



Review GM determination to initiate Cyclic Cost-Offset Program

Water Planning and Stewardship Committee
Item 8-6
August 19, 2019

Background

- Board Authorization April 2019
- General Manager authority to:
 - Issue cost offset in form of a credit to member agencies to capture additional water in cyclic accounts when
 - Risk of not capturing all available imported supplies
 - Member agency increases capture and incurs costs above normal supplies

Cyclic Cost-Offset Program

- In order to receive the cost offset, the member agency must:
 - Receive more water than originally projected
 - Purchase the delivered water on an agreed-upon schedule within five years
- Deliveries at Metropolitan's discretion
 - No capacity charge
- Water purchased at full-service water rate at time of purchase
- Cost offset up to \$225 per acre-foot

2019 Water Supply Conditions

Increased SWP Allocation

Lower Forecasted Demands

Expected Article 21 Supplies

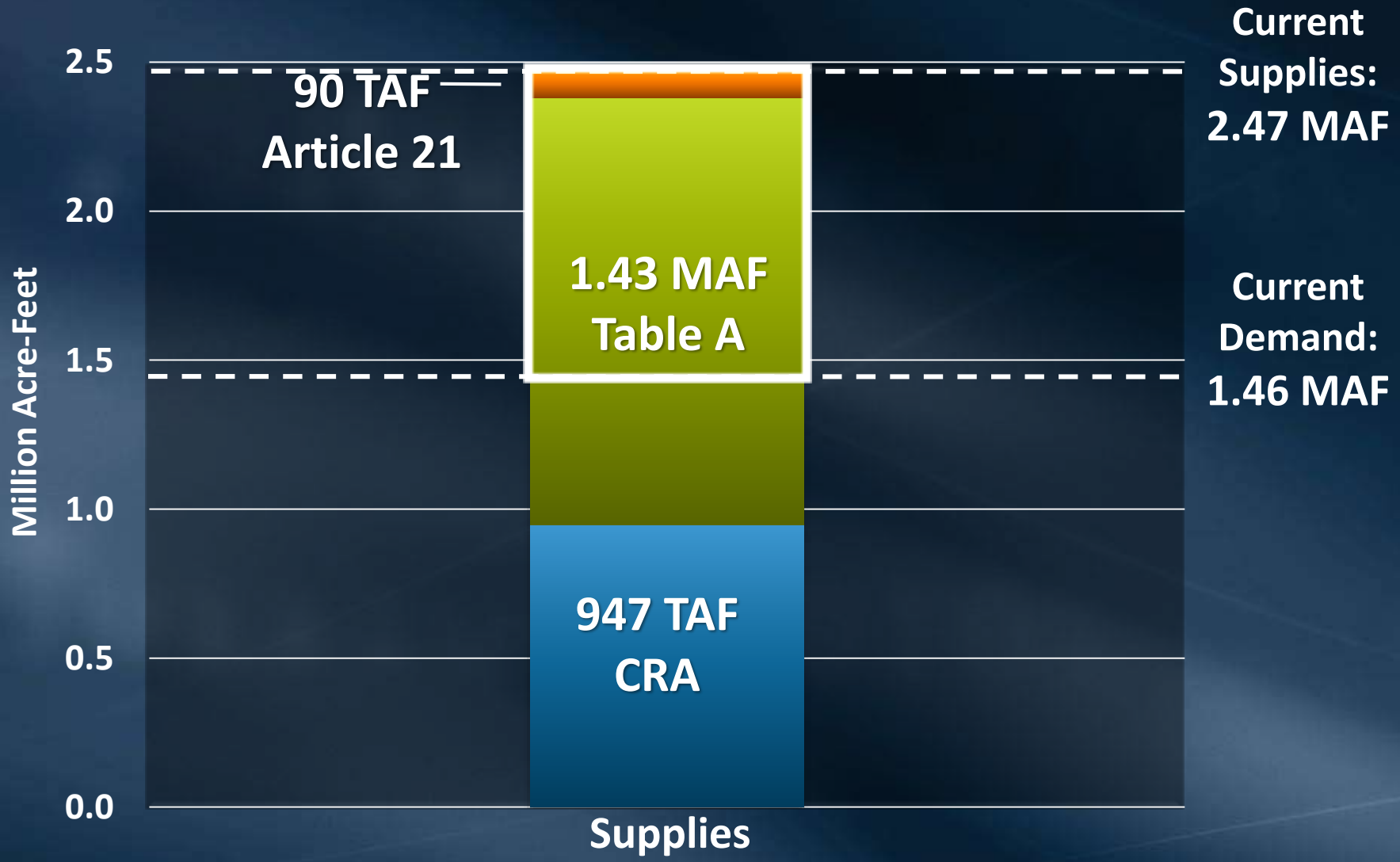
Loss of Replenishment Orders



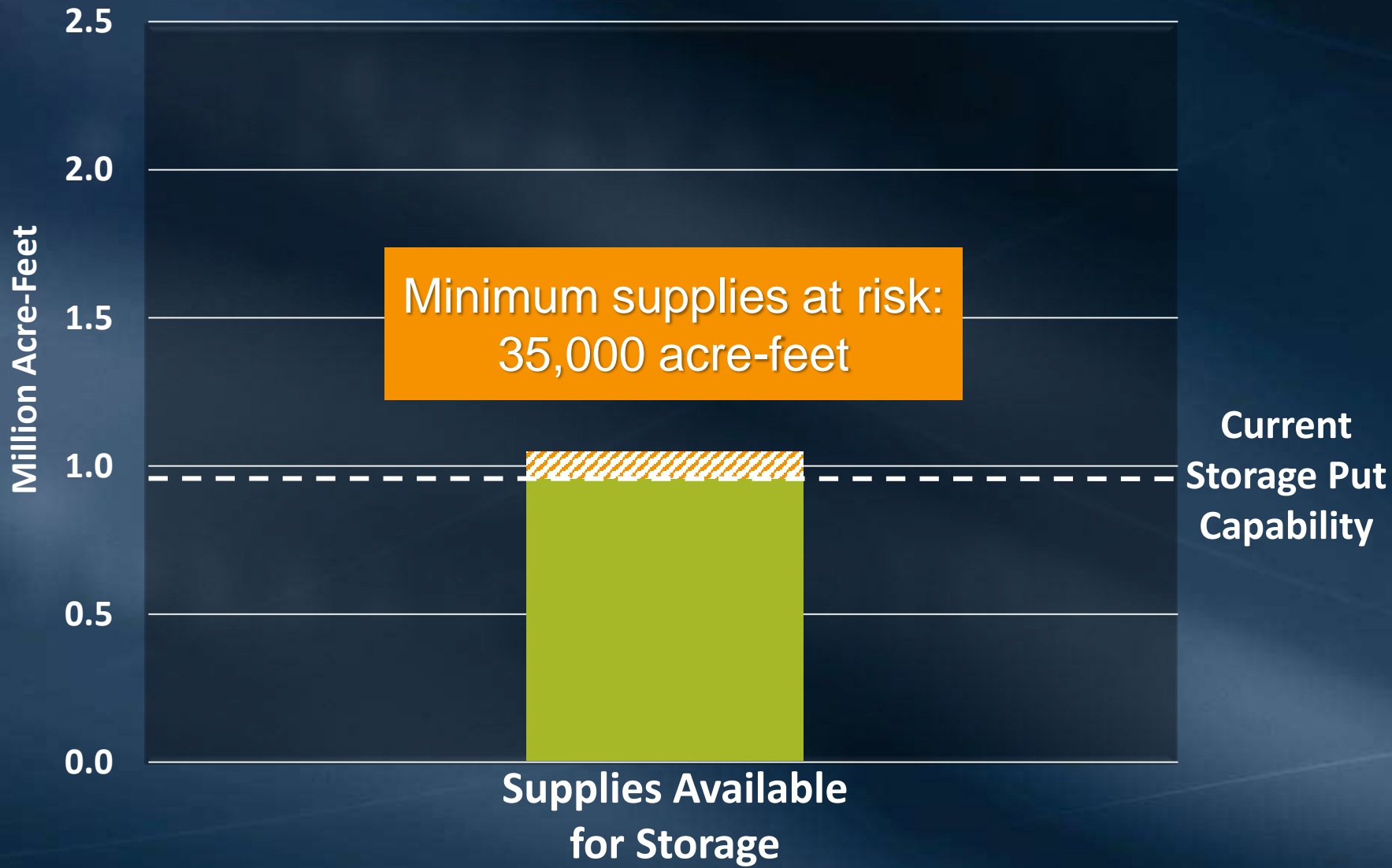
Need to Initiate Program

2019 Supply Demand Balances

75% SWP Allocation Scenario



Available Supplies for Storage



Base Cyclic Program

- Total Program capacity: 560,000 acre-feet
- Metropolitan actively operating Program
 - **Plan to deliver 137,000 acre-feet in 2019**
 - City of Burbank
 - Calleguas Municipal Water District
 - Rancho California Water District through Eastern Municipal Water District
 - Three Valleys Municipal Water District
 - Upper San Gabriel Valley Municipal Water District

Cost-Offset Program

- Developed Cost-Offset Program agreements with 14 member agencies
 - Established operating plans with member agencies
 - Estimated ability to manage up to 60,000 acre-feet in 2019
- Will deliver water under the Program when there is a need
 - May continue in 2020
 - Will report regularly to committee



Summary

- Water available in 2019 exceeds Metropolitan's capability to store
- Member agencies help increase amount of water brought to the region
 - **Supplies managed locally**
 - Dry-years
 - Emergencies
- Staff will monitor water supply conditions
 - **Decision to stop when no longer at risk**

Board Options

Option 1:

- Receive and file information regarding the General Manager's decision to implement the Cyclic Cost-Offset Program as of August 1, 2019, pursuant to the authority approved by the Board on April 9, 2019

Option 2:

- Suspend Cyclic Cost-Offset Program implemented by the General Manager on August 1, 2019, effective no earlier than September 6, 2019

Staff Recommendation

- Receive and file information
- No motion or vote needed

