



One Water And Adaptation Committee

Information on Implementing a Modified Operational Shift Cost- Offset Program

Item 9-4

March 9, 2026

Presented by: Jessica Arm

Item 9-4
Implementing a
Modified
Operational
Shift Cost-Offset
Program

Subject

Information on Implementing a Modified Operational Shift Cost-Offset Program

Purpose

Provide information on the proposed terms for a modified Operational Shift Cost-Offset Program

Next Steps

Incorporate feedback and request Board authorization for the modified Operational Shift Cost-Offset Program in April

Operational Shift Cost Offset Program

Background

- Board approval in May 2021
 - Offered in calendar years 2021 – 2023
- General Manager given delegated authority to execute agreements with Member Agencies
- Member agencies shifted delivery connections to receive Colorado River supplies instead of State Water Project (SWP) supplies
 - 87 TAF of shifted supplies
- Metropolitan provided credits to cover incurred additional costs for shifting deliveries
- Program ended in March 2023 with the increase in the SWP allocation

Operational Shift Cost Offset Program

Background

Credit Determination

- Credit capped at the Treatment Surcharge Rate plus \$5/AF for additional costs to manage shift
- Offsets additional member agency costs and impacts (e.g., treatment, pumping)

Billing

- Member Agency pays the full-service water rate
 - Capacity charge not affected
- Monthly certifications
- Credits applied to the Metropolitan invoice
- Annual reconciliation

Operational Shift Cost Offset Program

Outreach

February Committee

- Proposed implementing a modified OSCOP
 - General Manager has authority to activate shifts
 - Covers a broader range of shifts (ex: shutdowns, water quality)
- Feedback received to set trigger points for returning to the Board

February Member Agency Managers' Meeting

- No proposed changes - supportive

Operational Shift Cost Offset Program

Proposed Terms

- Metropolitan initiates the program after identifying a need
- Delegated authority to the General Manager to activate program and execute agreements
- All kinds of operational shifts are included that provide a regional benefit
- Credit is capped at the current year's approved Treatment Surcharge Rate plus \$5/AF
 - Metropolitan determines the eligible costs to be credited
- WRM Group Manager provides updates in the Oral Report
- Seek feedback from the Board when cumulative Program shifts reach 100 TAF *

** Based on level of activity in prior shifts (2023 OSCOP, shutdown shift)*

Operational Shifts: Actively Implemented

Identify
a Need



MWD
Initiates



**Member Agency
Shifts**



MWD
Ends Shifts



Operational Shift Cost Offset Program

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Operational Shifts: Examples

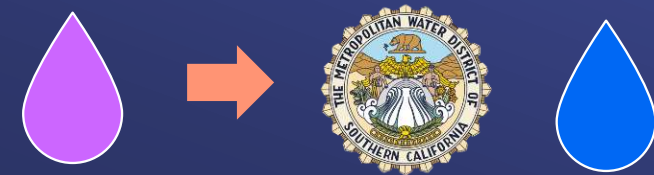
SWP → CR Connections

- Preserves SWP supplies for SWP Dependent Areas (2021 –23 OSCOP)



Nitrification Episodes

- Incentivizes using MWD supplies to prevent flushing MWD's pipes
- Improves water quality & avoids waste



Extended / Emergency Shutdowns

- Enhance water availability
- Allows operational activities (2023 extended shutdown)



Other

- CR → SWP supplies
- Unforeseen water quality events
- Other unforeseen events

Operational Shift Cost Offset Program

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** Based on level of activity in prior shifts (2023 OSCOP, shutdown shift)*

Operational Shift Cost Offset Program

OSCOP Credit

- Capped at approved Treatment Surcharge Rate plus an additional \$5/AF for any costs to manage the shift
 - **CY2026: \$544/AF + \$5/AF = \$549/AF**
 - Rate adjusted each year
 - **Historical OSCOP shifts did not cost above the Treatment Surcharge Rate**
- Member Agency will submit costs to Metropolitan
- Metropolitan will review costs above baseline costs and determine OSCOP credit
 - **Cannot exceed \$549/AF (CY 2026)**



Operational Shift Cost Offset Program



Untreated



Treated

Exclusion from Capacity Charges

- Business Model Refinement (2025)
- Metropolitan Treatment Revenue
 - Treatment Surcharge Rate (Volumetric)
 - Treatment Peaking Capacity Charge (fixed)
 - Treatment Standby Capacity Charge (fixed)
- Treated water flows resulting from Metropolitan's operational requests do not reflect Member Agency demand on Metropolitan and are not included in the Member Agency's calculations for any capacity charge
 - Operational shifts from untreated supplies to treated supplies in response to a Metropolitan OSCOP shift will not impact or increase a Member Agency's capacity charges

Operational Shift Cost Offset Program

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- Seek feedback from the Board when cumulative Program shifts reach 100 TAF *

** Based on level of activity in prior shifts (2023 OSCOP, shutdown shift)*

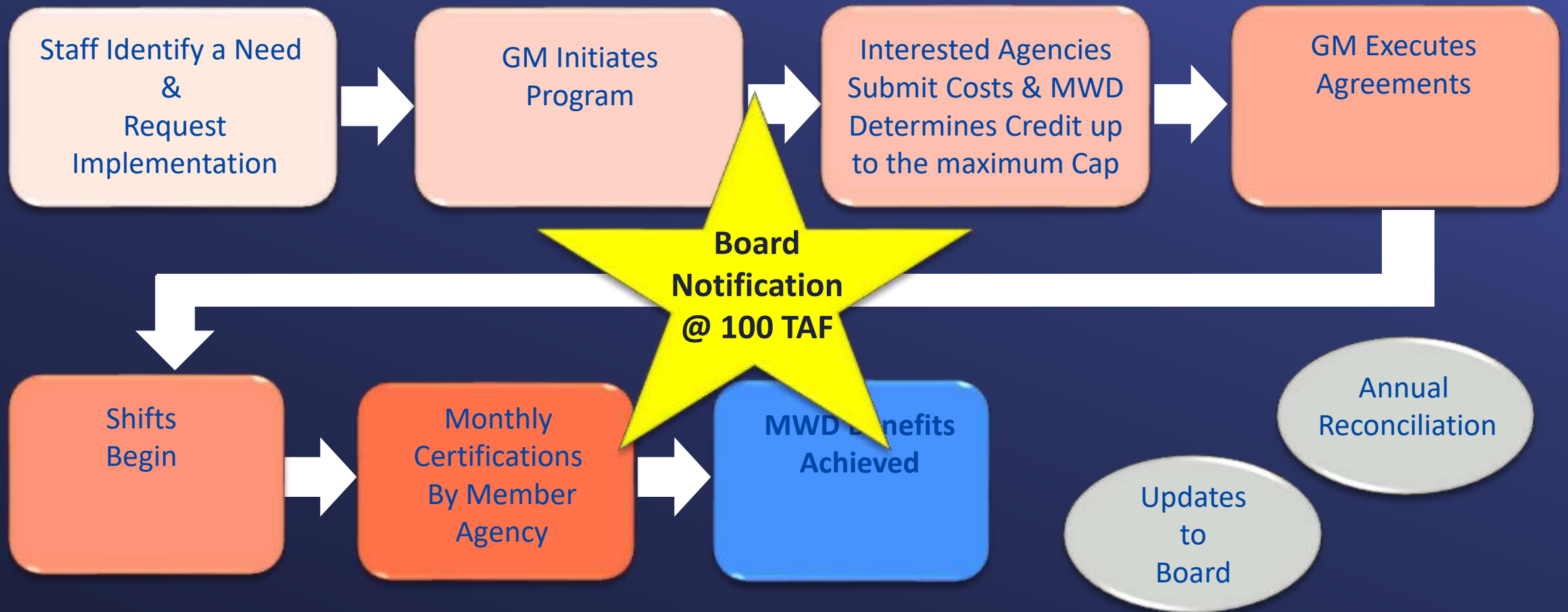
Operational Shift Cost Offset Program

Board Updates

- Monthly Updates in WRM Manager’s Oral Report
- Return to the Board as cumulative Program shifts near 100 TAF

Program & Year	Total AF
OSCOP 2021	30 TAF
OSCOP 2022	51 TAF
OSCOP 2023	6 TAF
Total OSCOP	87 TAF
2022 Extended Shutdown	400 AF
2023 Extended Shutdown	100 AF
Total Shutdown	500 AF
Total Operational Shifts	~ 87 TAF

Proposed Implementation Process



Operational Shift Cost Offset Program

Summary

- Fully initiated by Metropolitan
- Active program → Efficient implementation of shifts
- Broader coverage → Greater operational flexibility
- Additional benefits:
 - Regional reliability
 - Reduces the need to purchase costly transfer supplies
 - Eliminates financial barriers for member agencies
- Metropolitan determines credit not to exceed approved Treatment Surcharge Rate + \$5/AF
- Board Feedback when cumulative program shifts reach 100 TAF

Operational Shift Cost Offset Program

Next Steps

- Incorporate committee feedback
- Board Action April 2026

