



Information on Potential Credit to Enhance In-lieu Deliveries to Cyclic Storage Under Limited Conditions

Water Planning and Stewardship Committee

Item 9-3

March 11, 2019

Background

- Diverse portfolio of water storage facilities and agreements inside and outside the region
 - **Examples:**
 - Surface storage
 - Groundwater storage
 - Pre-delivery accounts
- Long history of deliveries into cyclic accounts
 - **First cyclic agreements with Upper San Gabriel Valley MWD (1974) and Three Valleys MWD (1991)**

Cyclic Accounts

- Cyclic agreements establish account with Member Agency
 - Groundwater or surface storage
- Ability to deliver water to member agency at Metropolitan's request
 - Capacity charge does not apply
- No costs to Metropolitan to put or recover water
- Member Agency purchases water from account on agreed schedule
 - Member agency pays full service water rate at time of purchase

Two Methods of Delivery

● Direct Delivery

- Untreated supplies delivered directly to surface reservoir or groundwater spreading basin connection
- Common method of delivery
 - Operational conditions may impact deliveries
 - Examples: capacity of local basins, water quality issues, or potential invasive species

● In-lieu delivery

- Treated drinking water delivered to meet consumptive demands in-lieu of member agency using its groundwater or surface water supplies

Member Agency – Groundwater Baseline Example

Metropolitan Deliveries:	10,000 AF
<u>Groundwater Pumping:</u>	<u>20,000 AF</u>
Total Demand:	30,000 AF

METROPOLITAN
DELIVERS 10,000 AF



20,000 AF

GROUNDWATER

In-Lieu Cyclic Groundwater Operation Example

Metropolitan Deliveries:	20,000 AF
<u>Groundwater Pumping:</u>	<u>10,000 AF</u>
Total Demand:	30,000 AF

METROPOLITAN
DELIVERS 20,000 AF



10,000 AF

MEMBER AGENCY CYCLIC DELIVERY 10,000 AF

GROUNDWATER

Member Agency – Surface Storage Baseline Example

Metropolitan Deliveries:	10,000 AF
<u>Local Surface Storage:</u>	<u>20,000 AF</u>
Total Demand:	30,000 AF

METROPOLITAN
DELIVERS 10,000 AF



In-Lieu Cyclic Surface Storage Operation Example

Metropolitan Deliveries:	20,000 AF
<u>Local Surface Storage:</u>	<u>10,000 AF</u>
Total Demand:	30,000 AF

METROPOLITAN
DELIVERS 20,000 AF



MEMBER AGENCY CYCLIC
DELIVERY

In-Lieu Deliveries

- Increase the amount of water captured in local cyclic accounts
- Member agency increases Metropolitan treated water deliveries
- Treatment surcharge is a disincentive in accepting in-lieu deliveries
- An in-lieu credit to offset the additional cost reduces the financial barrier to capturing additional regional supplies

2017 In-Lieu Program

- Extraordinary conditions – 85% SWP Allocation
- In-Lieu Credit Program
 - Provided a credit of up to \$225/AF
 - Accepted supplies in addition to base deliveries
 - Cyclic agreement must be in place
 - Agreed to purchase supplies within five years at full service untreated rate on defined schedule
 - Certification and reconciliations
- About 65,000 AF were captured into cyclic accounts

Anaheim Daily Demand



2017

■ Base Demand ■ In-Lieu Demand

Santa Ana Daily Demand



Potential Modification to Cyclic Program

- General Manager authority to:
 - Enter into agreements to provide in-lieu credits
 - Faster response time
 - Initiate in-lieu credits
 - Only when other storage is maximized
- Member Agency:
 - Must have a cyclic agreement in place
 - Accept supplies in addition to base deliveries
 - Purchase supplies within five years at full service untreated rate on defined schedule

General Manager Authority

- Begin in-lieu deliveries to help manage supplies
 - High SWP Allocation
 - Article 21 supplies declared and current storage capabilities not sufficient
 - Protection from potential loss of SWP Carryover supplies
 - Colorado River supplies are at risk at end of calendar year with limited storage available
- Initiated as a last option, but may be included in a suite of actions
- Staff report to Board at next regular meeting

Program Process



WSDM Process

Staff
Recommendation



General Manager
approved

GO

Begin In-Lieu deliveries

Report to
Metropolitan Board

When regional supplies
are no longer at risk

Reconciliation and
Certification

Member Agency
Demands Above Baseline

Financial Terms

- Metropolitan pays the member agency a credit
 - Credit up to \$225/AF (Indexed in future years)
 - Performance based and subject to reconciliation
- Member agency would buy treated water at full service treated rate
 - Pays treatment surcharge at time of delivery
 - Pays full service untreated rate on a defined schedule
 - Rate based on the year the water is purchased
- Treatment surcharge billing and credit would be applied on the invoice following delivery

Certification and Reconciliations

- Historical baseline operation
 - Increase deliveries
- Monitor groundwater/surface reservoir
 - Decrease in local supplies
- Monthly certification
- Annual reconciliation
- Similar to in-lieu deliveries to regional conjunctive-use programs

Summary of Benefits

- Ability to respond quickly to extraordinary supply conditions
- Increases delivery of additional water to the region
 - Delivery becomes a Metropolitan sale
 - Improves local reliability
 - Local emergency supply
- Increases the average flows through the treatment plants
- Removes financial barrier
 - Payment schedule provides certainty
 - Helps member agency plan future budgets
- Cost competitive with other storage programs

Next Steps

- Incorporate Committee feedback
- Action item to Board in April 2019

