



Imported Water Committee

Authorization to Extend the Term of the Operational Shift Cost Offset Program to Provide Credits in Calendar Year 2023

Item 7-8

October 10, 2022

Operational Shift Cost- Offset Program



Background

- Approved by the Metropolitan Board of Directors on May 11, 2021
- Issues cost-offset credits for member agency actions related to operational changes to their system
 - Provides a regional benefit
- Agreement between Metropolitan & Member Agency
- Program offered in Calendar Years 2021 & 2022

Operational Shift Cost- Offset Program



Program Implementation

- Agreements executed with:
 - City of Los Angeles
 - Three Valleys Municipal Water District
 - Eastern Municipal Water District
 - City of Santa Monica
- Demand shift from SWP to Colorado River supplies improved regional reliability by preserving SWP supplies
 - Approx. 52,000 AF shifted & \$10.5 M credited through Sept. 2022

Operational Shift Cost- Offset Program



Current Conditions

- Similar to May 2021
 - Anticipating a low initial SWP allocation
 - Taking dry-year WSDM actions to satisfy the supply/demand gap
 - Storage withdrawals
 - Purchase transfer supplies
 - Operational actions to minimize use of limited SWP supply
- A need remains to shift operations to reduce use of limited SWP supply in 2023

Operational Shift Cost- Offset Program



Financial Terms – Credit Determination

- Credit keyed to treatment surcharge and up to \$5/AF for additional costs to manage shift
 - Performance based
 - Offset additional member agency costs and impacts (e.g., treatment, pumping)
- If extend to 2023, the maximum credit would increase to \$359/AF

Operational Shift Cost- Offset Program



Financial Terms – Billing Process

- Member agency billed at full-service water rate
- Voluntary deliveries at Metropolitan's discretion
 - Capacity charge not affected
- Monthly certifications
- Annual reconciliations
- Credit applied on a Metropolitan invoice

Operational Shift Cost- Offset Program



Summary of Benefits

- Shifts Metropolitan's operations to enhance reliability
- Increases Metropolitan's flexibility in responding to prolonged dry years
- Eliminates the financial barrier a member agency faces in re-operating their distribution system for a regional benefit

Operational Shift Cost- Offset Program

Board Options

- Option #1
Authorize to extend the term of the Operational Shift Cost-Offset Program to provide credits in CY 2023; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
- Option #2
Do not authorize to extend the term of the Operational Shift Cost-Offset Program to provide credits in CY 2023

Operational Shift Cost- Offset Program

Staff Recommendation

- Option #1

