Local Resources Program (LRP) Policy Discussion
MWDOC Joint Board Workshop – Discussion Series
October 3, 2018

Agenda

1. Recap of the Local Resources Discussion Series
2. IRP vs. Local Resources and LRP
3. October MET Board Action
   - Near-Term LRP Policy Issues
4. Ongoing MET Board Discussion
   - Long-Term Local Resources Policy Issues
   - Establishing an interim LRP target
   - Project Evaluation
   - Program Modifications
Regional Benefits of Local Resources Development

- Improves regional supply reliability
- Reduces demands for imported water supplies
- Decreases the burden on Metropolitan’s infrastructure and reduces system costs
- Frees up conveyance capacity to the benefit of all system users
- Helps to meet “20 by 2020” water use efficiency targets

**Helps to meet IRP goals**
- Helps to meet legislative requirements

IRP vs. Local Resources and LRP

**Integrated Resources Plan (IRP)**
- Ensure that total local supply production of 2.43 MAF is reached by 2040
- Recognize risks and potentially develop additional supplies
- Dual sided demand management – Conservation and Supply development

**Local Resources**
- Helps meet IRP goals
- Replaces demand on MET’s imported system through new local supply development
- The LRP is a tool to incentivize local production
  - Current target of 174 TAF with 68 TAF remaining
  - Annual budget of $45 M
Near-Term LRP Policy Discussion

- The implementation of an interim LRP target
- Message sent from increasing the target
- Status with respect to timing of the LRP applications currently in the queue
- How will an interim target affect the LRP budget

Current LRP Target and Potential Interim Adjustment

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Sponsoring Agency</th>
<th>Submitted Yield (AFY)</th>
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<tbody>
<tr>
<td>La Puente Water Recycling</td>
<td>USG/MWD</td>
<td>60</td>
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<tr>
<td>CBMWD Recycled Water Expansion</td>
<td>CBMWD</td>
<td>500</td>
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<tr>
<td>Santa Margarita River Conjunctive Use</td>
<td>SDCWA</td>
<td>3,100</td>
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<tr>
<td>East County Advanced Water Purification</td>
<td>SDCWA</td>
<td>11,600</td>
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<td>San Diego Pure Water Program - North City Phase 1</td>
<td>SDCWA</td>
<td>33,600</td>
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<tr>
<td>Carlsbad Seawater Desalination</td>
<td>SDCWA</td>
<td>56,000</td>
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<tr>
<td>Carlsbad MWD portion of Carlsbad Seawater Desal.</td>
<td>SDCWA</td>
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<td>-Vallecitos WD portion of Carlsbad Seawater Desal.</td>
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<tr>
<td>Huntington Beach Seawater Desalination</td>
<td>MWD/OC</td>
<td>56,000</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>160,860</strong></td>
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170 TAF
MET Board Adopted IRP Policy Principles (July 2017)

1. Metropolitan should take an active role in identifying and evaluating local resource and conservation opportunities within its service area.

2. Metropolitan should have multiple approaches and avenues available for developing and implementing local resources and conservation in cooperation with local agencies and entities.

3. Metropolitan should evaluate the feasibility and effectiveness of direct investment and development of regionally beneficial local resources and conservation where appropriate.

4. Metropolitan should include the consideration of sustaining and/or recovering production from existing projects and programs in its approaches to developing local resources and conservation.

5. Evaluations of regional investments in local resources and conservation should, at a minimum, include consideration of:
   a. Type and source of water supply
   b. Measurable water supply yield or demand reduction
   c. Impacts, positive or negative, to Metropolitan system redundancy or emergency risk
   d. Impacts, positive or negative, to existing Metropolitan system investments and developed system capacity
   e. Total cost elements
   f. Metropolitan financial exposure and revenue recovery
5. Metropolitan’s operational and administrative policies should not adversely impact regional efforts to develop local resources and conservation.

6. State and federal mandates should be a consideration but not be a bar to Metropolitan’s participation in local resource and conservation development provided that the effect of the mandate is consistent with regional IRP targets.

Local Resources Long-Term Policy Discussion

- How do future local resources fit into the Local Resources Program (LRP)?

- How should Metropolitan refine its role in the overall development of local resources?
Long-Term Policy Discussion

Evaluation of Projects within the LRP

Impact on MET system
Regional vs. Local Benefits
How different water sources fit in
Pay for Production
Location
Financial Exposure
Project Size

Long-Term Policy Discussion

Encouraging Local Resources

Cost Effectiveness vs. MET rate
Alternative Incentive Rates
Direct Investment
Alternative Tools
Local Resources beyond LRP
Interaction with Mandates
<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Action Description</th>
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<tr>
<td>October 2018</td>
<td>MET Board will take action to establish an interim LRP target</td>
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<tr>
<td>Early 2019</td>
<td>Additional Local Resources Program refinement recommendations to the MET Board</td>
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<tr>
<td>Mid/Late 2019</td>
<td>2020 IRP update will commence</td>
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