



RESOLUTION NO. _____

BOARD LETTER APPROVAL

A handwritten signature in blue ink, appearing to read "R. Harasick", written over a horizontal line.

RICHARD F. HARASICK
Senior Assistant General Manager
Water System

A handwritten signature in blue ink, appearing to read "M. Adams", written over a horizontal line.

MARTIN L. ADAMS
General Manager and Chief Engineer

DATE: December 12, 2019

SUBJECT: Approval of Long-term License Agreement with Honeywell to Implement Honeywell Settlement Agreement

SUMMARY

On November 19, 2019, the Board of water and Power Commissioners (Board) in closed session approved a historic settlement agreement between the Los Angeles Department of Water and Power (LADWP) and Honeywell International, Inc. (Honeywell) which resolves LADWP's legal claims against Honeywell related to contamination of LADWP's North Hollywood East Branch (NHEB), Erwin and Whitnall well fields located within the North Hollywood Operable Unit (NHOU), Superfund Area 1, in the San Fernando Valley.

As a condition precedent to operation of the Honeywell Settlement Agreement (Honeywell Settlement), LADWP and Honeywell must first enter into a 50-year License Agreement (License) that provides Honeywell access to certain LADWP properties where Honeywell will build and pay to maintain and operate facilities and related infrastructure that will pump and treat contaminated groundwater to meet drinking water standards and provide that treated water – at least 8,500 acre-feet per year¹ (AFY) and potentially up to 15,000 AFY – to LADWP.

Because the License has a 50-year term, City Council approval is required pursuant to City Charter Sections 606 and 607(a).

¹ One acre-foot, 325,851 gallons of water, supplies enough water to serve 3 average-sized households assuming 3 to 4 people per household.

RECOMMENDATION

It is requested that the Board of Water and Power Commissioners (Board) adopt the attached Resolution which approves the License and recommend that City Council approve execution of the License to provide Honeywell long-term access to certain LADWP properties in accordance with City Charter Sections 606 and 607(a).

ALTERNATIVES CONSIDERED

LADWP did not consider project alternatives because the License is a required component of the Honeywell Settlement, a separate agreement LADWP negotiated with Honeywell, for which there is no alternative. If the License is not approved, the Honeywell Settlement will not be implemented.

FINANCIAL INFORMATION

The License does not impose a financial obligation on LADWP. LADWP has the option to, at its own cost, review plans and work to be performed by or on behalf of Honeywell. While there may be costs associated with the renegotiation of tenant leases on the affected properties, these costs are not considered material in the context of the benefits the License and Honeywell Settlement will provide to LADWP.

BACKGROUND

Honeywell is the owner and operator of a former aerospace and automotive manufacturing facility located at 11600 Sherman Way, North Hollywood, California (the Bendix Facility), which released contaminants, including TCE, PCE, and hexavalent chromium, into the groundwater. These contaminants are still present in the groundwater and continue to prevent LADWP from being able to fully utilize its NHEB production wells as a source of drinking water without the application of expensive, long-term groundwater treatment to remove contamination and meet drinking water standards. Absent the remedy that would be implemented by this settlement, the contamination would continue to spread and further impact the beneficial uses of the basin.

The Honeywell Settlement requires Honeywell, at its expense, to construct and pay for the operation and maintenance of a groundwater treatment facility and associated infrastructure (known as the Cooperative Containment Concept, or CCC) that will extract, treat, and provide LADWP with 8,500 AFY of groundwater which meets all drinking water quality standards. If contamination is detected in the future at certain other groundwater production wells within LADWP's Whitnall Well Field, and other conditions are met, Honeywell will further be required at its expense to build and pay for the operation and maintenance of a second groundwater treatment system (known as the Secondary Stage Concept, or SSC) that will extract, treat, and provide LADWP with an additional 6,500 AFY of groundwater which meets all drinking water quality standards. Together, the 15,000 AFY of treated groundwater produced by the CCC and

SSC represents 15 percent of the annual amount of groundwater LADWP pumps from the entire San Fernando Basin (SFB).

Honeywell's obligations under the Honeywell Settlement are designed to simultaneously satisfy its obligations to implement the Second Interim Remedy as ordered by the United States Environmental Protection Agency (USEPA) pursuant to the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). Honeywell's obligations under the Honeywell Settlement to pay for the operation and maintenance of the CCC and to extract, treat and provide LADWP with 8,500 AFY of groundwater meeting all drinking water quality standards will continue until USEPA makes a determination that the Remedial Action Objectives (RAOs)² for the 2IR are met, which is anticipated to take many decades.

To implement the Honeywell Settlement, LADWP must provide Honeywell long-term access to certain LADWP property, including the Lankershim Yard located at 11845 Vose Street, Los Angeles, California 91605, where the CCC is to be built, and other LADWP properties and related conveyance lines,³ through the License Agreement for a term of (1) as long as necessary to achieve the RAOs, or (2) 50 years, whichever occurs first. Similar to its use for the First Interim Remedy by LADWP, the Lankershim Yard will be used for extraction wells, conveyance lines, and treatment facilities.

This long-term License, which will facilitate the Honeywell Settlement approved by this Board, is a condition precedent to implementing this historic agreement. Without it, the Honeywell Settlement will not take effect, and LADWP will not obtain its many benefits, including continued restoration of the SFB, the City of Los Angeles' (City) largest local source of drinking water, and the treatment of a significant supply of clean drinking water for City residents. If LADWP had to purchase replacement water rather than use treated groundwater from the SFB, the annual cost would range from \$418 million (CCC only) to \$717 million (CCC plus SSC) over 50 years.⁴

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's Report (CAO) was approved on January 14, 2020.

ENVIRONMENTAL DETERMINATION

Pursuant to Section 121(e) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), the California Environmental Quality Act does not apply to the granting of the License because this action is part of the CERCLA response action being implemented pursuant to USEPA order.

² RAOs are cleanup objectives that specify contaminants to be cleaned up, the cleanup standard, the area of cleanup, and the time required to achieve cleanup, for the purpose of protecting human health and the environment. It is likely to take many decades to meet the RAOs at the NHOU given the extent and concentrations of contaminants.

³ For the full list of LADWP properties and their corresponding Assessor Parcel Numbers, see the first two pages of the License.

⁴ For a period of 30 years, which is a commonly-used period evaluating groundwater remedies of this type, these figures range from \$242 million (CCC) to \$399 million (CCC plus SSC).

CITY ATTORNEY

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

ATTACHMENTS

- Resolution
- License Agreement
- CAO Report