



One Water & Stewardship Committee

# Proposed Modifications to the Reverse-Cyclic Program

Item 9-2

September 9, 2024

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# Proposed Modifications to the Reverse Cyclic Program

## Subject

Information on proposed modifications to the Reverse Cyclic Program

## Purpose

To expand the Reverse Cyclic Program to make it available under various conditions

## Next Steps

Incorporate committee feedback and bring as action in October 2024

## Overview

### What is the Reverse Cyclic Program?

- When initiated, allows member agencies to purchase water at the current rate that Metropolitan will deliver in a future year.
- Allowed the General Manager to offer the Program in a dry year (CY 2022) to preserve limited stored supplies.

### Proposed modifications to the Reverse Cyclic Program would:

- Authorize and delegate the General Manager to offer the Program in wet years and allow deferral of deliveries member agencies cannot temporarily accept due to capacity limitations or operational constraints.

# Outline

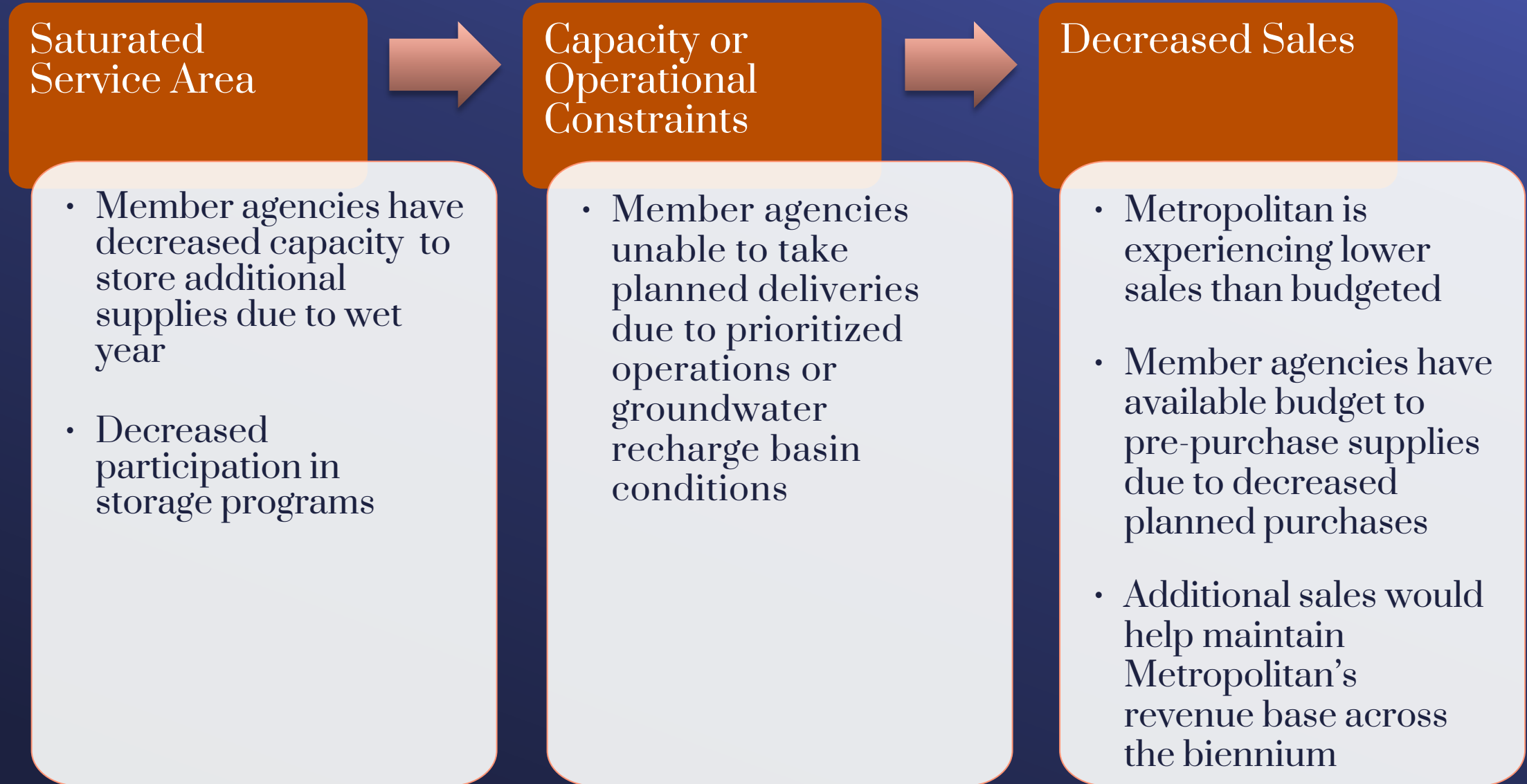
- Background on 2022 Reverse Cyclic Program
- Current Need and Proposed Program Modifications
- Next Steps

## Background

# 2022 Reverse Cyclic Program

- Member agencies could purchase supplies for delivery in a future year
- Benefits to Metropolitan
  - Deferred deliveries preserved limited stored supplies for the remainder of the drought
  - Increased revenue
- Benefit to Member Agencies
  - Cost savings when purchasing supplies at the current year full-service rate rather than the potentially higher future full-service rate

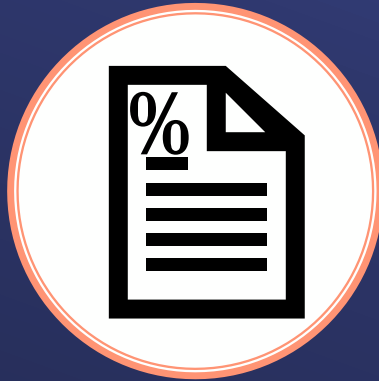
# Why do we need the modifications today?





# Proposed Modifications to the Reverse Cyclic Program

Deferral



~~Low SWP allocation~~

Various water supply conditions



GM determination  
(based on WSDM Recommendation)

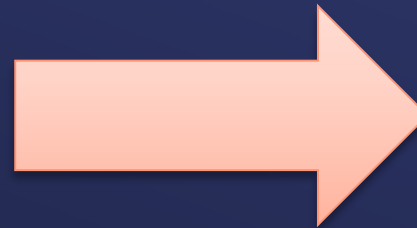


Pre-purchase and Deferral  
with additional parameters

Delivery



~~SWP allocation above 40% or~~  
Metropolitan determines it  
has supplies



Delivery of supplies  
within five years \*

\*Metropolitan will apply losses if the member agency is unable to receive the water within 5 years

# Proposed Modifications to the Reverse Cyclic Program

## Deferral

Member agencies purchase supplies for deferred delivery

Dry Year



Available at GM's discretion  
Example: to preserve limited stored supplies

Billed at that year's full-service rate.  
Capacity charge waived.

Limited to a portion of the highest annual purchase in the preceding 5 years.

Wet Year



Available at GM's discretion in wet years with SWP allocations of 40%+  
Example: when MAs are unable to accept planned deliveries due to high local storage

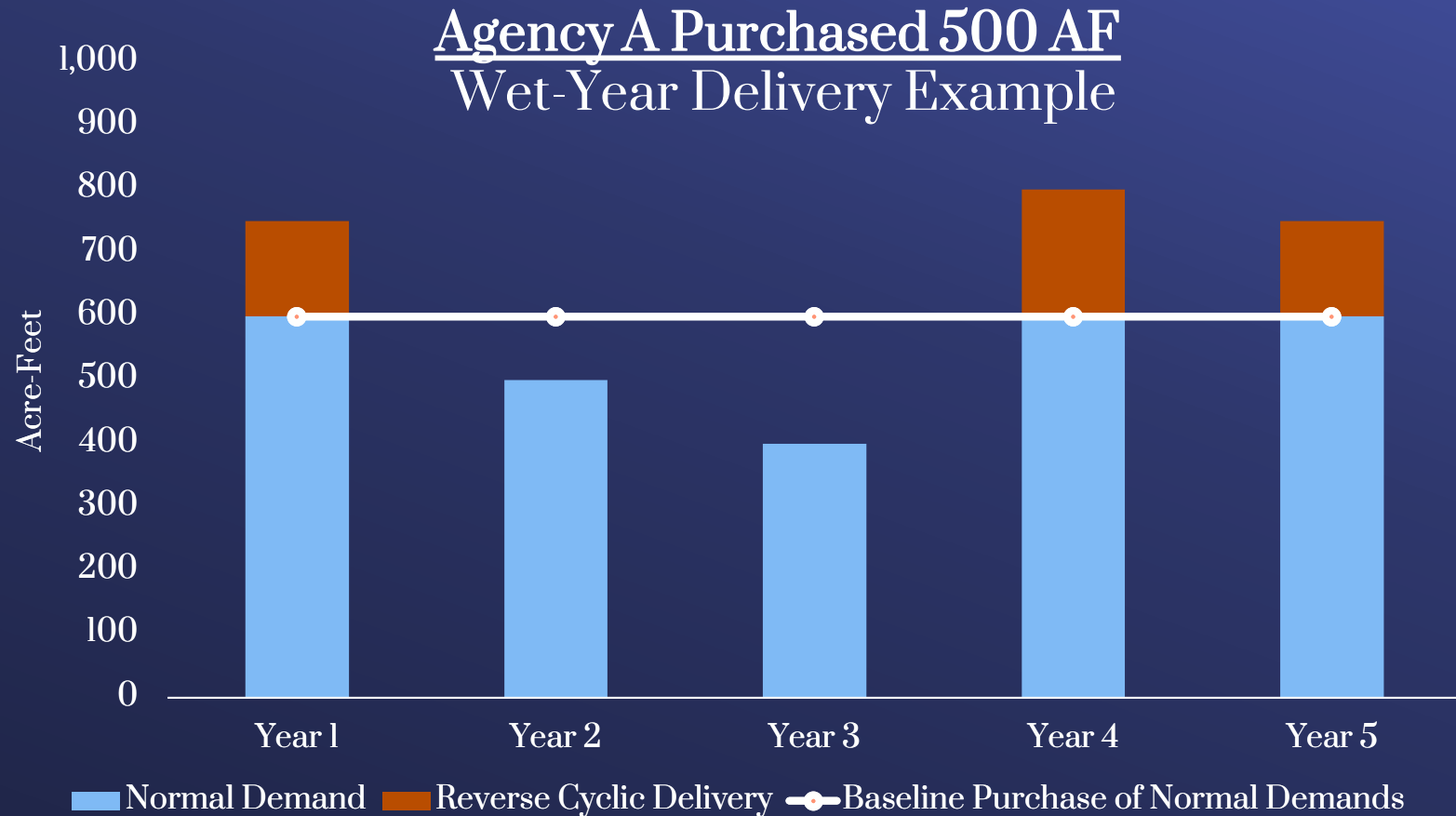
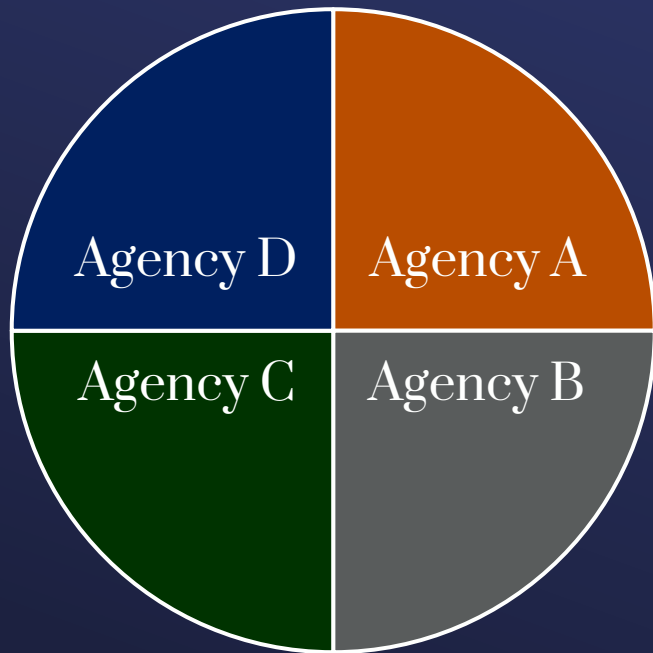
Billed at that year's full-service rate.  
Capacity charge waived.

Limited to a portion of the highest annual purchase in the preceding 5 years.  
Metropolitan to determine a baseline to ensure deliveries do not reduce future full-service sales.



# Example of Wet Year Reverse Cyclic Purchase

*The General Manager identifies 2,000 AF for pre-sale in 2024. Four member agencies purchase 500 AF each.*



# Program Terms

## Program Terms



- At time of purchase, purchases would be included in the:
  - Readiness to Serve Charge
  - Revised Base Firm Demand



- Purchases will be included as allocated supply under a Metropolitan allocation or shortage program (if/when implemented)



- Reverse Cyclic water shall be documented and ineligible for other Metropolitan programs



- Metropolitan staff to certify and reconcile deferred deliveries

# Proposed Modification

## Additional Proposed Modifications: Control Parameters



- General Manager would have authority and delegation to initiate the Program



- General Manager to determine amount of water available for pre-sale at time of initiation



- 10 year agreement term with member agencies



- Deferral not to exceed highest annual purchase in the past 5 years.



- Baseline calculated for deliveries deferred in wet years

## Summary

### Modifications to the Reverse Cyclic Program would:

- Allow all member agencies to purchase water - at the current rate – that Metropolitan will deliver in a future year.
- Allow deferral of deliveries under various supply conditions, such as when members are not able to accept deliveries due to capacity or operational constraints or limitations.
- Include additional parameters to provide Metropolitan with flexibility on the initiation of deferrals and the delivery of water.

## Next Steps

- Incorporate committee feedback
- Action to approve in October 2024

