



One Water & Adaptation Committee

Information on Local Supply Exchange Framework

Item 9-5

July 7, 2025

Introduction Slide

Subject

Information on Local Supply Exchange Framework
(Framework)

Purpose

The proposed framework allows Metropolitan to facilitate the exchange of local supply among its member agencies

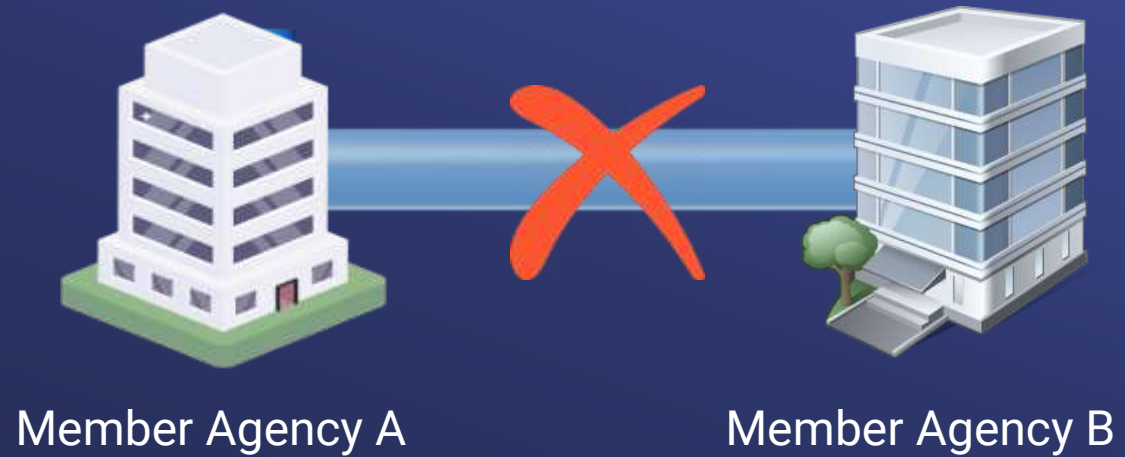
Next Steps

Incorporate committee feedback and return to the Board for approval and authorization of the Framework.

Background

- Metropolitan has long recognized the importance of local supplies
- Through LRP, Metropolitan has supported local agencies in developing local supply projects
- Received feedback that member agencies have additional local supply production capability, and other member agencies interested in purchasing local supply

No physical
connection
between
interested
member
agencies



No physical
connection
between
interested
member
agencies



Member Agency A



Member Agency B



As a regional agency,
Metropolitan can
facilitate an exchange



Member Agency A



Member Agency B

Timeline



Start of Business Model
Refinement Process

June 2024



Ad Hoc Working Group
provided status report
and recommendations

April 2025

July 2024

Board commissioned
Ad Hoc Working Group



January – March 2025

Staff participated in a series
of targeted sub-working
group workshops



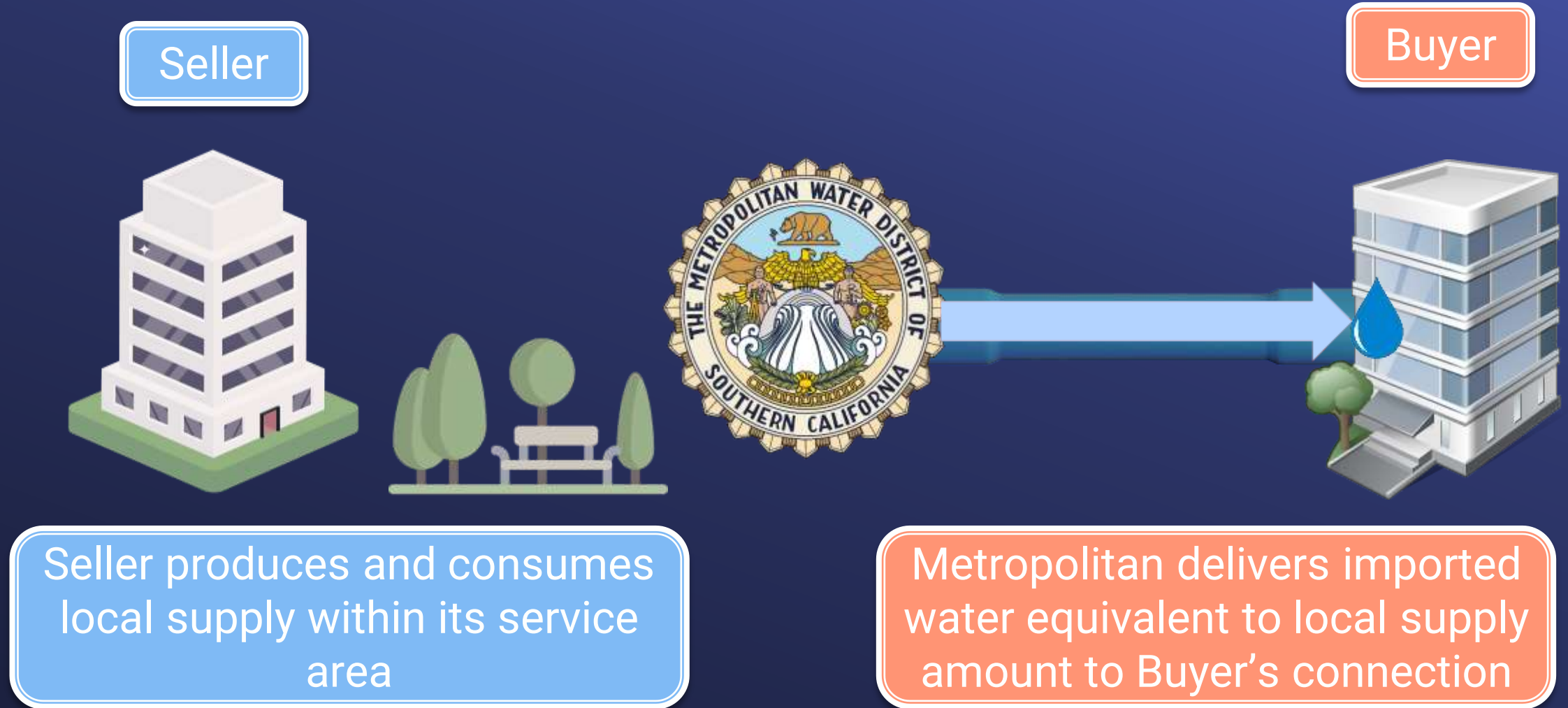
Considerations identified by sub-working group

<input type="checkbox"/>	Policy changes needed to support local supply exchanges
<input type="checkbox"/>	Seller must consume the local supply being exchanged
<input type="checkbox"/>	Metropolitan should only deliver to participating agencies when Metropolitan supplies are available
<input type="checkbox"/>	Exchanges should not result in an additional cost to the region
<input type="checkbox"/>	Available capacity in the system

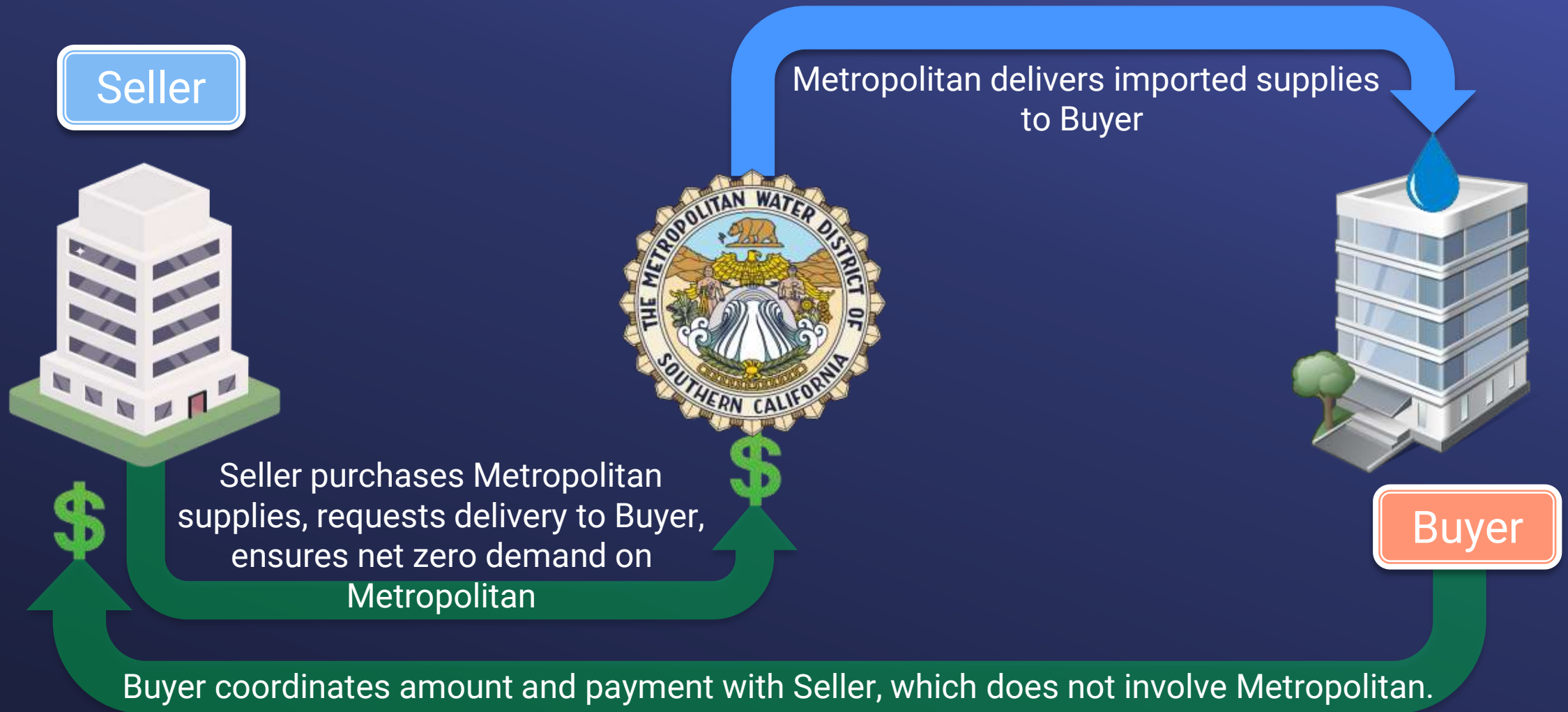
Unintended consequences identified by sub-working group

<input type="checkbox"/>	Financial Sustainability Exchanges may lower demands and impact future Metropolitan sales
<input type="checkbox"/>	Operational Flexibility Additional demands on Metropolitan's regional supply
<input type="checkbox"/>	Potential impacts to blends
<input type="checkbox"/>	WSAP Implementation Counteract purpose of WSAP
<input type="checkbox"/>	Regional Reliability Create future obligations for Metropolitan
<input type="checkbox"/>	Other Unforeseen unintended consequences

How could Metropolitan facilitate the exchange?



How could the water and money flow?



What's being exchanged between seller and buyer?



- Seller
 - Receives payment from Buyer for local supply sold, but being produced and consumed in the Seller's service area
 - Exchanges the delivery of Metropolitan water to their service area for delivery of Metropolitan water to the Buyer's service area
 - Receives a bill from Metropolitan for exchanged deliveries (accounted as a Metropolitan purchase)
- Buyer
 - Receives delivery of the Metropolitan supply
 - Receives benefits of local supply

Potential Framework Terms



- Proposals would be brought to Board for approval
 - Metropolitan would enter into an agreement with Seller for the exchange
- Demand on Metropolitan will not increase as a result of exchange
 - Negotiated between the Seller and the Buyer
 - Reconciliation and certification of exchanged water on an annual basis
- Exchange is not guaranteed and is subject to Metropolitan's discretion
- Amount of Metropolitan water delivered is concurrent with local supplies being consumed by the Seller
- Local supplies will not be introduced into Metropolitan's system and no wheeling will be taking place
- Metropolitan will receive the full-service rate for any Metropolitan supplies delivered

What policy changes are needed?



Metropolitan's Administrative Code

- Amend MWD Administrative Code Sections 4205 and 4501 to accommodate procedures under Framework including facilitating the delivery of supplies to an alternative connection while billing the Seller

What happens during a WSAP allocation?



The credit and benefit of the local supply production are accounted to the Buyer



The exchanged supplies are accounted to the Seller as Metropolitan purchases (counts against Seller's allocation)









Metropolitan would enforce any penalties applicable at the time of the restriction for any parties that exceed their allocated Metropolitan supplies in the WSAP

Local Supply Exchange Framework addresses considerations

✓	Policy changes needed to support local supply exchanges	Amend MWD's Administrative Code Sections 4205 and 4501 to facilitate deliveries to alternative connection while appropriately billing Seller.
✓	Seller must consume the local supply being exchanged	Local supply produced and consumed by Seller must be documented to ensure exchange is balanced.
✓	Metropolitan should only deliver to participating agencies when Metropolitan supplies are available	Exchange subject to Metropolitan's discretion based on available supplies and operational feasibility
✓	Exchanges should not result in an additional cost to the region	Metropolitan will receive full-service rate for all supplies delivered.
✓	Available capacity in the system	Deliveries of exchange is not guaranteed and made only when operationally feasible for Metropolitan

Local Supply Exchange Framework addresses unintended consequences

	Financial Sustainability Exchanges may lower demands and impact future Metropolitan sales	Facilitation of regional local supply exchanges will increase total production in the service area.
 	Operational Flexibility Additional demands on Metropolitan's regional supply Potential impacts to blends	Metropolitan would only facilitate exchanges when operationally feasible and supplies are available. Metropolitan would maintain the blending goals of the Colorado River and State Water Project supplies.
	WSAP Implementation Counteract purpose of WSAP	Water delivered will be documented and accounted to appropriate agency. Local supply benefit will go to Buyer.
	Regional Reliability Create future obligations for Metropolitan	Exchanges would be concurrent with local supply consumption.
	Other Unforeseen unintended consequences	Framework allows for ability to make future refinements to the policy.

Summary



Increases total local supply production in the region and facilitates agreements between member agencies to exchange the local supply in the region



Participating Member Agencies would benefit from indirect access to available local supplies



Responds to extensive discussions and direction provided through the Business Model Refinement Process

Next Steps



- Incorporate feedback into Framework
- Board action for approval next month

