



- **Board of Directors**  
***One Water and Adaptation Committee***

3/10/2026 Board Meeting

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9-4

## **Subject**

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Information on Implementing a Modified Operational Shift Cost Offset Program

## **Executive Summary**

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The Operational Shift Cost Offset Program (OSCOP) was authorized in May 2021 with the intent to preserve the limited State Water Project (SWP) supplies during the 2020-2022 drought. Through OSCOP, Metropolitan provided a payment to the member agencies to offset the increased costs incurred by the member agency when they shifted their Metropolitan deliveries from SWP-supplied connections to Colorado River water-supplied connections at Metropolitan's request. When OSCOP was active from Calendar Years (CY) 2021 through 2023, member agencies shifted approximately 87,000 acre-feet (AF) in total, helping Metropolitan preserve its limited SWP supplies.

Based on the success of OSCOP and the identified need for additional operational flexibility, staff proposes to implement 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 would provide a payment to the member agencies to offset their incremental costs for shifts to alternative delivery points, at Metropolitan's request, during scenarios such as nitrification events, shutdowns, or unforeseen water quality events. The proposed modified OSCOP would be an actively implemented program, meaning that the General Manager would be delegated authority to enter into OSCOP agreements with member agencies on an as-needed basis to support operational needs of the system.

## **Fiscal Impact**

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In a scenario where the General Manager activates OSCOP, Metropolitan would provide an incentive to member agencies who shift their delivery connection upon Metropolitan's request. Metropolitan staff would verify the member agencies' incremental costs in performing the shifts and determine a final credit amount, not to exceed the current Treatment Surcharge Rate plus \$5. In CY 2026, Metropolitan's Treatment Surcharge Rate is \$544 per AF.

## **Applicable Policy**

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Metropolitan Water District Administrative Code Section 4209: Contracts

Metropolitan Water District Administrative Code Section 4503: Suspension of Deliveries

Metropolitan Water District Administrative Code Section 4512: Sales Subject to System and Water Availability

## **Related Board Action(s)/Future Action(s)**

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Staff presented a Committee Informational Item on February 9, 2026, at the One Water and Adaptation Committee.

Staff will request board authorization for the proposed modifications at the April 2026 board meeting.

**Background**

Metropolitan's Board authorized OSCOP in May 2021 in response to the multi-year drought that impacted deliveries of SWP supplies. 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. In total, Metropolitan paid member agencies approximately \$20 million to offset additional costs incurred by this shift.

**Proposed Modifications**

Staff proposes implementing OSCOP with modifications to the original program terms. The goal is to expand OSCOP to include additional types of operational shifts taken by a member agency for Metropolitan's benefit upon Metropolitan's request. In addition to shifting only 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 such events at nitrification episodes, emergency shutdowns, extended shutdowns, unforeseen water quality events, or any other scenario that impact Metropolitan's ability to deliver water to its member agencies other than in pre-scheduled shutdown scenarios. Operational shifts would be used to enhance water availability, improve water quality, and avoid water waste, all providing a regional benefit.

In addition to the General Manager having the authority to execute agreements with the member agencies, the modification would provide the General Manager with authority to utilize the program as needed when operational shifts would provide benefits to Metropolitan. Authorizing OSCOP as an active program in combination with providing the General Manager with authority to execute agreements will help Metropolitan implement operational shifts more efficiently.

Staff proposes to continue providing a maximum credit amount up to Metropolitan's Treatment Surcharge rate, based on past operational shift arrangements with member agencies, plus an additional \$5 per AF to cover any administrative costs an agency may incur to perform the shifts. The maximum credit would update each year to match the current year's approved Treatment Surcharge Rate. Based on feedback from the One Water and Adaptation Committee on February 9, 2026, staff is evaluating appropriate limits on the duration and volume (AF) of individual and total shift amounts and will return to the Board to provide further discussion and input.

**Next Steps**

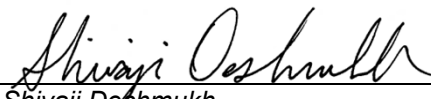
Staff will continue to develop the signposts for returning to the Board, per the feedback received at the February 9, 2026, One Water and Adaptation Committee, plus any additional feedback received at the March 9, 2026, One Water and Adaptation Committee. Staff will return to the Board in April 2026 to request authorization to implement the proposed modified OSCOP.



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*Brandon J. Goshi*  
Manager, Water Resource Management

3/4/2026

*Date*



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*Shivaji Deshmukh*  
General Manager

3/4/2026

*Date*

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