



- Board of Directors
Water Planning and Stewardship Committee

9/13/2011 Board Meeting

9-2

Subject

Update on Replenishment Program

Description

Summary

The Replenishment Service Program provides surplus imported water for conjunctive use of local storage on an interruptible basis and at a discounted price. In May 2011, the Board directed staff to develop options for board consideration by the end of the year that would address concerns with the existing program and achieve regional benefits. Metropolitan staff has engaged in a workgroup process with the member agencies to develop potential reforms to the Water Replenishment Service Program. Currently, the workgroup has completed a series of basin presentations for technical assessment and is engaged in discussion of program alternatives. Options and recommendations on the future of the program will be presented for board consideration by December 2011. This board letter addresses the process that is underway to review the Replenishment Service Program.

Background

In order to optimize the reliability of water supply in the service area, Metropolitan provides water supplies to member and local agencies for the replenishment and management of groundwater and other local storage under the Replenishment Service Program, groundwater conjunctive use programs, and cyclic storage accounts. Providing replenishment supplies has the potential to achieve greater conjunctive use of imported and local supplies, encourage construction of additional local production facilities, and to provide dry-year supplies to meet water needs of the member agencies. In the past, Metropolitan has offered water for local storage at a discounted water rate under the Replenishment Service Program. However, as California entered into drought, the General Manager discontinued discounted replenishment sales in 2007. During the past year, while the region was under mandatory water allocations under the Water Supply Allocation Plan, Metropolitan approved a Water Management Program that did not offer a discounted replenishment water rate but facilitated storage purchases by shielding agencies from higher penalty rates.

Discounted Replenishment Service Program deliveries were resumed in May 2011. Due to a combination of low demands and favorable water supply conditions, the Board authorized the General Manager to exercise discretion to offer discounted replenishment for up to 0.225 MAF in 2011. Additionally, the Board directed staff to recommend options to reform the Replenishment Service Program to address program concerns and ensure regional reliability benefits by December 2011. [Attachment 1](#) shows Section 4514 of the Administrative Code pertaining to the goals and aspects of the existing Replenishment Service Program. The program, in its current form, has generated concerns about its benefits and costs to the region. The end result of the program review process will be revisions to the Administrative Code with regard to the Replenishment Service Program. The program review process is the subject of this board letter.

Replenishment Workgroup Process

In March 2011, Metropolitan and its member agencies kicked off a Replenishment Workgroup process to develop a new approach for replenishment of local storage with imported supplies in the future. Since the workgroup process began, the member agency managers have participated in a series of 12 workshops; three more workshops

are scheduled through the end of September 2011. **Attachment 2** shows a listing of the Replenishment Workgroup process meetings that have been held to date.

The workgroup is following a four-step process:

- Determination of goals and objectives
- Determination of benefits (basin-by-basin technical assessment)
- Discussion and analysis of alternatives
- Draft approach for board consideration

Between March and April 2011, the workgroup determined replenishment goals and objectives. These were used to craft key development principles for program design. Between May and August 2011, the Replenishment Workgroup conducted a basin-by-basin technical assessment with focused presentations by member agencies and groundwater basin managers to determine local and regional benefits of replenishment in water management. The workgroup is currently completing the technical assessment and has commenced discussion and analysis of program alternatives.

Key Development Principles

A significant outcome of workgroup deliberation was the establishment of four key development principles for a long-term replenishment program:

- **Reliability** – An interruptible replenishment program should offer a degree of predictability to allow advance preparation by potential participants, be optimized to hydrologic and system conditions, and reduce the region's dependence on imported supplies in dry years.
- **Sustainability** – A successful program design should be sustainable in terms of long-term resource stewardship practices as well as financial integrity. It should also have a minimal administrative burden.
- **Scalability** – Because of highly variable conditions, a replenishment program should be designed with operational flexibility and sufficient peaking capacity. It should also have flexibility to facilitate integration among different resources, such as imports, groundwater, and surface storage supplies.
- **Accountability** – There should be an equitable distribution of program benefits. Incentives should be performance-based. To this end, there must be effective rules, monitoring, and enforcement.

In keeping with the key principles, a replenishment program would emphasize the following characteristics:

- Conjunctive management of imported supplies and local storage
- Program eligibility for both groundwater and surface storage
- Transfer of water supplies from wet years to dry years
- Performance-based pricing and implementation
- Regional benefits

The development principles will be the basis for evaluation of program alternatives.

Determining Local and Regional Benefits: Technical Assessment Presentations

Member agencies and basin managers completed a series of focused presentations describing the role and function of the Replenishment Service Program in the management of their groundwater basins. The dual purpose of the presentations was to provide the workgroup with a technical overview of the local benefits of the program in different basins as well as to give opportunities for member agencies and groundwater managers who use the program to make their case for desired attributes in a future program. Recurring messages from the basin presentations included expressed interest by basin managers in having increased certainty of when Replenishment Service Program water would be available, concerns about prices under the program relative to Metropolitan's full service rates, and difficulty in financing purchases due to the infrequency and uncertain availability of Replenishment Service Program water. Regional benefits and equity concerns were a major part of related workgroup discussion, and questions were raised of how discounted replenishment sales may be offsetting purchases of full service water and about the appropriateness of providing discounted water to maintain safe yield operations if a basin is in long-term overdraft.

Input from the presentations and related discussion of local and regional benefits will be used in the workgroup's deliberations on program alternatives.

Next Steps

Options and recommendations for the Replenishment Service Program will be presented for board consideration in December 2011.

Policy

Metropolitan Water District Administrative Code Section 4514: Replenishment Service

By Minute Item 48680, dated May 10, 2011, the Board provided direction to the General Manager to exercise his discretion to offer discounted replenishment in an amount limited to increases in supply above currently allocated supplies and directed staff to make recommendations by December 2011 for options to reform the replenishment services program in a manner that assures regional reliability benefits.

Fiscal Impact

None

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|---|-------------------|
|  Deven N. Upadhyay Manager, Water Resource Management | 8/30/2011 Date |
|  Jeffrey Kightlinger General Manager | 8/31/2011 Date |

[Attachment 1 – Administrative Code Section 4514](#)

[Attachment 2 – Replenishment Workgroup Process Meeting Summary](#)

Ref# wrm12613211

Administrative Code Section 4514

Section 4514. Replenishment Service.

(a) General - The goals of the Replenishment Service program are to:

1. Achieve greater conjunctive use of imported and local supplies.
2. Encourage construction of additional local production facilities.
3. Reduce member agencies' dependence on deliveries from Metropolitan during periods of shortage.

Member agencies are encouraged to take replenishment water through a discounted rate offered by Metropolitan. This economic incentive encourages local agencies to invest in new water production, storage, treatment and transmission facilities, or to fully utilize existing facilities. These facilities are needed to augment local agencies' capability to produce local water, as well as store imported water purchased from Metropolitan during periods of abundance.

To receive the lower rates, agencies must certify to Metropolitan the amounts of imported water that they have stored in local reservoirs and groundwater basins by direct and in-lieu means. Certification forms are provided to agencies to assist in their calculations and standardize the certifications. Agencies shall comply with the administrative procedures as set forth in the most current Replenishment Service Handbook, as amended from time to time by the General Manager, to receive the Replenishment Service rate on water purchased from Metropolitan.

(b) Storage Types - Replenishment Service water shall be stored for long-term storage. Long-term storage is that water delivered by Metropolitan to a member public agency or subagency for storage, by direct or in-lieu methods, beyond a 12-month period. Under this concept, total annual purchases from Metropolitan increase by the amount of Replenishment Service water purchased. Water that an agency leaves in storage to replace groundwater overdraft in any previous drought year when Replenishment Service was declared unavailable is considered long-term storage.

(c) Normal Period of Availability – Replenishment Service water service shall be available between July 1 through June 30 whenever and so long as the General Manager determines that water and system capacity are available. If required for Metropolitan's system regulation, groundwater replenishment by spreading or injecting or water deliveries/sales pursuant to any storage or operating agreement, may be offered to specific member public 5/10/2011 Board Meeting 5-1 Attachment 1, Page 2 of 2 agencies during any time of the year at the Replenishment Service rate at the General Manager's discretion. If an agency should take Replenishment Service water when it is deemed not available by the General Manager then it shall pay the rates for that water set forth in Section 4401(a)(1). With respect to service for direct reservoir replenishment and for groundwater replenishment by spreading or injecting, service availability may be activated or terminated immediately upon notice by the General Manager to

affected member public agencies. With respect to service for in-lieu groundwater replenishment or in-lieu reservoir replenishment, service availability may be activated upon notice to the member public agencies and terminated upon 48 hours notice to the member public agencies.

(d) Certification - Member public agencies may receive Replenishment Service only upon filing of the required certifications specified in Section 4507. All certifications as to the storage of water Replenishment Service must be on forms provided by the District or in electronic format acceptable to the District and provided to the District via the District's electronic certification and billing system by an authorized user. Receipt of a certification shall be considered identical to receipt of a written and signed certification binding on the member public agency for all purposes. The General Manager may make or cause to be made such investigations as the General Manager may require in order to determine the quantities of water to which the Replenishment Service rates shall apply. Such investigations may result in revisions either upward or downward in the amount of water actually received in Replenishment Service. No such investigation shall be made unless the member public agency has requested Replenishment Service and submitted the requisite certifications. The General Manager may reject any certification if the certifying agency is unable to furnish sufficient documentation as to the facts of the certification.

Replenishment Workgroup Process Meeting Summary

Meetings with Member Agencies to Discuss and Consider Improvements to the Replenishment Service Program

| Date | Meeting | Description |
|-----------------|-------------------------------------|---|
| March 14, 2011 | Replenishment Workgroup Meeting #1 | First meeting of the Replenishment Workgroup process; review of the workgroup's interim and long-term goals. |
| March 25, 2011 | Replenishment Workgroup Meeting #2 | Discussion of a proposal to modify and extend the 2010/11 Water Management Program through December 31, 2011. |
| April 8, 2011 | Replenishment Workgroup Meeting #3 | Continuation of prior workshop; discussion of goals and desired benefits for a long-term approach for local storage. |
| April 27, 2011 | Replenishment Workgroup Meeting #4 | Discussion of key principles for a long term replenishment program and program development needs. |
| May 6, 2011 | Replenishment Workgroup Meeting #5 | Discussion of format and outline for basin-by-basin technical assessment presentations. |
| May 25, 2011 | Replenishment Workgroup Meeting #6 | Focused presentation on Orange County Groundwater Basin by Orange County Water District and discussion. |
| June 9, 2011 | Replenishment Workgroup Meeting #7 | Focused presentation on Chino Basin by Inland Empire Utilities Agency and discussion. |
| June 30, 2011 | Replenishment Workgroup Meeting #8 | Focused presentations by Water Replenishment District of Southern California and San Diego County Water Authority and discussion. |
| July 14, 2011 | Replenishment Workgroup Meeting #9 | Focused presentation on the Raymond Basin by Raymond Basin Management Board and discussion. |
| August 1, 2011 | Replenishment Workgroup Meeting #10 | Focused presentation by Eastern Municipal Water District and discussion. |
| August 18, 2011 | Replenishment Workgroup Meeting #11 | Focused presentation by Rancho California Water District. |
| August 26, 2011 | Replenishment Workgroup Meeting #12 | Focused presentations by Upper San Gabriel Valley Municipal Water District and Western Municipal Water District. |