



One Water And Adaptation Committee

Authorize the Operational Shift Cost-Offset Program and delegate the General Manager authority to activate the Program and execute agreements with member agencies

Item 8-4

April 13, 2026

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Authorize the Operational Shift Cost-Offset Program and delegate the General Manager authority to activate the Program and execute agreements with member agencies

Subject

Authorize the Operational Shift Cost-Offset Program (OSCOP) and delegate the General Manager authority to activate the Program and execute agreements with member agencies

Purpose

Implement the modified OSCOP as needed to support the operational needs of Metropolitan's system

Recommendation

Authorize the OSCOP and delegate the General Manager authority to activate the Program and execute agreements with member agencies

Fiscal & Budget Impact

The maximum total program cost could be \$54,900,000 for 100,000 acre-feet (AF) of shifts. However, not all operational shifts would involve the maximum per acre-foot rate. In the prior implementation of OSCOP, only 712 AF of the total 90,000 AF shifted qualified for the maximum payment.

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
 - 90 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 Shifts: Examples

SWP → CR Connections

- Preserves SWP supplies for SWP Dependent Areas



Nitrification Episodes

- Taking MWD supplies to reduce the need to flush MWD's pipes



Extended / Emergency Shutdowns

- Enhance water availability
- Allows operational activities



Other

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

Operational Shift Cost Offset Program

Eligible OSCOP Credit

- Member Agency submits costs to Metropolitan
- Metropolitan reviews Member Agency's costs above their baseline costs and determines the eligible 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**

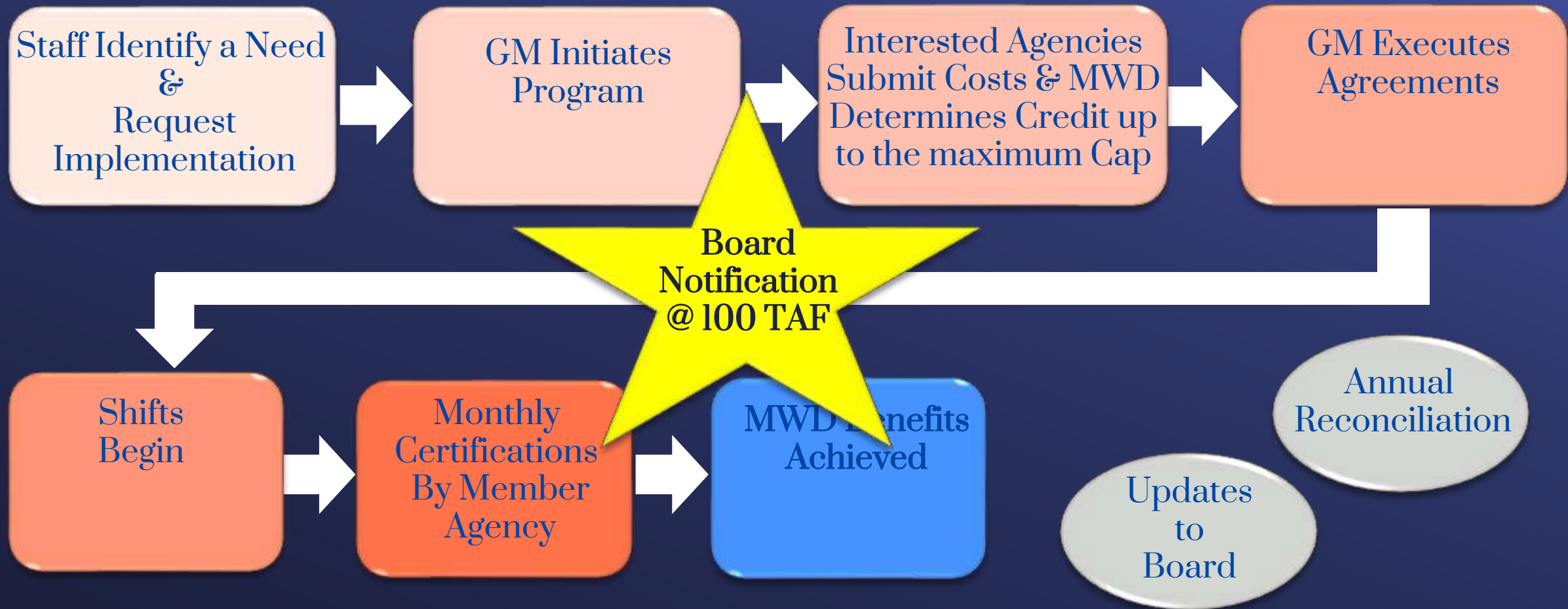
Operational Shift Cost Offset Program

Board Updates

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

Program & Year	Total Shifts
OSCOPE 2021	30 TAF
OSCOPE 2022	50 TAF
OSCOPE 2023	10 TAF
Total	90 TAF
2022 Extended Shutdown	400 AF
2023 Extended Shutdown	100 AF
Total	500 AF
Total Operational Shifts	~ 90.5 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
 - Capped at approved Treatment Surcharge Rate + \$5/AF
- Seek Board feedback when cumulative program shifts reach 100 TAF

Operational Shift Cost Offset Program

Board Options

- Option #1
Authorize the Operational Shift Cost-Offset Program and delegate the General Manager authority to activate the Program and execute agreements with Member Agencies.
- Option #2
Do not authorize the Operational Shift Cost-Offset Program or the proposed delegation to the General Manager.

Operational Shift Cost Offset Program

Staff Recommendation

- Option #1
Authorize the Operational Shift Cost-Offset Program and delegate the General Manager authority to activate the Program and execute agreements with Member Agencies.

