member agency wishing to participate in the transaction may do so up to the amount of recycled water the agency has designated for the transaction, subject to the following limitations:

1. If the quantity of recycled water requested by the buyer is less than the aggregate amount of recycled water designated for the transaction by the participating member agencies, the amount of recycled water each member agency may include in the transaction will be proportionate to the total amount of recycled water being committed to the transaction by all the participating agencies.
2. A member agency wishing to participate in the transaction must have access to a sufficient amount of capacity in the Recycled Water Pump Station and applicable recycled water transmission pipelines to deliver the amount of recycled water the member agency wishes to include in the transaction. Requisite capacity in these facilities can be owned by the member agency, or acquired through a Capacity Purchase, Capacity Lease or Wheeling arrangement with another member agency.

5.3.4 Approval Process

Once terms and conditions, amount of recycled water and participating member agencies in an Outside Sale are determined, a final external sale agreement shall be drafted by WRCRWA and finalized with the buyer. The Governing Boards and/or City Councils of the member agencies participating in the transaction shall approve the external sale agreement.

Upon approval by the member agencies participating in the transaction, the external sale agreement shall be ratified by the WRCRWA Board of Directors. For purposes of this Policy Memorandum any such Outside Sale shall be deemed to be a "specific project" pursuant to Section 7 of WRCRWA's Joint

Exercise of Powers Agreement and in accordance with that section, only WRCRWA Board members representing member agencies participating in the outside sale transaction shall be eligible to vote on the matter.

5.4 Recycled Water External Exchange

WRCRWA member agencies may also participate in a Recycled Water External Exchange with an outside agency or entity for a water supply, environmental enhancement, or other benefit. This type of exchange would only benefit and be realized by the member agency engaged in the transaction. The process and procedures for implementing an external exchange are described in this section.

5.4.1 External Exchange Transactions

A recycled water External Exchange transaction may be executed by a member agency separate from the Recycled Water Outside Sale process described in Section 5.3. Such a transaction entails a single member agency selling and/or exchanging all or part of its Recycled Water Allocation to an outside agency or entity to provide a benefit that is unique to the member agency involved in the transaction. Such transactions include, but are not limited to, sales and/or exchanges of recycled water to acquire potable water sources, meeting Santa Ana River base flow obligations, receiving environmental habitat credits, or a variety of other similar benefits.

5.4.2 Structure of Transaction and Contracting

Terms, conditions, and contractual arrangements for External Exchanges of recycled water among member agencies and Outside Entities shall be negotiated at the sole discretion of the member agencies entering the transaction. WRCRWA shall neither be party to nor have approval authority over External Exchange transactions or contracts.

5.4.3 Reporting

All External Exchange transactions shall be reported to WRCRWA for purposes of operational coordination of deliveries, financial accounting, and Recycled Water Allocation accounting.

Section-6 Provisions for Updating Policies and Procedures

The WRCRWA member agencies recognize that the Policy Principles and the recycled water policies and procedures contained herein are intended to guide the development and implementation of WRCRWA's recycled water program. As the recycled water program is implemented, WRCRWA and its member agencies also recognize that experience in utilizing the policies and procedures may result in the need for amendments, clarifications, or modifications.

Should the WRCRWA Board and/or Administrator determine that certain Policy Principles, policies or procedures need to be reviewed and reconsidered, the WRCRWA Executive Committee shall consider and evaluate such requests, and if deemed necessary, coordinate with the WRCRWA Administrator to prepare recommended revisions including amendments, clarifications, or modifications. The recommended revisions with supporting rationale shall be submitted to the WRCRWA Board for consideration and potential adoption.

The WRCRWA Board, Administrator and/or General Counsel may also determine that it is in the best interest of WRCRWA for portions of the policies and procedures contained herein to be codified by resolution or ordinance. Under such circumstances, such resolutions or ordinances shall be prepared for by General Counsel, reviewed by the WRCRWA Administrator and Executive Committee, and submitted for consideration and potential adoption by the WRCRWA Board.



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