



One Water and Adaptation Committee

2/9/2026 Committee Meeting

6b

Subject

Update on implementing a modified Operational Shift Cost Offset Program

Executive Summary

The Operational Shift Cost Offset Program (OSCO) was developed and active from Calendar Years (CY) 2021 through 2023. The main purpose of OSCOP was to preserve limited State Water Project (SWP) supplies by offsetting the increased costs that a member agency incurred by shifting Metropolitan deliveries from SWP-supplied connections to Colorado River water-supplied connections, at Metropolitan's request. Through OSCOP, Metropolitan's member agencies shifted approximately 87,000 acre-feet (AF), helping Metropolitan preserve its limited SWP supplies.

Based on the success of OSCOP and the identified need for additional operational flexibility, staff recommends implementing a modified OSCOP to allow for operational shifts in addition to those that shift between SWP and Colorado River connections. If approved, the modified OSCOP could provide a payment to the member agencies for shifts to their delivery points, at Metropolitan's request, during scenarios such as nitrification events, shutdowns, or unforeseen water quality events. The proposed modified OSCOP would be actively implemented, meaning that the General Manager would be given the authority to enter into OSCOP agreements with member agencies on an as-needed basis to support operational needs of the system.

Details and Background

Background

Metropolitan's Board authorized OSCOP in May 2021. Through OSCOP, Metropolitan worked with its member agencies to shift the points of delivery to meet demands with Colorado River supplies in order to preserve its SWP supplies. The maximum OSCOP credit was set at \$5 per AF above Metropolitan's Treatment Surcharge rate, since most operational changes consisted of shifts from untreated deliveries to treated deliveries. The additional \$5 per AF helped offset additional monitoring or operational costs incurred by the member agency due to the shift. The program was authorized for CYs 2021 and 2022 and was later extended to CY 2023 through an additional board authorization. Metropolitan executed OSCOP agreements with Eastern Municipal Water District, the City of Los Angeles, the City of Santa Monica, and Three Valleys Municipal Water District. Combined, Metropolitan and the participating member agencies shifted a total of approximately 87,000 AF from May 2021 through March 2023, which is when the SWP allocation increased and Metropolitan ended OSCOP shifts.

Proposed Modifications

Staff is proposing to implement OSCOP with a modification to the original program terms. The modification is to expand OSCOP to include any kind of operational shift taken by a member agency for Metropolitan's benefit upon Metropolitan's request. Instead of only shifting from a SWP supply connection to a Colorado River supply connection, OSCOP credits would be provided to member agencies for operational shifts when Metropolitan makes a request during nitrification events, emergency shutdowns, extended shutdowns, unforeseen water quality events, or any other scenario that provides a benefit to Metropolitan.

The maximum credit will continue to be based on an up to amount related to Metropolitan’s Treatment Surcharge rate, based on past operational shift arrangements with member agencies. The General Manager will continue to have authority in authorizing OSCOP agreements with member agencies.

Next Steps

Staff will incorporate the committee’s discussion and feedback and present an Information Item to the One Water and Adaptation Committee in March 2026. Staff will request board authorization for the proposed modifications in an Action Item at the April 2026 board meeting.



Brandon J. Goshi
Manager, Water Resource Management

1/30/2026
Date



Shivaji Deshmukh
General Manager

1/30/2026
Date