



- Board of Directors
Water Planning and Stewardship Committee

7/12/2011 Board Meeting

9-2

Subject

Update on Water Supply Allocation Plan Three-Year Review Process

Description

Background

Between July 2007 and February 2008, Metropolitan staff worked with the member agency managers and the Board to develop a Water Supply Allocation Plan (WSAP). The WSAP includes formulas for calculating member agency supply allocations and the key elements needed for administering an allocation. The WSAP was adopted at the February 12, 2008 board meeting. As part of that action, the Board directed staff to review the WSAP formula 12 months following an implementation of the WSAP, and three years following the adoption of the WSAP.

In April 2009, the Board voted to implement the WSAP for the first time. In January 2010, Metropolitan staff and the member agency managers commenced the WSAP 12-Month Review process. The focus of this review process was to facilitate in-depth discussion on WSAP-related issues and lessons learned during the first year of implementation. In August 2010, the Board adopted staff recommendations for modifications to the WSAP identified in the 12-Month Review process. February 2011 marked the three-year period since the adoption of the WSAP and staff initiated the Three-Year Review Process. The purpose of the Three-Year Review Process is to provide an opportunity for Metropolitan staff and the member agencies to re-evaluate the plan and recommend appropriate changes for board consideration.

Three-Year Review Process

Metropolitan staff is engaged with the member agencies in a formal review of the WSAP that began in February 2011. Since the review process began, the member agency managers have participated in a series of eight workshops; five additional workshops are scheduled through the end of August 2011. [Attachment 1](#) shows a listing of the WSAP Three-Year Review process meetings that have been held to date. The major issues for discussion that were identified by the member agencies and Metropolitan during the Three-Year Review process are:

- Local resources recognition – Discussion on this topic focused on different approaches for recognizing member agency investments in local projects. The workgroup debated whether the WSAP should continue to be based on the needs of the member agencies, or whether it should provide greater incentives for new local supply development instead. The workgroup determined that the purpose of the WSAP is to allocate supplies in times of shortage, and that it is not designed to be a tool for incentivizing local investment. Staff does not recommend a change in how the WSAP accounts for local resources at this time.
- Base Period selection – Discussion on this topic focused on the potential benefits and difficulties of moving the 2004-2006 WSAP Base Period forward in time. The Workgroup determined that the Base Period must include years in which the WSAP was not implemented. Since the WSAP was implemented in FY 2009/10 and FY 2010/11 and the phasing out of the Interim Agricultural Water Program began in 2007, the workgroup agreed that the current Base Period of 2004-2006 was the most recent representative

set of years. Alternative Base Periods raised several concerns and highlighted difficulties in accounting for changed conditions and variations. The workgroup could not determine a reasonable way to account and adjust for these issues. Staff does not recommend making a change to the Base Period at this time.

- **Baseline inflation** – Discussion on this topic focused on the concept of baseline inflation, and potential adjustments to account for it. Baseline inflation occurs when new local non-potable recycling or conservation is developed after the Base Period. Non-potable recycling and conservation are excluded from the WSAP formula to address associated demand hardening issues. When these supplies are excluded from the formula, they have the effect of inflating the actual demand for water in the Allocation Year; this is further compounded by the growth adjustment. The workgroup determined that baseline inflation distorts agencies' true need for water, and potentially leads to more frequent and deeper allocations. Staff intends to recommend a change for board consideration that will address this issue.
- **Growth adjustment methodology** – Discussion on this topic focused on developing a revised growth adjustment. Workgroup participants raised concerns that the existing growth adjustment rewarded agencies that had high water use in the Base Period. A proposal for an alternative growth methodology was developed where growth would be limited to the South Coast Regional Standard of 149 GPCD adjusted for individual member agency evapotranspiration. A technical sub-workgroup was formed to evaluate the proposed methodology. The sub-workgroup will develop findings and recommendations for consideration by the full workgroup. Staff intends to recommend a change for board consideration that will address this issue.
- **WSAP Exit Strategy** – Discussion on this topic focused on solidifying a policy for exiting a WSAP implementation prior to the end of the Allocation Year. The workgroup determined that in an Allocation Year when the Board determines that the WSAP will not be implemented in the following year, the current allocation should be terminated immediately. Staff intends to recommend incorporating this flexibility into the WSAP.
- **Conservation Hardening Credit** – This topic remains to be discussed.
- **Sharing allocation between agencies** – This topic remains to be discussed.
- **Tier 1-2 rate cycle timing** – This topic remains to be discussed.
- **Replenishment issues** – Replenishment issues are currently being addressed by staff and the member agencies in a separate Replenishment Workgroup Process. The Replenishment Workgroup Process will bring forward alternatives for a revised Replenishment Service Program for Board consideration by the end of 2011.

These discussions will lead to recommendations that will be presented to the Board for consideration.

Next Steps

Currently, five more workshops are scheduled through the end of August to address the remaining issues identified in the Three-Year Review process. Additional workshops will be conducted as needed until all of the issues are thoroughly discussed. Staff will return to the Board in September 2011 with recommendations for modifications to the WSAP. Any modifications adopted by the Board are intended to be in place for the next time the WSAP is implemented.

Policy

By Minute Item 47393, dated February 12, 2008, the Board adopted the Water Supply Allocation Plan.


By Minute Item 48376, dated August 17, 2010, the Board adopted proposed adjustments to the Water Supply Allocation Plan, and approved the allocation of seawater barrier supplies for 2010/11.

Fiscal Impact

None


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6/21/2011
Date


Jeffrey Kightlinger
General Manager

6/23/2011
Date

Attachment 1 – WSAP 3-Year Review Process Meeting Summary

Ref# wrm12612232

WSAP 3-Year Review Process Meeting Summary

Meetings with Member Agencies to Discuss and Consider Improvements to the Water Supply Allocation Plan

Date	Meeting	Description
February 23, 2011	WSAP 3-Year Review Workshop #1	First meeting of the WSAP 3-Year Review process; review of the existing WSAP policy and formula; review of the process timeline; and focused discussion of WSAP issues identified by Metropolitan staff and by member agencies since the WSAP's adoption in February 2008
March 14, 2011	WSAP 3-Year Review Workshop #2	Discussion of issues related to local supplies and baseline inflation due to adjustments for recycling and conservation in the WSAP formula
March 25, 2011	WSAP 3-Year Review Workshop #3	Continuation of prior workshop
April 8, 2011	WSAP 3-Year Review Workshop #4	Discussion of issues and alternatives related to base period selection and baseline inflation in the WSAP formula
April 27, 2011	WSAP 3-Year Review Workshop #5	Discussion of recommendations to address baseline inflation in the WSAP formula
May 6, 2011	WSAP 3-Year Review Workshop #6	Discussion of issues and alternatives for the growth adjustment methodology in the WSAP formula
May 25, 2011	WSAP 3-Year Review Workshop #7	Continuation of prior workshop
June 9, 2011	WSAP 3-Year Review Workshop #8	Continuation of prior workshop, discussion of WSAP implementation exit strategy.