

- **Board of Directors**
Water Planning and Stewardship Committee

November 18, 2008 Board Meeting

9-5

Subject

2009 Water Supply Allocation Plan Status

Description

Metropolitan's Board adopted the Water Supply Allocation Plan (WSAP) at its meeting on February 12, 2008. The plan defines a specific formula for calculating member agency supply allocations and the key implementation elements needed to administer an allocation should a shortage be declared. Two key timing elements were identified in the plan after significant consideration by the Board, Metropolitan staff and member agency managers:

1. A supply allocation level would be declared by a board action if necessary, following a recommendation by the Water Planning and Stewardship Committee at the April Board meeting. By the April meeting, the majority of the winter snowfall accumulation period will have passed. Supply projections from the State Water Project and Los Angeles Aqueducts will be more certain and enable Metropolitan to determine whether and at what level to set an allocation based on a more stable supply picture.
2. The Allocation Year is set for 12 months - from July through June. This time period was set to provide for the actions agencies will need to take following the declaration of an allocation at an April board meeting.

Metropolitan staff has recently held workshops with the member agency managers and staff to develop a process to implement the Water Supply Allocation Plan, if necessary. In these workshops, the majority of member agency staff has reiterated the importance of both the April timeframe for a potential allocation decision and the need for sufficient time between when the Board declares an allocation and when it is implemented. The following key factors were considered by member agency managers and Metropolitan staff when evaluating the timing of an allocation.

- **Stability.** If an allocation is declared, the allocation should be held at a given level for a full 12 months. Changing the allocation level a few months after the initial reduction can be problematic for a number of reasons, including:
 - **Delay in data collection.** Due to the delay in collecting retail use data, member agencies may have little information about how their retail customers are performing relative to the initial allocation. This could make it difficult to determine the appropriate action required to reduce to a new, potentially deeper allocation level. This may be particularly difficult for member agencies that are wholesale water suppliers, and those retail agencies on bimonthly billing cycles.
 - **Mixed message.** Calling for different levels of retail reductions only a few months apart can send mixed signals to the retail customer base.
- **Certainty.** A decision to allocate should be made after there is relative certainty regarding supply conditions. The credibility of water agencies could be strained if an allocation is declared early in the year and then followed by wet conditions that eliminate the need for the cutback. Most agency staff expressed a preference for waiting to declare an allocation until after the key precipitation months on the State Water Project watershed provide a better picture of supply conditions for the year. This represents a preference to declare a potentially deeper allocation later in the year (April) if a dry scenario occurs relative to the risk of declaring a lower level allocation earlier in the year that turns out to be unnecessary. It should be noted that not all member agency managers are aligned on this point. Some member

agencies suggested it may be easier for the region to handle a low-level allocation early in the year without significant economic impacts.

- **Impacts of supply shortages.** For many agencies, allocating water supplies is an action that will come with significant political and implementation strain, particularly if those agencies implement mandatory rationing to meet their targets. As a result, most member agencies prefer finding alternatives to an allocation up to the point that the need for an allocation is most certain. One alternative is public messaging that results in conservation actions without formal allocation.
- **Implementation timeline.** It is important for agencies to have sufficient time between when an allocation is declared and when the allocation goes into effect. Member agencies will require time to enact their own reduction plans, once an allocation is declared. This consideration argues against shortening the length of time between when Metropolitan's Board declares an allocation and when the allocation becomes effective (currently 2½ months delay from mid-April to July 1). The lead time required is due to the predominant mode of reduction enforcement by the agencies. Agencies may choose a number of alternatives to achieve a reduction including:
 - **Rates.** Agencies can implement penalties through their rate structure to encourage reductions. The speed of response to this approach may depend upon the length of billing cycles (monthly, bimonthly). Agencies with longer billing periods may see slower response times as customers will not see the rate impact of high water use on their bills as quickly. Some customers may respond to notifications while other customers may only respond to rate signals through bills or penalties through ordinances.
 - **Restrictions.** Agencies can enforce local ordinances with penalties in the form of citations for prohibited water uses. Response time may be relatively quick in areas with effective ordinances already in place. Some municipalities may need to take the time to adopt and begin enforcing ordinances, which could result in a delayed response to the call for allocation.
 - **Combination.** Agencies may use a mix of the above approaches along with public outreach efforts aimed at increasing awareness of the need for reductions.
- **Public outreach.** The messaging, news stories, and other public outreach associated with Metropolitan's allocation decision could result in water demand reductions during the period from mid-April to July 1, even without penalty enforcement.

Potential Conditions in 2009

The timing considerations listed above support the allocation timeline that was in the board-adopted Water Supply Allocation Plan. But Metropolitan's projected water supplies, demands, and storage conditions are constantly changing. Given the dynamic nature of these conditions, it is prudent for Metropolitan staff to evaluate the potential need for a supply allocation on a regular and timely basis. Metropolitan encourages member agencies and their local customer agencies to develop reduction plans now, if they haven't already. Unexpected losses in supply or extremely dry conditions could compel Metropolitan to consider advancing an allocation decision earlier than April. Conditions at this time, however, do not indicate a need to consider an allocation earlier than April 2009.

Analysis of potential conditions in 2009 suggests a one-in-three chance of needing to declare an allocation in April 2009. Dry conditions with a lower chance of occurring in 2009 could require a Level Four allocation or greater. A Level Four allocation could require a 20 percent reduction from baseline demands for some member agencies. This analysis accounts for the following significant factors:

- Department of Water Resources (DWR) analysis indicating a greater than 50 percent SWP allocation for calendar year 2009 under median conditions (0.95 MAF Table A available to Metropolitan). Data from this analysis was used to support DWR's initial 2009 State Water Project allocation of 15 percent, which is based on a conservative dry-condition projection for 2009 that will be exceeded 9 times out of 10. This analysis is based on State Water Project yields under the most restrictive Wanger pumping restrictions due to Delta Smelt.
- A minimum storage level for Metropolitan's facilities and storage programs of 1.34 MAF at the end of calendar year 2009 (this includes Metropolitan's emergency storage reserves). Protecting these storage

levels would help Metropolitan buffer potential adverse conditions in calendar year 2010. Metropolitan’s total storage is projected to be 1.73 MAF at the end of 2008. A minimum storage level of 1.34 MAF at the end of 2009 would allow for the use of 0.39 MAF within calendar year 2009 to augment imported supplies to meet demands.

- Successful implementation of the Five-Year Supply Reliability Program resulting in a total of 0.453 MAF in benefits in 2009, of which 0.215 MAF is due to conservation.
- A projected range in net deliveries on the Colorado River Aqueduct of 0.9 MAF to 1.0 MAF.
- A range of potential demands on Metropolitan of 1.6 MAF to 2.6 MAF (before the conservation efforts included in the Five-Year Supply Reliability Program).

Conclusion


This is an information item and does not require board action. While dry conditions could occur that would necessitate reductions, these conditions would develop gradually over the course of the coming winter months. At this time, staff analysis does not support the need to advance consideration of a formal allocation declaration before April of 2009. Metropolitan staff will report to the Water Planning and Stewardship Committee on these conditions as they develop and affect the potential need for an allocation in 2009. Other factors such as the upcoming Delta Smelt Biological Opinion or additional pumping restrictions related to species in the Bay-Delta will be monitored for their potential impact on the need to allocate in 2009. Staff will continue to update the Board as these processes move forward.

Policy

Water Supply Allocation Plan, adopted February 2008

Fiscal Impact

None

	11/10/2008
_____ Debra C. Man Assistant General Manager/Chief Operating Officer	Date
	11/10/2008
_____ Jeffrey Kightlinger General Manager	Date