



Policy Implications of the Preliminary Gap Analysis

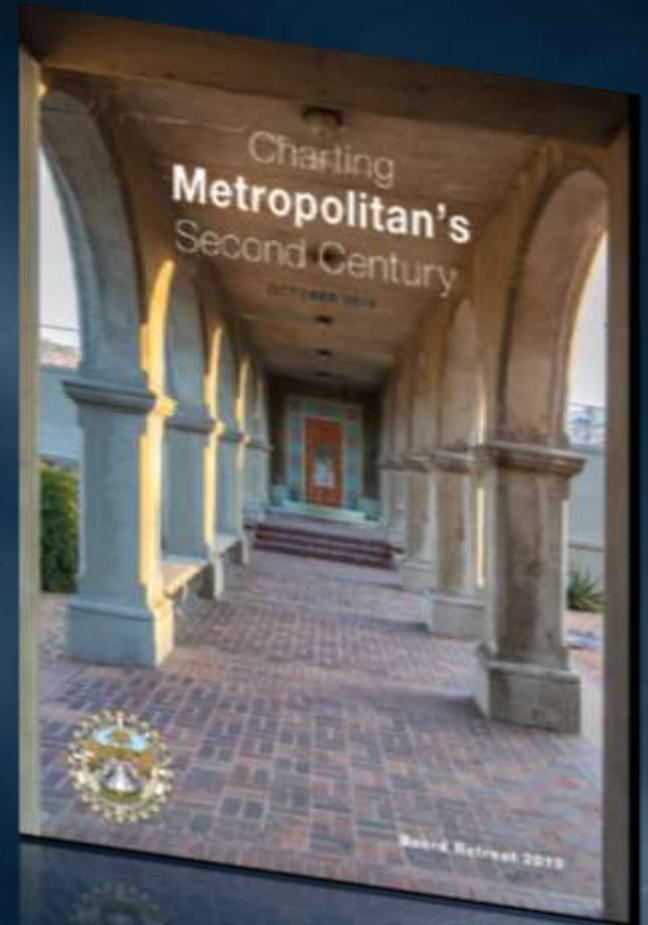
Integrated Resources Plan Special Committee
Item 6c

December 15, 2020

Overview

- IRP Scenarios and Areas of Policy Discussion
- Insight from Preliminary Gap Analyses
- Next Steps
- Discussion

IRP Policy Discussions Began During 2019 Board Retreat



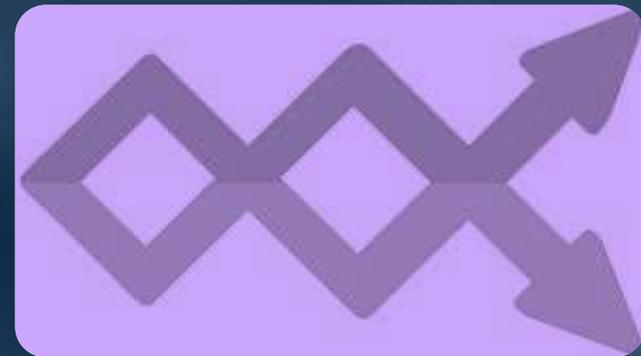
Areas of Policy Discussion

- Advancing Metropolitan's role in influencing reliability outcomes in the future
- Being prepared for increased or decreased dependence on imported water by the region and by member agencies
- Being prepared for climate change and other uncertainties affecting supply and demand
- Balancing resource reliability priorities with financial sustainability concerns



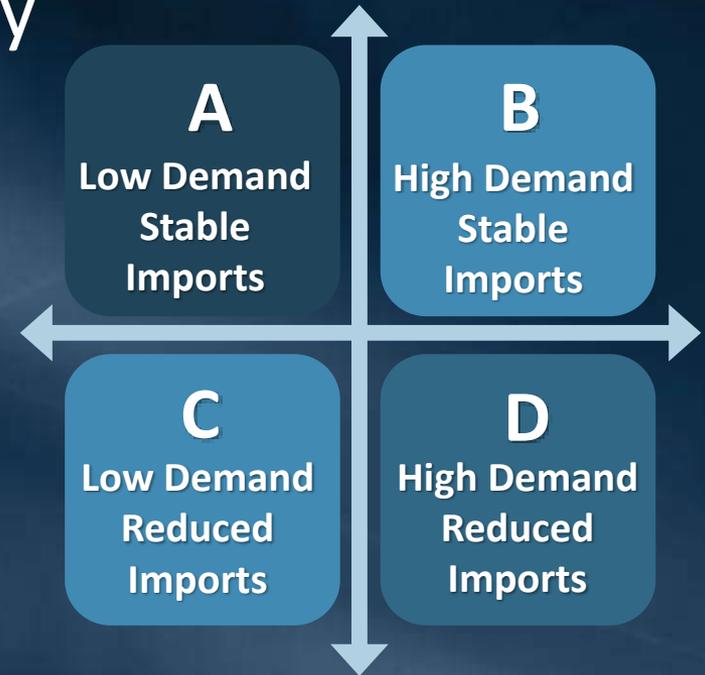
Using Scenarios to Inform Policy

- Moved from single forecast to scenario planning
- Built scenarios around drivers of supply and demand with greatest impact and greatest uncertainty
- Looking at the preliminary gap analyses for all four scenarios together reveals important insight



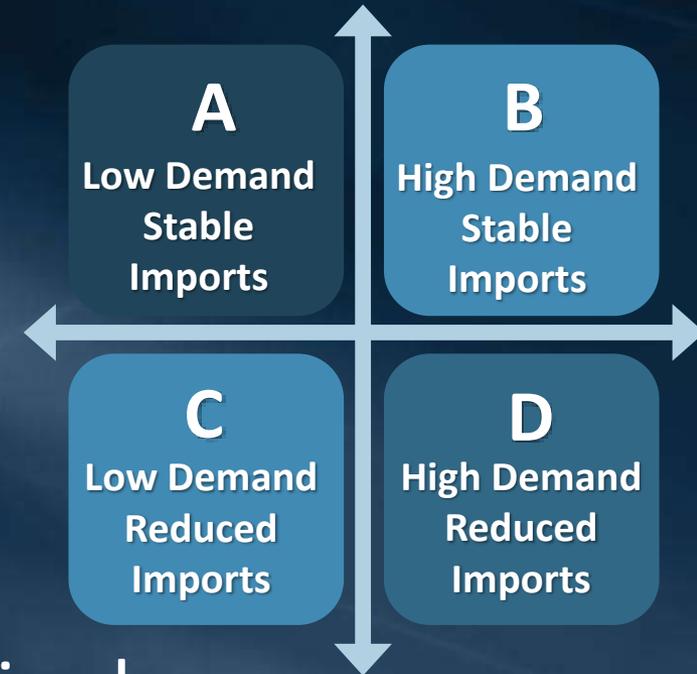
Insight from Preliminary Gap Analyses

- Actions we must take will vary based on the scenario
 - **We will not know what scenario will unfold**
- Protect both local and imported supplies
- Regional demands are a big factor under all scenarios
- May need to broaden view of reliability



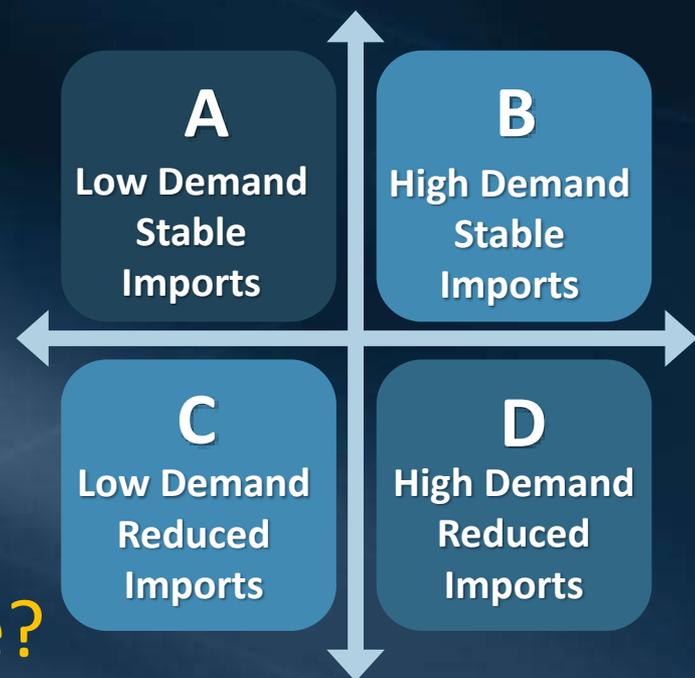
Protect Local and Imported Supplies

- Maintaining existing supply capabilities is important
 - How to ensure that existing supplies are maintained?
- Local supplies are essential
 - How to ensure local projects are developed and perform as planned?
- Potential loss of imported supplies have significant impacts
 - How to minimize impact from climate change and regulatory risks?



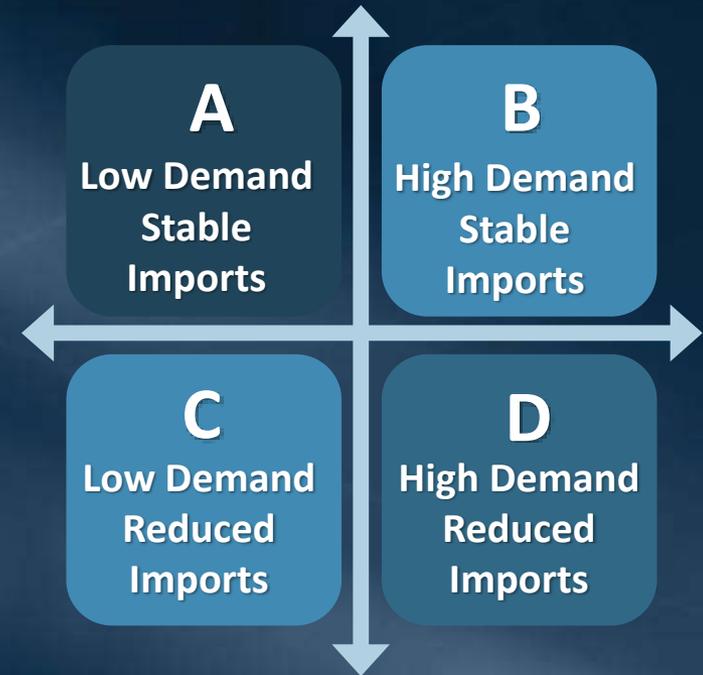
Regional Demands Are a Big Factor

- Water use efficiency and behavior have a large impact on the “gap”
 - How to plan for reliability with significant uncertainty in water demands, while being financially sustainable?
- Lower total demands are easier to manage but also put stress on financial sustainability
 - Need to coordinate with rate refinement process



May Need to Broaden View of Reliability

- Previous IRPs considered reliability under “foreseeable hydrologic conditions”
- Scenario planning is now looking at reliability under more factors than hydrology (e.g., climate change, regulatory, demographic)
- Need to discuss appropriate reliability goal



Next Steps

- Begin a focused policy discussion in January
 - Suggested to start with a guiding principle on reliability goal

Discussion



Policy Questions Presented at the October 2019 Board Retreat

Questions (1 of 3)

- The IRP to date has sought to prepare Metropolitan to withstand an over-dependence on importing supplies. It has looked at Metropolitan as a provider of a baseline service. Should the process to update the IRP in 2020 maintain this premise?
- Or should it prepare for the opposite, a decreased dependence on imported water?
- If demand projections show an expected consistent decline, should Metropolitan reduce the level of services it provides to its member agencies or continue to standby ready to provide an increased level of service when it becomes necessary, much like an insurance policy?

Questions (2 of 3)

- If sustainable imports are higher than demands, does Metropolitan continue to incentivize local supplies and conservation? Or should Metropolitan be investing in projects like Delta Conveyance or Regional Recycling? How does Metropolitan recover costs in this framework?
- Is the current financial structure appropriate if demands continue to drop?

Questions (3 of 3)

- At what point do we think we are reliable enough?
- How do we prepare for climate change and longer droughts? How do we collect revenues for that preparation?

Policy Questions Presented at the February 2020 Board IRP Committee Meeting

Policy Topics



- What level of water supply reliability should Metropolitan target for the region?
- Should Metropolitan assume a new role in assuring that local agencies can fully access the regional network? (Resilience)

Sample Resilience Definitions



- The ability to anticipate, prepare for, and adapt to changing conditions and withstand and recover rapidly from disruptions.
(U.S. Presidential Policy Directive #21, 2013)
- The capacity to survive, adapt, and grow no matter what kinds of chronic stresses and acute shocks are experienced
(Welsh Water Resilience Framework, 2014).
- The ability to absorb, accommodate, or recover from the effects of a hazardous event in a timely and efficient manner, including through ensuring the preservation, restoration, or improvement of its essential basic structures and functions
(SB 45 “Resilience Bond”, 2020)
- The ability of a system to absorb and rebound from shocks
(MWD Seismic Resilience First Biennial Report)

Policy Discussion (cont.)



- What role should Metropolitan take in assisting the region to plan for and comply with water conservation legislation?
- How should Metropolitan account for member agency local supply plans and incorporate potential Regional Recycled Water Program?

Policy Discussion (cont.)



- As supplies and demand come into balance for the region, should Metropolitan continue to fund water efficiency and local projects at the same level as now?

Policy Questions Presented at the April 2020 Board IRP Committee Meeting

Key Policy Areas



Key Policy Areas – Reliability

- Reliability goal initially set in 1996 IRP

100% Reliable 80% of the time
No more than a 20% cut 20%
of the time



100% Reliable under
predictable hydrologic
conditions

- We plan to bring different ways to address a reliability goal as part of this process
 - Has the implementation of the Water Supply Allocation Plan changed our opinions on what a reliability goal should be?
- Resiliency goal
 - What does this look like and how is it different from reliability?

Key Policy Areas – Institutional

- Metropolitan's approach to encouraging local supplies has evolved over the years
- How can Metropolitan influence these outcomes better in the future?
 - Do we continue to incentivize local supply programs?
 - Do we invest directly in local supply programs?

Key Policy Areas – Cost

- IRP process will identify resource mixes and actions for each scenario
 - General cost information will be developed for each scenario
- We recognize the IRP effort will feed into the rate refinement process
 - Is the development of general cost information adequate? Is more needed?