



One Water and Adaptation Committee

Authorize the Local Supply Exchange Framework; delegate authority to the GM to enter into agreements to facilitate the exchange; and amend the Metropolitan Administrative Code to facilitate exchanges

Item 8-3

August 18, 2025

Item 8-3

Local Supply Exchange Framework

Subject

Authorize the Local Supply Exchange Framework; delegate authority to the GM to enter into agreements to facilitate the exchange; and amend the Metropolitan Administrative Code to facilitate exchanges.

Purpose

The proposed framework allows Metropolitan to facilitate the exchange of locally produced supplies among its member agencies

Recommendation

Authorize the Local Supply Exchange Framework; delegate authority to the GM to enter into agreements to facilitate the exchange; and amend the Metropolitan Administrative Code to facilitate exchanges.

Fiscal and Budget Impact

No fiscal impacts. From Metropolitan's perspective, it will be meeting a water sale request, with a delivery of Metropolitan supplies at a different location, which is subject to operational and resource availability, like all other water sales.

Background

- Requested by member agencies
- Developed and vetted through the Business Model process
- Incorporated feedback from Business Model process, Sub-committee on Long-Term Regional Planning Processes and Business Model, One Water and Adaptation Committee, and member agency managers
- Consistent with CAMP4W Implementation Strategy

Clarification & Revision to Attachment I

- Received comments to clarify definition of local supply
- Previous definition:
 - Local Supply is defined as water supply that is produced locally by Metropolitan member agency or its customer in Metropolitan's service area.
- Revised definition:
 - Local Supply for this Framework is defined as a water supply that is produced in Metropolitan's service area by a Metropolitan member agency or its customer and does not include water imported into the service area via conveyance system, exchange or otherwise.

Request for Framework

- Member agencies with additional local supply production capability are interested in selling to other member agencies
- No physical connection exists between willing Sellers and Buyers



Local Supply Exchange: **water and money flow**



Exchanges Between Seller & Buyer



Seller



Produces and consumes
local supply



Buys Metropolitan water
to be delivered to Buyer's
connection



Receives payment from
Buyer



Pays for Metropolitan
water delivered to Buyer

** Purchase accounted to
Seller for determination
of fee/charges (i.e., RTS)*

Buyer



Local supply production
attributed to Buyer



Receives delivery of
Metropolitan water

** Delivery attributed to Buyer for
purposes of Capacity Charge*



Provides payment to Seller



No payment to
Metropolitan

Local Supplies Eligible for Exchange



Water is produced and consumed by Seller

- Recycled water
- Groundwater
- Desal



Framework does not include wheeling or transfer and exchange of outside water

Water would not be introduced into Metropolitan's system

Proposed Framework Terms



- Agreement between Metropolitan & Seller for the exchange
- Demand on Metropolitan will not increase as a result of exchange
- Exchange is not guaranteed and is subject to Metropolitan's discretion (i.e., supply availability, operational feasibility)
- Metropolitan AF delivered to Buyer = Local supply AF consumed by the Seller
 - Delivery and consumption occur concurrently
 - Annual certification and reconciliation of exchanged water
- Local supplies do not enter Metropolitan's system
 - No wheeling
- Metropolitan is paid for full-service deliveries used for the exchange

Policy Changes



Metropolitan's Administrative Code

- Amend MWD Administrative Code Sections 4205 and 4501 to accommodate the delivery of supplies to an alternative connection while billing the Seller
 - Pursuant to Local Supply Exchange Framework

Delegation of Authority



- Discussion at the July One Water and Adaptation Committee meeting regarding agreement approval process
- Additional consideration of feedback
- Delegate authority to GM to execute agreements
 - Streamline approval process
 - Report to Board on status and activity

Implementation of Water Supply Allocation Plan (WSAP)



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

Summary



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



Participating member agencies benefit from access to available local supplies



Developed through collaboration with member agencies through the Business Model Refinement process

Local Supply Exchange Framework

Board Options

- Option #1
Authorize the Local Supply Exchange Framework; delegate authority to the General Manager to enter into agreements to facilitate the exchange; and amend the Metropolitan Administrative Code to facilitate exchanges.
- Option #2
None Required.

Local Supply Exchange Framework

Staff Recommendation

- Option #1
Authorize the Local Supply Exchange Framework; delegate authority to the General Manager to enter into agreements to facilitate the exchange; and amend the Metropolitan Administrative Code to facilitate exchanges.

