



Board of Directors Workshop

November 8, 2021

9:00 AM

Monday, November 8, 2021 Meeting Schedule
09:00 a.m. - BOD Workshop
11:00 a.m. - Break
11:30 a.m. - E&O
01:00 p.m. - C&L
02:00 p.m. - WP&S

Teleconference meetings will continue through the end of the year. Live streaming is available for all board and committee meetings on mwdh2o.com ([Click Here](#))

A listen only phone line is also available at 1-800-603-9516; enter code: 2176868#. Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via teleconference only. To participate call (404) 400-0335 and enter Code: 9601962.

MWD Headquarters Building - 700 N. Alameda Street - Los Angeles, CA 90012

1. Call to Order
2. Roll Call
3. Determination of a Quorum
4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code § 54954.3(a))
5. WORKSHOP ITEMS
 - a. Demand Management Cost Recovery and Rate Refinement Workshop [21-594](#)

Attachments: [11082021 5a Presentation.pdf](#)
6. FOLLOW-UP ITEMS

None
7. FUTURE AGENDA ITEMS
8. ADJOURNMENT

NOTE:

At the discretion of the Board, all items appearing on this agenda and all committee agendas, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parenthesis at the end of the description of the agenda item e.g. (E&O, BF&I). Committee agendas may be obtained from the Executive Secretary.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.



Demand Management Cost Recovery and Rate Refinement Workshop

Board of Directors Workshop

Item 5a

November 8, 2021

Paul Brown, AICP

President

Paul Redvers Brown Inc.



Paul has over 40 years' experience in project planning and management, emphasizing multi-agency collaboration, public stakeholder participation, process facilitation, and multi-objective decision making. His clients have included the states of California and Colorado; the Metropolitan Water District of Southern California (MWD); the Santa Clara Valley Water District; the Orange County (CA) Sanitation District, the Orange County (CA) Water District; and the cities of Los Angeles, San Diego, San Francisco, San José, and Seattle. In 2014, Paul completed a 2-year appointment as a Visiting Professor at the University of South Florida (USF) Patel College of Global Sustainability, where he also served as Director of Applied Research.

Why are we here?

- Action is needed because Demand Management (DM) is running out of funding.
- December 2019 the Board approved the option to use the Water Stewardship Fund (WSF) to fund DM costs in the FY2020/21 & FY2021/22 biennial period to allow the Board to consider DM funding in relation to the upcoming 2020 IRP update and to undergo a rate structure refinement process.
- The WSF is projected to be exhausted in FY2022/23
- The Board must establish a new DM rate, charge or revenue collection mechanism that goes into effect no later than CY 2023.

Recent Developments

- September 21, 2021 Court of Appeal Decision
 - Court of Appeal clarified that its 2017 decision on the Water Stewardship Rate in the SDCWA v. MWD litigation applies beyond the 2011-2014 rates and therefore, demand management costs cannot be included in transportation rates charged under the SDCWA-MWD Exchange Agreement or the wheeling rate
- As such, of the 11 cost recovery alternatives developed thus far, only 5 alternatives remain.

Remaining Demand Management Cost Recovery Alternatives

Cost Recovery Component	Approx % of DM Costs	Billing Determinant	Charge / Rate
100% Supply Supply	100%	Sales	\$/AF
Alt 3A – Functionalized Fixed Charge (revised to 100% supply) New sales-based fixed charge	100%	10-yr Avg Sales	Fixed \$
Alt 3B – Non-Functionalized Fixed Charge based on Population New DM fixed charge	100%	Population	Fixed \$
Alt 3B – Non-Functionalized Fixed Charge based on Assessed Valuation New DM fixed charge	100%	Assessed Valuation	Fixed \$
Alt 3B – Non-Functionalized Fixed Charge based on 50/50 Pop/AV New DM fixed charge	50% 50%	Population Assessed Valuation	Fixed \$

For MWD, Demand Management is Both Preferred and Legislated



Preferred Resource Mix

Demand management is part of the preferred resource mix.

Demand management decreased water demand and increase local supplies thereby reducing and avoiding infrastructure expansion and new construction.

Regional participation necessary to achieve success.



State conservation laws

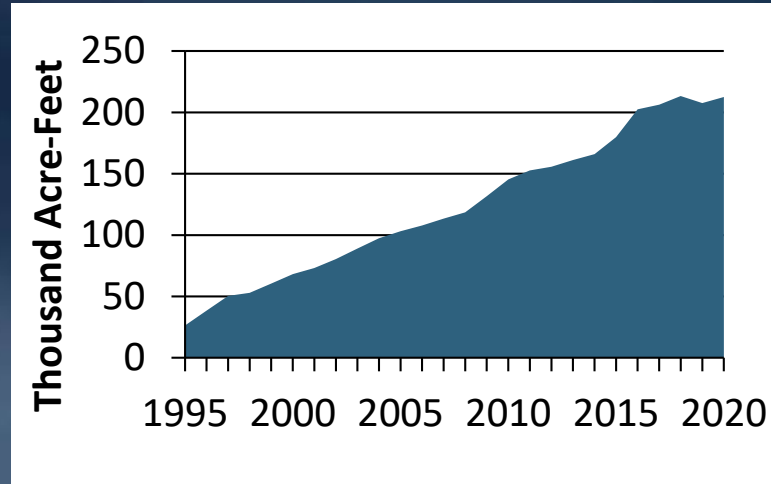
SB 60 – Specifically directed Metropolitan to increase conservation and local resource development.

SB X7-7 – Metropolitan supported the region's compliance to reduce per capita water use by 20 percent by 12/31/2020.

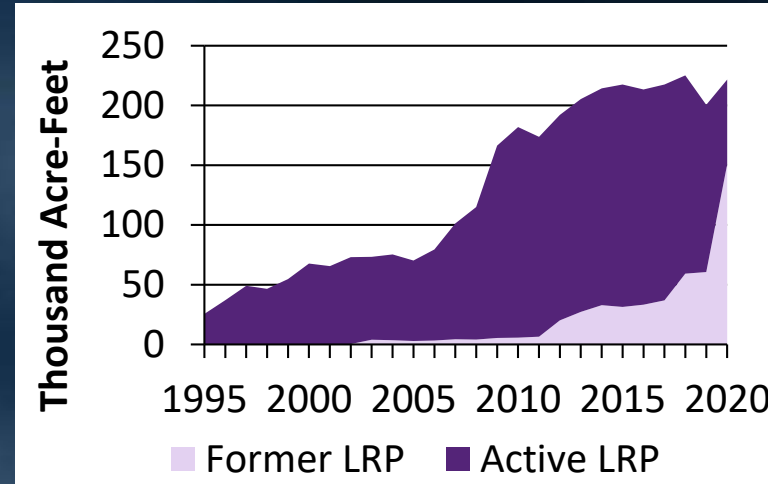
SB 606/ AB 1668 – MWD supported the Governor's Long Term Efficiency Framework legislation.

Demand Management Program Results

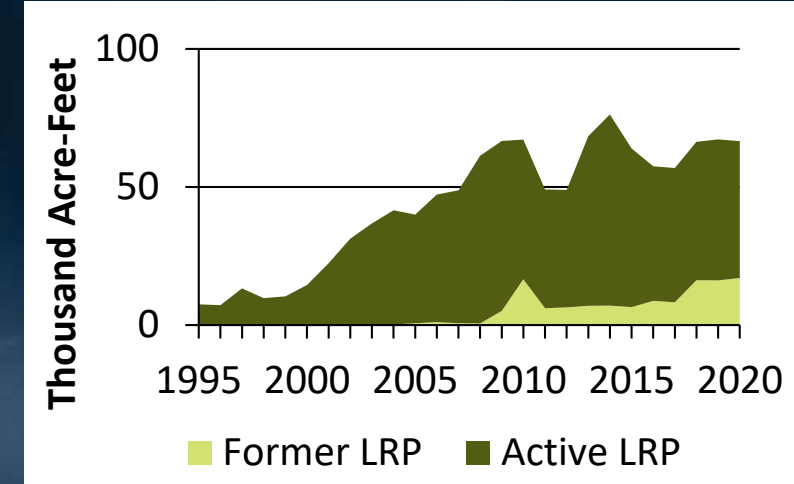
Water Saved by Conservation (1)



Recycled Water LRP Production (2)



Groundwater Recovery LRP Production (2)



Water Saved and Produced by Demand Management (AF)

FY 2019/20	Including Active & Former LRP
Water saved by Metropolitan Conservation Program (1)	213,000
Recycled Water LRP Projects (2)	222,000
Groundwater Recovery LRP Projects (2)	67,000
Total Conservation + LRP	502,000

- (1) Water conserved in entire service area, reducing demand on Metropolitan, its member agencies, and other agencies in the area
- (2) Water produced by participating member agency and other participants for their own use

Demand Management Costs

Based on fiscal years 2020/21 and 2021/22 biennial budget and 10-year financial forecast in millions of dollars

Fiscal Year Ending	2022	2023	2024	2025	2026	2027	2028	2029	2030
Local Resources Program	\$ 20	\$ 25	\$ 31	\$ 40	\$ 47	\$ 55	\$ 61	\$ 65	\$ 70
Conservation Program	43*	43	43	43	43	43	43	43	43
Future Supply Actions/Stormwater Pilot	7	3	2	2	2	2	2	2	2
O&M costs net of interest income	23	26	28	30	31	34	34	35	37
Demand Management Revenue Requirement	\$ 93	\$ 97	\$104	\$115	\$123	\$133	\$139	\$144	\$151

* The FY 2021/22 conservation budget is \$24M. The \$43M reflects the appropriation.



Water Stewardship Fund Balance



Estimated 2021 Member Agency Impacts of Demand Management Cost Recovery Alternatives

Based on Hypothetical \$100M Demand Management Revenue Requirement

Thousand of Dollars

	100% Supply	Alt 3A Sales-based Fixed Charge (revised to 100% supply)	Alt 3B Population	Alt 3B Assessed Valuation	Alt 3B 50/50 Pop/AV
Anaheim	\$ 988	\$ 1,201	\$ 1,920	\$ 1,578	\$ 1,749
Beverly Hills	724	690	230	1,188	709
Burbank	1,005	907	570	810	690
Calleguas MWD	6,387	6,635	3,338	3,495	3,416
Central Basin MWD	2,741	2,907	8,247	5,056	6,651
Compton	0	51	483	158	321
Eastern MWD	6,447	6,022	4,355	2,720	3,537
Foothill MWD	564	555	433	634	533
Fullerton	479	541	715	680	697
Glendale	1,082	1,092	979	1,091	1,035
Inland Empire	3,875	3,962	4,534	3,883	4,209
Las Virgenes MWD	1,395	1,350	371	850	610
Long Beach	2,114	2,084	2,506	1,724	2,115
Los Angeles	17,616	17,803	21,258	20,730	20,994
MWDOC	14,754	14,264	12,447	17,067	14,757
Pasadena	1,295	1,244	877	1,049	963
SDCWA	16,491	17,744	17,009	17,368	17,188
San Fernando	1	2	129	66	98
San Marino	64	55	70	222	146
Santa Ana	626	736	1,756	902	1,329
Santa Monica	256	364	495	1,276	885
Three Valleys MWD	4,370	4,144	2,741	2,341	2,541
Torrance	1,087	1,056	721	992	856
Upper San Gabriel	2,837	2,213	4,587	3,580	4,084
West Basin MWD	8,045	7,614	4,301	6,929	5,615
Western MWD	4,756	4,765	4,931	3,610	4,271
Total MWD	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000

Estimated 2021 Member Agency Impacts of Demand Mgt Cost Recovery Alternatives vs Prior WSR

Thousand of Dollars

	100% Supply	Alt 3A Sales-based Fixed Charge (revised to 100% supply)	Alt 3B Population	Alt 3B Assessed Valuation	Alt 3B 50/50 Pop/AV
Anaheim	\$ 118	\$ 331	\$ 1,049	\$ 708	\$ 879
Beverly Hills	86	52	(408)	550	71
Burbank	120	21	(315)	(76)	(195)
Calleguas MWD	761	1,008	(2,289)	(2,132)	(2,210)
Central Basin MWD	326	492	5,833	2,641	4,237
Compton	0	51	483	158	320
Eastern MWD	768	343	(1,325)	(2,959)	(2,142)
Foothill MWD	67	58	(65)	137	36
Fullerton	57	119	292	258	275
Glendale	129	139	26	138	82
Inland Empire	461	548	1,121	469	795
Las Virgenes MWD	166	121	(858)	(379)	(619)
Long Beach	252	222	643	(138)	252
Los Angeles	2,098	2,285	5,741	5,212	5,477
MWDOC	1,757	1,266	(550)	4,070	1,760
Pasadena	154	103	(263)	(92)	(177)
SDCWA	(9,945)	(8,692)	(9,427)	(9,067)	(9,247)
San Fernando	0	1	128	65	96
San Marino	8	(1)	14	165	89
Santa Ana	75	185	1,205	351	778
Santa Monica	30	139	269	1,050	660
Three Valleys MWD	520	295	(1,109)	(1,508)	(1,308)
Torrance	129	98	(237)	34	(101)
Upper San Gabriel	338	(286)	2,088	1,081	1,585
West Basin MWD	958	526	(2,787)	(158)	(1,472)
Western MWD	566	575	741	(580)	80
Total MWD	\$0	\$0	\$0	\$0	\$0

Estimated 2021 Member Agency Impacts of Demand Mgt Cost Recovery Alternatives vs Prior WSR

	100% Supply	Alt 3A Sales-based Fixed Charge (revised to 100% supply)	Alt 3B Population	Alt 3B Assessed Valuation	Alt 3B 50/50 Pop/AV
Anaheim	14%	38%	121%	81%	101%
Beverly Hills	14%	8%	-64%	86%	11%
Burbank	14%	2%	-36%	-9%	-22%
Calleguas MWD	14%	18%	-41%	-38%	-39%
Central Basin MWD	14%	20%	242%	109%	175%
Compton	14%	17174%	162037%	53115%	107576%
Eastern MWD	14%	6%	-23%	-52%	-38%
Foothill MWD	14%	12%	-13%	28%	7%
Fullerton	14%	28%	69%	61%	65%
Glendale	14%	15%	3%	15%	9%
Inland Empire	14%	16%	33%	14%	23%
Las Virgenes MWD	14%	10%	-70%	-31%	-50%
Long Beach	14%	12%	35%	-7%	14%
Los Angeles	14%	15%	37%	34%	35%
MWDOC	14%	10%	-4%	31%	14%
Pasadena	14%	9%	-23%	-8%	-16%
SDCWA	-38%	-33%	-36%	-34%	-35%
San Fernando	14%	87%	10184%	5153%	7668%
San Marino	14%	-2%	24%	292%	158%
Santa Ana	14%	34%	219%	64%	141%
Santa Monica	14%	61%	120%	466%	293%
Three Valleys MWD	14%	8%	-29%	-39%	-34%
Torrance	14%	10%	-25%	4%	-11%
Upper San Gabriel	14%	-11%	84%	43%	63%
West Basin MWD	14%	7%	-39%	-2%	-21%
Western MWD	14%	14%	18%	-14%	2%
Total MWD	0%	0%	0%	0%	0%

Red = increase > 5%
Green = decrease > 5%
White = change < 5%

FY2022/23 & FY2023/24 Budget and Rates

- Metropolitan is currently developing the FY2022/23 & FY2023/24 Budget and Rates
- The proposed budget is scheduled to be sent to the Board in January
- To avoid delaying the budget and rates adoption process, a revenue source for demand management must be adopted by December.

Next Step

- December 2021 – Board action to adopt a demand management cost recovery method

Management Recommended Solution

- Complete IRP, Business Plan and Rate Refinement
 - Short-term solution for next two-year budget:
 - Adopt a DM cost recovery method based on one of the remaining alternatives
 - Long term:
 - Incorporate revisions developed over next two years to the entire rate structure

Facilitated Discussion

