



Authorize Reverse-Cyclic Agreement to Preserve the Availability of State Water Project Supplies

Water Planning and Stewardship Committee

Item 7-9

February 7, 2022

Background

- Regional reliability
 - Integrated system and robust WSDM portfolio
- Ongoing need to preserve SWP supplies in years with low SWP allocations
 - Reduced withdrawals from surface storage on SWP system
 - Operational shifts of demands from SWP to Colorado River supplies
- Establish mechanism to minimize financial barriers that result from actions taken by a member agency
- Actions taken at Metropolitan's request
 - Above normal member agency operations

Reverse-Cyclic Program

- Allow member agencies to purchase supplies for deferred delivery in future years at Metropolitan's discretion
 - Program offered between January 1, 2022 and December 31, 2022
 - Avoids additional resource and operational costs necessary without demand deferment
- Metropolitan will deliver water to the member agency no later than 5 full calendar years from the date of purchase
 - No losses will be associated with deliveries



Reverse-Cyclic Program Purchases

- Purchases will be limited to the following:
 - Calendar Year 2022
 - A portion of normal demands
 - May not exceed max annual purchase in the past 5 years at the same service connections as the deferral
 - Metropolitan will certify that the purchase reduces its deliveries of SWP supplies
- Purchases will be included as allocated supply under a Metropolitan Water Allocation Plan implementation, or under any other allocation or shortage program that may be implemented



Financial Terms

- Metropolitan will bill the member agency at the time of purchase
 - Full-service water rate
 - Treatment charge, if applicable
- Metropolitan will schedule deliveries at its discretion
 - Capacity charge not affected
- Purchases will be included in the determination of the member agency's Readiness-to-Serve Charge at the time of purchase
- Purchases will be considered part of the member agency's Revised Base Firm Demand for the year in which the purchases are made

Need to Initiate Program This Year

- Supply/Demand gap projected to be 468 TAF prior to storage actions
- Metropolitan is taking WSDM dry-year actions to satisfy the supply/demand gap including:
 - Storage withdrawals
 - Purchase transfer supplies
 - Operational actions to minimize use of limited SWP supply
- Need exists for Metropolitan to shift operations to reduce use of limited SWP supply

Program Implementation

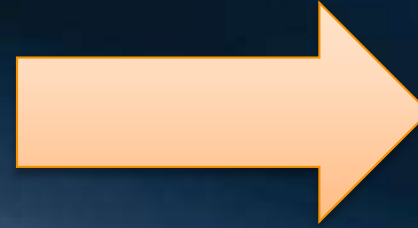
Deferral



Low SWP allocation



WSDM Recommendation



Pre-purchase and Deferral

Delivery



SWP allocation above 40% *

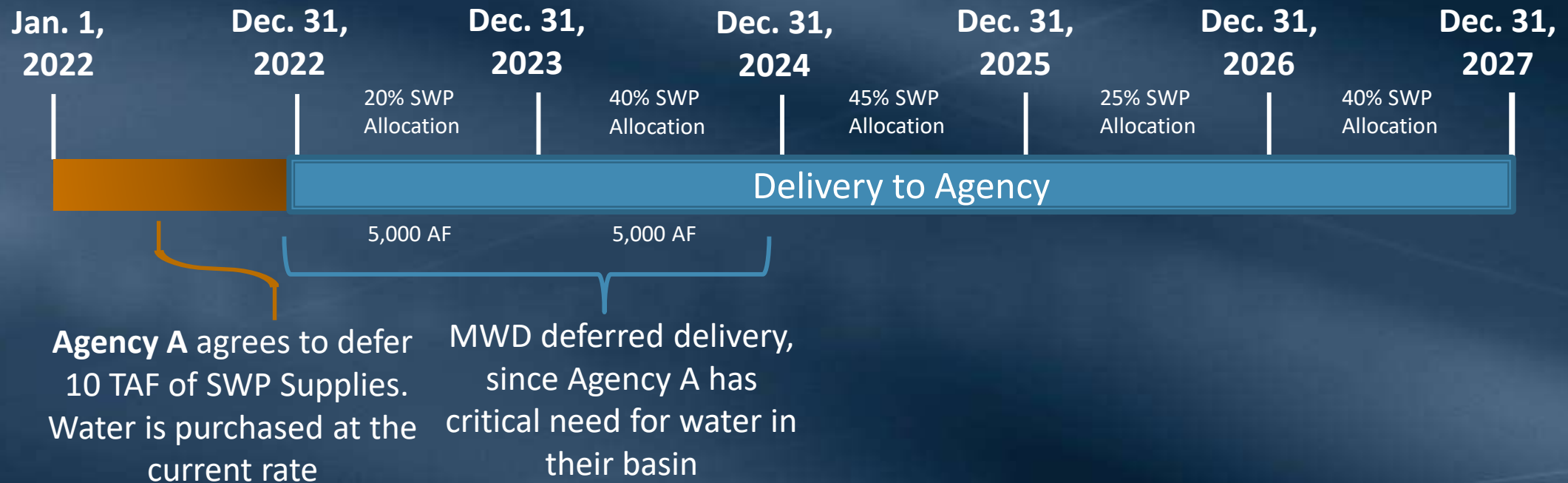


Delivery of SWP supplies within five years

Proposed Reverse-Cyclic Program Example

2022 Full-service untreated rate: \$799/AF

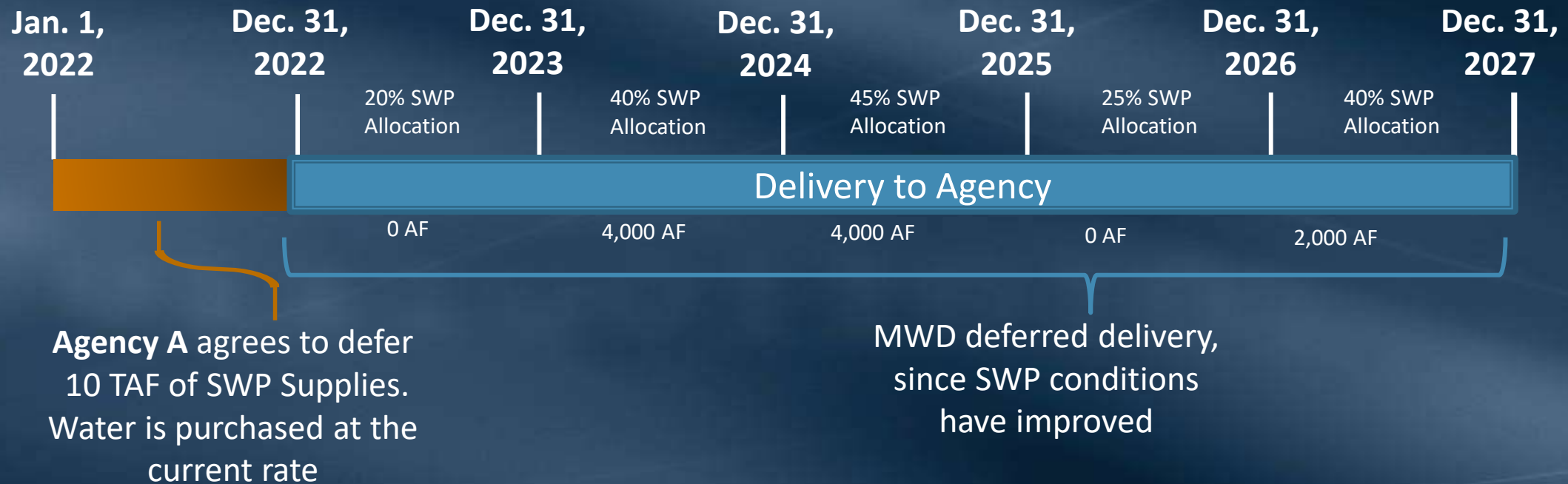
Payment to Metropolitan in 2022 = \$799/AF x 10 TAF = \$7.99 M



Proposed Reverse-Cyclic Program Example

2022 Full-service untreated rate: \$799/AF

Payment to Metropolitan in 2022 = \$799/AF x 10 TAF = \$7.99 M



Summary of Benefits

- Defers delivery of SWP supplies to enhance reliability in years of low SWP allocation
- Increases Metropolitan's flexibility in responding to prolonged dry years
- Avoids additional resource and operational costs that would be necessary without demand deferment
- Metropolitan would defer deliveries to when supplies are higher
- Member agency benefits by avoiding the higher service rate that would be in place at the time the deferred delivery is made

Board Options

- Option #1

- Authorize the General Manager to enter into reverse cyclic agreements with participating agencies to preserve the availability of SWP supplies to Metropolitan consistent with the terms in Attachment 1

- Option #2

- Do not authorize the General Manager to enter into reverse cyclic agreements with participating agencies to preserve the availability of SWP supplies to Metropolitan

Staff Recommendations

- Option #1

