

Water Planning and Stewardship Committee

Item #9-1

Subject: Review options for a Replenishment Program

Purpose: To present options for a proposed replenishment program, based on board-adopted policy principles, that would replace the current Replenishment Services Program.



Review options for a Replenishment Program

Water Planning and Stewardship Committee
Item 9-1
January 9, 2012

Presentation Overview

- Background and Proposal Highlights
- Consistency with Principles for WSDM and Replenishment
- Examples of Frequently Asked Questions
- Next Steps

Background and Proposal Highlights

Board Direction and Process

- As part of the May 2011 Action, Board directed staff to “recommend options to reform the replenishment services program in a manner that assures regional reliability benefits.”
- Staff convened member agency workgroup to develop a reformed program
- Board adopted Policy Principles in Nov. 2011
- Board Info Letter on Proposed Program Concepts in Dec. 2011

Proposal for Multi-Level Program

- Level 1 – provides for contractual on-call use of local storage, similar to other programs in MWD's regional storage portfolio.
- Level 2 – delivery of surplus supplies into the region during years when supplies available for storage exceed the regional storage put capacity
- Level 3 – only available when supplies exceed short-term capacity into regional storage, e.g. SWP Article 21 supplies

Proposal Highlights

- Comprehensive program for local storage and regional water management with incentives based on performance and regional benefits
- Replaces current Replenishment Service Program
 - No longer based on discounted replenishment rate
- Adheres to board-adopted Replenishment Policy Principles
 - Regional Water Management Benefits
 - Equity for Member Agencies
 - Financial Integrity
 - Operational Flexibility
 - Complementary with Other Storage Programs

Proposal Highlights

- Compatible with MWD policies and programs
 - Conjunctive Use Program (CUP)
 - Water Surplus and Drought Management Plan (WSDM)
 - Integrated Resources Plan (IRP)
- Available to all member agencies on voluntary basis
 - Does not diminish agencies' ability to purchase replenishment water on full service rate basis
 - Protection for MWD for water quality or other basin impacts
 - Acknowledgement that MWD is not responsible for basin management

Consistency with Principles for WSDM and Replenishment

Water Supply and Drought Management Plan (WSDM)

- The WSDM Plan provides a general framework that guides operation of MWD's regional storage portfolio

Surplus Stages					Actions	Shortage Stages						
5	4	3	2	1		1	2	3	4	5	6	7
					Make Cyclic Deliveries							
					Deliver Level 3 Replenishment							
					Deliver Level 2 Replenishment							
					Put to SWP Groundwater Storage							
					Put to SWP Carryover							
					Store in Level 1							
					Put to Conjunctive Use Groundwater							
					Put to DWR Flexible Storage							
					Put to Metropolitan Surface Storage							
					Public Outreach							
					Take from Metropolitan Surface Storage							
					Take from SWP Groundwater Storage							
					Take from Conjunctive Use Storage							
					Call Level 1 Replenishment Storage							
					Take from DWR Flexible Storage							
					Extraordinary Conservation							
					Reduce IAWP Deliveries							
					Call Options Contracts							
					Buy Spot Transfers							
					Implement Water Supply Allocation Plan							

Consistent with WSDM Framework

- WSDM highlights the value of diversifying storage options, both in-region and out-of-region
- Encourages storage of water in wet years
- Facilitates water management in dry years with on-call options
- Helps management of surplus supplies for local recharge
- Program options provide increased operational flexibility

Consistent with WSDM Principles

- WSDM Policy Principles include:
 - Encourage **local and regional storage** during periods of surplus and use of storage during periods of shortage
 - Manage and operate Metropolitan's **regional storage and delivery system in coordination with local facilities** to capture and store surplus water in local groundwater and surface reservoirs
 - Call upon **sources of additional water** from outside the region and **water stored locally** to meet the needs of consumers and protect the economy during periods of shortage

Consistent with Replenishment Policy Principles

- Regional Water Management Benefits
- Equity for Member Agencies
- Financial Integrity
- Operational Flexibility
- Complementary with Other Storage Programs

Regional Water Management Benefits

- Multi-level program provides full coverage of regional water management benefits
 - Dry-Year Supplies at MWD's Call
 - Level 1
 - Flexibility to Manage Supplies for Additional Regional Storage
 - Levels 1 and 2
 - Reduces Risk of Spill or Loss
 - Levels 1, 2 and 3

Equity for Member Agencies

- Participating member agencies receive incentives based on regional water management benefits
- Incentives represent offsets to regional storage costs that all MWD member agencies would otherwise pay
- Eligibility for both surface and groundwater storage
- Level 3 available to all member agencies above a set baseline demand

Financial Integrity

- Full Service Rates with price incentives based on regional benefits
- Incentives for Level 1 and 2 represent offset costs to MWD's SWP Storage Programs
 - Member Agencies do not risk paying more than they otherwise would have paid for MWD's regional portfolio options
- Under Levels 1 and 2, shifting same-year water sales is prevented via put certification
- Level 3 facilitates sale of regional water supplies that might otherwise be spilled or lost

Operational Flexibility

- Multi-level program increases variety of program choices when there is a need to store or withdraw supplies
- 10 and 5-year storage terms
- Made available at Metropolitan's discretion
- Ability to capture supplies that might otherwise be lost

Complementary with Other Storage Programs

- Level 1 integrates local groundwater and surface water storage with Metropolitan's existing regional storage options, including CUP, Lake Mead ICS, and SWP storage programs
- Avoided Cost Approach uses MWD's SWP storage programs as basis for cost and risk

Frequently Asked Questions

- MWD staff has received a number of questions on the proposal
- Questions cover several topics, including
 - Process and policy
 - Performance and equity concerns
 - Financial impacts (e.g. offsets to full service sales)
- List of questions and responses are included in the Board Letter attachment

Summary

- This proposal is a comprehensive approach for local storage and water management that adheres to the Board adopted policy principles
 - **WSDM and Replenishment Policy Principles**
- Replaces existing Replenishment Service Program and discounted replenishment rate
 - **Full service rate program with incentives based on performance and regional benefits**

Summary Checklist

Program Highlights		
Adheres to Nov. 2011 Replenishment Policy Principles	Regional Water Management Benefits	✓
	Equity for Member Agencies	✓
	Financial Integrity	✓
	Operational Flexibility	✓
	Complementary with Other Storage Programs	✓
Replaces discounted Replenishment Water Rate with incentive-based program		✓
Consistent with WSDM Framework		✓
Complementary with CUP Program		✓
Consistent with IRP Strategy		✓
Protection for MWD for water quality and other basin impacts		✓

Next Steps

- Receive WP&S Committee feedback
- February 2012: Review proposal for a replenishment program
- Board consideration to follow based on feedback

