

**SECOND AMENDMENT TO AGREEMENT FOR  
PURCHASE AND SALE OF RECYCLED WATER**

This Second Amendment to the Agreement for Purchase and Sale of Recycled Water (“**Second Amendment**”) is dated \_\_\_\_\_ (“**Second Amendment Date**”) and is between County Sanitation District No. 20 of Los Angeles County (the “**Sanitation District**”), and the Palmdale Water District (“**PWD**”). The Sanitation District and PWD are referred to in this Amendment individually as a “**Party**” and collectively as the “**Parties.**”

Effective October 26, 2016, the Parties entered into an Agreement for Purchase and Sale of Recycled Water (“**Agreement**”). Effective September 23, 2019, the Parties entered into the First Amendment to the Agreement (“**First Amendment**”) to extend certain milestone deadlines necessary to maintain PWD’s Recharge and Purple Pipe Allotments. All capitalized terms used in this Second Amendment will have the same meaning as in the Agreement, unless specifically defined below.

Since the First Amendment, in pursuing options for the Recharge Project, PWD encountered an impermeable layer while drilling monitoring wells in the location of the recharge basin. Geological results and groundwater modeling indicated poor recharge capacity, resulting in a need to reassess and revise the scope and feasibility of the Recharge Project. PWD continues to work diligently on options for moving forward with the Recharge Project. However, as a result of the issues encountered during the test well phase, PWD is asking the Sanitation District for extensions of the milestone timeframes contained in the Agreement.

PWD has completed the final design for the Purple Pipe Project and continues, with the Authority, to pursue funding opportunities for the Purple Pipe Project. After discussions during its meeting on April 19, 2021, however, the Authority voted to suspend work on the Purple Pipe Project for the remainder of 2021.

The Agreement, at Sections 5.9 and 5.12, allows for the Chief Engineer to extend certain deadlines if PWD provides proof of a project delay not caused by PWD and not within PWD’s control. PWD has provided to the Sanitation District explanations for the delays in a letter to the Sanitation Districts Chief Engineer dated September 20, 2021 (the “PWD Letter”), a copy of which is attached as Exhibit “A” and incorporated herein by reference. The Chief Engineer has reviewed the PWD Letter and has determined, in accordance with the requirements of the Agreement, that the delays outlined in the PWD Letter were not caused by and are outside of the control of PWD.

PWD has also requested an extension of time for the mandatory minimum payments owed to the Sanitation District under Section 5.15 due to the delays outlined in the PWD Letter.

The Parties intend by this Second Amendment to provide for an additional two-year extension of the milestone requirements set forth in Section 5.9 and 5.12, as modified by the First Amendment. The Parties also intend by this Second Amendment to adjust the schedule for mandatory minimum annual payments under Section 5.15 as a result of the delays contained in the PWD Letter.

The Parties therefore amend the Agreement as follows:

1. Section 5.8.A of the Agreement is hereby deleted in its entirety and replaced by the following:

“Milestone 1 (Funding for First Phase Using Recycled Water): Within seven years after the Effective Date of this Agreement, PWD must secure and present the Sanitation District with records demonstrating that PWD has secured sufficient project funding to construct the first phase of the Recharge Project that will use recycled water under this Agreement.”

2. Section 5.11.A of the Agreement is hereby deleted in its entirety and is replaced by the following:

“Milestone 1 (Award of Phase 2 Contracts): Within seven years after the Effective Date of this Agreement, PWD must award all contracts necessary to complete construction of Phase 2 of the Purple Pipe Project and PWD must connect to at least one end user.”

3. The prime paragraph and chart of Section 5.15 of the Agreement are hereby deleted and replaced by the following:

“Mandatory Minimum Annual Payment. There is no mandatory minimum volume that PWD must withdraw from the Plant. However, in order to maintain the allotments established under this Agreement, PWD must pay the Sanitation District a minimum payment each fiscal year whether or not recycled water is drawn by or delivered to PWD. The minimum payment will be equivalent to the payment that would be due for the following volumes for each full fiscal year after the Effective Date of this Agreement (for example, “Year 1” refers to the fiscal year ending in 2018) as follows:

<b>Fiscal Year of Contract</b>	<b>Minimum Payment Equivalent (in AFY)</b>
1	0
2	0
3	0
4	0
5	0
6	0
7	100
8	300
9	1200
10	2100
11	2900
12	3250
13	3600
14	3950
15	4325
16	4575
17	4825
18	5075
19-32	5325

”

Nothing in this Second Amendment shall be construed as limiting or otherwise changing the rights and discretion of the Sanitation District under Subsections A through D of Section 5.15 of the Agreement.

4. Except as explicitly stated above, no other provisions of the Agreement are being modified by this Second Amendment.

5. This Second Amendment will be executed in duplicate counterpart originals, one for each Party, and each duplicate original will be deemed to be an original, but all of which will constitute one and the same agreement

The Parties are signing this Second Amendment to be effective as of the Second Amendment Date stated above.

**PALMDALE WATER DISTRICT**

**COUNTY SANITATION DISTRICT NO. 20  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_  
Chair, Board of Directors

By: \_\_\_\_\_  
Chair, Board of Directors

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

**ATTEST:**

**ATTEST:**

By: \_\_\_\_\_  
Secretary to the Board

By: \_\_\_\_\_  
Secretary to the Board

**APPROVED AS TO FORM:  
ALESHIRE & WYNDER, LLP**

**APPROVED AS TO FORM:  
LEWIS BRISBOIS BISGAARD & SMITH LLP**

By: \_\_\_\_\_  
Palmdale Water District Counsel

By: \_\_\_\_\_  
County Sanitation District Counsel

# EXHIBIT A

September 20, 2021, Letter from Palmdale Water District



**PALMDALE WATER DISTRICT**  
A CENTURY OF SERVICE

September 20, 2021

**BOARD OF DIRECTORS**

**AMBERROSE MERINO**  
Division 1

**DON WILSON**  
Division 2

**GLORIA DIZMANG**  
Division 3

**KATHY MAC LAREN-GOMEZ**  
Division 4

**VINCENT DINO**  
Division 5

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**DENNIS D. LaMOREAUX**  
General Manager

**ALESHIRE & WYNDER LLP**  
Attorneys



Mr. Robert C. Ferrante  
Chief Engineer/General Manager  
Sanitation Districts of Los Angeles County  
1955 Workman Mill Road  
Whittier, CA 90601

**RE: REQUEST FOR EXTENSION OF MILESTONES FOR COUNTY SANITATION DISTRICT (CSD) CONTRACT AMENDMENT NO. 5001A, DATED SEPTEMBER 23, 2019 (AMENDMENT)**

Dear Mr. Ferrante:

On October 16, 2016, the County Sanitation District No. 20 of Los Angeles County (CSD) and Palmdale Water District (PWD) entered into an Agreement (Contract No. 5001) for purchase and sale of recycled water. On September 23, 2019, the first amendment (Contract 5001A) was executed extending the milestones for the Palmdale Regional Groundwater Recharge and Recovery and Purple Pipe projects and the Mandatory Minimum Annual Payment schedule.

This letter provides updates to the status of the two projects, funding requests and delays in their progress, which are considered beyond the control of the PWD. In addition, this letter includes requests for the extension of the associated milestones and adjustment of the Mandatory Minimum Annual Payment schedule. PWD intends to meet and confer with CSD to discuss the status and progress of the two projects in the coming months as project details are further determined.

**STATUS OF PROJECTS:**

**Palmdale Regional Groundwater Recharge and Recovery Project (PRGRRP)**

Below is a summary of the tasks completed and updates for the PRGRRP project.

Test Well at Recharge Basin Area – PWD completed a test well in December 2020/January 2021 and discovered an impermeable highly compressed decomposed granite (like bedrock) at a depth of 300 feet. The material encountered in the test well location was similar to what was discovered during the drilling of the monitoring wells, which are approximately 1,000 feet to the north of the test well location, back in 2017. The test well was drilled in the location of the recharge basin area to collect more information on the geology and determine the recovery well extraction rate. The groundwater modeling was performed again using this information, and the results showed a reduced recharge volume of 5,000 acre-feet per year (AFY). This is substantially less than the project goals of 24,000 AFY and makes the site infeasible for the proposed project. The test well was converted to a monitoring well, and the recharge and recovery project was put on hold.

Upon determining the lower recharge capacity of the site, PWD staff developed a scope of work for determining the feasibility of implementing a water augmentation alternative to the recharge and recovery project.

Groundwater and Surface Water Augmentation Feasibility Study – PWD hired an engineering firm to determine the feasibility of utilizing tertiary recycled water through an advanced water treatment plant to implement either direct groundwater injection or surface water augmentation versus the previously pursued surface spreading groundwater recharge and recovery. The feasibility report was completed in April 2021.

Implementation of the Project – PWD is currently working on a request for proposals to hire a consulting firm to perform the preliminary engineering, permitting, and construction of a demonstration facility for the water augmentation project. The preliminary schedule for the overall project indicates six to 10 years for the project to be fully completed and operational.

- Preliminary Engineering 1.5 years
- Permitting 2 years
- Demonstration Facility 2 years
- Design 1.5 years
- Construction 3 years

Amount of Funding Required – The project is currently estimated to require a range of \$74 to \$100 million for construction of the advanced treatment plant and infrastructure for water augmentation project.

Grant/Loan Applications – Due to the changes to the project, new funding applications will be submitted to secure funding before the project can be constructed. As of the date of this letter, PWD is looking at the various funding options to implement the overall project. However, PWD has funding for the preliminary engineering, permitting, and demonstration facility.



Mr. Robert C. Ferrante  
Chief Engineer/General Manager  
Sanitation Districts of Los Angeles County

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September 20, 2021

### **Purple Pipe (Recycled Water Line Phase 2)**

*Final Design* - 100% design is completed.

*Initial Study/Mitigated Negative Declaration* - This environmental impact report was certified in January 2015 by the Palmdale Recycled Water Authority (PRWA or Authority).

*Amount of Funding Required* - \$7,500,000 is needed for construction of the Project. As of the date of this letter, PRWA has not secured the required funding for the project. The funding efforts are detailed below.

*Grant/Loan Applications* - PRWA did apply for a combination grant and loan from the SWRCB's State Revolving Fund Program in 2016 for the full cost of the Project and was not considered for funding. In 2020, the application progressed to the point of financial review and funding before the PRWA Board suspended work on the Project. Staff then notified the SWRCB, and the Project was moved to the comprehensive list.

In October 2019, the Authority prepared an application to the State of California Division of Financial Assistance for a grant of \$881,208 under the Proposition 1 – Integrated Regional Water Management (IRWM) Program and awarded in March 2020. The PRWA Board declined to accept the funding and suspended the Recycled Water Master Plan for 2021.

*Status* – The PRWA Board of Directors voted to suspend the Recycled Water Master Plan and Recycled Water Phase 2 for 2021 at a regular meeting held April 19, 2021. Once the suspension is removed, staff will move forward.

### **NEW SCHEDULE AND MILESTONE REQUESTS:**

#### **PRGRRP**

Under Section 5.8.A. (Milestone 1 – Funding for First Phase Using Recycled Water) of the Amendment of September 23, 2019, the PWD was required to secure financing for the Palmdale Groundwater Recharge and Recovery Project by October 26, 2021. For reasons noted above, the PWD requests that the requirement for financing be delayed to account for the completion of preliminary engineering, permitting, and demonstration facility activities.

#### **Purple Pipe (Recycled Water Line Phase 2)**

Under Section 5.11.A. (Milestone 1 – Award of Phase 2 Contracts) of the Amendment of September 23, 2019, the PWD was required to have awarded all contracts for construction of the



Mr. Robert C. Ferrante  
Chief Engineer/General Manager  
Sanitation Districts of Los Angeles County

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September 20, 2021

Recycled Water Line Phase 2 Project by October 26, 2021. Due to delays beyond the control of the PWD, it is requested that this milestone requirement be moved to October 26, 2023.

**Section 5.15. Mandatory Minimum Annual Payment**

Request that the schedule for mandatory minimum annual payment as shown in Section 5.15 of the CSD Contract No. 5001A, dated September 23, 2019 (Amendment) needs to be adjusted a minimum of two years to account for the projects' delays.

Thank you for considering this request. Please feel free to contact me if you have any questions.

Very truly yours,



DENNIS D. LaMOREAUX,  
General Manager

DDL/dd

cc: Adam Ly, PWD Assistant General Manager  
Scott Rogers, PWD Engineering Manager

**From:** [Dennis LaMoreaux](#)  
**To:** [Bensch, Erika](#)  
**Cc:** [Ferrante, Robert](#); [Bao, Matt](#); [Adam Ly](#); [Scott Rogers](#); [Chuck Heffernan](#)  
**Subject:** Contract No. 5001A Extension Request - Additional Information  
**Date:** Wednesday, September 29, 2021 4:22:23 PM  
**Attachments:** [image001.png](#)

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**CAUTION: EXTERNAL EMAIL.**

Good afternoon Erika,

Thank you for the questions about the above-referenced contract extension request regarding the Phase 2 Project from Palmdale Recycled Water Authority (PRWA) 2015 Recycled Water Master Plan (Master Plan). I understand the questions to be:

1. Why did PRWA suspend work on the Phase 2 recycled water distribution project?
2. What is the plan for Phase 2 after the end of the suspension in 2022?

**Question 1: Why did PRWA suspend work on the Phase 2 recycled water distribution project?**

The suspension is related to the underlying goals of Palmdale Water District (PWD) and the City of Palmdale (City), the feasibility investigation of an advanced recycled water treatment and augmentation option after considering the results of the Palmdale Regional Groundwater Recharge and Recovery Project (PRGRRP) site investigation, and the preliminary award of a grant through the IRWMP program.

Early in 2020, PRWA staff began evaluating the cost efficiency of proposed facilities, including Phase 2, in the Master Plan. In the same timeframe, PWD discovered the lack of groundwater storage capacity at the proposed PRGRRP site and funded a high-level feasibility study for an advanced treatment and water augmentation project as an alternate way to develop recycled water as a potable water resource. Both of these efforts were completed in late winter 2021. The staffs were also notified about the IRWMP grant. After discussion, the staffs recommended the suspension of work on the Phase 2 Project, rejection of the IRWMP grant, further investigation of the advanced treatment option, and the suspension of the Master Plan to the PRWA Board at the April 19, 2021 regular meeting. The Board unanimously approved the recommendation.

The recommendation to further investigate the advanced treatment option was supported by the PRWA Board because it has the potential to meet both agencies' underlying goals in a more cost effective manner than separate blending and purple pipe projects. The preliminary cost estimates were \$1,710/AF for advanced treatment with groundwater augmentation, \$2,600/AF for purple pipe, and \$3,160/AF for blending (PRGRRP). The City goal of drought-proofing can be accomplished through the dedication of a portion of the new supply provided by the advanced treatment option by agreement with PWD for **ALL** parks and public landscaped areas within the PRWA boundaries. This avoids the need to construct an expanded purple pipe distribution system and goes beyond the sites that would be served by completing the Master Plan. With this potential course of action, the grant was rejected and all work as stopped on the Phase 2 Project.

**Question 2: What is the plan for Phase 2 after the end of the suspension in 2022?**

The PRWA Board action did not include a sunset for the Phase 2 Project suspension.

However, the staffs' plan moving forward is to recommend an update of the Master Plan to incorporate the information described above. This is planned for discussion at the next PRWA meeting and may result in a request for proposals being issued for the update. If the PRWA Board approves this direction, the Phase 2 Project will remain suspended until the updated Master Plan is completed and approved by the Board. The ultimate fate of the Phase 2 Project will depend on the outcome of the Master Plan update.

I hope the information provided above adequately addresses the questions. Please feel free to contact me with any follow-up or additional questions.

Thank you,

**Dennis D. LaMoreaux**

*General Manager*



PALMDALE WATER DISTRICT

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