

Proposed Pilot Program Between MWDOC & IRWD



MWDOC Planning and Operations Committee
August 6, 2018

Agenda



- 💧 Purpose of the Pilot Program
- 💧 Overview of the Proposed Pilot Program between MWDOC & IRWD
- 💧 Benefits of the Pilot Program
- 💧 Description of IRWD's "Strand Ranch" Water Bank
- 💧 Proposed Next Steps

Agenda



Purpose of the Pilot Program

- 💧 Provides MWDOC retail agencies with reliability “Insurance” to access extraordinary supplies during MET Drought Allocation or during emergency conditions
- 💧 Helps mitigate some of the supply uncertainty until the CA WaterFix is operational
- 💧 Avoid paying expensive MET allocation surcharge (i.e. Penalty) (Costs vs. Benefits)



Allocations & Extraordinary Supply



- 💧 **Water Supply Allocation Plan**
 - 💧 Under MET’s Water Supply “Condition 3” establishes a member agency supply allocation (90% to 50% Allocation = 10% to 50% imported supply Reduction)
- 💧 **IRWD’s Strand Ranch Bank Water is categorized by MET as an “Extraordinary Supply”**
 - 💧 Water supply beyond the amount allocated to a member agency
 - 💧 Intended to increase water supplies to the region during an allocation that does not originate from MET
 - 💧 Improves MWDOC’s reliability

Overview of the Pilot Program



- 💧 **Term:** Seven years (no opt-out)
- 💧 **Amount:** 5,000 AF from IRWD Water Bank

MWDOC administers the pilot program for retail agencies

IRWD manages the water bank facilities

MWDOC secures annual option for the right to call on the water

If called, MWDOC, on behalf of retail agencies*, pays IRWD for the actual water delivered



* Actual delivery charges will be the responsibility of agency needing water.

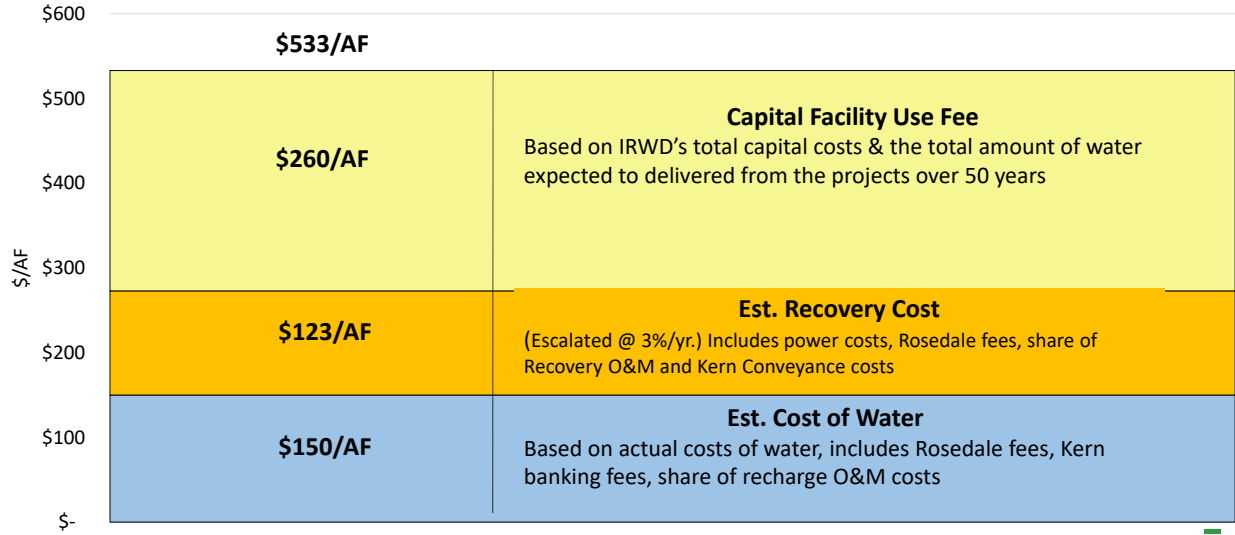
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Fees, Charges & Costs

- 💧 **Set Up Fee**
 - 💧 \$1 per AF (one-time payment)
- 💧 **Annual reservation charges**
 - 💧 \$25 per AF for 7 years (no opt out)
- 💧 **Extraction and deliveries costs**
 - 💧 \$533 per AF (only if called)

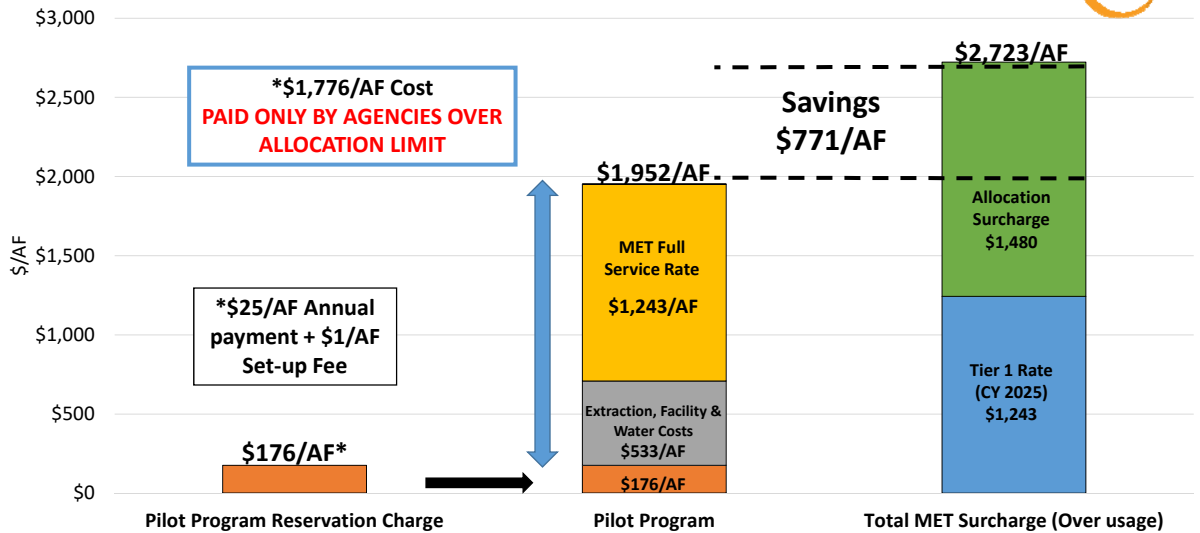


Proposed Extraction & Delivery Charges (Estimated Year 7)



Pilot Program Cost Comparison

Under MET Drought Allocations
If called upon in 7th Year (2025)



Program Costs & Potential Cost Avoidance (5 TAF Call)

PROGRAM AGGREGATE



TERM (Yrs)	FIXED COSTS (Premium Payments)	TOTAL PROJECT COST (with Water Purchase)	TOTAL MET COSTS (Water Purchase + Surcharge)	POTENTIAL COST AVOIDANCE	RATIO (COST AVOIDANCE divided by FIXED COSTS)
	A	B	C	D = C - B	D ÷ A
5	\$ 630,000	\$ 9,140,137	\$ 12,881,316	\$ 3,741,179	5.94
7	\$ 880,000	\$ 9,760,437	\$ 13,615,201	\$ 3,854,764	4.38
9	\$ 1,130,000	\$ 10,417,887	\$ 14,425,760	\$ 4,007,873	3.55
13	\$ 1,630,000	\$ 11,845,056	\$ 16,277,534	\$ 4,432,478	2.72
17	\$ 2,130,000	\$ 13,402,304	\$ 18,391,759	\$ 4,989,455	2.34

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Average MWD OC Retail Member Agency Example

1-Year Premium Costs



- 💧 "Average" Retail Agency
 - 💧 Accounts for 4% of MWD OC's Annual Imported Water Purchases
 - 💧 25 Retail MAs
- 💧 Fixed Costs: 1-year premium cost
 - 💧 **\$5,029**
- 💧 Total Water Costs: With 5,000 AF call
 - 💧 **\$9,760,437**
- 💧 Potential Cost Avoidance:
 - 💧 **\$3,854,764**
- 💧 Ratio (Cost Avoidance : Fixed Costs)
 - 💧 **767 : 1**

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Average MWDOC Retail Member Agency Example

1-Year
Premium Costs



- 💧 How likely is it that One “Average RMA” would trigger a 5 TAF allocation overage and the Extraordinary Supply purchase?
- 💧 Not very - They would have to increase instead of decrease their volume of normal water purchases
- 💧 More reasonable scenario would be that Six Average RMAs reduce their use of imported water by only 6% instead of the required 15%
- 💧 With six Average RMAs sharing the costs of the Extraordinary Supply purchase the Ratio of Avoided Cost Divided by Premium Cost goes from 767:1 to 128:1



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Pilot Program Benefits



- 💧 Increases water supply reliability during Drought allocation or emergency conditions
 - 🔥 Access to Extraordinary Supplies
- 💧 “Inexpensive” “insurance”
 - 🔥 Pay for the full cost & delivery of this water only when you need it
 - 🔥 Significantly less expensive than paying the MET Allocation surcharge
 - 🔥 Significantly less expensive than developing own facility
- 💧 Proportional Coverage for ALL MWDOC Retail MAs
- 💧 Institutional Structure & Assets are already in place and tested



Agreements in Place to Delivery this Water

💧 The *Coordinated Operating and Exchange Agreement (2011)*:

- 💧 Allows IRWD to secure SWP water to store in IRWD Water Banks
-or- in Southern California
- 💧 MWD can borrow SWP supplies from IRWD
- 💧 Water qualifies as Extraordinary Supply



💧 The *Template Wheeling Agreement**:

- 💧 Allows access to MWD facilities to transport non-SWP water;
- 💧 Must be executed for each transaction;
- 💧 Water qualifies as Extraordinary Supply

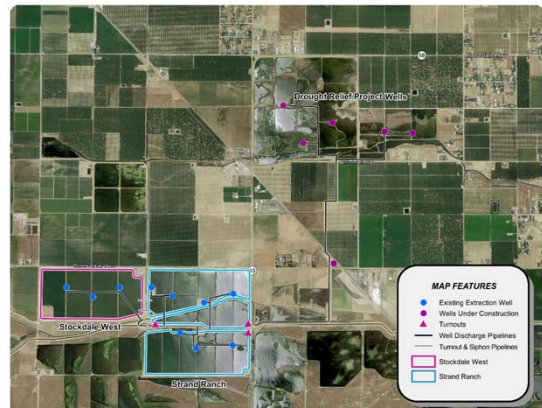


[*] A pilot Wheeling Agreement for delivering 1,000 AF was executed in June 2014



Description of “Strand Ranch” Water Bank

- 💧 **Aquifer:** 126 TAF of storage
- 💧 **Land:** 761 acres for recharge, 45,000 AFY
- 💧 **Water Supply:** Unbalanced exchanges
- 💧 **Recovery:** 13 wells, 70 cfs, 29,000 AFY
- 💧 **Conveyance:** 3 turnouts with access to the California Aqueduct and Cross Valley Canal



Recap of Pilot Program Operational Conditions



Project Operational



Water already
in the ground



Existing Contracts



Extraordinary Supply
was approved during
last allocation period

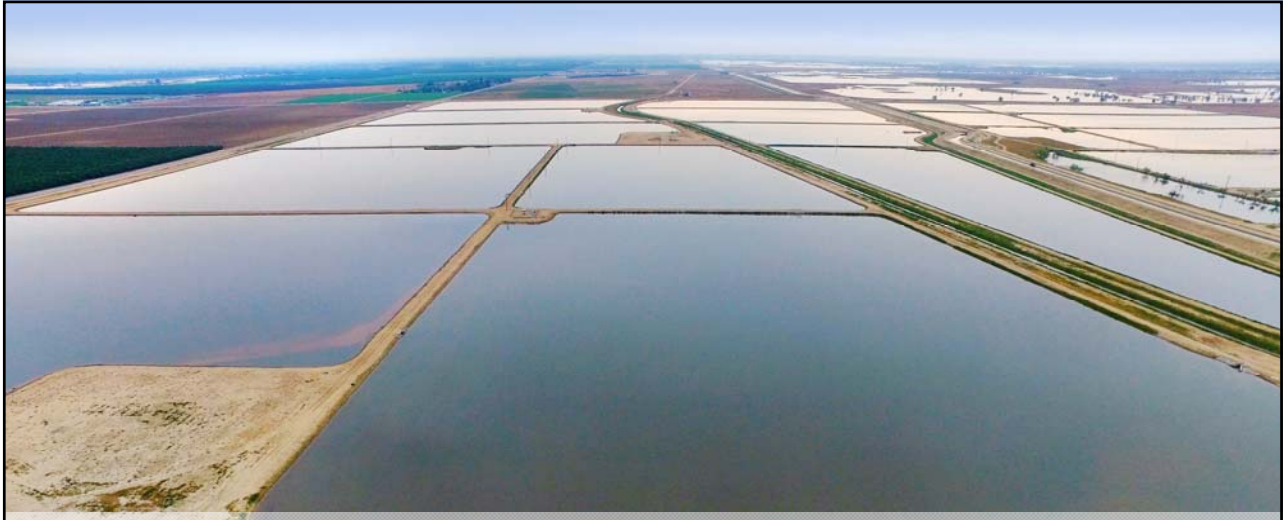
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Proposed Next Steps



- 💧 Seek feedback and direction from the MWDOC P&O Committee
- 💧 Discuss the proposed Pilot Program with the MWDOC Member Agencies
- 💧 Start developing a Draft Pilot Program Agreement between MWDOC and IRWD
- 💧 Develop a MWDOC Drought Reliability Program for review and consideration
- 💧 Include this Pilot Program in the evaluation of projects for the O.C. Reliability Study





Discussion